Message from the Superintendent

Budget Basics

- There are two primary budgets for Fairfax County Public Schools. One is the Operating Budget, which provides for the day-to-day operations and maintenance of our schools, personnel, and programs. The second is the Capital Improvement Program (CIP) budget, which addresses facility needs.

- A fiscal year for FCPS runs from July 1 to June 30. For example, the Fiscal Year (FY) 2015 budget provides resources for the school year beginning July 1, 2014, and ending June 30, 2015.

- FCPS does not have taxing authority, and therefore must rely heavily on the Fairfax County Board of Supervisors and the state for nearly all of the school system’s funding.

Dear Fairfax Families, Employees, and Citizens,

I am humbled and honored to serve as your superintendent in this great community, and I look forward to another outstanding school year. We have updated A Citizen’s Guide to Understanding the Budget, a document that explains in simple terms the complexities of our school system’s budget. Understanding our budget is important because it reflects the priorities of our school system and the larger Fairfax community.

It is essential that we work together in finding long-term solutions to our financial challenges. To that end, a new Joint Budget Development Committee was formed by the Fairfax County Board of Supervisors and the School Board to plan for the needs of the county and the schools. I commend this collaboration because only together can we find solutions to our budget challenges. One of our budget realities is that many of the school system’s costs are unavoidable including student growth and retirement. Another significant cost driver is employee compensation. We must not let the challenges of today impede our excellence as a school system in the future.

On the next page, I invite you to read about the FCPS Portrait of a Graduate, which outlines what our community believes is important for all our graduates to know and be able to do once they leave our school system. Our School Board recently adopted this framework, which will be the center of the long-range strategic plan now under development.

This year, I will again be holding Listening Tours in each of our school system’s five regions and can address some of your budget questions face to face. In the meantime, please send your questions and comments on our budget by writing to thebottomline@fcps.edu. If you would like to receive The Bottom Line newsletter and information on other current issues by e-mail, please sign up by visiting www.fcps.edu, click on Keep in Touch, then follow the directions to subscribe to Current Issues under Keep in Touch Plus.

We are committed to success for every child in Fairfax County Public Schools. Thank you so much for your continued support as we together provide for the future of our community’s children.

Sincerely,

Karen K. Garza, Ph.D.
Superintendent of Schools
The FCPS graduate will engage in the lifelong pursuit of academic knowledge and interdisciplinary learning by being a:

**COMMUNICATOR**
Applies effective reading skills to acquire knowledge and broaden perspectives
Employs active listening strategies to advance understanding
Speaks in a purposeful manner to inform, influence, motivate, or entertain listeners
Incorporates effective writing skills for various purposes and audiences to convey understanding and concepts
Uses technological skills and contemporary digital tools to explore and exchange ideas

**COLLABORATOR**
Respects divergent thinking to engage others in thoughtful discussion
Demonstrates the ability to work interdependently within a group to promote learning, increase productivity, and achieve common goals
Analyzes and constructs arguments and positions to ensure examination of a full range of viewpoints
Seeks and uses feedback from others to adapt ideas and persist in accomplishing difficult tasks

**ETHICAL AND GLOBAL CITIZEN**
Acknowledges and understands diverse perspectives and cultures when considering local, national, and world issues
Contributes to solutions that benefit the broader community
Communicates effectively in multiple languages to make meaningful connections
Promotes environmental stewardship
Understands the foundations of our country and values our rights, privileges and responsibilities
Demonstrates empathy, compassion, and respect for others
Acts responsibly and ethically to build trust and lead

**CREATIVE AND CRITICAL THINKER**
Engages in problem solving, inquiry, and design of innovative solutions to overcome obstacles to improve outcomes
Uses information in novel and creative ways to strengthen comprehension and deepen awareness
Demonstrates divergent and ingenious thought to enhance the design/build process
Expresses thought, ideas, and emotions meaningfully through the arts
Evaluates ideas and information sources for validity, relevance, and impact
Reasons through and weighs evidence to reach conclusions

**GOAL-DIRECTED AND RESILIENT INDIVIDUAL**
Engages in healthy and positive practices and relationships to promote overall physical and mental well-being
Persists to accomplish difficult tasks and to overcome academic and personal barriers to meet goals
Uses time and financial resources wisely to set goals, complete tasks, and manage projects
Shows strong understanding and belief of self to engage in reflection for individual improvement and advocacy
Bulk of Revenue Comes from County
(and Comparisons to Other VA School Divisions)

FCPS Local Funds
70.6%

Other VA School Divisions
46.5%

FCPS State Funding
23.2%

Other VA School Divisions
45%

FCPS Federal Aid
1.7%

Other VA Federal Aid
8.5%

FCPS Other
4.5%

Local Funds - 70.6%
County Transfer - $1,768.5 Million
Real estate and personal property taxes are the main source of county revenue

State Funds - 23.2%
State Aid - $405.9 Million
Primarily SOQ (Standards of Quality) funding
Sales Tax - $173.8 Million
One and 1/8 cent of the state sales tax is returned to local school divisions for education

Federal Funds - 1.7%
Federal Aid - $42.0 Million
Includes Impact Aid, IDEA, and E-rate funding

Other Funds - 4.5%
Other - $113.6 Million
Includes City of Fairfax tuition, beginning balance, fees, out-of-county tuition, cable communications, and building rental fees

Since FY 2008, the county transfer has increased by 11 percent while FCPS’ enrollment has grown by 13 percent.

The Budget Process is Year-round

Ongoing
School Board monitors system performance

July - August
Superintendent begins soliciting input on budget priorities

September - October
Baseline Budget recommendations to the Superintendent

November
School Board and Board of Supervisors meet to discuss Fiscal Forecast

County Funding is Increasing but Per-Pupil Amount is Less Than FY 2009

County General Fund Transfer (in Millions)

2008 $1,586.6
2009 $1,626.6
2010 $1,626.6
2011 $1,610.3
2012 $1,611.4
2013 $1,683.3
2014 $1,717.0
2015 $1,768.5

County Transfer Per Pupil (in Millions)

2008 $9,625
2009 $9,660
2010 $9,377
2011 $9,186
2012 $9,072
2013 $9,273
2014 $9,300
2015 $9,468

County Funding is Increasing but Per-Pupil Amount is Less Than FY 2009
How is FCPS’ Money Spent?

The bulk of expenses focus on instruction, with instructional programs accounting for 85.6% of the budget. The majority of the budget—88.8%—is for employee compensation, reflecting the fact that education is a labor-intensive enterprise.

The importance FCPS places on instructional programs is illustrated by the fact that 85.6% of the budget is allocated to instructional programs.

Program Funding ($ in millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2015 Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary School Education</td>
<td>$814.1</td>
</tr>
<tr>
<td>Middle School Education</td>
<td>229.7</td>
</tr>
<tr>
<td>High School Education</td>
<td>513.8</td>
</tr>
<tr>
<td>Special Education</td>
<td>456.5</td>
</tr>
<tr>
<td>Adult and Community Education</td>
<td>0.5</td>
</tr>
<tr>
<td>Instructional Support</td>
<td>123.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,138.4</strong></td>
</tr>
</tbody>
</table>

The majority of the budget—88.8%—is for employee compensation, reflecting the fact that education is a labor-intensive enterprise.
In FY 2015, an additional $19.5 million is required to meet the cost of enrollment growth and demographic changes.

Fourty-eight schools have 50 percent or more of their students eligible for free or reduced-price meals. Of these schools, 12 have 70 percent or more of students eligible for free or reduced-price meals.

Our students come from all over the world and speak more than 200 languages.

English for Speakers of Other Languages (ESOL) and students eligible for free and reduced-price meals have increased at a faster pace than the special education and general education populations over the last five years.

The FY 2015 Fairfax County Public Schools’ projected enrollment is 186,785 students across 196 schools and centers. This represents an increase of 2,160 students from the FY 2014 Approved Budget.
Who Works in FCPS?

A total of 23,447 full-time equivalent positions are funded in the FY 2015 Approved Budget for the School Operating Fund. Of these positions, more than 93 percent are in classrooms and school buildings directly serving the needs of students.

Despite continued enrollment growth, in FY 2015, there is a net decrease of 317.8 school-based positions from the FY 2014 Approved Budget due to increased class size and other reductions required to balance the budget.
Ninety-two percent of FCPS students from the class of 2014 graduated on time, a rate that exceeds the state average of 89.9 percent.

FCPS’ class of 2014 outperformed their peers in Virginia and the nation on the SAT tests with an overall composite score of 1668.

FCPS’ cost per pupil has only increased $112 in the last seven years, while educating a more diverse student population.
In September 2013, a State School Efficiency Review conducted by an independent firm, reported that FCPS is one of the most efficient school divisions in the Washington Metropolitan region. The year-long study resulted in recommendations for a net savings of $10.8 million over a five-year period, which is a small fraction of FCPS’ $2.5 billion annual budget.

FCPS has already achieved the yearly savings target through recommendations implemented in the FY 2015 budget.

Only school-based positions are tied to enrollment.

Significant reductions to nonschool-based support have resulted in the lowest ratio of nonschool-based positions to students in decades.
What is the State of FCPS Facilities?

School Capacity

The ideal way to increase capacity is through additions to existing buildings or the construction of new facilities.

Over the next five years, FCPS will grow an estimated 12,200 more students—an average addition of 17 students per day and 122 classrooms per year.

Nearly half of FCPS’ high schools are over capacity.

Excluding trailers used during renovations, FCPS educates more students in trailers—approximately 15,200—than Alexandria City Public Schools has in total.

With increasing enrollment and aging facilities, it has been a challenge to respond to our capital and infrastructure needs. This year, more than 35 percent of our schools will be over capacity. In the next five years we expect that number to grow to more than 45 percent. FCPS annually develops a five-year Capital Improvement Program (CIP) to address facility needs. The CIP is reviewed annually with the School Board and is primarily based on:

- Current capacity and enrollment
- Projected enrollment
- Renovation cycle—25 year cycle preferred; 34 years currently
- Infrastructure management—deferred major maintenance
- Cash flow and debt service as established by the Board of Supervisors

### More than 34 Percent of Schools are Over Capacity

- Elementary: 35% (49 schools)
- Middle Schools: 19% (5 schools)
- High Schools: 48% (13 schools)

### Trailers

- Elementary: 706 trailers
- Middle Schools: 219 trailers
- High Schools: 67 trailers
The costs included in the chart below represent current projects and those planned through FY 2023. The total value is nearly $1.8 billion with more than 6.5 million square feet of construction.

Our construction costs have remained lower than the region’s for a number of reasons. FCPS has consistent standards (construction and education specifications), and a professional design and construction staff who originated within the industry and have created a project development and implementation methodology predicated on lowering costs.

To renovate schools at the industry standard, FCPS would need $242 million annually.

Historically, the Board of Supervisors has provided FCPS with $155 million annually to support the Capital Improvement Program.

As a result, we are renovating our schools every 34 years, and as costs continue to rise the renovation cycle for a school is expected to grow to more than 42 years in the near future.

Even after spending 66 percent of the CIP on renovation, FCPS continues to fall further behind.

The average age of an FCPS school is 44 years old.

The oldest school in use, Vienna Elementary School, was built in 1922.
What Challenges are Ahead for FY 2016 and Beyond?

Developing a budget to meet the needs of our rapidly growing and changing student body has been difficult over the past several years and will continue to be a challenge in the future.

Revenues have not kept pace with our growing enrollment and increasing costs, and FCPS’ significant, unavoidable cost drivers will continue in FY 2016, FY 2017, and beyond.

**Enrollment**

- Over the last eight years, FCPS has grown by nearly 22,000 students—greater than the size of many school districts around the country, and nearly the same size as Arlington County Public Schools.
- Student enrollment growth is projected to continue, adding an estimated cost of more than $20 million annually.

**Retirement Cost**

Increased contributions to the Virginia Retirement System are projected in FY 2017 and FY 2019.

- During the fiscal crisis, the state deferred retirement obligations. As a result, the contribution rate increased in FY 2015 from 70 percent to 80 percent of the actuarial rate resulting in an increase in costs of approximately $38 million.
- In FY 2017, the contribution rate will increase from 80 to 90 percent of the actuarial rate, and then to 100 percent in FY 2019.
- While the state has taken steps to reduce long-term retirement expenditures, including changing the benefits provided, the rate increases are mandatory and unavoidable.

**State Funding**

The recalculation of the state funding formula, known as the Local Composite Index (LCI), will occur in FY 2017 and FY 2019, resulting in a possible decrease in state funding.

**Structural Deficit**

FCPS has been using one-time, year-end balances to pay for recurring expenditures because recurring revenues have been falling short of meeting our needs.

While the use of one-time funding helped bridge the gap between the revenue available and expenditures, the amount of one-time funding available is decreasing.

FCPS needs recurring revenue to resolve the structural deficit created by the use of one-time funding to pay for ongoing costs.

**Facing Our Future**

FCPS has had to make difficult choices in light of limited resources.

When we look forward to FY 2016 and future years, in addition to the unavoidable cost increases, providing employees with salary increases continues to be a priority.

Both the County and Schools have experienced consecutive years of slow revenue growth and program reductions. Further cutbacks without significant programmatic impact are unlikely.
Since FY 2008, FCPS’ budget reductions total nearly $435 million including more than 2,175 positions eliminated. FCPS has had to make difficult choices in light of limited resources. A program review process has been used to target cost savings and avoidances and to determine resource reallocations, and FCPS also participated in the State School Efficiency Review.

Since FY 2008, FCPS’ budget reductions total nearly $435 million including more than 2,175 positions eliminated. FCPS has had to make difficult choices in light of limited resources. A program review process has been used to target cost savings and avoidances and to determine resource reallocations, and FCPS also participated in the State School Efficiency Review.

The budget increase since FY 2008 of $312.8 million is an average annual increase of 1.9 percent.

The budget grew primarily to cover enrollment growth, employee pay, and the rising cost of health care and retirement.

Reductions of $434.9 million helped offset budget growth.

The State’s general fund support for K-12 programs has remained below the FY 2009 level despite increases in student enrollment.

Major K-12 policy changes adopted since 2008 have reduced statewide funding by $1.7 billion, which makes FCPS more dependent on the county for revenue.

After years with no or minimal salary increases, FCPS continues to fall further behind surrounding school systems. FCPS has fallen from having the highest beginning teacher salary in the region to being near the middle.
Q: Does FCPS end each year with money that is unspent?

A: Yes. 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.

Available ending balances fluctuate year to year due to changing conditions and typically represent a tiny fraction, 1.5 percent of the overall FY 2014 budget. For example, when we have a mild winter, we have one-time savings in utilities accounts that are included in the available ending balance. Since these conditions fluctuate, it is most prudent to use those monies for one-time expenditures, rather than permanent increases. Because of our serious economic circumstances in recent years, FCPS has acted prudently and has used the available ending balance to meet upcoming fiscal years’ expenses. Each year FCPS revises budget assumptions based on the prior year’s actual expenditure trends.

Over the last five years, FCPS’ available ending balance has averaged less than 2 percent.

<table>
<thead>
<tr>
<th>TOTAL BUDGET</th>
<th>ENDING BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>1.5%</td>
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FY 2014

$2.5 Billion

$38 Million
Q: What is salary lapse?

A: Salary lapse, including benefits, is savings resulting from position turnover and from positions being held vacant for a period of time during the fiscal year. FCPS budgets for lapse, and any savings above the budgeted amounts are included in FCPS’ available ending balance. FCPS reviews and takes steps to adjust lapse regularly, for example adjusting the salary level used to budget vacant positions. As nearly 89 percent of the budget is compensation, the majority of the available ending balance is derived from the compensation accounts. Regardless of the salary lapse percentage budgeted, all savings at year end are reflected in the available ending balance.

Q: What is a “structurally balanced budget?”

A: A structurally balanced budget occurs when recurring revenues are equal to recurring expenditures in the adopted budget. Since FCPS has needed to use one-time savings from the prior fiscal year to meet recurring expenditures, FCPS has a structural deficit.

Q: What reserves does FCPS have in its operating fund?

A: FCPS has two reserves in the school operating fund: a textbook replacement reserve and a School Board flexibility reserve. Currently in the textbook reserve, a total of $6.1 million in per-pupil allocations for textbooks has been held back from schools and set aside in the textbook replacement reserve account. Since FY 2012, newly adopted textbooks are purchased centrally with the provision that the schools will pay for these textbooks over a six-year period. At the end of the six-year period, the reserve will be used to fund the next required textbook adoption cycle.

The School Board flexibility reserve is committed to meet unforeseen circumstances. Any unused portion is carried forward to the next fiscal year with the School Board approval. The flexibility reserve is only reflected in the current year’s revised budget and is not included in the proposed, advertised, or approved budget totals. As part of the FY 2014 Final Budget Review, $8.0 million was carried over in the School Board Flexibility Reserve for FY 2015.

Q: I’ve heard about school districts in other parts of the country that creatively generate revenue to increase their budgets. Has FCPS considered this as a way to get more money into our budget?

A: Fairfax County Public Schools does not have the authority to impose taxes. FCPS does evaluate opportunities to generate revenue by charging fees, but may only do so where the Commonwealth of Virginia has granted the specific authority. The majority of our revenue (70.6 percent) comes from Fairfax County, which is derived from real estate and personal property taxes. The Commonwealth provides another 23 percent to FCPS through state aid and sales tax revenues. The remaining revenues come from a variety of sources, including federal aid and tuition.