

Response to Questions on the FY 2017 Budget

Request By: Supervisor Herrity

Question: The School Board voted to use operating fund dollars to pay higher salaries to school cafeteria workers whose salaries are ordinarily paid from the Food & Nutrition Services (FNS) Fund.

- Question: Could cafeteria workers' raises in FY 2017 be paid from the FNS Fund?
- Question: What are the actual FY 2015 revenues and expenses, and the FY 2016 Adopted Budget revenues and expenses of the FNS Fund?
- Question: What percentage of FNS fund revenues for FY 2014, FY 2015 and FY 2016 (so far) are derived from the federal government?
- Question: What is the current reserve balance in the FNS fund?

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

The FY 2017 Advertised Budget included funding the cost of implementing a living wage for FCPS employees from the School Operating Fund. Since the passage of the Healthy, Hunger-Free Kids Act of 2010, new standards have increased the cost of preparing school meals, thus challenging the school meal programs. Since the implementation of the new rules, declining student lunch participation has also added to the financial pressure on school meal programs by reducing revenue when costs are rising. The United States Department of Agriculture (USDA) oversees the school lunch program and its data shows student lunch participation is down by 1.4 million per day since 2012 when the new standards took effect. Since the new rules have been phased in over the past three years, FCPS has experienced a drop in student participation. The percent of revenue from federal reimbursements for lunches served since FY 2014 are as follows:

	FY 2014	FY 2015	FY 2016
	Actual	Actual	Third Quarter Revised Budget
Percent of Total Revenue from Federal Reimbursements	43.7%	45.3%	46.2%

Starting in FY 2013, the Food and Nutrition Services (FNS) Fund has sustained operating losses as shown in the chart below and has spent down the general reserve to cover these losses.

Food and Nutrition Services (FNS) Fund Summary								
\$ in millions								
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Description	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Third Quarter Revised Budget	Proposed
Beginning Balance	\$ 10.9	\$ 16.0	\$ 18.7	\$ 18.8	\$ 15.7	\$ 13.8	\$ 12.5	\$ 9.0
Revenue	\$ 72.4	\$ 73.8	\$ 76.2	\$ 76.2	\$ 75.8	\$ 74.3	\$ 74.8	\$ 81.1
Expenditures	\$ 67.4	\$ 70.9	\$ 76.2	\$ 79.2	\$ 78.0	\$ 75.7	\$ 78.2	\$ 81.1
Profit/(Loss)	\$ 5.0	\$ 2.9	\$ 0.0	\$ (3.0)	\$ (2.3)	\$ (1.3)	\$ (3.4)	\$ -
Ending Balance (Reserve)	\$ 16.0	\$ 18.7	\$ 18.8	\$ 15.7	\$ 13.8	\$ 12.5	\$ 9.0	\$ 9.0

If the FY 2017 budget for the FNS fund included the additional \$1.1 million in expenditures to implement a living wage, additional revenue would need to be identified, expenditures would need to be reduced or the reserve would need to be used. Since the reserve is one-time funding, best financial management practices do not support using reserve funding for an ongoing expenditure. Guidance from the USDA states, “limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service...” The average monthly expenditures for the FNS fund in FY 2016 are \$6.8 million. Current reserve of \$9.0 million equals 1.3 months of average monthly operating expenditures, well below the maximum allowed under USDA guidelines. If the FNS fund were to include the additional expenditures for the living wage, the reserve would drop to 1.2 months of average expenditures. As a self-supporting fund, FNS maintains reserves which fluctuate depending on a variety of factors including the amount of meals served, federal aid received, efficiencies within the program, and unanticipated program-related expenses. These reserves allow FNS to maintain affordable and consistent meal prices by mitigating the impact of expenditure and revenue variations, and enables FNS to provide funding for equipment replacement, technology, training, and other improvements; and to meet emergency expenses.

FCPS has been exploring various ways to increase revenue including increasing lunch prices for next school year and has been working to increase participation while implementing healthier food options. At this time charging the FNS Fund an additional \$1.1 million to provide a living wage for food service workers will increase the fiscal burden of the school nutrition program.