

Fairfax County Public Schools



FY 2017 Fiscal Forecast School Operating Fund



Joint Board Work Session:
November 24, 2015

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

FY 2017 Revenue Assumptions

- ▶ Excluding the County transfer, revenue is projected to decrease by \$2.2 million as compared to the FY 2016 Approved Budget
 - ▶ FCPS has set aside one-time funding for beginning balance, continuing the challenge of the structural deficit
 - ▶ State funding will be impacted by changes in the LCI, enrollment, rebenchmarking, and sales tax

FY 2017 Expenditure Assumptions

- ▶ Expenditures are projected to increase by \$113.1 million as compared to the FY 2016 Approved Budget
 - ▶ Enrollment and Demographics
 - ▶ Forecast assumed growth at prior year's level—will be recalculated with fall updates to enrollment projections
 - ▶ Salary Increases
 - ▶ Consistent with the County—forecast of step and 1.5 percent MSA
 - ▶ Offset by base savings
 - ▶ Benefits
 - ▶ Health and required retirement increases
 - ▶ Contractual and Infrastructure
 - ▶ Utilities, buses, and ongoing requirements

Uncertainties Remain

▶ State Revenue

- ▶ The Governor has indicated that K-12 education will be a priority, and he will release his introduced budget in late December

▶ Enrollment and Demographic Changes

- ▶ Enrollment projections will be updated for the proposed budget and then updated again in the spring for the approved budget

▶ Health

- ▶ Changes in plan participation made during open enrollment may impact costs

Potential Shortfall

- ▶ **FCPS is facing a projected shortfall of \$60.6 million**
 - ▶ This is prior to the impact of the uncertainties that remain, including state revenue and enrollment
 - ▶ Assumes a 3.0 percent increase in the County transfer
 - ▶ Does not include unfunded needs and strategic plan investments

| FY 2017 Forecast Summary | \$ in millions |
|---|-----------------------|
| Total Revenue Shortfall | \$ (2.2) |
| Total Expenditure Increase | \$ 113.1 |
| Shortfall Prior to County Transfer Increase | \$ 115.3 |
| County Transfer Increase of 3% | \$ 54.8 |
| Projected Shortfall | \$ 60.6 |

Unfunded Identified Needs

- ▶ **Teacher Salaries**
- ▶ **Lower Class Size**
 - ▶ Class sizes have increased three times since the economic downturn
- ▶ **Family and Early Childhood Education Program**
- ▶ **Student Technology and Connectivity**
- ▶ **Preventive and Major Maintenance**
- ▶ **Replacement Equipment, Buses, and Vehicles**
- ▶ **Strategic Plan Goals**
 - ▶ Funding is needed to ensure FCPS has the capacity to confront emerging needs, issues, and opportunities

Teacher Salary Comparison

| Starting Teacher Salaries* FY 2016 | | Teacher Salaries Beginning 10th Year + Masters Degree* FY 2016 | | Maximum Teacher Salaries* FY 2016 | |
|---------------------------------------|-----------------|--|-----------------|--------------------------------------|------------------|
| Division | | Division | | Division | |
| Falls Church City | \$49,350 | Arlington | \$77,093 | Arlington | \$111,260 |
| Arlington | \$48,228 | Alexandria City | \$74,376 | Prince William | \$110,705 |
| Loudoun | \$47,975 | Falls Church City | \$72,140 | Falls Church City | \$107,480 |
| Alexandria City | \$47,242 | Montgomery | \$68,739 | Montgomery | \$107,292 |
| Montgomery | \$47,106 | Prince George's | \$64,776 | Alexandria City | \$107,259 |
| Fairfax | \$47,046 | Manassas City | \$61,642 | Loudoun | \$105,146 |
| Prince William | \$46,458 | Fairfax | \$61,633 | Manassas City | \$103,497 |
| Prince George's | \$46,380 | Loudoun | \$60,687 | Fairfax | \$101,524 |
| Manassas City | \$46,078 | Prince William | \$59,482 | Prince George's | \$100,775 |
| Manassas Park City | \$44,750 | Manassas Park City | \$57,991 | Manassas Park City | \$100,084 |

*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 4 percent.

[Source: FY 2016 WABE Guide](#)

Ongoing Activities

- ▶ **Compensation Study**

- ▶ First stage is benchmarking salaries – late December
- ▶ Second stage is compensation strategy – next April/May

- ▶ **Retirement Benefits Study**

- ▶ Benefit levels for VRS/ERFC, FCERS, and surrounding plans

- ▶ **Health Benefits Redesign**

- ▶ Task Force will convene in January

- ▶ **Outsourcing Review**

FCPS Budget History

| FCPS Budget Summary | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>Amounts (\$ in Millions)</i> | | | | | | | | |
| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
| Prior Year's Approved Budget | 2,184.8 | 2,220.6 | 2,202.7 | 2,168.2 | 2,245.7 | 2,430.5 | 2,457.8 | 2,497.7 |
| Unavoidable Expenditure Increases | | | | | | | | |
| Enrollment Growth | 22.4 | 36.0 | 14.4 | 28.4 | 48.0 | 21.7 | 19.5 | 22.1 |
| Retirement System Rate Changes/Shifts | (14.6) | (7.4) | (38.8) | 42.9 | 98.3 | 20.7 | 38.9 | 3.1 |
| Contractual Increases | - | 7.4 | 3.4 | - | 8.3 | 5.7 | 10.6 | 2.0 |
| Other Expenditure Increases | | | | | | | | |
| Employee Salary Increases | 75.6 | - | - | 58.1 | 23.2 | 22.0 | 46.5 | 62.2 |
| Health and Life Insurance Rate Changes | 1.2 | 12.8 | 7.8 | 6.1 | 15.8 | 13.3 | 19.9 | - |
| Programmatic Changes | 5.7 | 10.9 | 19.1 | 18.7 | 19.1 | 3.9 | 2.2 | 25.9 |
| Total Budget Increases | 90.3 | 59.7 | 5.9 | 154.2 | 212.7 | 87.3 | 137.6 | 115.3 |
| Total Budget Reductions | (54.5) | (77.6) | (40.4) | (76.7) | (27.9) | (60.0) | (97.8) | (61.4) |
| Net Budget Increase/(Decrease) | 35.8 | (17.9) | (34.5) | 77.5 | 184.8 | 27.3 | 39.9 | 53.9 |
| County Transfer Increase/(Decrease) | 40.0 | - | (16.3) | 1.1 | 72.5 | 33.7 | 51.5 | 56.7 |

- ▶ Budget reductions over this period total nearly a half a billion
- ▶ The increase in the County transfer totals \$239.2 million
 - ▶ Annual increases in the County transfer have not historically covered the cost of four major budget drivers: enrollment, salary increases, retirement, and health

Budget Task Force

- ▶ Convened by the Superintendent to address a likely shortfall in the FY 2017 budget
- ▶ Included 36 community members nominated by School Board members, County Board of Supervisors, community groups, and employees of the school system
- ▶ Met several times over the summer and fall of 2015 to provide community input to the Superintendent with two scenarios of budget reductions of \$50 and \$75 million
- ▶ Budget Task Force Report
<http://www.fcps.edu/news/fy2017/taskforce/>

FY 2017 and Beyond

- ▶ A long-term strategy for a predictable and sustainable level of funding is needed to continue our tradition of excellence
- ▶ Guidance from the County is needed earlier in the budget development process because school planning for the following year begins in December
- ▶ The reductions suggested by the Budget Task Force will provide a road map of reductions that may be necessary for FY 2017, FY 2018, and FY 2019