

## Response to Questions on the FY 2012 Budget

**Request By:** Supervisors Herrity and McKay

**Question:** Please provide additional information on the \$48.0 million “Reserve Available” on the School Operating Fund Statement.

**Response:** The following response was prepared by Fairfax County Public Schools:

The \$48.0 million listed as reserve available is the Virginia Retirement System (VRS) reserve and the employee compensation reserve established when the FY 2011 budget was adopted. As part of the FY 2011 Approved Budget, FCPS created the following two reserves: \$3.0 million Employee Compensation Reserve, to address employee compensation needs in FY 2012; and \$45.0 million Virginia Retirement System Reserve, to address future VRS payments.

The creation of a compensation reserve, approved by the School Board, acknowledged the need to competitively compensate employees, who have not received step or cost-of-living increases for the past two years. The creation of a VRS Reserve is the result of the state decision to decrease the VRS rate, in FY 2011 and FY 2012, to mitigate state budget cuts to localities with the condition that school systems are required to repay the deferred amounts with interest over a 10-year period, beginning in FY 2013. The state decision to decrease the VRS rate resulted in a lower contribution for FCPS of \$53.1 million for FY 2011. As part of the FY 2011 Approved Budget, and in anticipation of higher required contributions in future years, the School Board and County Board of Supervisors supported the creation of a reserve using the savings from the VRS rate decrease. The FY 2012 Advertised Budget reflects an ending balance in the VRS reserve of \$75 million, comprised of expenditure savings from both FY 2011 and FY 2012 due to the lower VRS rate, which is projected to be insufficient to meet the future actuarial rate increases and the required repayment.

Since the County has been responsibly funding their employees’ retirement, by creating a FCPS VRS reserve, the School Board and the Board of Supervisors have adopted a fiscally prudent approach to address the state decision to underfund VRS. The School Operating Fund Statement on the following page details both FY 2010 and FY 2011 approved budgets and the FY 2012 Advertised Budget as updated for the Board of Supervisors budget meeting with the School Board on March 15, 2011.

## School Operating Fund Statement

	FY 2010 Approved	FY 2011 Approved	FY 2012 Advertised Update
<b>BEGINNING BALANCE, July 1</b>	\$ 28,000,000	\$ 53,500,000	\$ 53,818,854
<b>Reserve Available:</b>			
VRS Reserve	\$ -	\$ -	\$ 44,993,007
Compensation Reserve	\$ -	\$ -	\$ 3,000,000
<b>REVENUE:</b>			
Sales Tax	\$ 153,051,225	\$ 140,077,108	\$ 153,068,859
State Aid	263,386,323	293,159,003	319,021,050
Federal Aid	83,969,708	67,871,188	63,197,897
City of Fairfax Tuition	35,114,599	35,433,040	35,433,040
Tuition, Fees, and Other	12,572,550	15,795,372	17,409,296
<b>Total Revenue</b>	<b>\$ 548,094,405</b>	<b>\$ 552,335,711</b>	<b>\$ 588,130,143</b>
<b>TRANSFERS IN:</b>			
Combined County General Fund	\$ 1,626,600,722	\$ 1,610,334,722	\$ 1,610,334,722
Requested Increase in Transfer	-	-	42,025,163
<b>Total Transfers In</b>	<b>\$ 1,626,600,722</b>	<b>\$ 1,610,334,722</b>	<b>\$ 1,652,359,885</b>
<b>Total Revenue and Transfers</b>	<b>\$ 2,174,695,127</b>	<b>\$ 2,162,670,433</b>	<b>\$ 2,240,490,028</b>
<b>Total Funds Available</b>	<b>\$ 2,202,695,127</b>	<b>\$ 2,216,170,433</b>	<b>\$ 2,342,301,889</b>
<b>EXPENDITURES:</b>			
VRS Rate Decrease in FY 2011	\$ 2,168,281,289	\$ 2,192,589,845	\$ 2,220,061,946
Employee Compensation Reserve Depletion	-	(53,100,000)	-
VRS Reserve Usage	-	-	6,000,000
	-	-	15,000,000
<b>Total Expenditures</b>	<b>\$ 2,168,281,289</b>	<b>\$ 2,139,489,845</b>	<b>\$ 2,241,061,946</b>
<b>TRANSFERS OUT:</b>			
Construction Fund	\$ 8,877,232	\$ 10,146,149	\$ 7,698,711
Grants and Self-Supporting Fund	20,802,445	14,367,709	14,367,709
Adult and Community Education Fund	958,836	400,000	400,000
Consolidated Debt Service Fund	3,775,323	3,773,723	3,773,523
<b>Total Transfers Out</b>	<b>\$ 34,413,836</b>	<b>\$ 28,687,581</b>	<b>\$ 26,239,943</b>
<b>Total Disbursements</b>	<b>\$ 2,202,695,127</b>	<b>\$ 2,168,177,426</b>	<b>\$ 2,267,301,889</b>
<b>ENDING BALANCE, June 30</b>	<b>\$ -</b>	<b>\$ 47,993,007</b>	<b>\$ 75,000,000</b>
VRS Reserve	-	44,993,007	75,000,000
Employee Compensation Reserve	-	3,000,000	-
<b>AVAILABLE ENDING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>