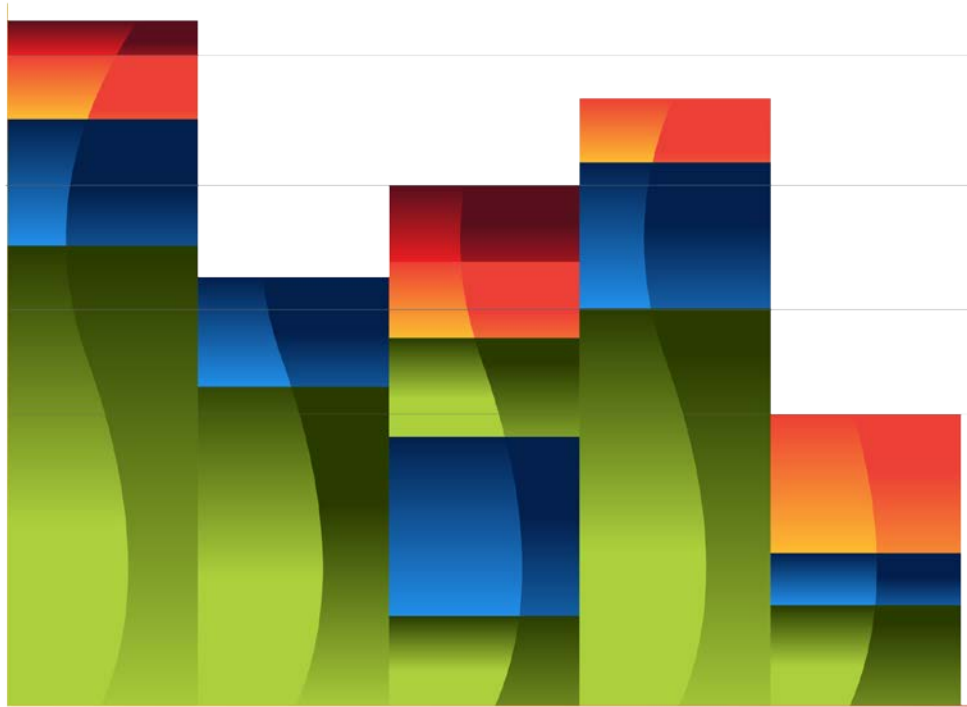


BUDGET and FINANCE



WHAT YOU
NEED TO
KNOW

WHAT ASPIRING SUPERINTENDENTS AND OTHERS
NEED TO KNOW ABOUT BUDGET AND FINANCE



**Fiduciary Duty
and the Budget**

Fiduciary Duty

LEGAL AUTHORITY

Malfesance

Virginia Code, Section 22.1-89 – Management of Funds

“Each School Board shall manage and control the funds made available to the School Boards for public schools and may incur costs and expenses.”

What this means...

The School Board determines how the funds are to be spent. The local governing body determines appropriation levels.

Fiduciary Duty

LEGAL AUTHORITY

Malfesance

Virginia Code, Section 22.1-91 – Limitation on expenditures

“No school board shall expend or contract to expend, in any fiscal year, any sum of money in excess of the funds available for school purposes for that fiscal year”

What this means...

The School Board can not exceed the appropriation levels determined by the local governing body.

Statutory Requirements

Legal Duty to Manage and Control Funds

Virginia Code, Section 22.1-89

The “School Board shall manage and control the funds made available to (it) for public schools and may incur costs and expenses.”

Needs-Based Budget

Virginia Code, Section 22.1-92

“It shall be the duty of each division superintendent to prepare, with the approval of the school board, and submit to the governing body or bodies appropriating funds for the school division, by the date specified in § 15.2-2503, the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public schools of the school division....”

Public Hearing

Virginia Code, Section 22.1-92

“Before any school board gives final approval to its budget for submission to the governing body, the school board shall hold at least one public hearing to receive the views of citizens within the school division...”

Fiduciary Duty

Virginia Code, Section 22.1-91

“No school board shall expend or contract to expend, in any fiscal year, any sum of money in excess of the funds available for school purposes for that fiscal year”

Who is minding the store?

- Superintendent
- CFO/Director of Finance/Assistant Superintendent
- Program Managers
- School Board

Who has a Budget Role?

- Superintendent's role
 - Development of needs-based budget
 - Compensation decisions
- School Board's role
 - Sometimes direction to Superintendent on priorities
 - Public hearings (formally advertised) & public input
 - Submission to local governing body
- Local Governing Body's role
 - Appropriation

Budget Development: Other Key Players

- Parents and School Communities
- Cabinet
- Leadership Team
- School Administrators
- Employees
- Employee Advisory Groups
- Education Associations

The Budget Development Process



Budget Development - Timeline

July through September

- Superintendent solicits input on budget priorities
- School Board receives a five-year fiscal forecast

September through October

- Budget requests are submitted
- Baseline budget is reviewed and recommended
- Budget development strategy is communicated
- Per-pupil staffing budgets are prepared
- Stakeholder input is gathered

Budget Development - Timeline

November

- Budget requests reviews for priorities
- Enrollment projections are developed
- Proposed budget is prepared

December

- Proposed budget is finalized
- Governor introduces state budget
- Capital Improvement Program (CIP) is presented



Enrollment and Staffing

How is Enrollment Projected?

- Division-wide, pyramid, and school level trend analysis
- Cohort survival ratios
- Birth to kindergarten ratios
- Modifications and adjustments
e.g. boundaries, housing, special programs

How is Staffing Calculated?

- Class size divisor and percentage of students eligible for free or reduced priced meals
- Special program allocations
e.g. immersion, advanced academics, special education
- Ratios dictated by FCPS Staffing Standards and the Standards of Quality (SOQ)

SOQ – Elementary

	<u>P/T ratio</u>	<u>Max Class</u>
Kindergarten	24 to 1	29
Classes > 24 require an aide		
1 st grade	24 to 1	30
2 nd grade	24 to 1	30
3 rd grade	24 to 1	30
4 th grade	25 to 1	35
5 th grade	25 to 1	35

FCPS General Education Staffing Standards

	<u>Divisor</u>	<u>Max Class Size</u>
Kindergarten (includes instructional asst)	27.25	28
Elementary School	27.25	30
Middle School	27.90	
Students take 7 classes and teachers teach 5 classes		
High School	31	
High School English	24	
Students take 7 classes and teachers teach 5 classes		

Needs Based Staffing

Schools with 25% or more free/reduced price meals eligibility receive additional staffing on a weighted scale

FCPS English Language Learners (EL, ELL, ESL, LEP, ESOL)

SOQ

17 per thousand

1 per 59 students

*FCPS

19.86 per thousand

1 per 50 students

**Previously FCPS EL students were weighted for calculations of classroom teachers. A State change in EL categorization required a staffing formula change to maintain EL staffing levels in FY19.*

Technology

SOQ

1.0 FTE per 1,000 students (teacher)

1.0 FTE per 1,000 students (tech support)

FCPS School-based Technology Specialist (Teacher)

Elementary	0.5, 1.0 at 555 students
Middle	1 per school
High	1 per school

FCPS Technology Support Specialist (Tech Support)

Elementary	0.5 per school
Middle	1 per school
High	1 per school

Selected FCPS Non-Salary Allocations

Per Pupil

Instructional Supplies	\$31.37
Computer Supplies ES/HS, MS	\$2.10, \$6.70
Postage* ES, MS, HS	\$2.07, \$5.41, \$9.37

*90% held central for bulk mailing rates

Per Teacher

Staff Development	\$33.98
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Budget Development - Timeline

January

- Superintendent releases proposed budget
- Superintendent engages the community to discuss the proposed budget
- School Board reviews the proposed budget and the CIP, and holds work sessions and public hearings

Budget Development - Timeline

February through April

- School Board adopts the FCPS advertised budget.
- Superintendent forwards the FCPS advertised budget to the County.
- County Executive releases the County's advertised budget including a proposed transfer to FCPS.
- School Board presents its budget request to the Board of Supervisors.
- The CIP is presented to the Planning Commission and incorporated into the Fairfax County CIP.

Budget Development - Timeline

May

- County Board of Supervisors approves Adopted County Budget, determines tax rates, and transfer to schools
- School Board holds public hearings on budget
- School Board conducts budget work session to reconcile to funding levels
- School Board Approved Budget presented
- School Board Adoption

Draft Budget Calendars

FCPS FY20 Budget Calendar			
Date	Time	Topic	Format
1/10/2019	7:00 PM	FY20 Superintendent's Proposed Budget Presentation	Regular Meeting
1/14/2019	12:30 PM	FY20 Superintendent's Proposed Budget	Worksession
1/28-30/2019 (if needed)	6:00 PM	FY20 Superintendent's Proposed Budget	Public Hearing
1/31/2019	7:00 PM	FY20 Superintendent's Proposed Budget	Worksession
2/7/2019	7:00 PM	FY20 School Board Advertised Budget	Regular Meeting
2/26/2019	TBD	Joint School Board/Board of Supervisors Meeting	Worksession
3/25/2019	7:00 PM	FY20 Budget (Revenue Update)	Worksession
5/2/2019	6:00 PM	FY20 Budget Reconciliation	Worksession
5/9/2019	7:00 PM	FY20 School Board Approved Budget Presentation	Regular Meeting
5/14-15/2019 (if needed)	6:00 PM	FY20 School Board Approved Budget	Public Hearing
5/16/2019	6:00 PM	FY20 School Board Approved Budget	Worksession
5/23/2019	7:00 PM	School Board FY20 Budget Adoption	Regular Meeting

Fairfax County FY20 Budget Calendar	
Date	Topic
2/19/2019	FY20 County Executive Proposed Budget Presentation
2/26/2019	Joint Board of Supervisors/School Board Meeting
3/5/2019	Board of Supervisors Sets Proposed Real Estate Tax Rate
4/9-11/2019	FY20 County Executive Proposed Budget Public Hearings
4/26/2019	BOS Budget Committee FY20 Pre-markup
4/30/2019	Board of Supervisors FY20 Budget Markup
5/7/2019	FY20 Budget Adoption (tax rate, FCPS transfer)

Standard Budget Reports

- Budget reports
 - Trend data
 - Comparisons with previous year
 - Explanations of changes – cost of salaries
 - Enrollment projections
 - Peer comparisons

Finance



Management of Funds

- School Activity Funds
- School Operating Fund
 - Revenue
 - Expenditures
 - Fund Balance
 - Monitoring with financial reporting

School Activity Funds

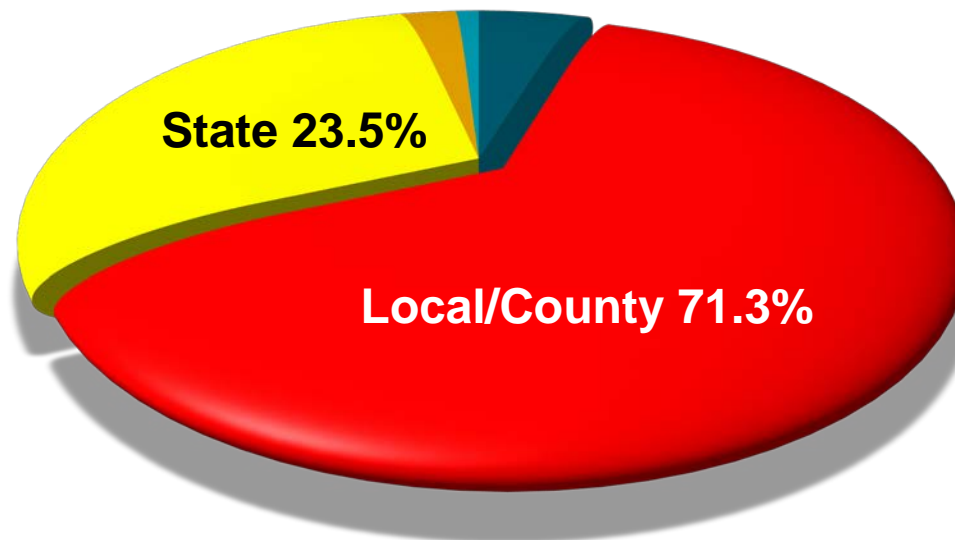
- Funds used for purpose collected
- Projects shall contribute to educational experience
- Funds derived by student body used for student body
- Students encouraged to participate in management
- Funds managed with sound business practices

Where does the money come from?

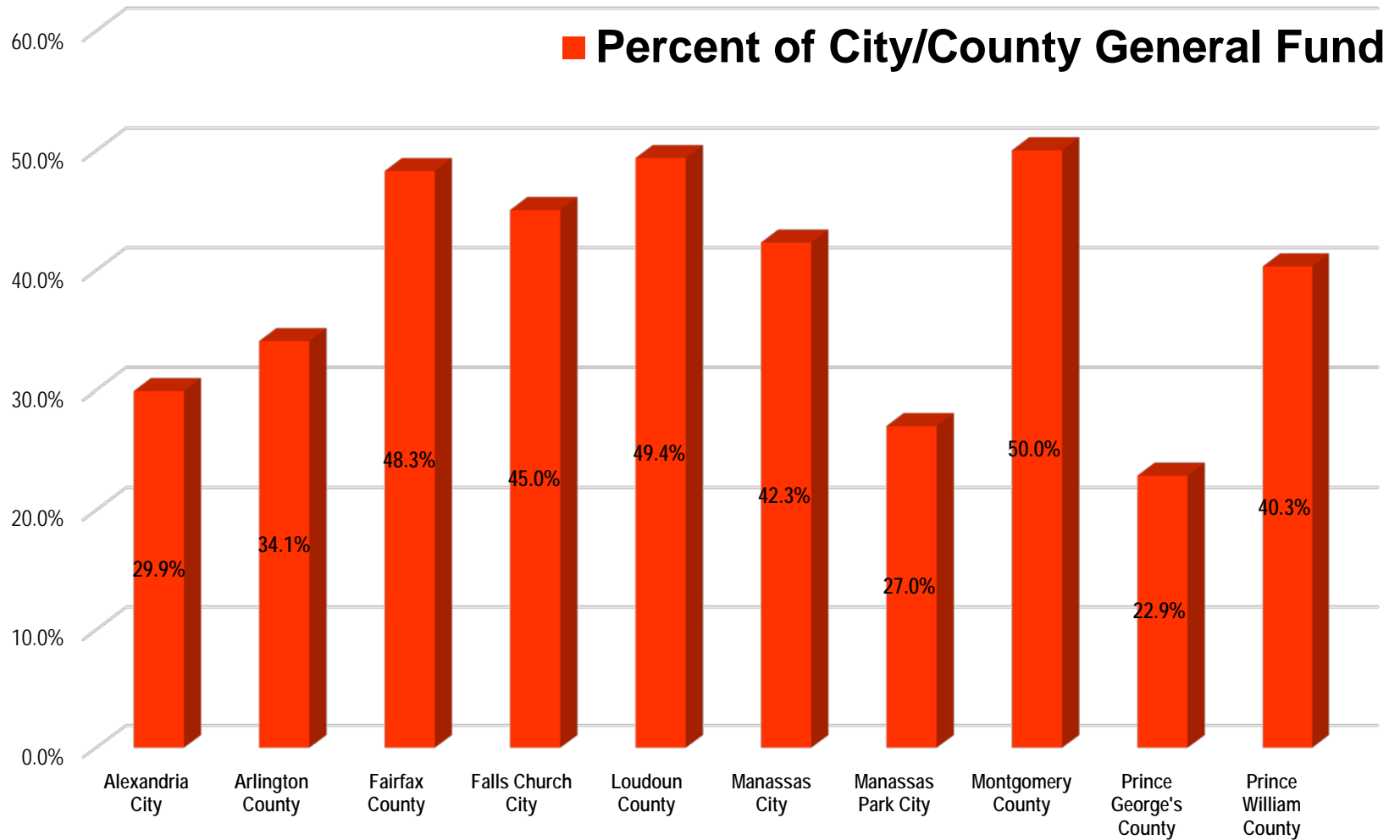
FY 2019

Amount (\$ in millions)

Carryover/Reserves	\$33.5
Local/County Funding	\$2,051.7
State Revenue	\$675.8
Federal Funds	\$43.8
Other Funds	<u>\$70.9</u>
Total	\$2,875.6

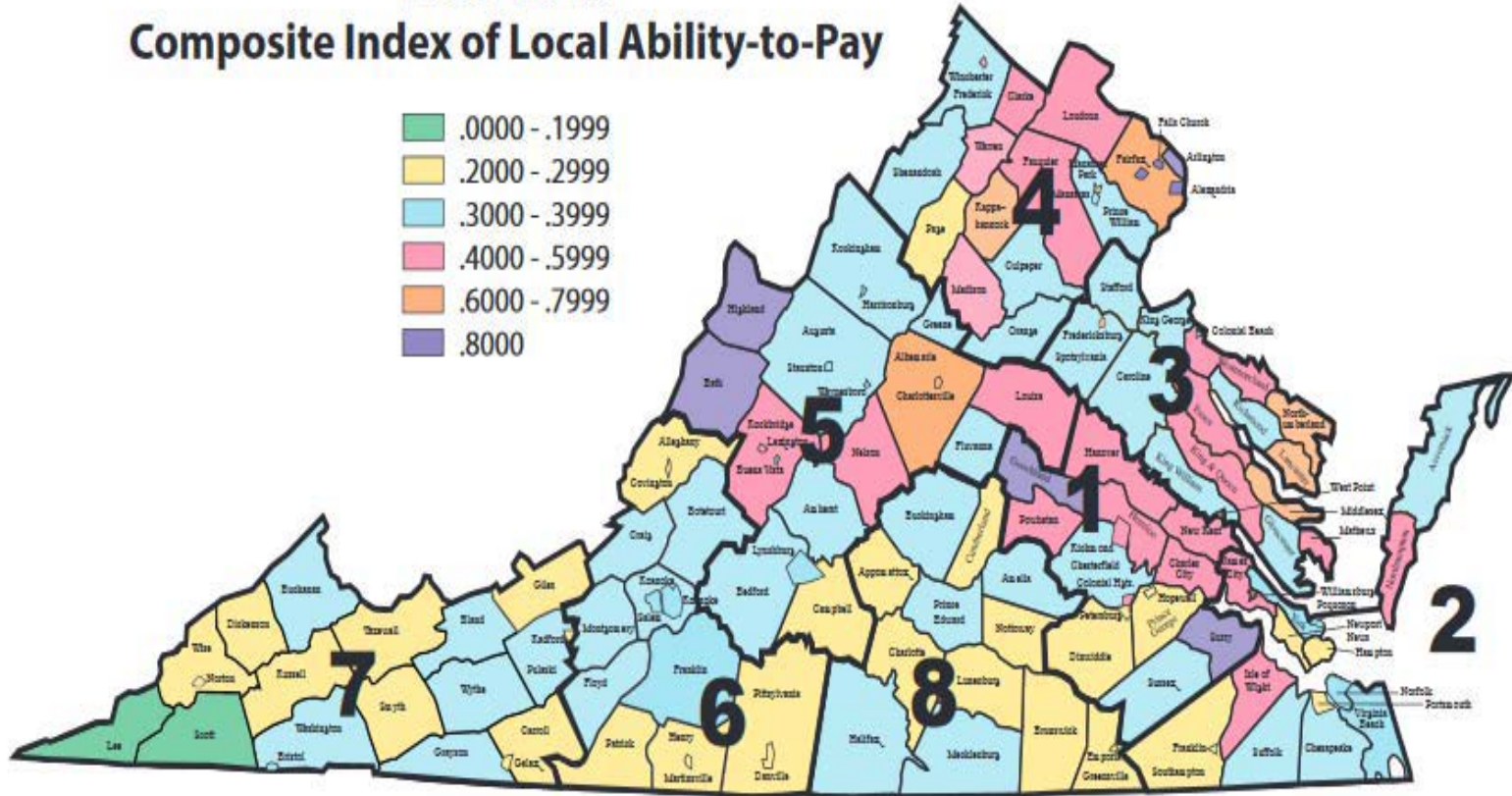


Local/County Funding



The Local Composite Index Across the Commonwealth

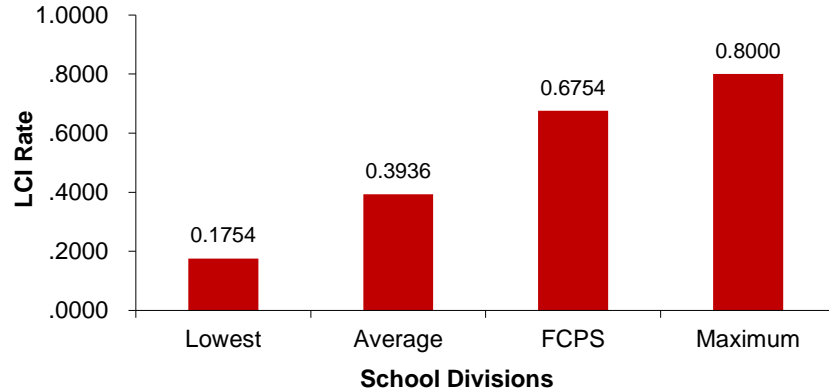
2016-2018 Composite Index of Local Ability-to-Pay



NOTE: Commonwealth of Virginia Department of Education Superintendent's Regions 1-8 shown

State Funding & the Local Composite Index

Virginia 2018-2020 Composite Index of Local Ability-To-Pay



COMPONENTS

- True Value of Property
- Adjusted Gross Income
- Taxable Retail Sales

Comparison of LCI for Surrounding Jurisdictions

Division	2016-2018	2018-2020	Variance
Manassas Park	.2676	.2675	(0.0001)
Manassas	.3582	.3557	(0.0025)
Prince William	.3848	.3783	(0.0065)
Loudoun	.5497	.5383	(0.0114)
Fairfax County	.6844	.6754	(0.0090)
Alexandria*	.8000	.8000	0.0000
Arlington*	.8000	.8000	0.0000
Fairfax City*	.8000	.8000	0.0000
Falls Church*	.8000	.8000	0.0000

FCPS LCI - .6754

- According to the LCI, locally we should be able to pay for about 67.5 percent of the costs of education and the Commonwealth should pick up 32.5 percent.

*The local composite index is capped at 0.8000.

Sales Tax Calculation

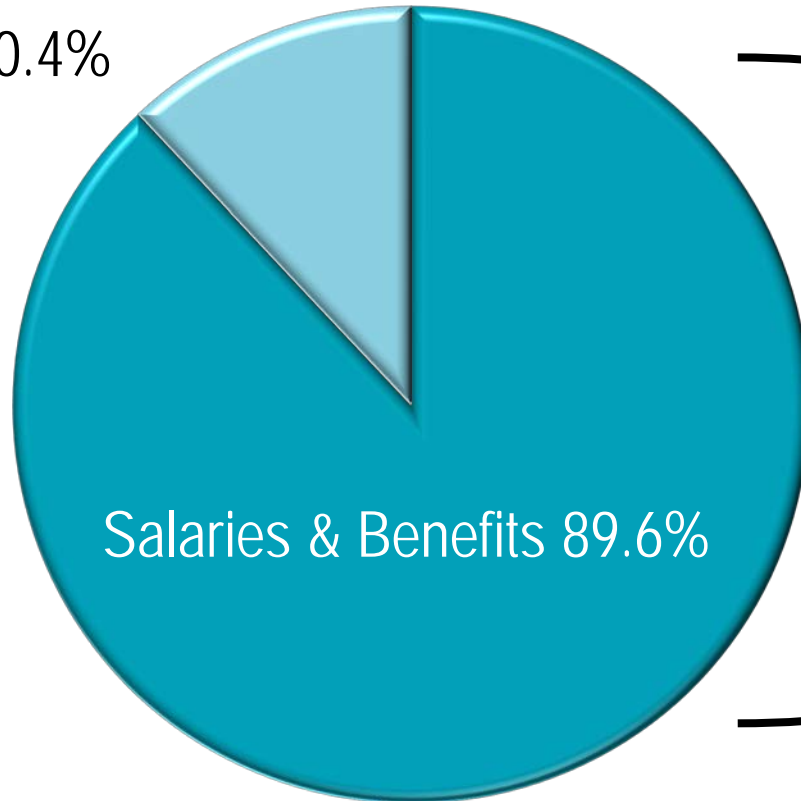
Weldon Cooper Total	1,581,541
Weldon Cooper FCPS	230,428
FCPS Percentage	14.57%
Education share 1.125%	\$1.4 billion
FCPS percentage	14.57 %
Sales tax funding	\$205.6 million

Basic Aid Calculation

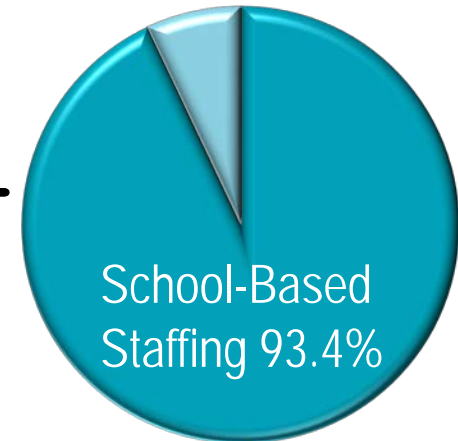
ADM (K-12)	181,848
State per pupil amount	<u>\$6,160</u>
Total	\$1,120,189,224
Less sales tax	(\$205.6 million)
Total Basic Aid	\$914.6 million
State share (1- LCI 0.6754)	0.3246
State funding	\$296.9 million

Where does the money go?

All Other Costs
10.4%



Salaries & Benefits 89.6%



School-Based
Staffing 93.4%

Over ninety-three percent of the positions funded in the budget are school based—one of the highest percentages in the Metropolitan area among Virginia school divisions.

Fund Balance/Surplus/Savings

- Why It Happens and Why It Matters
 - Lapse and turnover defined
 - K-12 labor intensive industry
- CAUTION - Only flexibility the division has
- Coming soon to a Local Governing Body meeting
- Issue facing School Boards across the Commonwealth

How To Address It

- Budget a negative number against salaries/benefits
- Other variables
- Predicting human behavior

Final Words on Surplus

- Surpluses are not a surprise
- All school division's budgets should have unspent funds
- School divisions cannot exceed their appropriations

School Board Monitoring & Financial Reporting

- Monthly financial reports
 - Reporting by state category
- Quarterly financial reports
 - Expenditure and revenue summaries

School Boards Should Consider

- There Is no magic button....
- Massive staff resources for report development & analysis
 - Ad-hoc reporting capabilities limited
 - Manual input/changes to reports often needed
 - Reports must be checked for accuracy/reasonableness

Last Thoughts on School Board Oversight

- Reliable people/reliable data
- All forecasts are wrong
- Don't rely solely on auditors
- Ask Superintendent or CFO
- Budget Manual for Virginia School Boards



THINGS YOU SHOULD KNOW!

Other Stuff You Should Know

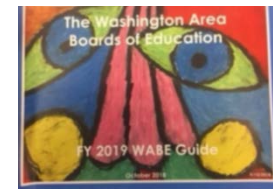
- Misinformation
- The things I've learned
- Simplify, simplify, simplify
- Strategies to cut spending

Misinformation

- The media sometimes gets it wrong.
- If your version isn't out there, it doesn't exist.
- Tell the story better.
- Everyone has to help.

Simplify, Simplify, Simplify

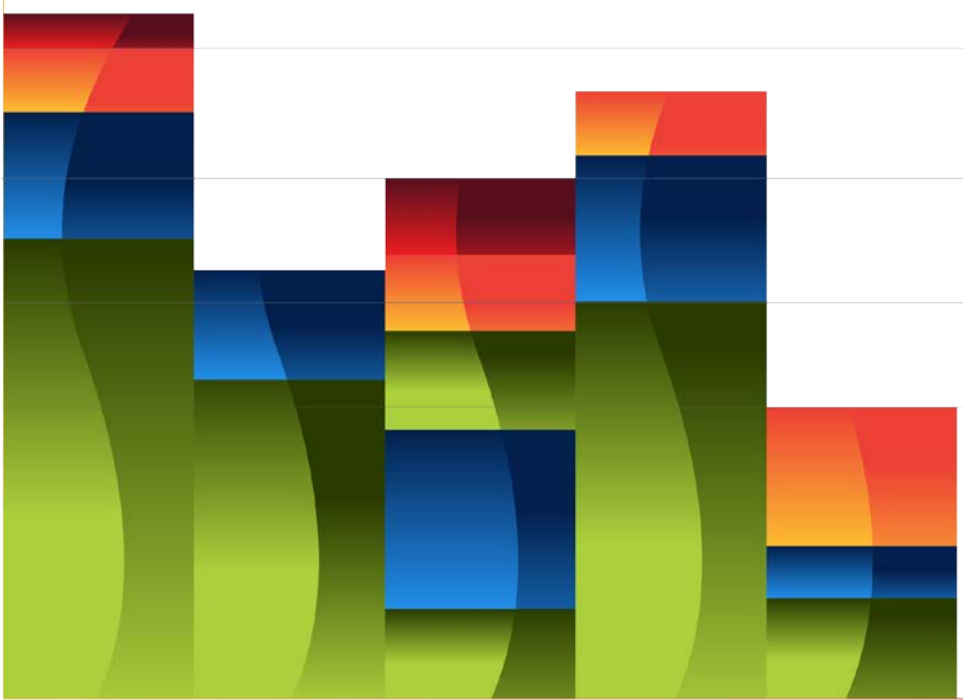
- What kind of information is needed?
- What can be easily understood?
- The right data will tell your story.
- Peer comparisons
 - Pupil/teacher ratios
 - Cost per pupil
 - Teacher salaries
 - School-based and non-school based positions



Strategies to Cut Spending

- Last in first out
- Reduce staffing greater than SOQ
- Review current vacancies
- Reduce extended contracts
- Increase class size
- Healthcare co-pays and deductibles
- Reduce employer share of healthcare
- Defer equipment replacement plans
- Mid-year salary enhancements
- Increase fees
- Selective elimination of programs

Questions?



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