

Response to Questions on the FY 2012 Budget

Request By: Supervisor Foust

Question: Please provide detail regarding the \$155 million in expenditure savings reflected in the FY 2011 Carryover. Specifically provide an explanation of the definition of undelivered orders, automatic carryover and unencumbered carryover and the expenses and funding associated with each category and how these categories differ in total from the previous two carryover reviews. Also, provide a detailed summary of expenditure savings that occurred in FY 2011 Carryover which make it possible to establish an additional reserve for FY 2013 in the amount of \$51 million. What part of the expenditure savings in FY 2011 that was used to establish the FY 2013 additional reserve of \$51 million is recurring?

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

Prior to accounting for the flexibility reserve, unexpended grants, and other commitments, the variance between the FY 2011 budget and actual expenditures totaled \$155.0 million. After accounting for those items, FY 2011 actual expenditures were \$56.9 million, or 2.5 percent, lower than the FY 2011 Third Quarter Estimate. Expenditures were lower than projected due to \$13.5 million in unspent multi-year grant awards that will be carried forward and reappropriated in FY 2012. The remaining savings occurred from compensation accounts due to greater vacancy and turnover than budgeted combined with continued efforts to conserve resources and achieve efficiencies resulting in lower compensation expenditures and savings in student transportation. These savings are nonrecurring because the FY 2012 budget has already incorporated the recognition of higher turnover through a decrease in the salary base, an increase in budgeted lapse, and reductions to student transportation.

When the expenditure savings are combined with the revenue shortfall of \$1.5 million, the total FY 2011 funds available is \$55.4 million. After the School Board's action to create a textbook fund that will be replenished with reductions to per-pupil allocations over the next six years as well as the establishment of a \$0.5 million placeholder for the School Board to discuss management audit activities and a placeholder of \$0.4 million for student discipline support, a total of \$51.6 million was set aside for the FY 2013 beginning balance. After setting aside this funding, a gap of more than \$27 million still remains in comparison to the one-time funding used to balance the FY 2012 budget.

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 for the next or for a future budget year instead of being spent for current year needs.

Following is a summary including definitions of the items comprising the ending balance and a comparison with the two previous carryover reviews:

Ending Balance Composition	FY 2009 (\$ in millions)	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)	Definition
Revenue	\$2,289.1	\$2,262.8	\$2,348.0	
Set Aside for Beginning Balance	\$5.7	\$23.9	\$33.9	This is funding set aside in a prior year for a future year beginning balance.
Total Funds Available	\$2,294.8	\$2,286.7	\$2,382.0	The total of revenue and funding set aside for future years' beginning balances.
Total Disbursements	\$2,176.7	\$2,097.0	\$2,121.8	The total expenditures and transfers out to other funds.
Ending Balance	\$118.1	\$189.7	\$260.2	Prior to actions at the final budget review
Less Actions from the Final Budget Review:				
Flexibility Reserve	\$8.0	\$8.0	\$8.0	The School Board flexibility reserve is normally maintained at \$8.0 million to meet unbudgeted needs. Any unused portion is carried forward to the next fiscal year with School Board approval. For this reason, the flexibility reserve is only reflected in the current year estimate and is not included in the approved budget totals.
Undelivered Orders	\$39.1	\$57.5	\$53.4	An obligation of funding for orders where goods or services have not been received or performed as of June 30.
Automatic Carryover	\$15.7	\$31.5	\$29.6	Unobligated funding from the current year that is moved forward to the next year. This form of carryover is reserved for schools and primarily covers their supply and hourly accounts. It allows schools the flexibility of multi-year planning for a portion of their funding and has been especially helpful during the economic downturn.
Unencumbered Carryover	\$3.4	\$5.3	\$7.0	See "automatic carryover" with the exception that this funding must be requested by the department and approved by leadership. Also referred to as "critical needs" carryover, this is the avenue for schools and departments to carry forward funding to the next fiscal year for non-recurring costs. Examples include the carryover of the balance of special funds (equal opportunity, neediest kids, etc) and funding for change management training for the joint county-schools ERP project.
Grant Balances Carryover	\$0.0	\$0.0	\$0.0	The unobligated balance available in a subsequent grant period. This funding must still be used for purposes as stated in the grant.
Centralized Textbook Fund	\$0.0	\$0.0	\$4.4	Beginning in FY 2012, FCPS will centralize textbook purchasing starting with online social studies textbooks for middle and high schools. FCPS will fund the textbook license up front and reduce per-pupil textbook funding allocated to middle and high schools each year. At the end of six years, the up-front funding will be completely replenished.
VRS Reserve	\$0.0	\$0.0	\$45.0	When state officials set VRS rates lower than actuarially recommended to provide fiscal relief and declared that future year's would require repayment with interest, FCPS opted to establish a reserve to try to mitigate the financial impact of these decisions on future budgets.
Compensation Reserve	\$0.0	\$0.0	\$3.0	Fully expended to balance the FY 2012 budget.
School Board Placeholder for Management Audit	\$0.0	\$0.0	\$0.5	A placeholder was established for future School Board directed management audit activities.
School Board Placeholder for Discipline Support	\$0.0	\$0.0	\$0.4	A placeholder was established to enhance FCPS' efforts to provide academic support to students who are serving out of school suspensions.
Set Aside for Beginning Balance				An amount of funding identified from the current or prior years to assist with balancing the budget of the coming year.
FY 2010	\$28.0	\$0.0	\$0.0	
FY 2011	\$23.9	\$53.5	\$0.0	
FY 2012	\$0.0	\$33.9	\$57.3	
FY 2013	\$0.0	\$0.0	\$51.6	
Total Available	\$0.0	\$0.0	\$0.0	Remaining available funding after all items above have been accounted for.