

Fiscal Forecast School Operating Fund



**SCHOOL BOARD & BOARD OF SUPERVISORS
JOINT WORK SESSION**

NOVEMBER 25, 2014

Preliminary Information for Planning Purposes Only - No School Board Action Has Been Taken

Looking Back

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**WHILE EXPERIENCING CONTINUED
ENROLLMENT INCREASES AND SHIFTS IN
STUDENT DEMOGRAPHICS, FCPS TOOK
SIGNIFICANT BUDGET REDUCTIONS**

Looking Back: Student Enrollment

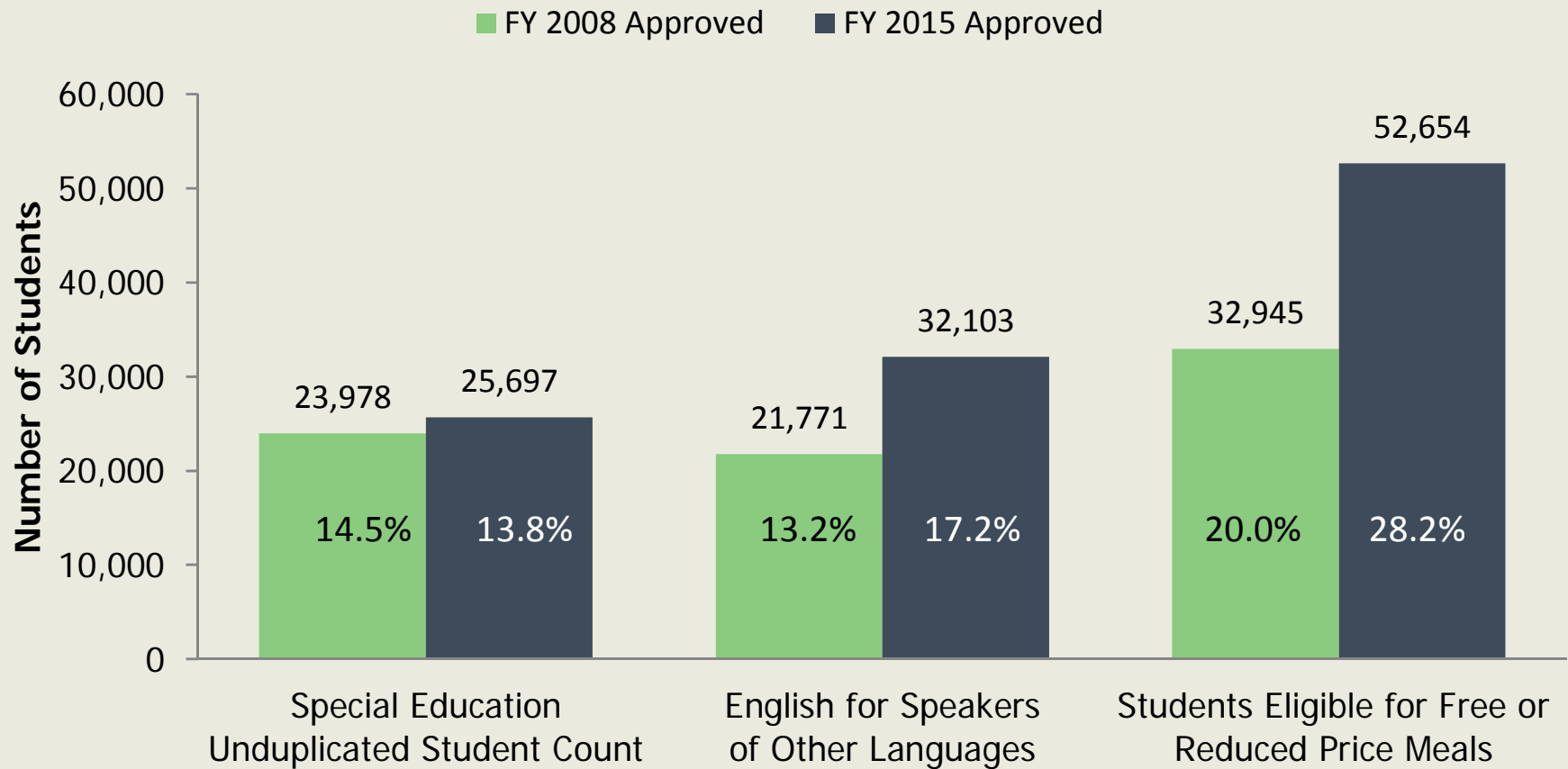
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Looking Back: Changing Demographics

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Student Demographic Trends and Percent of Total Enrollment

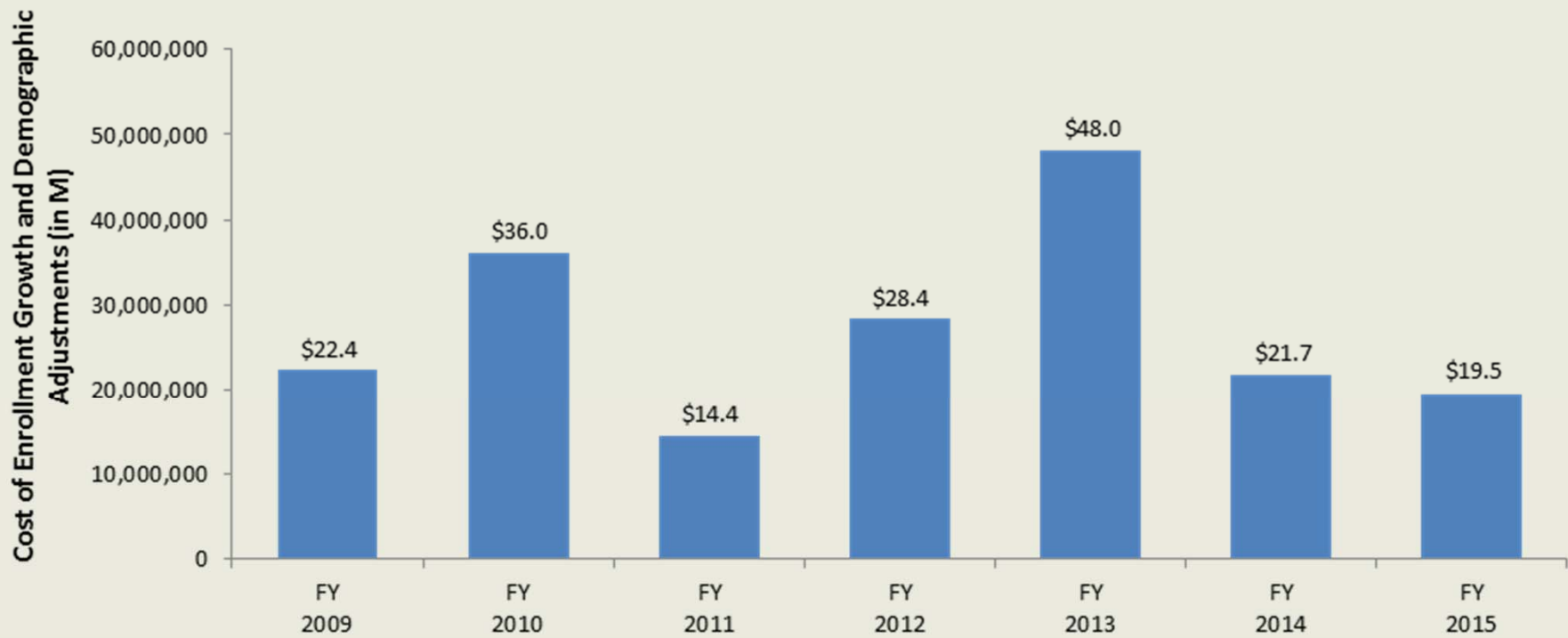


Looking Back: Enrollment Growth

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- Since FY 2008 FCPS' enrollment increased by nearly 22,000 resulting in increased costs of more than \$190 million

Cost of Enrollment Growth
and Demographic Adjustments



Looking Back: Budget Reductions

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- **Since FY 2008**

- FCPS identified nearly \$435 million in budget savings and reductions including the elimination of more than 2,175 positions
 - ✦ Significant reductions to central office and school support
 - ✦ Class size was increased 3 times resulting in an increase of 1.5 - 2.0 students per teacher
 - ✦ Programs were eliminated or redesigned

FCPS Budget Summary							
<i>(\$ in millions)</i>	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Budget Reductions	-\$54.5	-\$77.6	-\$40.4	-\$76.7	-\$27.9	-\$60.0	-\$97.8
Cumulative Total	-\$54.5	-\$132.1	-\$172.5	-\$249.2	-\$277.1	-\$337.1	-\$434.9

- **Compensation actions**

- ✦ Contract-length reductions for more than 3,000 employees
- ✦ Pay frozen in FY 2010 and FY 2011
- ✦ No step increases in FY 2010, 2011, 2013, and 2014

Looking Forward

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TO FY 2016 AND BEYOND

Looking Forward: Strategic Plan

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- **Strategic Plan Process**

- During the 2013-2014 school year, the division partnered with ECRA Group, Inc. to develop a strategic plan to document the current state of the division and determine a future direction.
- The strategic planning process asked Board members to participate in interviews and stakeholders to participate in focus groups and surveys.
- Approximately 30,000 stakeholders provided input during the strategic planning process.
- The final strategic plan will provide a framework for planning and decision-making.
- Funding may be needed for initiatives identified as the Strategic Plan is developed and implemented

Budget Drivers for the Foreseeable Future

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- **Growing Student Population with Diverse Needs**
 - Student enrollment continues to increase and student demographics continue to shift, reflecting increased needs
- **Competitive Compensation**
 - Employee salary increases are a divisionwide priority and FCPS behind in competitiveness in the region
 - Virginia Retirement System rates are set by the state and will increase substantially in both FY 2017 and FY 2019
- **Limited Revenue Growth**
 - The use of one-time money to meet ongoing needs has resulted in a structural deficit that needs to be eliminated
 - State funding for K-12 remains below FY 2009 level and is at risk as the state must address a significant revenue shortfall in FY 2016. Policy shifts have reduced funding for FCPS, and the Local Composite Index will be recalculated for FY 2017 and FY 2019.

FY 2015 Salary Comparisons

Starting Teacher Salaries* FY 2015		Teacher Salaries Beginning 10th Year + Master Degree* FY 2015		Maximum Teacher Salaries* FY 2015	
Division		Division		Division	
Falls Church City	\$48,500	Arlington	\$77,093	Arlington	\$111,260
Arlington	\$48,228	Alexandria City	\$76,626	Prince William	\$109,609
Loudoun	\$47,500	Falls Church City	\$68,541	Alexandria City	\$107,259
Alexandria City	\$47,242	Montgomery, MD	\$67,723	Manassas Park City	\$106,321
Fairfax	\$46,756	Prince George's, MD	\$64,776	Montgomery, MD	\$105,189
Montgomery, MD	\$46,410	Prince William	\$62,482	Loudoun	\$104,105
Prince George's, MD	\$46,380	Manassas City	\$61,642	Falls Church City	\$103,960
Manassas City	\$46,078	Fairfax	\$61,253	Manassas City	\$103,497
Prince William	\$45,998	Loudoun	\$60,086	Fairfax	\$100,898
Manassas Park City	\$44,490	Manassas Park City	\$58,373	Prince George's, MD	\$100,775

Source: FY 2015 WABE Guide

*Of the Virginia school divisions impacted by the mandated VRS shift and corresponding salary increase, all divisions except Loudoun and Prince William have completed the full 5 percent increase; Loudoun and Prince William have only completed 3 percent.

Virginia Retirement System Employer Rates

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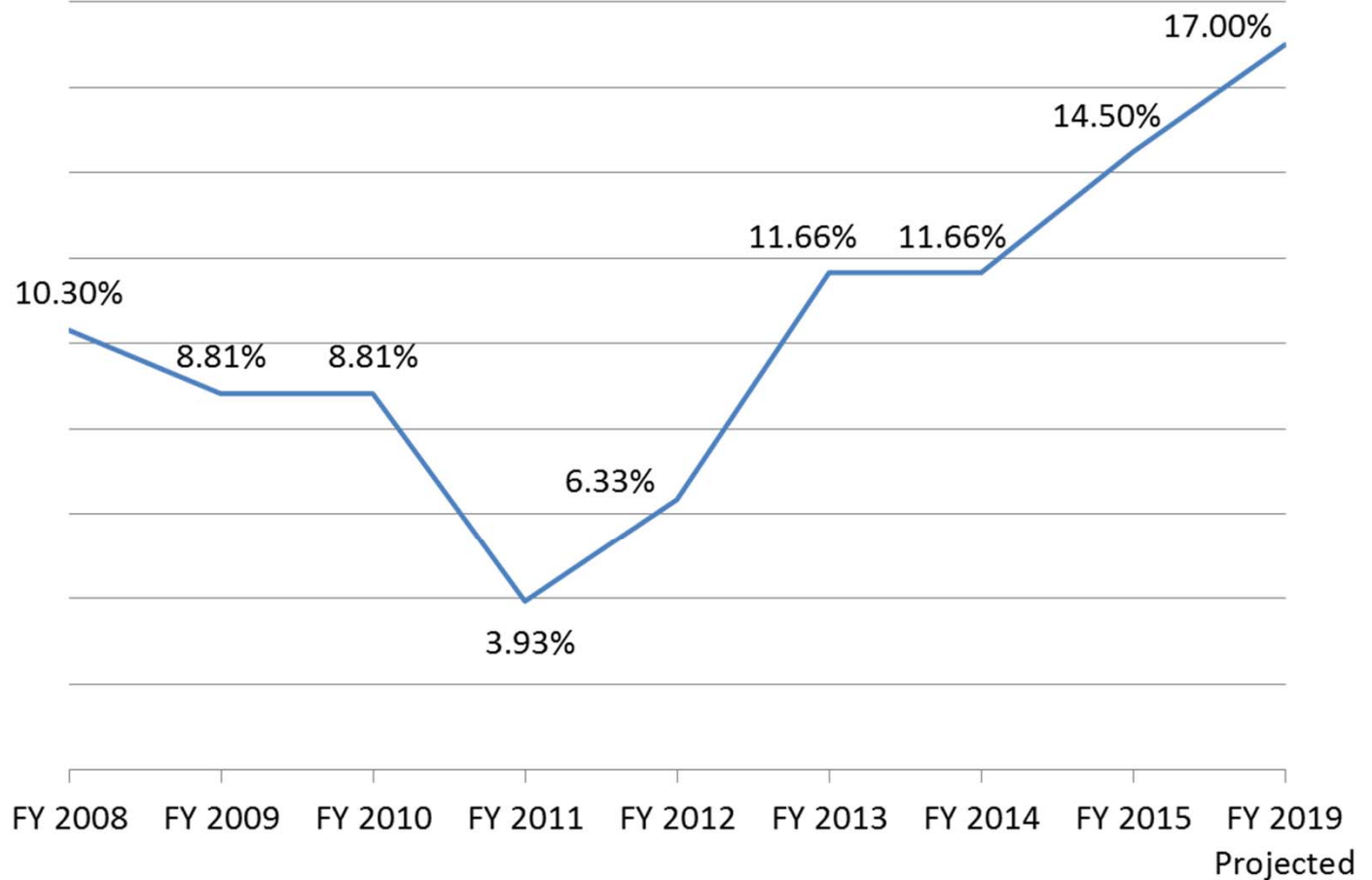
VRS rates were artificially lowered in FY 2011 to help balance the state budget

However, state law requires fully funding the actuarial rate by 2019-2020

VRS funded status for teachers as of June 30, 2013 was 62.1%

VRS Employer Contribution Rate

FY 2008 - FY 2015 Actual and FY 2019 Projected

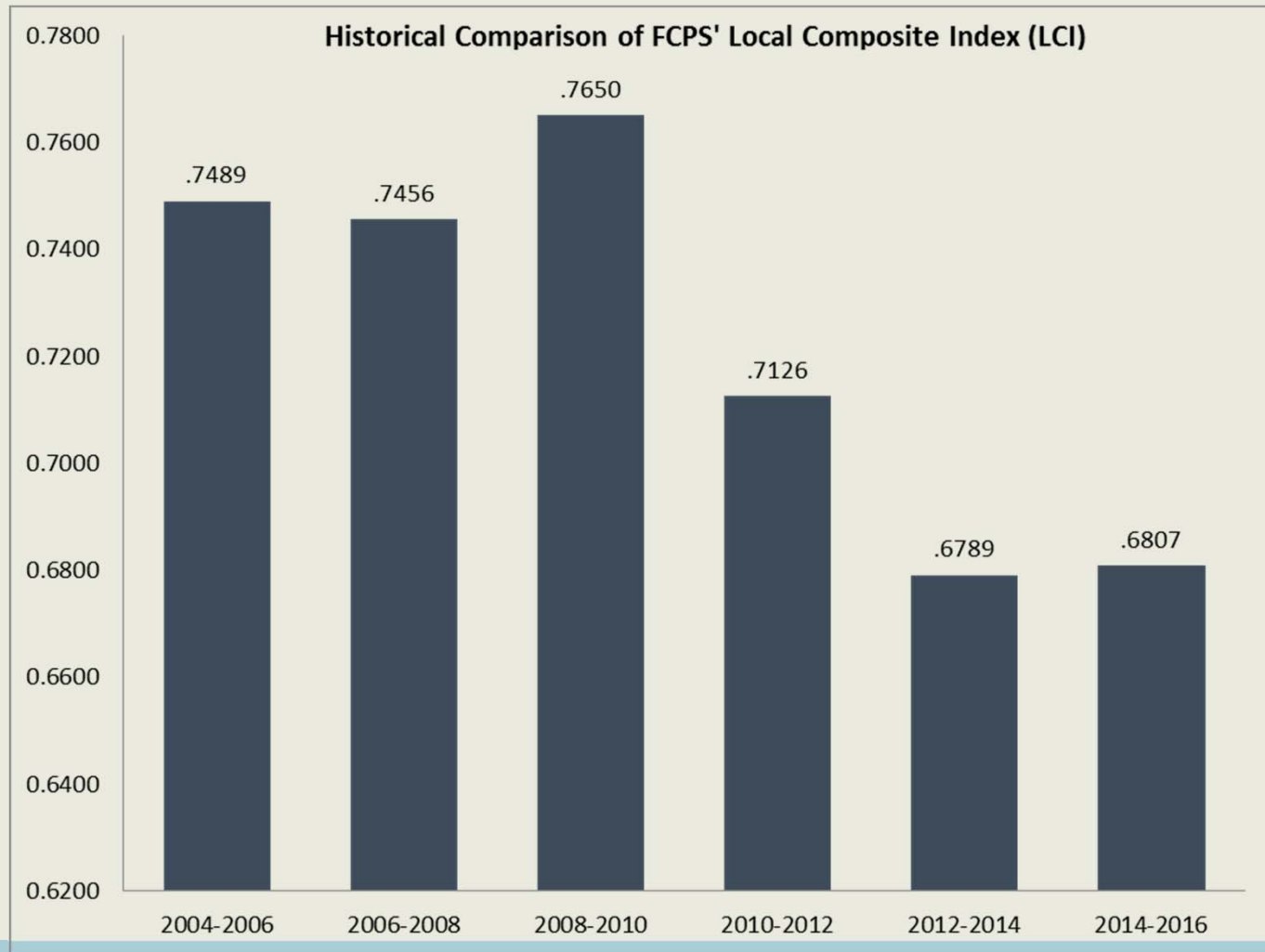


Local Composite Index Adjusts in FY 2017 and FY 2019

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Arlington, Alexandria, Fairfax City, and Falls Church City have an LCI at the cap of .8

Of the five Northern Virginia jurisdictions not already at the cap of 0.8, four saw an increase in their LCI for FY 2015 which resulted in a decrease in state funding



FY 2016 Fiscal Forecast

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PRELIMINARY FORECAST

State Budget – Ominous News

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THE FREE LANCE-STAR

More school cuts possible, Virginia legislators say

BY VANESSA REMMERS / October 26th, 2014, 9:36 pm

“While K–12 education avoided recent state budget cuts, school board members should still keep something in their back pockets because additional cuts may be coming, the legislators said.”

RICHMOND TIMES-DISPATCH

Legislator warns Henrico officials of tough budget times ahead

By TED STRONG | Posted: Wednesday, November 5, 2014 10:30 pm

“It’s possible that the state’s K-12 education system could suffer cuts... State Sen. Walter A. Stosch, R-Henrico and chairman of the Senate Finance Committee, noted that cuts made so far have spared public school divisions but said that Henrico officials should not count on that continuing to be the case.”

FY 2016 Fiscal Forecast

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FY 2016 Fiscal Forecast Projections

<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change
Funds Available:			
Beginning Balance	\$ 48.5	\$ 27.8	\$ (20.7)
County Transfer (shown as level to project need below)	1,768.5	1,768.5	-
State Revenue - Impact of Final FY 2015 State Adoption	405.9	401.4	(4.5)
State Revenue - Impact of Enrollment Growth		3.6	3.6
State Revenue - Reduction Placeholder		(19.4)	(19.4)
Sales Tax	173.8	178.8	5.0
Federal Aid	42.0	42.0	-
Fairfax City and Other Revenue	61.6	62.8	1.2
Funds Available	\$ 2,500.3	\$ 2,465.5	\$ (34.8)
Textbook Reserve Beginning Balance	\$ 3.5	\$ 6.1	\$ 2.6
Total Funds Available	\$ 2,503.8	\$ 2,471.6	\$ (32.2)

FY 2016 Fiscal Forecast

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FY 2016 Fiscal Forecast Projections

<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change from FY 2015
Expenditures:	\$ 2,468.8	\$ 2,468.8	\$ -
Enrollment and Demographic Changes			
Enrollment Growth/Student Demographics		21.3	21.3
Compensation			
Impact of Delayed Step from FY 2015		10.4	10.4
Base Savings (due to turnover)		(27.0)	(27.0)
Step Increase		39.8	39.8
MSA 1%		19.6	19.6
Benefit Rate Increases (Includes health and FCERS)		2.8	2.8
State Benefit Rate Changes		(2.8)	(2.8)
Other Post Employment Benefits		(3.5)	(3.5)

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FY 2016 Fiscal Forecast

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FY 2016 Fiscal Forecast Projections

<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change from FY 2015
Full-Day Mondays (less contract length reductions)		6.3	6.3
Blueprint for Change		4.9	4.9
Division Reorganization Savings		(0.6)	(0.6)
Contractual, Buses, and Leases		8.6	8.6
Transfers Out	28.9	31.1	2.2
Summer School, FECEP, Construction, and Adult ESOL			
Total Projected Expenditures	\$ 2,497.7	\$ 2,579.7	\$ 82.0
Textbook Reserve Ending Balance	\$ 6.1	\$ 8.8	\$ 2.8
Projected Deficit Prior to County Transfer	\$ -	\$ (117.0)	\$ (117.0)
County Transfer of 3.0%		\$ 53.1	\$ 53.1
Projected Deficit After 3% Transfer Increase	\$ -	\$ (63.9)	\$ (63.9)

FY 2016 Unfunded Needs

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**NOT INCLUDED IN FORECASTED SHORTFALL
PRESENTED FOR FY 2016**

FY 2016 Unfunded Identified Needs

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- **Lower Class Size**
 - Class sizes have increased three times during the economic downturn
 - Large class sizes are a challenge for students and teachers
- **Family and Early Childhood Education Program**
 - Expanding programs to eliminate the waiting list for pre-k services for students at risk is a countywide goal
- **Student Technology and Connectivity**
 - Students need access to technology and the internet at school and at home in order to learn and to compete in the world
- **Innovation**
 - Funding to ensure FCPS' capacity to confront emerging needs, issues, and opportunities

FY 2016 Unfunded Identified Needs

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- **Infrastructure**
 - Preventive and Major Maintenance
 - ✦ Recurring funding is essential to reduce long-term costs and extend the life of major systems
 - Replacement Equipment, Buses, and Vehicles
 - ✦ FCPS does not currently have funding set aside for ongoing replacement of computers, technology equipment, and vehicles
 - ADA Compliant Playgrounds
 - ✦ While playgrounds are addressed when buildings are renovated, because of the length of time in the renovation cycle, FCPS has playgrounds that need changes to meet ADA requirements

FY 2017 and Beyond

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SIGNIFICANT COST DRIVERS CONTINUE

**STRATEGIC PLAN WILL PROVIDE A FRAMEWORK
FOR PLANNING AND DECISION-MAKING**

Budget Drivers – FY 2017 and Beyond

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- **Local Composite Index**
 - Will be recalculated which will likely reduce state funding
- **Enrollment and Student Demographics**
 - Projected increase in total students with continued increase in students who receive additional support and services
- **Virginia Retirement System Contributions**
 - Will increase from 80% to 90% of the actuarial rate
- **Health Insurance Costs**
 - Projected to increase 6% annually
- **Salary Increases**
 - Priority is to provide employees with predictable salary adjustments annually

FY 2017 Preliminary Forecast Summary

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FY 2017 Preliminary Forecast Projections

<i>(\$ in millions)</i>	Change From FY 2016
Funds Available:	
Beginning Balance	\$ (27.8)
County Transfer (shown as level to project need)	-
State Revenue - Impact of Enrollment Growth	3.6
State Revenue - Reduction Placeholder	(13.4)
Sales Tax	5.4
Federal Aid	-
Fairfax City and Other Revenue	1.3
Total Projected Funds Available	\$ (30.9)

FY 2017 Preliminary Forecast Summary

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FY 2017 Preliminary Forecast Projections	
<i>(\$ in millions)</i>	Change From FY 2016
Expenditures:	
Enrollment and Demographic Changes	\$ 21.3
Compensation	
Base Savings (due to turnover)	(28.6)
Salary Increases (Step + 1% MSA)	62.3
Benefit Rate Increases (Includes VRS and health)	40.0
Logistics	4.7
Transfers Out	(2.3)
Summer School, FECEP, Construction, and Adult ESOL	
Identified Instructional Needs	???
Total Projected Expenditures	\$ 97.4
Projected Deficit Prior to County Transfer	\$ 128.3

Planning for a Sustainable Future

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- Both the County and Schools have experienced many consecutive years of slow revenue growth, and program reductions and further cutbacks without significant programmatic impact are unlikely
- As such, the limited revenue growth outlook and the already pared down budget will challenge our ability to maintain the status quo in instructional programs and service delivery, as well as challenge our capacity to confront emerging needs, issues and opportunities