

## Response to Questions on the FY 2012 Budget

**Request By:** Supervisor McKay

**Question:** Why does FCPS appear to annually estimate expenditures significantly above its approved budget? Why does FCPS annually estimate available funds to be significantly less than its approved budget? Since 2003, FCPS has expended less than its approved budget by a minimum of \$22.5 million and a maximum of \$105.7 million. Why? Actual starting balances have exceeded FCPS adopted budgets by a minimum of \$52 million and as much as \$136 million annually. Why? Actual year-end balances have exceeded the adopted budget amounts by a minimum of \$98.7 million and as much as \$136.2 million annually. Why?

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

Due to the requirement to operate within a balanced budget, state and local governments typically end the year with an available balance to ensure that they meet revenue projections and do not exceed expenditure appropriations. As a result, FCPS, like Fairfax County Government, historically has ended each fiscal year with an ending balance. Included in the ending balance is carryover for encumbered obligations or undelivered orders which reflects orders for goods or services that have not been received or performed as of June 30. In addition, FCPS allows schools to carryover unspent funding from their supply and hourly accounts. This carryover encourages schools to use a multi-year planning effort to meet student needs.

FCPS has used multiple strategies to address budget shortfalls, including conserving resources and reducing spending during the fiscal year where possible. As a result of these actions taken during the fiscal year, the net funding available at year end is presented to the School Board as an available balance after commitments. Recently, this funding has been allocated for beginning balance instead of being spent for current year needs. For example, the available balance from FY 2010 totaled \$33.9 million after accounting for carryover, FCPS' \$8 million flexibility reserve, and \$53.5 million in budgeted beginning balance for FY 2011. The School Board elected to set aside the entire available balance towards the budgeted beginning balance for FY 2012. Each year, available balances are reviewed by the School Board and the County Board of Supervisors as part of their final budget review.

Since the approved budget for the upcoming fiscal year is adopted prior to the final budget review (carryover) being completed, each year the adopted budget is revised to reflect the impact of carryover. Both FCPS and Fairfax County Government therefore have revised (or estimated) budgets that exceed the approved budget.