



County of Fairfax, Virginia

MEMORANDUM

DATE: June 7, 2018
TO: Board of Supervisors
FROM: Joseph M. Mondoro, Chief Financial Officer
SUBJECT: Responses to BOS Budget Questions – Package 13

Attached for your review is Package 13 of responses to Board questions on the FY 2019 budget. If you have any questions or need additional information, please do not hesitate to contact me. The following responses are included in this package:

| Question Number | Question | Supervisor | Pages |
|-----------------|---|------------|---------|
| 68 | Compare revenue Fairfax County receives from the Commonwealth of Virginia to revenue the State receives that can be identified as being generated in Fairfax County. | Storck | 245-247 |
| 69 | Schools: Please provide information on upcoming school renovations and the increased flexibility provided by a \$25 million annual increase in bond sales over the next several years. | Gross | 248-250 |
| 70 | Schools: What are the projected and actual savings from employee attrition. | Herrity | 251-252 |
| 71 | Schools: Please ask Fairfax County Public Schools to identify each line item in the proposed school budget, other than compensation related items, that increased more than 3% in the proposed school budget. | Cook | 253 |
| 72 | Schools: How many students are bussed to schools outside of the school in whose boundary they reside? Please provide a breakdown of reasons the students are bussed if possible. | Herrity | 254-255 |

It should be noted, the estimated time to compile this response was 10 hours.

Attachment

cc: Bryan J. Hill, County Executive
Tisha Deeghan, Deputy County Executive
David J. Molchany, Deputy County Executive
David M. Rohrer, Deputy County Executive
Robert A. Stalzer, Deputy County Executive

Response to Questions on the FY 2019 Budget

Request By: Supervisor Storck

Question: Compare revenue Fairfax County receives from the Commonwealth of Virginia to revenue the State receives that can be identified as being generated in Fairfax County.

Response:

The following charts compare revenue Fairfax County receives directly from the Commonwealth of Virginia to revenue in the State's General Fund that can be identified as being generated in Fairfax County. Based on the latest available data as presented in the FY 2017 Virginia Department of Taxation Annual Report and the County's FY 2019 Advertised Budget Plan, the County received 23.6 cents for every \$1 of taxes generated in the County. The average over the past 5 years (FY 2013 to FY 2017) is 22.8 cents for every dollar.

Chart 1 on the following page shows Revenues from the Commonwealth that Fairfax County receives and consist of: (A) funding to the County's General Fund including public assistance and law enforcement funding, (B) revenue received for Fairfax County Public Schools, and (C) revenues that are in the County's other funds. It should be noted that Personal Property Taxes of \$211,313,944 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act (PPTRA) are excluded from this analysis. A complete schedule of the County's funds receiving Revenue from the Commonwealth is published in the FY 2019 Advertised Budget Plan and is available at the following link <https://www.fairfaxcounty.gov/budget/sites/budget/files/assets/documents/fy2019/advertised/overview/revenue-commonwealth.pdf>.

Chart 2 on the following page shows Fairfax County's identified tax contributions to Virginia's General Fund. Estimates are made for revenues that can be identified as being generated in Fairfax County including income taxes, State sales taxes, and recordation taxes. This information is derived from the Virginia Department of Taxation's Annual Reports.

It should be noted that this analysis does not include revenue that is not directly received by the County from the Commonwealth, such as funds for transportation and roads that is remitted to the Northern Virginia Transportation Commission. The analysis also does not include all State revenue that is generated in the County, including the 0.5 cent sales tax for the Transportation Trust Fund, the gas tax, the sales tax on motor vehicles sold in the County, DMV license fees, bank franchise taxes or cigarette taxes. There is no jurisdictional breakdown of these revenue categories.

Chart 1

FY 2017 Revenue from Virginia to Fairfax County's GF, NGF and Schools

Revenues From the
Commonwealth of Virginia

Fairfax County General Fund \$94,922,321

(A) Excludes PPTRA reimbursement of \$211.3 million - Under the PPTRA, the Commonwealth of Virginia established a statewide program by which it provides a relief for owners of personal-use motor vehicles from local Personal Property tax. The relief flows through the taxing locality, as opposed to being sent directly to the taxpayer.

Fairfax County Public Schools¹ \$622,507,379

(B) Includes State Aid and Sales Tax

Fairfax County Non GF² \$136,710,385

(C) A portion of this revenue is the result of state legislation HB 2313 passed in 2013, which increased the Sales Tax, Transient Occupancy Tax, and Grantor's Tax in Northern Virginia to help fund transportation projects in the region.

**Total Revenue from VA to
Fairfax County GF & Non-GF \$854,140,085**

¹ Includes School Operating, School Food & Nutrition Services, School Grants & Self Supporting, and School Adult & Community Education.

² Includes but not limited to funding for Community Services Board, County Transit Systems, County and Regional Transportation Projects, Grants, Sewer, and Stormwater Services.

GF = General Fund

PPTRA = Personal Property Tax Relief Act

NGF = Non-General Fund

Chart 2

FY 2017 Fairfax County's Identified Tax Contribution to Virginia's GF

Source: FY 2017 Virginia Department of Taxation Annual Report

Individual Income Tax \$3,041,033,187 (Fairfax County represents
23.30% of total VA income tax
receipts in TY 2015)

State Sales Tax \$495,856,152 (Fairfax County represents
14.78% of the Statewide
Local Option Sales Tax
receipts in FY 2017)

Recordation/Deed of Conveyance \$87,579,693 (Fairfax County represents
20.5% of the Recordation Tax
receipts in FY 2017)

Revenue From Fairfax to VA \$3,624,469,031

Percent Returned 23.57%

**Percent Returned to
Fairfax County
from the Commonwealth of
Virginia**

| Fiscal Year | Percent Returned |
|--------------------|-----------------------------|
| 2008 | 20.82% |
| 2009 | 21.72% |
| 2010 | 20.74% |
| 2011 | 21.12% |
| 2012 | 21.50% |
| 2013 | 21.61% |
| 2014 | 23.35% |
| 2015 | 22.65% |
| 2016 | 22.83% |
| 2017 | 23.57% |
| 10-Year Avg | 22.0% |
| 5-Year Avg | 22.8% |
| 3-Year Avg | 23.0% |

Response to Questions on the FY 2019 Budget

Request By: Supervisor Gross

Question: Please provide information on upcoming school renovations and the increased flexibility provided by a \$25 million annual increase in bond sales over the next several years.

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

It is important to note, that the current CIP Cash Flow was developed with the expectation that FCPS would receive an increase to \$180M by FY2025. Therefore, for the purposes of this analysis, we assumed that FCPS would receive the additional \$25M increase in FY 2020. In addition, we assumed that another increase of \$25M each successive 5 years (2025 and 2030).

A related point to consider is that according to the CPI's rate of inflation since 2005 indicates that our cash flow cap should have increased by 1.9% annually. What this means is that our current cash flow cap should be \$197M and the increases that we are proposing for FY 2020, 2025 and 2030 are in very close alignment with CPI. This assumption is far below the average annual cost increase for construction, which has averaged more than 3% over the past 10 years.

Therefore, this analysis examines the possibility of additional funding from 2 perspectives – an acceleration of the currently identified projects and secondly strictly using the funding to reduce the quantity of temporary classrooms.

Capital Project Acceleration

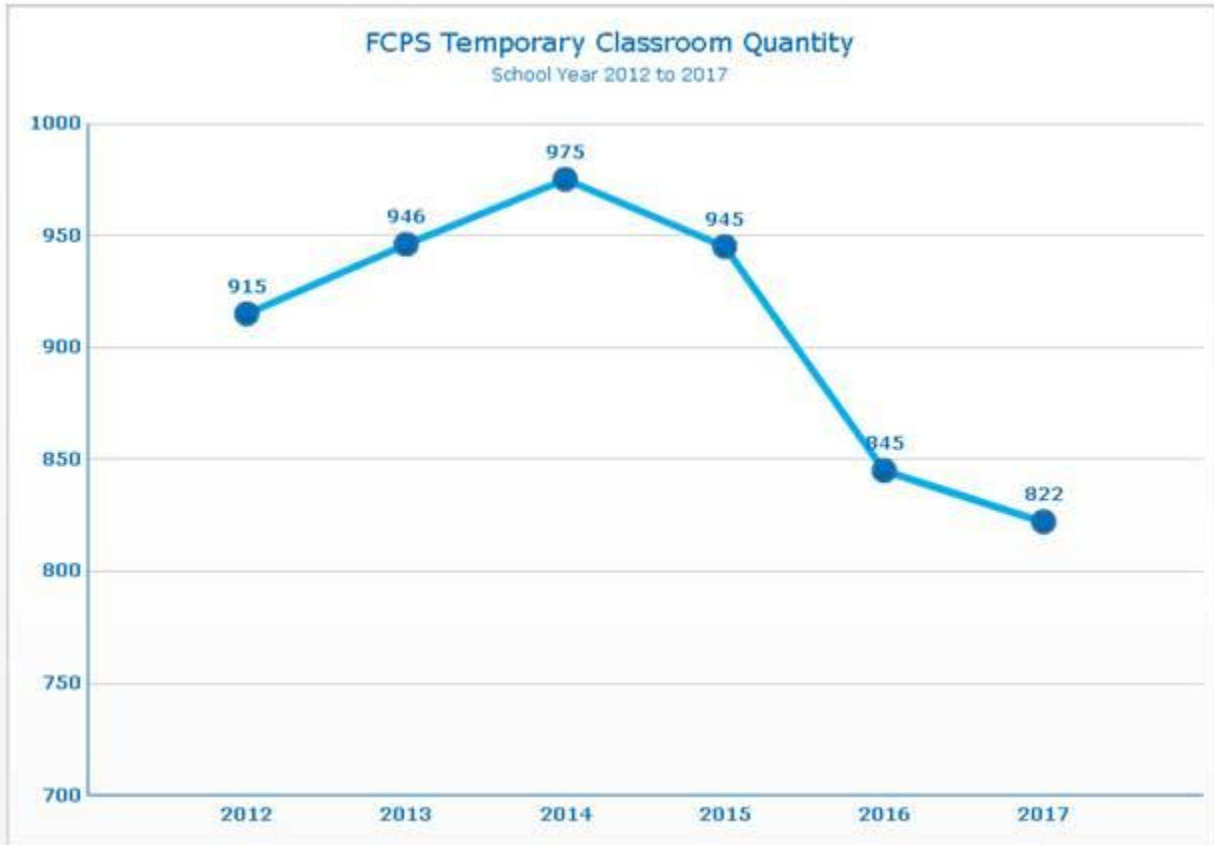
With respect to capital projects, an infusion of capital funding does not result in a sudden acceleration of future projects as the projects require time to engineer and plan (1 to 2 years) as well permitting (typically 18 months). Therefore, the impact will begin to materialize approximately 3 years after the impact. However, once the projects are aligned with the additional funding we would realize significant acceleration of the renovation projects as well as the future capacity enhancement projects.

As currently constructed the CIP cash flow assumes that 2009 Renovation Queue projects would be completed in FY 2032. This infusion will result in 19 of 30 unfunded schools in the renovation queue being completed 3 years earlier in FY 2029. The additional funding would be utilized to maintain our current renovation cycle of 37 years in lieu of the 44 year cycle that is anticipated by FY 2028.

Although we do not have the time to perform a complete analysis, it is safe to assume that completing the current renovation queue within the next 10 years will accelerate the temporary classroom reduction to less than 550. The list provided was taken from the FY 2019-2023 Capital Improvements Programs and lists the 24 renovation projects planned for FY 2019

Temporary Classroom Reduction

As FTS informed the School Board during the November 13, 2017 the quantity of temporary classrooms has been significantly reduced over the past 3 years due to capital program.



In fact, FTS informed the School Board that we believe that the overall quantity of temporary classrooms will be further reduced to 650 over the next 5 years upon completion of the projects presently in the design and/or construction phase. This quantity would be lowest since 1992.

Finally, the following list displays the acceleration rates for the 22 projects which will be directly affected by the additional \$25M in capital funding. These projects will result in the elimination of another 158 temporary classrooms or modular additions.

| Project Name | Acceleration | Trailer/Modular Rooms |
|--|---------------------|------------------------------|
| Louise Archer ES | + 1 Years | 13 |
| Crossfield ES | + 1 Years | 0 |
| Mosby Woods ES | + 1 Years | 16 |
| Bonnie Brae ES | + 1 Years | 2 |
| BREN MAR PARK ES | + 1 Years | 11 |
| BROOKFIELD ES | + 1 Years | 7 |
| LEES CORNER ES | + 1 Years | 4 |
| ARMSTRONG ES | + 2 Years | 0 |
| WILLOW SPRINGS ES | + 2 Years | 8 |
| HERNDON ES | + 2 Years | 14 |
| DRANESVILLE ES | + 2 Years | 0 |
| CUB RUN ES | + 2 Years | 6 |
| UNION MILL ES | + 2 Years | 4 |
| CENTRE RIDGE ES | + 2 Years | 3 |
| POPLAR TREE ES | + 2 Years | 4 |
| WAPLES MILL ES | + 2 Years | 8 |
| SANGSTER ES | + 2 Years | 5 |
| SARATOGA ES | + 2 Years | 4 |
| VIRGINIA RUN ES | + 2 Years | 3 |
| TWAIN MS | + 2 Years | 6 |
| Centreville HS | + 2 Years | 22 |
| Dunn Loring - Repurpose | + 2 Years | 18 |
| Total Trailers/Mods Removed w/\$25M | | 158 |

Response to Questions on the FY 2019 Budget

Request By: Supervisor Herrity

Question: What are the projected and actual savings from employee attrition.

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

Lapse consists of savings from turnover and vacancy and is budgeted as a percentage of the compensation base. It takes into account the prior year's lapse savings to more accurately reflect the actual current salaries of active employees each year when the budget is developed. The lapse rate is determined using historical trends. If the savings recognized for the current fiscal year vary significantly from the amount originally anticipated, the salary lapse rate is adjusted accordingly for the following year. Savings are impacted by changes in the economy, compensation adjustments, and other FCPS employee initiatives.

Position turnover represents the savings realized when experienced employees retire or leave the system and are replaced by workers with less experience, who earn a lower salary. The budget also includes savings due to position vacancies anticipated throughout the year.

In FY 2017, lapse was budgeted at \$45.6 million which includes both salary and benefits.

Actual savings totaled \$70.0 million, which includes \$24.4 million in lapse savings beyond what was budgeted. This additional savings represents 1.0 percent of the FY 2017 Third Quarter compensation budget and is traditionally used to fund future year's beginning balance.

Lapse is budgeted as a percentage of the compensation base. It takes into account the prior year's lapse savings to more accurately reflect the actual current salaries of active employees each year when the budget is developed. For example, when an experienced teacher at a school retires, the school's budget for salary and benefits is reduced for the following year to reflect the savings generated by hiring a teacher with less experience who earns a lower salary. This is reflected as base savings. In FY 2016, the budgeted compensation lapse rate will remain at 2.1 percent; however the distribution between vacancy and turnover savings has shifted to more accurately reflect current trends. The lapse rate is determined using historical trends. If the savings recognized for the current fiscal year vary significantly from the amount originally anticipated, the salary lapse savings is adjusted accordingly during a quarterly budget review and for the following year. Lapse savings are impacted by changes in the economy, compensation adjustments, and other FCPS employee initiatives.

The FY 2016 total lapse budget is \$44.0 million. Lapse consists of savings from turnover and vacancy. Turnover represents the savings realized when experienced employees retire or leave the system and are replaced by workers with less experience, who earn a lower salary. For FY 2016, the savings resulting from turnover is budgeted at \$17.6 million. The FY 2016 budget also reflects \$26.4 million in savings due to position vacancies anticipated throughout the year.

Fairfax County Public Schools (FCPS) manages compensation, employee salary and benefit accounts, centrally. Position salary and benefit budgets are managed on behalf of all schools and departments by Financial Services. As a result, savings generated from both turnover and vacant positions produce system wide savings. Schools and departments are given hiring authority based on position counts and types. For example, when a school has an experienced teacher retire, the school is allocated one teacher position to fill. Financial Services automatically reduces the school's budget for salaries and benefits for the next

year based on the turnover impact of the school hiring the new teacher resulting in savings for the following year.

In addition to the budgeted turnover and vacancy that FCPS projects to occur during the year, FCPS reduced the compensation base budget in the FY 2016 Advertised Budget by \$27.0 million to reflect recurring position turnover from FY 2015. This methodology results in a more current salary base which takes into account the prior year's recurring lapse savings and more accurately reflects the actual current salaries of active employees each year when the budget is developed.

Historically, salary lapse has been budgeted at 2.1%. Regardless of the salary lapse percentage budgeted, all savings at year end are reflected in the available ending balance. Each year state and local governments typically end the year with an available ending balance to ensure that they meet revenue projections and do not exceed expenditure appropriations. FCPS, like Fairfax County Government, historically has ended every fiscal year with an available ending balance. This is a responsible budgeting practice since FCPS is required by law to have a balanced budget. As nearly 89 percent of the budget is compensation, the majority of the available ending balance is derived from compensation accounts.

Response to Questions on the FY 2019 Budget

Request By: Supervisor Cook

Question: Please identify each line item in Fairfax County Public Schools Proposed FY 2019 Budget, other than compensation related items, that increased more than 3 percent.

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

Excluding department realignments, which are required to net to zero, the following commitment items increased more than 3 percent from the FY 2018 Approved Budget to the FY 2019 Proposed Budget. Below is a chart which provides the change in dollars by commitment item.

| Commitment Item | Change (\$ in millions) |
|-----------------------------|----------------------------|
| TEXTBOOKS | \$ 3.6 |
| COMPUTER SUPPLIES | \$ 0.4 |
| TUITION | \$ 0.5 |
| COMPUTER EQUIPMENT SERVICES | \$ 0.5 |
| MEDICAL FEES | \$ 0.1 |
| OTHER PROFESSIONAL SERVICES | \$ 0.7 |
| LABOR | \$ 0.7 |

Response to Questions on the FY 2019 Budget

Request By: Supervisor Herrity

Question: How many students are bussed to schools outside of the school in whose boundary they reside? Please provide a breakdown of reasons the students are bussed if possible.

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

School Board-approved [Regulation 8617](#) establishes student eligibility rules for riding school buses and guidelines for developing bus routes and schedules. As indicated in the chart below, FCPS provides transportation for students to schools out-of-base-school boundary, excluding academies for which transportation are provided during mid-day from schools to schools.

| Programs | Number of Students (As of April 2018) |
|--|--|
| Advanced Academics | 6,124 |
| Special Education Programs | 3,044 |
| Magnet Schools | 1,719 |
| Academy* | 1,268 |
| Administrative Placements | 631 |
| Exception to Ride | 691 |
| Alternative Schools/Centers | 260 |
| Family Early Childhood Education Program | 215 |
| Boundary Adjustment - Temporary | 75 |
| Temporary Housing | 66 |
| Project Opportunity | 61 |
| Total | 14,154 |
| *Part of the day | |

Advanced Academics

Family Early Childhood Education Program

Neighborhood transportation is provided to students who live within the program’s boundary. Transportation for students outside the program boundary is not provided.

Special Education Programs

Students enrolled in designated special education programs with transportation requirements in their Individualized Education Programs are provided transportation.

Magnet Schools

Limited transportation is provided for Thomas Jefferson High School for Science and Technology, Bailey’s and Hunters Wood elementary schools. Students are picked up at several geographically dispersed locations around the county as designated annually by Transportation Services.

Administrative Placements**Alternative Schools/centers**

Transportation is not required but may be provided based on need, available resources, and other requirements. Transportation may be required if deemed to be a related services of special needs.

Exceptions to Ride

When transportation is not provided, students may ride existing school buses if they can safely access an existing bus stop and if space is available. An exception-to-ride form (TR-52) must be completed by the parent or guardian and approved annually by Transportation Services. Exceptions to ride include support for students attending day care centers, or for transferred students with reasons outlined in [Regulation 2230](#).

Boundary Adjustment

Per Regulation 2230, transportation is provided only for School Board-approved boundary phase-ins. No transportation is provided for reasons other than boundary adjustments.

Temporary Housing

Under the McKinney-Vento Homeless Education Assistance Act and Virginia Project Hope program, transportation is provided to ensure the enrollment, attendance, and the school success of children and youth experiencing homelessness. FCPS provides transportation assistance for homeless students to help them remain at their school of origin for the remainder of the school year or until they are permanently housed.

Project Opportunity

Transportation is provided to Bryant and Mountain View. Based on available resources, transportation is provided by shuttle to and from base schools or from neighborhood stops.