

# Financial

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# School Board Funds

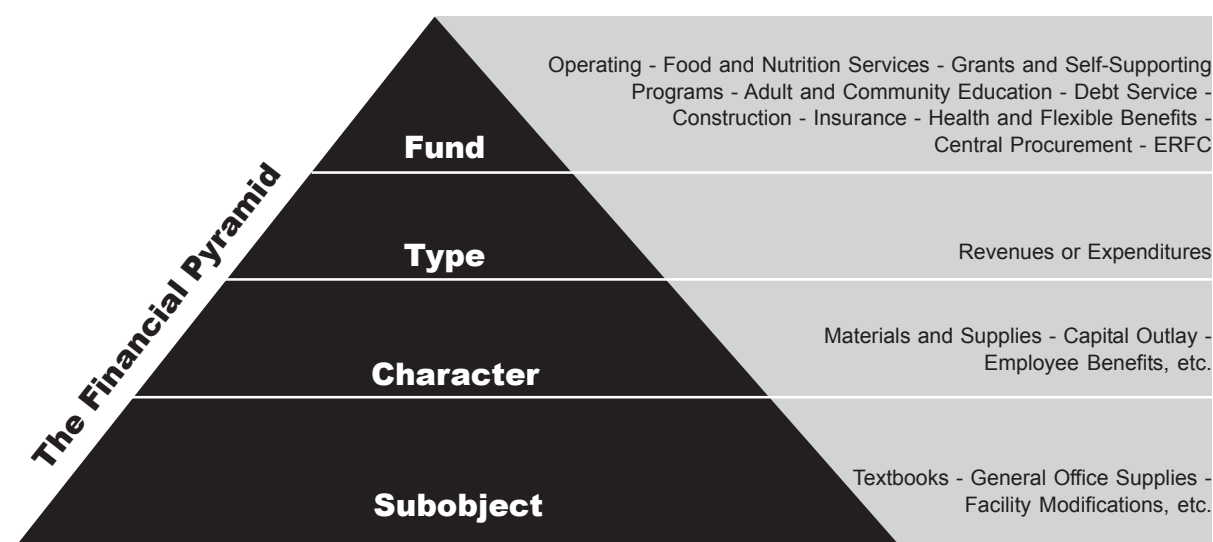
## Ten School Board Funds

The FY 2004 budget consists of the ten major funds under the control of the School Board. These funds are:

General	Operating Fund
Special Revenue	Food and Nutrition Services Fund
	Grants and Self-Supporting Programs Fund
	Adult and Community Education Fund
Debt Service	Debt Service Fund
Capital Projects	Construction Fund
Internal Service	Insurance Fund
	Health and Flexible Benefits Fund
	Central Procurement Fund
Pension Trust	Educational Employees' Supplementary Retirement System of Fairfax County Fund (ERFC)

## Classification Structure

The primary elements used to classify revenues and expenditures are: fund, type, character, and subobject. Funds represent the highest level of the classification structure. Types refer to revenues and expenditures. Characters serve as a means for classifying revenues and expenditures into broad categories. Subobject codes represent the lowest level of the classification structure for classifying revenues and expenditures. As shown in the chart, these elements can be viewed as a pyramid, with fund being the top level and subobject being the lowest level of detail. This pyramid approach is reflected in all of the financial summaries that follow.



# Fund Statements

School Operating Fund Statement					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed
<b>BEGINNING BALANCE, July 1</b>	<b>\$ 88,407,394</b>	<b>\$ 56,768,845</b>	<b>\$ 52,746,527 <sup>1/</sup></b>	<b>\$ 77,622,846</b>	<b>\$ 17,770,000 <sup>2/</sup></b>
<b>RECEIPTS:</b>					
Sales Tax	98,937,749	103,934,411	104,422,309	107,173,229	109,836,484
State Aid	191,825,213	213,020,263	215,098,818	191,203,799	168,493,773
Federal Aid	20,470,473	28,201,017	31,486,890	36,843,620	34,515,876
City of Fairfax Tuition	22,396,803	23,903,048	25,950,550	26,927,421	29,085,000
Tuition, Fees, and Other	8,996,826	12,680,991	10,975,181	9,670,123	9,859,801
<b>Total Receipts</b>	<b>342,627,064</b>	<b>381,739,730</b>	<b>387,933,748</b>	<b>371,818,192</b>	<b>351,790,934</b>
<b>TRANSFERS IN:</b>					
Combined County General Fund	895,791,241	986,379,544	1,078,290,392	1,166,420,889	1,271,544,692
Teacher Liability Payment	1,621,364	1,621,364	1,621,364	1,621,364	1,621,364
School Insurance Fund	-	-	1,516,947	-	-
<b>Total Transfers In</b>	<b>897,412,605</b>	<b>988,000,908</b>	<b>1,081,428,703</b>	<b>1,168,042,253</b>	<b>1,273,166,056</b>
<b>Total Receipts &amp; Transfers</b>	<b>1,240,039,669</b>	<b>1,369,740,638</b>	<b>1,469,362,451</b>	<b>1,539,860,445</b>	<b>1,624,956,990</b>
<b>Total Funds Available</b>	<b>1,328,447,063</b>	<b>1,426,509,483</b>	<b>1,522,108,978</b>	<b>1,617,483,291</b>	<b>1,642,726,990</b>
<b>EXPENDITURES:</b>	<b>1,248,657,362</b>	<b>1,352,322,379</b>	<b>1,416,762,924</b>	<b>1,579,934,375</b>	<b>1,612,457,812</b>
School Board Reserve	-	-	-	8,000,000	-
Teacher Liability Payment	1,621,364	1,621,364	1,621,364	1,621,364	1,621,364
<b>TRANSFERS OUT:</b>					
School Construction Fund	7,323,826	9,179,855	13,350,351	12,236,225	10,691,514
Grants & Self-Supporting Fund	9,131,171	8,413,430	11,382,456	13,397,954	13,720,945
Adult & Community Education Fund	1,012,897	3,683,218	1,100,131	2,000,131	1,100,131
School Debt Service Fund	3,710,000	833,926	-	-	2,795,063
Health and Flexible Benefits Fund	221,598	254,121	268,906	293,242	340,161
<b>Total Transfers Out</b>	<b>21,399,492</b>	<b>22,364,550</b>	<b>26,101,844</b>	<b>27,927,552</b>	<b>28,647,814</b>
<b>Total Disbursements</b>	<b>1,271,678,218</b>	<b>1,376,308,293</b>	<b>1,444,486,132</b>	<b>1,617,483,291</b>	<b>1,642,726,990</b>
<b>ENDING BALANCE, June 30</b>	<b>\$ 56,768,845</b>	<b>\$ 50,201,190</b>	<b>\$ 77,622,846</b>	<b>\$ -</b>	<b>\$ -</b>
<sup>1/</sup> As a result of an accounting change per the GASB Statement Number 34, a one time adjustment of \$2.5 million was made in the annual leave liability, resulting in an increase in the FY 2002 beginning balance.					
<sup>2/</sup> Reflects an additional \$17.8 million in projected FY 2003 ending balance to be carried over to balance the FY 2004 budget					

# Fund Statements

Food and Nutrition Services Fund Statement					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed
<b>BEGINNING BALANCE, July 1</b>	<b>\$ 14,243,058</b>	<b>\$ 12,438,224</b>	<b>\$ 10,395,824</b>	<b>\$ 9,791,528</b>	<b>\$ 9,087,058</b>
<b>RECEIPTS:</b>					
Food Sales	31,249,665	33,499,535	35,142,395	34,885,094	37,184,909
Federal Aid	12,709,658	13,802,345	14,254,508	13,401,414	14,696,065
State Aid	724,928	763,948	776,707	714,489	776,708
Other Revenue	667,478	608,506	204,183	505,000	196,607
<b>Total Receipts</b>	<b>45,351,729</b>	<b>48,674,334</b>	<b>50,377,793</b>	<b>49,505,997</b>	<b>52,854,289</b>
<b>Total Funds Available</b>	<b>59,594,787</b>	<b>61,112,558</b>	<b>60,773,617</b>	<b>59,297,525</b>	<b>61,941,347</b>
<b>EXPENDITURES</b>	<b>47,276,806</b>	<b>51,097,564</b>	<b>50,836,085</b>	<b>50,210,467</b>	<b>52,529,322</b>
Change in Inventory	120,243	380,830	(146,004)	-	-
<b>ENDING BALANCE, June 30</b>	<b>\$ 12,438,224</b>	<b>\$ 10,395,824</b>	<b>\$ 9,791,528</b>	<b>\$ 9,087,058</b>	<b>\$ 9,412,025</b>

# Fund Statements

Grants and Self-Supporting Programs Fund Statement					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed
<b>BEGINNING BALANCE, July 1</b>	<b>\$ 2,415,563</b>	<b>\$ 4,828,878</b>	<b>\$ 3,751,539</b>	<b>\$ 3,294,954</b>	<b>\$ 403,570 /1</b>
<b>RECEIPTS:</b>					
State Aid	5,388,733	8,908,394	8,081,338	9,637,275	9,585,625
Federal Aid	9,942,125	10,756,651	11,711,405	25,518,915	21,346,972
Tuition	2,424,045	2,610,530	3,150,056	2,798,913	2,887,036
Industry, Foundation, Other	979,152	516,579	1,638,505	994,177	345,600
<b>Total Receipts</b>	<b>18,734,055</b>	<b>22,792,154</b>	<b>24,581,304</b>	<b>38,949,280</b>	<b>34,165,233</b>
<b>TRANSFERS IN:</b>					
School Operating Fund (Grants)	-	-	-	135,539	-
School Operating Fund (Summer School)	9,131,171	8,413,430	11,382,456	13,262,415	13,720,945
Cable Communication Fund	1,693,834	1,793,500	1,640,935	1,624,576	1,603,329
<b>Total Transfers In</b>	<b>10,825,005</b>	<b>10,206,930</b>	<b>13,023,391</b>	<b>15,022,530</b>	<b>15,324,274</b>
<b>Total Receipts &amp; Transfers</b>	<b>29,559,060</b>	<b>32,999,084</b>	<b>37,604,695</b>	<b>53,971,810</b>	<b>49,489,507</b>
<b>Total Funds Available</b>	<b>31,974,623</b>	<b>37,827,962</b>	<b>41,356,234</b>	<b>57,266,764</b>	<b>49,893,077</b>
<b>EXPENDITURES</b>	<b>27,145,745</b>	<b>34,076,423</b>	<b>38,061,280</b>	<b>57,266,764</b>	<b>49,893,077</b>
<b>ENDING BALANCE, June 30</b>	<b>\$ 4,828,878</b>	<b>\$ 3,751,539</b>	<b>\$ 3,294,954</b>	<b>\$ -</b>	<b>\$ -</b>
<sup>1/</sup> Reflects an additional \$0.4 million in projected FY 2003 ending balance to be carried over to balance the FY 2004 budget					

# Fund Statements

<b>Adult and Community Education Fund Statement</b>						
	<b>FY 2000 Actual</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Estimate</b>	<b>FY 2004 Proposed</b>	
<b>BEGINNING BALANCE, July 1</b>	<b>\$ 1,432,915</b>	<b>\$ 1,703,109</b>	<b>\$ 3,782,283</b>	<b>\$ 2,565,113</b>	<b>\$ -</b>	
<b>RECEIPTS:</b>						
State Aid	1,244,478	1,290,301	871,024	756,039	1,402,347	
Federal Aid	292,540	210,039	674,762	965,238	212,000	
Tuition	5,614,021	6,118,382	6,804,260	6,692,983	6,917,684	
Industry, Foundation, Other	154,983	203,833	106,781	165,536	127,427	
<b>Total Receipts</b>	<b>7,306,022</b>	<b>7,822,555</b>	<b>8,456,827</b>	<b>8,579,796</b>	<b>8,659,458</b>	
<b>TRANSFERS IN:</b>						
School Operating Fund	1,012,897	3,683,218	1,100,131	2,000,131	1,100,131	
<b>Total Transfers In</b>	<b>1,012,897</b>	<b>3,683,218</b>	<b>1,100,131</b>	<b>2,000,131</b>	<b>1,100,131</b>	
<b>Total Receipts &amp; Transfers</b>	<b>8,318,919</b>	<b>11,505,773</b>	<b>9,556,958</b>	<b>10,579,927</b>	<b>9,759,589</b>	
<b>Total Funds Available</b>	<b>9,751,834</b>	<b>13,208,882</b>	<b>13,339,241</b>	<b>13,145,040</b>	<b>9,759,589</b>	
<b>EXPENDITURES</b>	<b>8,048,725</b>	<b>9,426,599</b>	<b>10,774,128</b>	<b>13,145,040</b>	<b>9,759,589</b>	
<b>ENDING BALANCE, June 30</b>	<b>\$ 1,703,109</b>	<b>\$ 3,782,283</b>	<b>\$ 2,565,113</b>	<b>\$ -</b>	<b>\$ -</b>	

# Fund Statements

School Debt Service Fund Statement					
	FY 2000 Actual	FY 2001 Actual <sup>1</sup>	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed
<b>BEGINNING BALANCE, July 1</b>	\$ 167,961	\$ 3,812,337	\$ 2,555,156	\$ 4,840,395	\$ -
<b>REVENUES:</b>					
Bond Proceeds <sup>1</sup>	-	326,924	2,196,549	200,000	200,000
<b>Total Revenues</b>	-	326,924	2,196,549	200,000	200,000
<b>TRANSFER IN:</b>					
County General Fund	89,459,914	95,250,687	105,528,408	113,604,781	122,146,733
School Operating Fund	3,710,000	833,926	-	-	-
<b>Total Transfers In</b>	93,169,914	96,084,613	105,528,408	113,604,781	122,146,733
<b>Total Receipts and Transfers</b>	93,169,914	96,411,537	107,724,957	113,804,781	122,346,733
<b>Total Funds Available</b>	93,337,875	100,223,874	110,280,113	118,645,176	122,346,733
<b>EXPENDITURES:</b>					
<b>Principal:</b>					
Bonds	52,596,500	58,021,499	64,088,155	70,144,953	67,069,758
Literary Loans	126,425	88,925	88,925	88,925	71,425
<b>Subtotal Principal</b>	52,722,925	58,110,424	64,177,080	70,233,878	67,141,183
<b>Interest:</b>					
Bonds	37,436,696	39,811,882	40,704,350	43,264,458	39,727,427
Literary Loans	21,152	17,051	14,075	11,099	8,123
<b>Subtotal Interest</b>	37,457,848	39,828,933	40,718,425	43,275,557	39,735,550
<b>Debt Service on Projected Sale:</b>	-	-	-	4,930,741	15,265,000
<b>Other Debt Costs:</b>					
Advance Refunding Escrow	-	-	-	-	-
Bond Issue Costs	-	-	543,726	200,000	200,000
Credit for Accrued Interest	(655,657)	(271,121)	-	-	-
Fiscal Agent Fees	422	482	487	5,000	5,000
<b>Subtotal Refunding</b>	(655,235)	(270,639)	544,213	205,000	205,000
<b>Total Expenditures</b>	89,525,538	97,668,718	105,439,718	118,645,176	122,346,733
<b>ENDING BALANCE, June 30</b>	\$ 3,812,337	\$ 2,555,156	\$ 4,840,395	\$ -	\$ -
<sup>1/</sup> Beginning with the 2001 A General Obligation Bond Sale, the Bond Premium received by the County will be reflected in the Debt Service Fund and used to offset the appropriation of Bond Sale Cost of Issuance.					



# Fund Statements

School Construction Fund Statement					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed
<b>BEGINNING BALANCE, July 1</b>	\$ 1,116,421	\$ 18,689,387	\$ 45,690,515	\$ 191,398	\$ -
<b>RECEIPTS:</b>					
Bond Sales	130,027,880	130,022,301	130,000,000	136,400,000	130,000,000
Bond Sale Premium	-	-	-	-	-
State Construction Grant	2,008,285	2,062,134	2,091,745	932,374	941,775
Federal D.O.E.	896,341	780,000	-	-	-
PTA/PTO Receipts	343,514	3,212,217	665,564	150,000	150,000
City of Fairfax	368,789	321,668	1,078,366	150,000	150,000
Other Revenue	-	4,000,000	5,963,109	136,000	136,000
<b>Total Receipts</b>	<b>133,644,809</b>	<b>140,398,320</b>	<b>139,798,784</b>	<b>137,768,374</b>	<b>131,377,775</b>
<b>AUTHORIZED BUT UNISSUED BONDS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,053,199</b>	<b>66,250,000</b>
<b>TRANSFERS IN:</b>					
<b>School Operating Fund</b>					
Building Maintenance	5,400,000	5,291,987	8,500,000	6,464,072	6,600,000
Classroom Equipment	1,076,311	2,909,665	3,456,550	4,871,209	3,422,014
Facility Modifications	847,515	778,203	1,393,801	900,944	669,500
Land Acquisition	-	200,000	-	-	-
<b>Total Transfers In</b>	<b>7,323,826</b>	<b>9,179,855</b>	<b>13,350,351</b>	<b>12,236,225</b>	<b>10,691,514</b>
<b>Total Receipts and Transfers</b>	<b>140,968,635</b>	<b>149,578,175</b>	<b>153,149,135</b>	<b>382,057,798</b>	<b>208,319,289</b>
<b>Total Funds Available</b>	<b>142,085,056</b>	<b>168,267,562</b>	<b>198,839,650</b>	<b>382,249,196</b>	<b>208,319,289</b>
<b>EXPENDITURES AND COMMITMENTS:</b>					
Expenditures	123,395,669	122,577,047	198,648,252	150,195,997	142,069,289
Additional Contractual Commitments	-	-	-	232,053,199	66,250,000
<b>Total Disbursements</b>	<b>123,395,669</b>	<b>122,577,047</b>	<b>198,648,252</b>	<b>382,249,196</b>	<b>208,319,289</b>
<b>ENDING BALANCE, June 30</b>	<b>\$ 18,689,387</b>	<b>\$ 45,690,515</b>	<b>\$ 191,398</b>	<b>\$ -</b>	<b>\$ -</b>

# Fund Statements

School Insurance Fund Statement					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed
<b>BEGINNING BALANCE, July 1</b>	\$ 1,371,250	\$ 6,067,342	\$ 5,345,848	\$ 3,507,222	\$ 1,600,000 <sup>1/</sup>
<b>RECEIPTS:</b>					
Workers' Compensation					
School Operating Fund	5,609,631	3,275,116	2,975,116	2,975,116	2,975,116
School Food & Nutrition Serv. Fund	389,298	218,124	218,124	218,124	218,124
Other Insurance	2,458,796	1,920,624	333,896	2,680,000	4,700,000
<b>Total Receipts</b>	<b>8,457,725</b>	<b>5,413,864</b>	<b>3,527,136</b>	<b>5,873,240</b>	<b>7,893,240</b>
<b>Total Funds Available</b>	<b>9,828,975</b>	<b>11,481,206</b>	<b>8,872,984</b>	<b>9,380,462</b>	<b>9,493,240</b>
<b>EXPENDITURES:</b>					
Workers' Compensation					
Workers' Compensation	2,705,261	2,943,126	2,184,195	3,224,000	2,709,500
Administration	197,651	310,586	351,654	390,097	433,899
Claims Management	712,432	723,799	708,402	542,896	825,000
Net Change in Accrued Liability	(1,617,690)	(718,218)	(3,206,313)	403,032	403,031
Other Insurance	1,763,979	2,876,065	3,810,877	4,632,341	5,121,810
<b>Total Expenditures</b>	<b>3,761,633</b>	<b>6,135,358</b>	<b>3,848,815</b>	<b>9,192,366</b>	<b>9,493,240</b>
<b>TRANSFERS OUT:</b>					
School Operating Fund	-	-	1,516,947	-	-
<b>Total Disbursements</b>	<b>3,761,633</b>	<b>6,135,358</b>	<b>5,365,762</b>	<b>9,192,366</b>	<b>9,493,240</b>
<b>ENDING BALANCE, June 30</b>	<b>\$ 6,067,342</b>	<b>\$ 5,345,848</b>	<b>\$ 3,507,222</b>	<b>\$ 188,096</b>	<b>\$ -</b>
<sup>1/</sup> Reflects an additional \$1.4 million in projected FY 2003 ending balance to be carried over to balance the FY 2004 budget.					

# Fund Statements

Health and Flexible Benefits Fund Statement						
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed	
<b>BEGINNING BALANCE, July 1</b>	\$ 8,617,691	\$ 11,362,077	\$ 8,279,428	\$ 8,958,466	\$ 11,085,119	
<b>RECEIPTS:</b>						
Employer Contributions	29,799,437	60,330,565	72,960,137	97,803,804	106,215,806	
Employee Contributions	9,423,223	17,896,747	21,523,717	25,931,490	29,533,970	
Retiree/Other Contributions	9,254,464	12,393,527	15,782,035	14,348,286	17,620,169	
Aetna Stop-Loss Refund	-	2,997,637	939,172	-	-	
Interest Income	845,803	1,253,812	337,477	560,000	560,000	
<b>Subtotal</b>	<b>49,322,927</b>	<b>94,872,288</b>	<b>111,542,538</b>	<b>138,643,580</b>	<b>153,929,945</b>	
Flexible Accounts Withholdings	3,188,313	3,351,947	3,903,593	3,833,233	4,446,550	
<b>Total Receipts</b>	<b>52,511,240</b>	<b>98,224,235</b>	<b>115,446,131</b>	<b>142,476,813</b>	<b>158,376,495</b>	
<b>TRANSFERS IN:</b>						
School Operating Fund	221,598	254,121	268,906	293,242	340,161	
<b>Total Receipts and Transfers</b>	<b>52,732,838</b>	<b>98,478,356</b>	<b>115,715,037</b>	<b>142,770,055</b>	<b>158,716,656</b>	
<b>Total Funds Available</b>	<b>61,350,529</b>	<b>109,840,433</b>	<b>123,994,465</b>	<b>151,728,521</b>	<b>169,801,775</b>	
<b>EXPENDITURES/PAYMENTS:</b>						
Health Benefits Paid	41,501,594	61,157,575	74,931,037	95,182,382	105,289,256	
Premiums Paid	-	27,919,098	28,893,144	30,535,665	38,305,403	
Claims Incurred but not Reported (IBNR)	6,600,000	9,000,000	10,461,561	14,063,112	16,347,578	
IBNR Prior Year Credit	(4,600,000)	(6,600,000)	(9,000,000)	(10,536,009)	(13,823,053)	
Health Administrative Expenses	3,461,345	6,690,092	5,915,569	7,511,775	7,710,081	
<b>Subtotal</b>	<b>46,962,939</b>	<b>98,166,765</b>	<b>111,201,311</b>	<b>136,756,925</b>	<b>153,829,265</b>	
Flexible Accounts Reimbursement	2,943,965	3,315,075	3,735,886	3,769,883	4,259,968	
FSA Administrative Expenses	81,548	79,165	98,802	116,594	121,506	
<b>Subtotal</b>	<b>3,025,513</b>	<b>3,394,240</b>	<b>3,834,688</b>	<b>3,886,477</b>	<b>4,381,474</b>	
Claims Stabilization Reserve <sup>1</sup>	-	-	-	11,085,119	11,591,036	
<b>Total Disbursements</b>	<b>49,988,452</b>	<b>101,561,005</b>	<b>115,035,999</b>	<b>151,728,521</b>	<b>169,801,775</b>	
<b>ENDING BALANCE, June 30</b>	<b>\$ 11,362,077</b>	<b>\$ 8,279,428</b>	<b>\$ 8,958,466</b>	<b>\$ -</b>	<b>\$ -</b>	
<sup>1</sup> The Claims Stabilization Reserve is appropriated for budgeting purposes to offset fluctuations in health insurance costs during the fiscal year. This reserve is projected to be carried forward as FY 2004 beginning balance.						

# Fund Statements

Central Procurement Fund Statement						
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed	
<b>BEGINNING BALANCE, July 1</b>	\$ 1,853,523	\$ 1,823,366	\$ 1,591,243	\$ 1,176,028	\$ 1,176,028	
<b>RECEIPTS:</b>						
Sales to Schools/Departments	10,228,002	10,218,843	11,220,582	14,000,000	14,000,000	
<b>Total Funds Available</b>	<b>12,081,525</b>	<b>12,042,209</b>	<b>12,811,825</b>	<b>15,176,028</b>	<b>15,176,028</b>	
<b>EXPENDITURES:</b>						
Purchase for Resale	10,258,159	10,450,966	11,635,797	14,000,000	14,000,000	
<b>Total Disbursements</b>	<b>10,258,159</b>	<b>10,450,966</b>	<b>11,635,797</b>	<b>14,000,000</b>	<b>14,000,000</b>	
<b>ENDING BALANCE, June 30</b>	<b>\$ 1,823,366</b>	<b>\$ 1,591,243</b>	<b>\$ 1,176,028</b>	<b>\$ 1,176,028</b>	<b>\$ 1,176,028</b>	

# Fund Statements

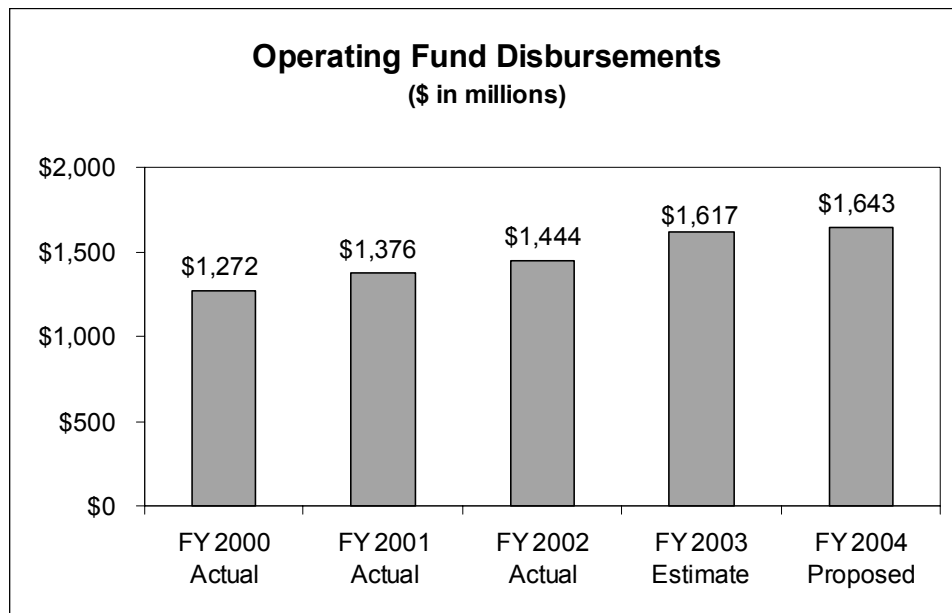
Educational Employees' Supplementary Retirement System of Fairfax County Fund Statement						
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Proposed	
BEGINNING BALANCE, July 1	\$ 1,520,523,581	\$ 1,534,986,941	\$ 1,488,764,682	\$ 1,369,372,874	\$ 1,407,516,560	
RECEIPTS:						
Contributions	52,592,352	47,151,856	49,321,779	56,009,450	67,020,815	
Investment Income	49,190,559	2,666,585	(60,706,645)	112,100,000	110,000,000	
Total Receipts	101,782,911	49,818,441	(11,384,866)	168,109,450	177,020,815	
Total Funds Available	1,622,306,492	1,584,805,382	1,477,379,816	1,537,482,324	1,584,537,375	
EXPENDITURES	87,319,551	96,040,700	108,006,942	129,965,764	141,614,896	
ENDING BALANCE, June 30	\$ 1,534,986,941	\$ 1,488,764,682	\$ 1,369,372,874	\$ 1,407,516,560	\$ 1,442,922,479	



# Operating Fund Overview

Fairfax County Public Schools (FCPS) uses the Operating Fund to account for the revenues and expenditures necessary for everyday operational needs. Revenue is collected from local, state, and federal sources. Expenditures are divided into major categories (compensation, logistics, etc.) The FY 2004 operating budget totals \$1.6 billion and 21,003.6 positions.

The fund statement for the Operating Fund presents revenue by source, transfers in, expenditures, and transfers out for the budgeted year, current year estimate, and three prior years actual. Additionally, changes in fund balances are displayed.



A complete description of the Operating Fund and summary of all other funds are found in this section.

# Operating Revenue

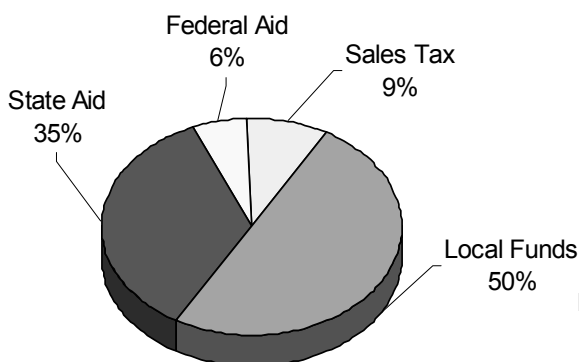
## Revenue Overview

As reflected in the chart to the right, all sources of revenue are expected to increase \$25.2 million, or 1.6 percent, over the FY 2003 estimate. In FY 2004, it is anticipated that funds will be available for a \$17.8 million beginning balance. The primary source of operating revenue, the County General Fund transfer, is projected to increase 9.0 percent. State aid, another major funding source, is projected to decrease 11.9 percent. Together, these two funding sources comprise 87.8 percent of all revenue projected for FY 2004.

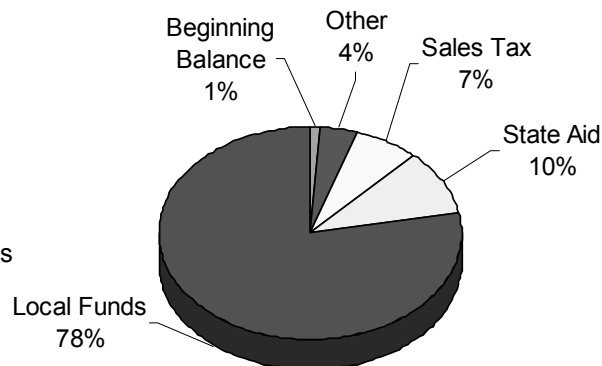
When compared with other school divisions in Virginia, Fairfax County funds a much larger portion of its school budget with local funds. The average Virginia school division receives approximately half of its financial support from its local government, while FCPS must rely on local funds for three-fourths of its budget. Conversely, FCPS only receives 17.0 percent of its funding from the state, significantly less than the 44.0 percent share other Virginia school divisions receive.

Revenue Comparison (\$ in millions)			
Category	FY 2003 Estimate	FY 2004 Proposed	Change
Beginning Balance	\$77.6	\$17.8	-77.1%
County Transfer	\$1,168.0	\$1,273.2	9.0%
Revenue			
State Aid	\$191.2	\$168.5	-11.9%
Sales Tax	107.2	109.8	2.5%
Federal Aid	36.8	34.5	-6.3%
City of Fairfax	26.9	29.1	8.0%
Other	9.7	9.9	2.0%
Subtotal Revenue	\$371.8	\$351.8	-5.4%
Total School Operating Fund	\$1,617.5	\$1,642.7	1.6%

## Funding Source Breakdown All Virginia School Divisions



## FCPS Revenue Breakdown by Source



# Operating Revenue

## Beginning Balance

**\$17.8 million**

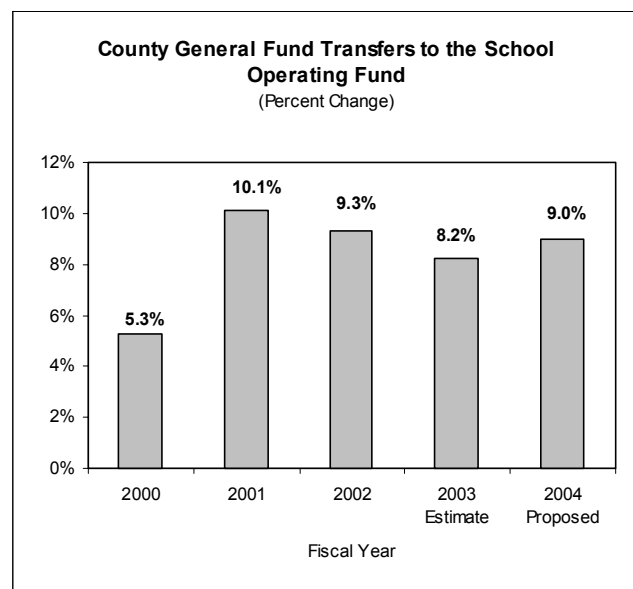
A \$17.8 million beginning balance is projected for FY 2004. This balance is based on savings generated in both FY 2002 and FY 2003. Included in the FY 2002 Final Budget Review was an amount of \$4.0 million to be set aside as FY 2004 beginning balance. In addition, the FY 2003 Third-Quarter Budget Review will include an additional \$13.8 million in compensation savings. The FY 2003 budgeted compensation lapse of 1.7 percent will be increased to 2.1 percent in response to higher than expected turnover experienced in the first four months of the fiscal year for a savings of \$5.8 million. FY 2003 savings of \$8.0 million will also be realized in the health and dental budgets due to enrollment stabilization and tighter budgetary controls.

## Transfers In - County General Fund

**\$1.3 billion**

Real and personal property tax dollars are the primary revenue sources for Fairfax County. The Board of Supervisors approves a transfer from county funds to FCPS to finance the Operating Fund.

Based on the FY 2004 requests, the County General Fund transfer (local tax dollars) will provide approximately 78.0 percent of the Operating Fund's revenue. Included in this total is \$1.6 million to fund the retirement of the outstanding teacher salary liability, based on a ten-year plan.



## County General Fund Transfer to Schools (as a percentage of total disbursements)

<b>FY 2000 Actual</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Adopted</b>	<b>FY 2004 Advertised</b>
49.3%	50.4 %	51.7%	52.5%	TBD

# Operating Revenue

## State Aid

State aid will decrease from \$191.2 million in FY 2003 to a projected level of \$168.5 million in FY 2004, a loss of \$22.7 million. Virginia's budget deficit for the FY 2003 and FY 2004 is estimated to be approximately \$2.0 billion. In anticipation of funding reductions to K-12 education, the FY 2004 proposed budget includes a \$30.0 million state aid loss placeholder. This loss placeholder is in part offset by routine increases in state aid due primarily to membership growth.

**\$168.5 million**

### State Aid (\$ in millions)

SOQ/Equalized	\$150.1
Incentive	11.8
Categorical	<u>6.6</u>
	\$168.5

## Standards of Quality (SOQ) Accounts

The Standards of Quality prescribe the minimum foundation program that all public schools in Virginia must meet. SOQ funding is designed to meet the basic operating costs of each school division. Selected SOQ accounts are described in the following paragraphs.

### Basic Aid

Basic aid, the primary source of state aid, was established as an integral part of the SOQ under the revised Virginia Constitution, adopted in 1972. Standards were established and are revised periodically for personnel, instructional materials, program and systemwide planning and management, as well as performance objectives for the Virginia Board of Education and local school divisions. The constitutional mandate of 1972 requires the General Assembly to apportion the cost of funding the prescribed SOQ between state and local governments. Through basic aid, the state should fund 55 percent of the cost of basic operations, adjusted by an equalization formula. In FY 2004, the state entitlement is estimated to be \$899 for each student included in the average daily membership (ADM). In comparison, the average cost to educate each student in FCPS in FY 2004 is \$9,801.

### Special Education

A per-pupil payment is disbursed to support the state's share of the number of special education instructors required by the SOQ. Included in this per-pupil cost are the majority of costs previously supported through the preschool categorical account. Also included are funds for educable mentally retarded (EMR) pupils which compensate for the difference between staffing for EMR classes and those classes for students with specific learning disabilities.

### SOQ/Equalized Accounts (\$ in millions)

Type	FY 2004 Budget
Basic Aid	\$144.5
Textbooks	3.0
Vocational Education	1.7
Gifted Education	1.6
Special Education	14.8
Remedial Education	1.2
State Retirement	5.0
Social Security	8.2
State Group Life	0.0
State aid loss placeholder	<u>(30.0)</u>
	\$150.1

### State Retirement, State Group Life Insurance, Social Security

Partial reimbursement is made for the total employer's share of state retirement, state group life insurance, and social security. No State Group Life state aid will be received in FY 2003 or FY 2004 due to a rate holiday approved by the 2002 Virginia General Assembly.

# Operating Revenue

## **Definition of Terms**

**Average Daily Membership (ADM).** Average daily membership is determined by dividing the total aggregate days membership by the number of days in session for the first seven months (or equivalent period) of the school year. Included in this count are all students in grades K-12 and all handicapped students ages 5-21, except for special education pupils placed in state institutions. Kindergarten membership is reduced to 85 percent of ADM for half-day kindergarten programs. City of Fairfax students are not included in this Basic Aid computation because the city computes and receives separate Basic Aid for its students.

**SOQ Operations Cost Per Pupil.** The state establishes, individually for each local school division, a per-pupil amount representing the basic operations costs for that school division. For FCPS, this amount is estimated to be \$4,344. It is based on (1) instructional staffing - the number of instructional personnel required by the SOQ and the statewide prevailing salary levels for these positions (adjusted in Planning District Eight for the cost of competing); and (2) support costs - fixed number of noninstructional positions statewide at the statewide prevailing salary levels for these positions (adjusted in Planning District Eight) and other prevailing costs attributable to administration, instructional support, attendance and health, transportation, operation and maintenance, and fixed charges. The positions and salary levels for both components are as cited in the Joint Legislative Audit and Review Commission (JLARC) report, "Funding the Standards of Quality - Part II: SOQ Costs and Distribution."

**Local Composite Index (LCI).** The composite index of local ability-to-pay mathematically combines three separate measures of local fiscal capacity into a single index. This index weighs a locality's ability-to-pay relative to other localities in the state. Counties and cities with a lower composite index receive more state funding, while those with a higher index receive less. The LCI is based on true values of real estate and public service corporations (weighted 50 percent), adjusted gross income (weighted 40 percent), and taxable retail sales (weighted 10 percent), divided by state ADM and population. The state nominal share of the costs of the SOQ is to be funded at 55 percent in FY 2004.



# Operating Revenue

## Incentive Accounts

Incentive-based programs are not required by law but are intended to target resources for specific student or school needs statewide. It is important to note that actions of the 2002 General Assembly eliminated six of these funding accounts, including the Lottery Hold-Harmless, in an effort to balance a \$3.8 billion projected state budget deficit. The impact to Fairfax County Public Schools of this state aid loss was over \$13.0 million in each year of the biennium (FY 2003-FY 2004).

### Lottery

The 1999 State General Assembly approved the distribution of 100 percent of lottery proceeds to K-12 education. The distribution to FCPS for FY 2004 is based on a per-pupil rate of \$201.08. A local match, based on the local composite index, is required. At least 50 percent of lottery funds must be spent on school construction, technology, and expenditures related to modernizing classroom equipment; no more than 50 percent can be spent on recurring costs.

### At-Risk Students

Payments are based on the number of free lunch participants, with school divisions having the lowest percentage of free lunch participants receiving an additional 2 percent of the basic aid per-pupil amount for each at-risk student. Divisions having the highest percentage will receive an additional 12 percent of the basic aid per-pupil amount.

### Primary Class Size K-3

Funding is provided in FY 2004 to lower student-teacher ratios in grades K-3 in schools with high concentrations of students living in poverty. Payments are based on the number of students in grades K-3 in each school and a per-pupil amount determined by the percent of free lunch participation in each school.

Incentive Accounts (\$ in millions)	
Type	FY 2004 Budget
Lottery	\$8.0
At Risk	0.7
Primary Class Size K - 3	1.6
Early Reading Intervention	0.4
SOL Remediation	0.5
SOL Algebra Readiness	0.3
Technology Resource Assistants	<u>0.2</u>
	\$11.8

# Operating Revenue

## Categorical Accounts

The categorical programs focus on particular needs of special student populations or fulfill particular state obligations. These programs are typically required by state or federal law or regulation. The following paragraphs detail selected categorical aid accounts.

### Wine Tax

Section 4.1-235 of the Code of Virginia authorizes a tax on wine, and provides that two-thirds of wine tax receipts be returned to counties and cities

based on their percent of the total for Virginia population as reported in the latest census on the United States. Receipts are distributed quarterly.

### Foster Home

Section 22.1-101 of the Code of Virginia authorizes the Virginia Board of Education to reimburse localities for educating students who are residents of one county or city, but are placed in a foster home and attend school in another county or city. Reimbursement is based on the local cost per pupil and the number of days the students attended classes during the school year. Because reimbursement cannot be requested until after the year has been completed, revenue to be received in FY 2004 will be for services provided in the 2002-2003 school year.

### Thomas Jefferson High School for Science and Technology (TJHSST)

State funds are provided to support the Governor's regional magnet schools, which are designed to attract and serve students with special interests and aptitudes. Thomas Jefferson High School for Science and Technology (TJHSST) was designed to serve students with special abilities and interests in science, mathematics, and computer science. For FY 2004, FCPS is projected to receive \$1.2 million for TJHSST to partially offset the additional costs incurred to educate students on a regular basis.

### Vision Program

The Virginia Commission for the Visually Handicapped provides 19 percent of teacher salaries, up to a maximum of \$4,466 per teacher for itinerant teachers assigned to the vision program. In FY 2004, FCPS will have 22.0 teachers for the visually impaired students. These teachers provide students and general education teachers with adapted instructional materials, library materials, and books that are recorded on tape or reproduced in large print or braille.

### English for Speakers of Other Languages (ESOL)

State funds are provided to support the provision of necessary educational services to children not having English as their primary language. These funds support English language assistance instructional materials and in-service activities. Payments are based on the number of state funded teacher positions calculated on a ratio of nine teachers per 1,000 ESOL students.

Categorical Accounts (\$ in millions)	
Type	FY 2004 Budget
Wine Tax	\$1.1
Foster Home	0.4
Homebound	0.2
Thomas Jefferson High School	1.2
Vision Program	0.1
Vocational Education	0.6
English for Speakers of Other Languages	2.9
Adult Secondary Education	0.1
	<b>\$6.6</b>

# Operating Revenue

## **Sales Tax**

**\$109.8 million**

This projection is based on a 2.5 percent increase in sales tax. The method the state uses for distributing sales tax revenue affects FCPS' level of funding. Of the 4.5 cents sales-and-use tax levied in Virginia, 1 cent of the amount collected is returned directly to the local government (point of collection) for County General Fund use, and 1 cent is dedicated to K-12 education. When distributing the 1 cent of sales tax designated for education, the state equalizes the funds among the school divisions based on each locality's number of school-age children. If sales tax revenues were distributed to public schools using the same methodology used for local governments, FCPS would receive approximately \$29 million in additional revenue in FY 2004.

## **Federal Aid**

**\$34.5 million**

Federal aid is projected to be \$34.5 million in FY 2004. Major sources of federal funds are provided through the Impact Aid Program and categorical aid for specific purposes. Federal programs, except for Impact Aid, are budgeted by the federal government a year in advance of actual use by localities. Actual entitlements, however, are not known until the beginning of the school year.

## **Impact Aid**

This program is designed to provide assistance to local educational agencies for the operating costs of educating children in areas by federal activity. The purpose of the program is to minimize the fiscal inequities caused by both the presence of federal tax exempt property and the increased burden of providing education to large numbers of children whose parents reside on federal property and/or work on federal installations. Under this program, the majority of the federal funding is provided for pupils whose parents live and work on federal property, primarily Fort Belvoir, and a minimum amount for pupils whose parents live or work on federal property. Impact aid is projected to be \$3.0 million in FY 2004.

## **Special Education – Individuals with Disabilities Education Act**

The Individuals with Disabilities Education Act (IDEA) is designed to ensure that all school-age handicapped children are provided a free, appropriate public education. This act authorizes federal aid to assist in the implementation of this mandate. Federal funds are to be used only for the excess cost of educating handicapped students. No locality may spend less on the education of handicapped students than it does for nonhandicapped students. Further, federal funds may not supplant existing locally funded programs. IDEA funding is projected to be \$22.5 million in FY 2004.

## **Federal E-Rate**

FCPS participates in the federal E-rate program that was established by the Telecommunications Act of 1996. This program is managed through the Federal Communications Commission (FCC) and provides a fund to discount telecommunication and other technology products and services used by public schools, libraries, and other selected entities. The annual discount for eligible expenditures is based on the percentage of students receiving free or reduced lunch prices. The total E-rate revenue anticipated in FY 2004 is \$3.0 million.

# Operating Revenue

## **City of Fairfax Tuition**

**\$29.1 million**

Fairfax County Public Schools operates the schools owned by the City of Fairfax in accordance with a contractual agreement developed in August 1978 among the City of Fairfax, the City of Fairfax School Board, the Fairfax County Board of Supervisors, and the Fairfax County School Board. This School Services Agreement employs a complex tuition formula to derive the payment due to FCPS from the City of Fairfax. FCPS is projected to receive \$29.1 million from the City of Fairfax to provide educational services to 2,770 City of Fairfax students projected for FY 2004.

## **Tuition, Fees, and Other**

**\$9.9 million**

### **Day School Tuition**

This budget is for funding received from students who reside outside of Fairfax County, including:

#### **Thomas Jefferson High School for Science and Technology**

\$1,575,000 is projected to be received from local school divisions who send approximately 213 students to the Thomas Jefferson High School for Science and Technology.

#### **Other Nonresident Tuition**

FCPS receives \$791,000 in tuition for pupils who do not reside in Fairfax County, but who are approved to attend Fairfax County Public Schools in accordance with Section 22.1-6 of the Code of Virginia.

### **Other Tuition**

This budget is for funding received from students in various programs including Woodson Alternative High School, Alternative Schools, Licensed Practical Nurse, and Modified School Calendar Intersession Fees.

### **Student Fees**

This student fees budget includes funds collected from students for parking permits (\$150 per year), AP/IB test fees, musical instrument repair, and National Symphony concerts. An increase of \$400,000 in revenue is projected due to an increase in Advanced Placement (AP) and International Baccalaureate (IB) test fees from \$25 per test to \$50 per test.

### **Other Fees**

The other fees budget includes fees received for staff development and dues collection.

### **Local Fund Revenue**

This is funding received from local schools and PTAs to pay for substitute teachers, equipment, supplies, and field trips paid through normal FCPS procurement channels.

# Operating Revenue

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## **Miscellaneous Revenue**

This budget includes revenue received for FCPS employees on loan to other agencies, insurance proceeds, and extracurricular charges as well as funding from the FCPS Education Foundation.

## **Facilities Use**

This revenue is obtained from community use of school facilities by outside groups such as colleges and universities, churches, civic and cultural groups, etc.

## **Sale of Equipment**

This revenue is from sales of used equipment, retired vehicles, and other miscellaneous sources.



# Operating Expenditures

## Expenditure Overview

The FY 2004 proposed expenditures in the Operating Fund total \$1.6 billion, an increase of approximately \$25.2 million, or 1.6 percent, over the FY 2003 estimate. The increase over the FY 2003 approved budget is 5.6 percent or \$87.6 million. The increase is due primarily to an average salary adjustment of 4.6 percent, membership growth, benefit rate increases, program growth, and transfers to other funds.

Expenditure Comparison (\$ in millions)							
	FY 2003 Approved	FY 2003 Estimate	FY 2004 Proposed	Change Over FY 2003 Approved		Change Over FY 2003 Estimate	
Compensation	\$1,346.5	\$1,341.9	\$1,419.8	\$73.3	5.4%	\$77.9	5.8%
Logistics	181.5	247.7	194.3	12.8	7.1%	(53.4)	-21.6%
Transfers	27.1	27.9	28.6	1.5	5.5%	0.7	2.5%
<b>Total</b>	<b>\$1,555.2</b>	<b>\$1,617.5</b>	<b>\$1,642.7</b>	<b>\$87.6</b>	<b>5.6%</b>	<b>\$25.2</b>	<b>1.6%</b>

When looking at the various categories of expenditures, it is immediately evident that the majority of the budget, over 86 percent, is for employee compensation. This is not surprising considering that education is a labor-intensive enterprise. FCPS budgets for 21,003.6 full-time equivalent positions.

In this section, the major factors that contributed to the overall budget increase are detailed, followed by other significant expenditure categories.

The following are the major factors impacting the FY 2004 proposed budget:

- \$57.7 million for salary adjustments
- \$23.6 million for membership growth
- \$22.0 million for benefit cost increases
- \$1.5 million for transfers

## Major Factors

### Salary Adjustment

**\$57.7 million**

The single largest increase in the budget, \$57.7 million, is for annual employee compensation adjustments, including estimated costs for both salaries and salary-sensitive employee benefits. The 21,003.6 full-time equivalent employees, as well as bus drivers, will receive an average salary increase of 4.6 percent which includes step increments. Hourly employees will receive an increase of 2 percent.

# Operating Expenditures

## Membership Growth

**\$23.6 million**

FCPS has seen membership increase by an average of 1.9 percent a year since FY 1999, or a total increase of 10.0 percent over the past five years. The capacity to absorb this growth without purchasing more buses, building more schools, adding on to existing schools, and hiring additional school- and nonschool-based staff diminishes as high rates of growth continue. In the 1980s, membership growth averaged only 0.2 percent per year, but since 1991, membership growth averaged 1.9 percent. The consistently higher rates of membership growth have caused FCPS to lose its capacity to absorb growth without major additional expenditures.

The cost of the growth is calculated using the FY 2003 approved budget as the base. These costs reflect an additional 529 students, an increase of 0.3 percent. Details on enrollment history can be found in the Information Section.

It is estimated that membership-driven costs of growth will total \$23.6 million in FY 2004.

<b>Costs of Growth</b> (\$ in millions)	
Position Growth	<b>\$14.6</b>
New School/Start-Up Costs	<b>5.5</b>
Teacher/Classroom Equipment	<b>0.7</b>
Per-Pupil Allocations	<b>0.7</b>
Library Supplies and Textbooks	<b>0.3</b>
Transportation	<b>1.2</b>
Other Compensation Growth-Related Increases	<b>0.6</b>
<b>Total</b>	<b>\$23.6</b>

Details on the cost of growth are reflected in the chart above. Position growth will cost \$14.6 million and is 61.9 percent of the total cost of growth. Other major costs are also shown. New schools start-up costs of \$5.5 million are associated with the opening of four new elementary schools scheduled to open in FY 2004: Andrew Chapel, Island Creek, Lorton Station, and NE Centreville sites. Equipment and classroom supplies for new teachers will cost an estimated \$0.7 million. Per-pupil allocations for textbooks and supplies will cost an additional \$0.7 million, and library supplies and books will require another \$0.3 million. Transportation for the added students will cost \$1.2 million. Allocations for substitute teachers, school-based staff development, and dining room aides total \$0.6 million.

# Operating Expenditures

To meet the educational needs of these additional students, 351.4 positions are being added to schools, centers, and alternative schools and programs. The distribution of these positions by general and special education is shown in the chart below. General education, which includes itinerant music and art and new schools, represents 35.2 percent of the position growth; English for speakers of other languages positions are 25.1 percent; special education increases will require 37.6 percent of the growth positions, and psychologists and social workers will take the remaining 2.1 percent. Teacher scale positions are 62.6 percent of the total.

<b>FY 2004 Proposed Membership-Based Growth Positions</b>				
	<b>Elementary</b>	<b>Middle</b>	<b>High</b>	<b>Total</b>
<b>General Education</b>				
Assistant Principals	4.0	0.0	0.0	4.0
Teacher Scale Positions	6.1	(1.5)	56.1	60.7
Instructional Assistants	10.0	0.0	0.0	10.0
Office Personnel/US Scale Positions	1.5	2.0	1.5	5.0
Custodial	(3.0)	0.0	1.0	(2.0)
<b>Subtotal General Education</b>	<b>18.6</b>	<b>0.5</b>	<b>58.6</b>	<b>77.7</b>
<b>English for Speakers of Other Languages</b>				
Teacher Scale Positions	<b>43.5</b>	<b>14.0</b>	<b>30.7</b>	<b>88.2</b>
<b>Itinerant Music and Art</b>				
Teacher Scale Positions	<b>11.0</b>	<b>2.0</b>	<b>2.0</b>	<b>15.0</b>
<b>New Schools (4 Elementary) <sup>1/</sup></b>				
Teacher Scale Positions				4.0
Instructional Assistants				8.0
Office Personnel / US Scale Positions				9.0
Custodial				10.0
<b>Subtotal of New Schools</b>				<b>31.0</b>
<b>Special Education</b>				
Teacher Scale Positions				52.0
Instructional Assistants/Attendants				80.0
<b>Subtotal Special Education</b>				<b>132.0</b>
<b>Psychologists /Social Workers</b>				
				<b>7.5</b>
<b>Total</b>				<b>351.4</b>

<sup>1/</sup> 5.0 advanced staffing positions for Northeast Centreville were included in the FY 2002 budget and 17.0 advance staffing positions for Andrew Chapel, Island Creek, and Lorton Station were included in the FY 2003 approved budget.

# Operating Expenditures

## Benefit Increases

\$22.0 million

The \$22.0 million benefits cost increase represents \$4.9 million or the first year phase-out of employee VRS retirement contributions; \$5.0 million rate increase in the employer contribution for ERFC; and \$12.1 million for health plan rate increases.

## Transfers:

\$1.5 million

### **Construction Fund – (\$0.8) million**

The FY 2004 transfer from the Operating Fund to the Construction Fund totals \$10.7 million, a net decrease of \$0.8 million from the FY 2003 approved budget, is due primarily to an increase of \$0.6 million in building maintenance and a reduction of \$1.4 million in the equipment transfer. The Operating Fund pays for one-third of the cost of equipment in new or renovated schools. The remaining two-thirds of the equipment cost is paid by bond funding.

### **Grants & Self-Supporting Fund - (\$0.4) million**

The transfer to the Summer School and SOL Remediation Subfund is decreasing by \$0.4 million as part of the FY 2004 divisionwide reductions.

### **Debt Service - \$2.8 million**

The FY 2004 transfer from the School Operating Fund to the School Debt Service Fund is \$2.8 million. During FY 2000 and FY 2001, Fairfax County increased the amount of bond sales from \$100.0 million per year to \$130.0 million per year, provided FCPS paid the debt service on the increased amount. State Lottery proceeds to the School Operating Fund are used to transfer to the School Debt Service Fund to pay debt service on \$30.0 million for each of the two years that sales were increased. The FY 2004 transfer has been reduced by 50 percent based on a comparable reduction in State Lottery receipts by action of the 2002 General Assembly.

# Operating Expenditures

## Expenditures by Category

The chart below illustrates total expenditures by category (\$ in millions):

	FY 2003 Approved	FY 2003 Estimate	FY 2004 Proposed	Change Over FY 2003 Approved	Change Over FY 2003 Estimate
<b>Compensation</b>					
Regular Salaries	\$990.9	\$988.0	\$1,034.2	4.4%	4.7%
Hourly Salaries-Contracted	42.6	42.6	45.9	7.7%	7.7%
Hourly Salaries-Noncontracted	38.5	44.9	41.1	6.8%	-8.5%
Salary Supplements	16.7	15.1	17.5	4.8%	16.0%
Reimbursable Salaries	(2.9)	(3.2)	(3.1)	6.9%	-2.9%
Employee Benefits	260.8	254.5	284.2	9.0%	11.6%
<b>Subtotal Compensation</b>	<b>\$1,346.5</b>	<b>\$1,341.9</b>	<b>\$1,419.8</b>	<b>5.4%</b>	<b>5.8%</b>
<b>Logistics</b>					
Materials/Supplies	\$55.6	\$67.3	\$57.4	3.2%	-14.7%
Utilities	39.1	39.2	43.8	12.0%	11.7%
Other Operating Expenses	11.9	44.3	11.9	0.0%	-73.1%
Privatized Services	27.2	33.1	27.7	1.8%	-16.3%
County Services	19.8	20.4	19.8	0.0%	-2.9%
Capital Outlay	24.7	32.1	28.4	15.0%	-11.3%
Other Funds	3.2	3.2	5.2	62.5%	62.6%
School Board Reserve	0.0	8.0	0.0	0.0%	0.0%
<b>Subtotal Logistics</b>	<b>\$181.5</b>	<b>\$247.6</b>	<b>\$194.2</b>	<b>7.0%</b>	<b>-21.6%</b>
<b>Transfers</b>	<b>\$27.1</b>	<b>\$27.9</b>	<b>\$28.6</b>	<b>5.5%</b>	<b>2.6%</b>
<b>Total</b>	<b>\$1,555.2</b>	<b>\$1,617.5</b>	<b>\$1,642.7</b>	<b>5.6%</b>	<b>1.6%</b>

## Compensation

The majority of the budget, over 86 percent, is for employee compensation, reflecting the fact that education is a labor-intensive enterprise. The FY 2004 compensation portion of the budget totals \$1.4 billion. This includes salaries for full-time equivalent accounts, hourly salaries, supplements, and employee benefits.

### Salaries

Position salary accounts total \$1,034.2 million for 21,003.6 full-time equivalent salaried employees, an increase of \$46.2 million over the FY 2003 estimate. This increase is due to an average salary adjustment of 4.6 percent which includes step increments and the net increase of 259.3 positions primarily due to membership growth. The net increase of \$46.2 million also includes anticipated savings from employee turnover and vacancy.

Estimated FY 2004 Step and Market Scale Adjustment Costs (\$ in Millions)	
Step Increments (Average 2.6%)	\$32.1
Market Scale Adjustment (2%)	\$25.6
<b>Total</b>	<b>\$57.7</b>

- **Turnover:** Position turnover represents the savings realized when experienced employees retire or leave the system and are replaced by workers with less experience earning a lower salary. For FY 2004, the savings resulting from turnover is budgeted at \$15.6 million.

# Operating Expenditures

- **Vacancy:** The FY 2004 budget has also been reduced by \$8.5 million to recognize position vacancies anticipated throughout the year.

Annual savings from position turnover and vacancy can fluctuate as a result of changes in the economy or compensation increases given by FCPS. These and other factors can significantly influence employees' decisions, thereby affecting the turnover rate and the amount of savings realized from year to year.

The recent changes in retirement rules by both Virginia Retirement System and Educational Employees' Supplementary Retirement System of Fairfax County (designed to retain experienced employees) and the slowdown of the economy are expected to have an impact and reduce turnover and vacancy savings. To reflect these conditions, the anticipated savings is maintained at approximately 1.7 percent of total compensation in FY 2004 as compared to 2.1 percent in FY 2002. The FY 2003 current year estimate has been revised from 1.7 percent of compensation to 2.1 percent to reflect year-to-date turnover savings.

The FY 2004 total adjustment for anticipated turnover and vacancy savings is budgeted at \$24.1 million. In FY 2001, the methodology for budgeting turnover and vacancy savings was revised to more accurately reflect projected savings. A portion of the savings is now budgeted in employee benefits. A total of \$4.8 million of the \$24.1 million is budgeted in employee benefit codes.

## **Hourly Salaries/ Supplements**

The budget for this category totals \$101.4 million, an increase of \$2.0 million over the FY 2003 estimate. This increase is primarily the result of placeholder funding for step 18 on the Unified Salary Scale as well as additional bus attendants due to a new federal regulation requiring at least one bus attendant on every bus transporting Head Start students.

# Operating Expenditures

## Employee Benefits

Employee benefits total \$284.2 million, an increase of \$29.6 million over the FY 2003 estimate. This increase includes turnover and vacancy savings and is due to the following:

- The employer cost for health and dental insurance is increasing \$12.1 million due to double-digit rate increases in most plans.
- The employer contribution rate to VRS will increase from 4.44 percent to 6.94 percent while the employer rate for ERFC will decrease from 4.0 to 2.5 percent.

The net employer rate increase of 1.0 percent represents FCPS' FY 2004 commitment to phase out the 5.0 percent employee share of the VRS retirement contribution over a six-year period and a 0.5 percent increase in the ERFC employer contribution rate.

- The cost for employee benefits attributable to student membership and program growth is approximately \$3.4 million.

In July 2001, the School Board approved major revisions to the health benefit plans structure, including an employer contribution to a dental plan, which became effective January 1, 2002. These revisions have resulted in a greater than expected employee participation in the dental plans, a greater emphasis on consumerism by employees, and an increase in plan choices available to employees.

## Employee Benefits Summary

	Employer Contribution	Employee Contribution
Educational Employees'		
Supplementary Retirement System of Fairfax County (ERFC)	2.00%	4.00%
Virginia Retirement System	6.94%	2.50%
Fairfax County Employees'		
Retirement System (FCERS)	6.00%	5.33%
Social Security	7.65%	7.65%
Health Insurance <sup>1, 2</sup>		
Family Plan	\$10,225/year	\$3,408/year
Individual Plan	\$4,635/year	\$818/year
County Life Insurance	\$.24/\$1,000	0.0
State Life Insurance <sup>3</sup>	0.00%	0.00%
Long-Term Disability	0.0	\$.23/\$100
<sup>1</sup> Based on Blue Card (PPO) Insurance		
<sup>2</sup> Health insurance rates based on calendar year 2003		
<sup>3</sup> Legislature approved a holiday for FY 2004 for State Life Insurance		



# Operating Expenditures

## Logistics

The FY 2004 logistics portion of the budget, including transfers, totals \$222.9 million. This figure consists of the following major categories:

### Materials and Supplies

Major expenditures in this category include instructional, general office, custodial, and computer supplies; textbooks; postal service; and tests. These expenditures total \$50.8 million. Of this, the instructional materials, supplies, and testing allocations totals \$36.6 million, a decrease of approximately \$0.2 million from the FY 2003 approved budget. This reflects a substantial reduction in the textbook allocation as well as a small change in membership.

Mathematics textbooks are still being phased in this year at all three levels and GT centers. At the elementary and middle school levels, the new social studies basals, adopted this year, will be implemented in grades 4 and 8.

Level	Enrollment	Supplies	Textbooks
High	1,900	\$95,444	\$167,352
Middle	1,000	\$49,654	\$84,110
Elementary	600	\$30,929	\$44,310

The chart above provides examples of budgets for instructional and textual materials for an average elementary, middle and high school. These budgets are based on the standard allocation rates provided in the Appendix Section, which reflects the reduction in textbooks.

The Thomas Jefferson High School for Science and Technology textbook allotment is calculated at a higher rate than the other high school allotments.

At the adoption of the FY 2003 approved budget, the overall textbook allocation was reduced by \$5.0 million which has been prorated to each school. The FY 2004 proposed budget also reflects a \$5.0 million reduction in textbooks. Both instructional supply and textbook accounts have been reduced by a 15 percent set-aside held in a central account. After an assessment of revenue and expenditure trends prior to the FY 2004 Midyear Budget Review, a determination will be made to either return the funds to the schools and centers or to reallocate them to address other school system needs.

### Utilities

The utilities budget of \$43.8 million provides for the divisionwide use of electricity, fuel oil, natural gas, telephone, water, sewer, and refuse collection. The Department of Facilities and Transportation has aggressively instituted several energy saving and cost saving measures in recent years. FCPS participates in contracts negotiated on behalf of a consortium of governmental agencies in the metropolitan area to obtain the most favorable pricing available, and has also locked in rates on some escalating utilities to secure prices and more accurately budget for long-term needs. When funds allow, facilities have been retrofitted to improve energy efficiency, and conservation efforts and energy performance award programs are in place to further reduce costs.

# Operating Expenditures

The telephone budget for FY 2004 is \$14.0 million. This funding provides for per-call charges and line charges for all phones, faxes, and modems. This budget is based on the FY 2003 budget and adjusted to provide for additional membership and an increase to the number of faxes and modems in FCPS. In addition, funding is included to cover the additional cost of mobile communications and upgrades to new high speed telecommunication lines throughout the enterprise.

The electricity budget of \$20.8 million is an increase of approximately \$0.4 million over FY 2003 and provides for heating, air conditioning, building and field lighting, and power throughout FCPS. This budget funds the power source for all FCPS faxes, modems, and computer equipment, as well as new buildings, additions to buildings, and air conditioning due to increased square footage and FY 2002 actual expenditures.

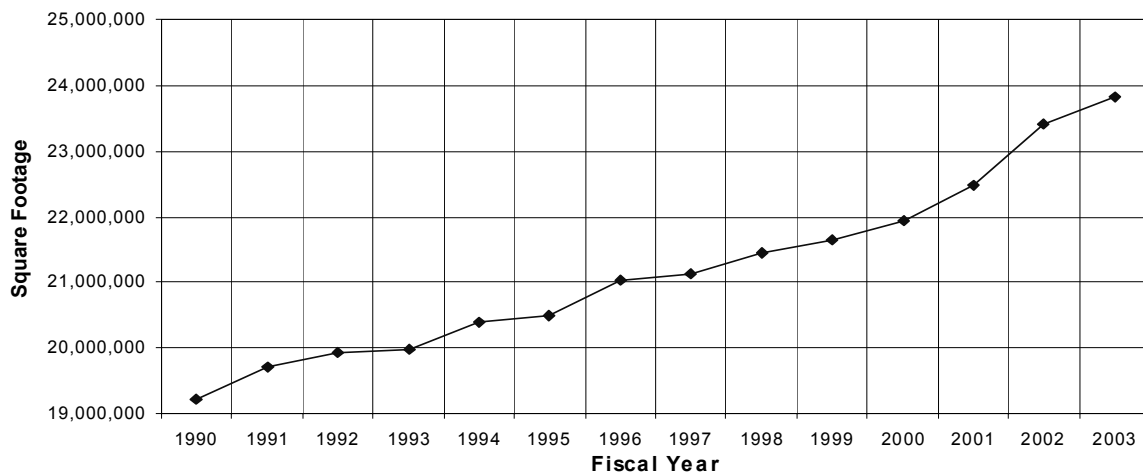
The fuel oil and natural gas allocation for FY 2004 is budgeted at \$5.8 million which is a \$0.2 million increase over FY 2003.

This level of funding will be adequate based on industry analysts' predictions of fuel oil and gas prices. The budgets for electricity, fuel oil, and gas are all budgeted assuming normal weather.

## Energy Cost-Saving Measures

- Energy Conservative Building Systems Design in New Construction & Renovation
- Central Control and Monitoring System (CCMS) (This Program is the main reason utility consumption on a square foot basis has been reduced by about 20 percent since FY 1980 even though air-conditioning, computer use, and community use have been greatly expanded.)
- Efficient Lighting Retrofit Program
- Council of Governments Competitive Oil Procurement Contracts
- Deregulated Gas Procurement Contracts (In FY 2000, the average price of natural gas was \$0.56 per therm, but in FY 2001 the average price jumped to \$0.95 per therm, and the natural gas bill increased by about \$3.0 million. To avoid such high cost fluctuations in the immediate future, a fixed average price of about \$0.80 per therm (total) was secured for FY 2002, with an option to extend it through FY 2006 by mutual agreement.)
- Deregulated Electricity Procurement Pilot Project

**FCPS Building Square Footage History**



# Operating Expenditures

## Privatized Services

Major expenditures in this category include equipment maintenance contracts including copiers, professional/consulting services, private transportation costs, and equipment and building rental fees. The total budget for this category in FY 2004 is \$27.7 million, an increase of \$0.5 million over the FY 2003 approved budget.

## County Services

Major expenditures in this category include Department of Vehicle Services (DVS) charges. All of FCPS' buses, trucks, and vehicles are repaired and maintained by the county's Department of Vehicle Services. The FY 2004 budget includes \$17.0 million for these services, a decrease of \$0.3 million from the FY 2003 estimate. This also provides for the fueling and maintenance of approximately 600 nonbus vehicles, such as patrol cars for security services, vans and pickups for plant operations and electronic systems services operations, and dump trucks and bucket trucks for maintenance services operated by FCPS.

## Capital Outlay

Major expenditures in this category include replacement vehicles and buses and temporary buildings. The FY 2004 budget totals \$28.4 million, an increase of \$3.8 million over the FY 2003 approved.

- Replacement Vehicles: Funding of \$1.1 million will provide \$0.5 million for the payments due on vehicles obtained through lease/purchase in FY 2001 and \$0.6 million for replacement of 82 vehicles in FY 2004. This includes 71 vehicles that can be obtained through lease/purchase and 11 that will be purchased outright.
- Replacement Buses: The FY 2004 proposed budget includes \$6.7 million in lease/purchase payments for buses. This includes \$4.4 million for the FY 1999 through FY 2003 lease/purchases, and \$2.2 million for the FY 2004 lease/purchase of 109 replacement buses.

## Transfers

Transfers in FY 2004 total \$28.6 million, an increase of \$1.5 million over FY 2003 approved. Transfers include \$10.7 million to the Construction Fund, \$1.1 million to Adult and Community Education Fund, \$13.7 million to the Summer School and SOL Remediation Subfund, \$0.3 million to the Health and Flexible Benefits Fund, and \$2.8 million to the Debt Service Fund.

## Debt Service

The FY 2004 transfer from the School Operating Fund to the School Debt Service Fund is \$2.8 million. During FY 2000 and FY 2001, Fairfax County increased the amount of bond sales from \$100.0 million per year to \$130.0 million per year, provided FCPS paid the debt service on the increased amount. State Lottery proceeds to the School Operating Fund are used to transfer to the School Debt Service Fund to pay debt service on \$30.0 million for each of the two years that sales

### Did You Know?

Here's a brief list of what a 78-passenger bus requires:

- 60 gallons of diesel fuel to fill tank—mileage is about 9 miles per gallon
- 9 gallons of antifreeze
- 18 quarts of transmission fluid
- 2 oil filters
- 3 fuel filters
- 18 quarts of oil
- 3 batteries
- 100 pounds of air pressure per tire

# Operating Expenditures

were increased. The FY 2004 transfer has been reduced by 50 percent based on a comparable reduction in State Lottery receipts by action of the 2002 General Assembly.

## Construction

Transfer to the Construction Fund includes equipment, facility modification, and building maintenance transfers from the Operating Fund.

- **Equipment Transfer:** Equipment funding for new construction, renewals, and additions is provided through a transfer from the Operating Fund to the Construction Fund. In FY 2004, the transfer of \$3.4 million represents one-third of the projected requirement. School bond funding is used to address the balance of the equipment funding needs.
- **Facility Modifications:** A transfer of \$0.7 million from the Operating Fund to the Construction Fund supports facility modifications to schools. The modifications only include remarking parking lots, installing electrical switches, replacing windows, and other minor improvements.
- **Building Maintenance:** Funding for building maintenance is \$6.6 million in FY 2004. Funding for major infrastructure maintenance is required to prevent failure of critical systems, deterioration of major capital investments, and significant health and safety hazards. Due to recent budget constraints, maintenance programs have been seriously restricted. These funding reductions have, among other things, deferred repair of boilers; maintenance of ball fields, outdoor bleachers, and running tracks; replacement of auditorium seats; resurfacing of roads, parking lots, and play areas; carpet replacement; chalkboard refinishing; security systems upgrades; replacement of deteriorating light poles; and other upgrades, replacements, and maintenance programs.

## Buses Are Big Business

- In December 2001, School Bus Fleet, a national trade magazine reporting on the size of the top 100 school district fleets for the year 2001, reported that the New York City Public School system contracted for 5,500 buses to transport the largest number of students in the nation. Fairfax County Public Schools, listed as the eighth ranked fleet, was one of only three school systems in the nation that transported in excess of 100,000 students each day. Fairfax County Public Schools used a fleet of approximately 1,500 buses to transport over 110,000 students while New York City used 5,500 to transport 186,350 students.
- Buses manufactured after April 1, 1977, are equipped with more safety equipment than any other vehicle on the road. Well-padded, high back seating, improved braking systems, lamps and reflective devices, special mirrors, stop arms on newer buses that extend to warn motorists when buses are loading/unloading, emergency exits, rollover protection, protected fuel tanks and systems have all been incorporated to promote safety and reduce injury.
- Buses are designed with features to improve comfort as well. Rear engine design reduces interior heat and noise, white roofs and roof vents reduce interior heat, AM/FM radios provide music for students, and bus-mounted cameras reduce discipline issues.
- From FY 1991 to 2003, enrollment increased 27 percent; programs increased by over one-third, while the bus fleet increased only 13 percent. The Automated Routing System provides more management information resulting in greater efficiency in designing routes; there is greater seating capacity on transit buses, going from 64 to 78 passengers; two-way radios on all buses decrease the number of spare buses needed; and bell schedule changes at schools reduce layover time where possible.

# Operating Expenditures

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According to the Department of Facilities and Transportation Services, an acceptable level of yearly funding for major infrastructure maintenance should be in the range of \$10-\$12 million. The increased square footage coupled with aging buildings has made increases in this funding even more critical.

## **Summer School**

To help support the cost of summer school, \$13.7 million is transferred to the Summer School and SOL Remediation Subfund from the Operating Fund. This represents a \$0.4 million reduction from the FY 2003 approved transfer. In order to implement the reduction, school-based and Early Start programs will be eliminated. Among the activities funded by the Summer School and SOL Remediation Subfund are opportunities to enhance skills, prepare for the Virginia Standards of Learning, and gain credits for high school completion. The total cost of summer school is \$17.5 million.

## **Adult and Community Education**

The transfer to the Adult and Community Education (ACE) Fund is \$1.1 million which is used to support the adult ESOL programs. The total budget for ACE is \$9.8 million.

## **Health and Flexible Benefits**

The transfer to the Health and Flexible Benefits Fund totals \$0.3 million. This fund provides for the administration of health care costs for employees. This funding represents the employer FICA savings that result from employees electing to reduce their taxable earnings by participating in the Flexible Spending Account Program.

# Special Revenue Funds

## **Food and Nutrition Services Fund**

The Food and Nutrition Services Fund budget totals \$52.5 million for all Food Services' operational and administrative costs. This fund is totally self-supporting. The FY 2004 expenditure and lunch price increase is due to rising labor, benefit, and food costs.

### **Purpose**

The Food and Nutrition Services program, an extension of the educational program, is operated under the federally-funded National School Lunch and Child Nutrition Acts. Program objectives include improving the health of students and promoting nutrition knowledge. In meeting these objectives, the program provides appealing, nutritious, high quality, safe food at minimum cost in accordance with federal law, state regulation, and local policy.

### **Functions**

The Food and Nutrition Services program:

- Procures, prepares, and serves lunches and a la carte items to over 140,000 customers daily
- Offers breakfasts in 148 schools and centers
- Contracts meals to day care, Family and Early Childhood Education Program (FECEP) centers and private schools, and snacks to all school-age child care (SACC) programs
- Provides meals and dietetic consultation at senior nutrition sites and Meals on Wheels programs

Menus for all programs are planned by registered dietitians to implement the Dietary Guidelines for Americans developed by the United States Department of Agriculture and the Department of Health and Human Services. This has resulted in the preparation and service of meals that contain reduced fat, sodium, and sugar. To assist parents and students with special eating needs and cultural restrictions, registered dietitians annually complete nutrient analysis of all menus and ingredient lists for all foods purchased.

Special emphasis is placed on creating a positive image of food at school through an established marketing program and involvement of students in food selection and menu planning. A variety of salads and lunch options are available in all elementary, middle, and high schools.

### **Cost Efficiencies**

The following efficiencies have either saved money, brought in additional revenue, or enhanced the quality of the Office of Food and Nutrition Services operation:

- Eight large central distribution kitchens, one central vending site, and two secondary schools operate full production kitchens. All special education centers, elementary, middle, and high schools operate as finishing kitchens. Through current operations, efficiencies in personnel distribution, extensive training, food preparation, and food transportation, savings are being realized.
- A vending operation program supplements the school food and nutrition program. Vending machines at most schools, offices, and recreation centers are now operated by the Office of Food and Nutrition Services. Profits from the vending program are divided equally between the Office of Food and Nutrition Services and participating schools, offices and recreation centers.

# Special Revenue Funds

- A bar code system and personal identification number (PIN) allow students to prepay for meals. The amount prepaid is stored in a computer database and debited when a student purchases meals. The system benefits include faster service, improved accuracy of meal counts reported to the state, and an excellent audit trail.
- Since September 1994, all polystyrene items are being picked up with regular waste and processed into post-energy recovery at the Ogden-Martin facility in Lorton, Virginia.

## Central Distribution

The Food Services Center is located in the Woodson High School complex. The staff is comprised of a supervisor, foreman, storekeeper, and eight truck drivers. Approximately 60 percent of all purchases and federal commodities are delivered to the center and distributed by food service trucks to school kitchens. The center has facilities to store dry, refrigerated, and frozen foods. To reduce food costs, procurement methods have changed to permit truckload purchases of various high volume food items. Operational and handling costs incurred are more than offset by reduced food costs.

## Revenue

The two major sources of revenue for this fund are food sales and federal revenue. Federal aid is based on cash reimbursements and commodities. The reimbursement rate is determined annually by the federal government under the National School Lunch and Child Nutrition Acts. The current subsidy is 20 cents in cash and 15.25 cents in commodities. In addition, the continuing trend of more students becoming eligible for free and reduced lunches will provide additional federal revenue in FY 2004, however, a reduction of United States Department of Agriculture commodities is expected.

## Prices

Lunch pricing will increase 10 cents for students and 20 cents for adults due to rising labor and benefit costs. This is the first increase since FY 2001 and reflects comparable prices in several local jurisdictions.

### **Breakfast**

Students, Grades K-12 — \$1.00

Reduced price for qualifying students — \$0.20

Adults — \$1.30

### **Lunch**

Elementary School — \$1.70

Middle School — \$1.80

Secondary and High School — \$1.80

Reduced price lunch for qualifying students — \$0.30

Adults — \$2.50

### **Kindergarten Snacks**

Milk or fruit juice — \$0.40

Milk or juice and snack — \$0.75



# Special Revenue Funds

## Accounting Basis

The Food and Nutrition Services Fund is a special revenue fund and follows the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available and expenditures are generally recognized when the liability is incurred.

<b>Food and Nutrition Services Fund</b>		
(\$ in millions)		
	<b>Amount</b>	<b>Positions</b>
FY 2004	\$ 52.5	41.5
FY 2003	<u>50.2</u>	<u>41.5</u>
Change	\$ 2.3	0.0

# Special Revenue Funds

## Grants & Self-Supporting Programs Fund

The Grants and Self-Supporting Programs Fund consists of two subfunds: the Grants Subfund and the Summer School and SOL Remediation Subfund. The FY 2004 proposed budget for this special revenue fund is \$49.9 million and includes 268.4 positions. When compared to the FY 2003 estimate, this fund is projected to decrease by \$7.4 million. This is primarily due to the appropriation in the current year of prior year unspent grant awards and program balances that are carried forward and reflected in the current year estimate. Highlights of the FY 2004 proposed budget by subfund are included below.

### Grants Subfund

This portion of the Grants and Self-Supporting Programs Fund consists of programs that are fully funded from federal, state, and private industry sources, or are self-supporting. The total FY 2004 proposed budget totals \$32.4 million and 254.4 positions. Since actual grant awards are unknown at this time, FY 2004 program estimates are based on FY 2003 awards, adjusted to include proposed salary and benefit increases. Adjustments due to actual award notifications are usually made in the first quarter of the fiscal year. The following is a summary of the major grants or programs included in this subfund:

	FY 2004	
	Amount	Positions
<b>Federally Funded</b>		
Title I	\$10,703,908	120.5
Title I, Part D	\$467,732	4.6
Title II, Part A	\$1,681,955	0.0
Title II, Part D	\$300,126	0.0
Title III	\$1,446,659	3.0
Title IV	\$601,263	3.0
Title V	\$675,580	2.0
Glasgow Gear-Up	\$547,068	4.0
Head Start *	\$2,396,898	44.1
Sliver	\$382,833	0.0
Teaching American History	\$329,770	1.0
Others less than \$200,000	\$392,278	2.0
<b>State Funded</b>		
State Technology Plan	\$5,224,000	0.0
Juvenile Detention Center and Northern Virginia Mental Health Center	\$1,145,850	14.5
Virginia Preschool Initiative *	\$716,800	11.6
Others less than \$200,000	\$661,173	6.6
<b>Private/ Self-Supporting Funded</b>		
Cox Communications Channels 21 & 39	\$1,603,329	23.0
Fairfax Network	\$200,000	0.0
Bailey's Heritage Language Club	\$40,000	0.5
LEAD Fairfax **	\$0	14.0
<b>Grant Reserve</b>	\$6,000,000	
<b>Subfund Total</b>	<b>\$32,403,524</b>	<b>254.4</b>

\*Offset by Work Performed for Others (WPFO)

\*\*Positions will be funded by carryover

# Special Revenue Funds

## Major Grant Adjustments

The grants subfund has increased by \$4.5 million and 21.9 positions, when compared to the FY 2003 Approved budget, due to the federal No Child Left Behind Act (NCLB). A major portion of this increase (\$3.9 million) was recognized in FY 2003 as part of the midyear budget review. An additional \$.6 million is projected for FY 2004 over the FY 2003 estimate.

The Head Start and Virginia Preschool Initiative are preschool programs operated by FCPS and funded by sub-grants from the Fairfax County Government. Due to a projected funding increase that will not adequately pay for the projected salary and benefit cost increases in this program, a decrease of 17.5 positions is required for FY 2004. This decrease will result in eliminating six Head Start classrooms and reducing the number of children to be served by 96 from FY 2003.

A reduction of 11.0 positions in FY 2004 is due to the discontinuation of various grant awards.

## Summer School and SOL Remediation Subfund

Summer school and SOL remediation operations total approximately \$17.5 million and 14.0 positions, which is partially offset by state aid and tuition revenue of \$3.4 million. The summer school and SOL remediation program receives Operating Fund support of \$13.7 million and access to the funds brought forward into FY 2004 in the amount of \$0.4 million. An overall increase of \$0.1 million in the Summer School Subfund from the FY 2003 estimate results from an increase in enrollment.

## Accounting Basis

The Grants and Self-Supporting Programs Fund is a special revenue fund and follows the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available and expenditures are generally recognized when the liability is incurred.

Grants and Self-Supporting Programs Fund		
(\$ in millions)		
	Amount	Positions
FY 2004	\$ 49.9	268.4
FY 2003	57.3	296.9
Change	\$ (7.4)	(28.5)

# Special Revenue Funds

## **Adult and Community Education Fund**

The Office of Adult and Community Education (ACE) provides lifelong literacy and educational opportunities for all residents, pre-kindergarten through life, through creative use of facilities and implementation of best academic and business practices. The office is responsible for adult programs and services in the areas of high school completion, apprenticeship instruction, English for speakers of other languages (ESOL), career development, life enrichment, and volunteer tutoring. The office is also responsible for pre-kindergarten through grade 12 support programs, including behind-the-wheel driver education, SAT preparation, summer school, before- and after-school enrichment activities, and remediation support.

The Adult and Community Education Fund budget totals \$9.8 million for all operational and administrative costs. Funding for the FY 2004 Adult and Community Education Fund is generated primarily through registrant tuition, along with federal, state, and local support. Support for the adult ESOL programs of \$1.1 million will be transferred from the Operating Fund.

The FY 2003 approved budget of \$9.5 million for the Adult and Community Education fund was revised to \$13.1 million at the FY 2003 midyear review. The \$3.7 million increase is due to the ending balance of \$2.6 million on June 30, 2002, and a transfer from the Summer School and Remediation subfund of \$.9 million, as well as new grants in FY 2003 of \$.2 million. The \$3.7 million increase represents a one-time source of funding in FY 2003 and is not available in FY 2004. These funds will be used for the following:

- \$.2 million is designated for the completion of the ACE registration system project
- \$.8 million is for undelivered orders including the ongoing contract for the registration system
- \$.7 million for Phase 3 of the replacement registration system for web-based registration
- \$.6 million for replacement of equipment and maintenance of instructional facilities
- \$.2 million for step increases in FY 2004 without significant tuition increases in a highly competitive market
- \$.1 million for business tuition operating reserve

Two additional school building use specialist positions are included for FY 2004. This completes the two-year phase-in of this program. The new positions will be added to Marshall and Woodson High Schools.

The current ACE plan focuses on continuing the development, implementation, and refinement of the ACE registration system; increasing customer service to schools and parents for registration and operations related to adult and pre K-12 remediation and enrichment programs; and proactive planning to meet the community's needs for adult programs even as pre K-12 space demands increase. Indicators of success include:

- Completion of phase one of the registration system replacement project while maintaining all registration and public information services during the transition
- Receipt of an average of 6,000 hits per month on new website in its first full year of operation
- Completion of the first two of three phases of the redesign of the Outreach Learning Centers, with colocation and cross-training of instructional staff (resulting in improved student services with fewer staff hours required)
- Coordination of FCPS Summer School for 25,657 students (summer 2002) including modified/traditional calendar schools with central and school based sites
- Increase in enrollment at the summer Institute for the Arts by 30 percent over summer 2001, serving 621 students and maintaining self-sufficient revenue flow

# Special Revenue Funds

- Establishment of the ACE Training and Scholarship Foundation by local business leaders to create access to career development classes for the working poor
- Establishment of ten new institutional partnerships to increase breadth and quality of educational offerings, maintain self-sufficiency, and expand efficiency of operations
- Training of 460 volunteer teachers from the faith community and cultural organizations to provide ESOL instruction to 830 adult learners not otherwise served
- Expansion of volunteer program by 16 percent (103 additional volunteers), for a total contribution of 22,037 volunteer hours

## Accounting Basis

The Adult and Community Education Fund is a special revenue fund and follows the modified accrual basis of accounting. Under this method revenues are recognized when they become measurable and available and expenditures are generally recognized when the liability is incurred.

<b>Adult &amp; Community Education Fund</b>		
(\$ in millions)		
	<b>Amount</b>	<b>Positions</b>
FY 2004	\$ 9.8	94.8
FY 2003	13.1	92.8
Change	\$ (3.3)	2.0

# Capital Projects Funds

## School Debt Service Fund

This budget contains an expenditure level of \$122.3 million for the payment of interest and retirement of principal on general obligation debt and Literary Fund loans and for fiscal agent fees. Debt service will increase by \$3.7 million, or 3.1 percent, due to an excess of debt incurred over debt retired.

In recent years, bonds for school purposes have been sold at interest rates below market rates reflecting the excellent financial condition of Fairfax County which has been awarded the AAA rating by Standard and Poor's Corporation, Aaa rating by Moody's Investors Service, Inc., and AAA rating by Fitch Investors' Services. Fairfax County is one of only 18 of 3,107 counties in the nation to hold a triple "A" rating from all three major rating agencies.

Actual bond sales are based on cash flow estimates prepared immediately prior to each sale and the condition of the bond market.

## Debt Level and Future Impact

The Fairfax County School Board does not have taxing authority and is therefore fiscally dependent upon Fairfax County government. The Fairfax County Board of Supervisors establishes debt ceilings and controls the degree to which FCPS can implement its Capital Improvement Program each year. The County's debt indicators state that the county's debt ratios shall be maintained at the following levels:

- Net debt as a percentage of estimated market value should always remain less than 3 percent
- The ratio of debt service expenditures as a percentage of Combined General Fund disbursements should remain under 10 percent.

The FY 2003 debt service budget was prepared on the basis of the construction and bond sale limitations set in place by the Board of Supervisors. The following are ratios and annual sales reflecting debt indicators for FY 1999 – 2003:

<b>Net Debt as a Percentage of Market Value of Taxable Property</b> (\$ in billions)			
<b>Fiscal Year</b>	<b>Net Bonded Indebtedness</b>	<b>Estimated Market Value</b>	<b>Percent</b>
1999	\$1.3	\$87.1	1.51%
2000	\$1.4	\$92.7	1.49%
2001	\$1.4	\$101.0	1.43%
2002 (est) <sup>1/</sup>	\$1.7	\$113.8	1.46%
2003 (est) <sup>1/</sup>	\$1.7	\$128.3	1.36%
<sup>1/</sup> Beginning in FY 2002, the ratio includes outstanding Lease Revenue bonds for the Pennino and Herrity Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Loans, and Special Revenue Bonds for Community Centers. In addition, sales of \$198.0 million for FY 2002 and \$221.1 million for FY 2003 have been included for projection purposes.			

# Capital Projects Funds

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## **School Construction Fund**

All construction projects are budgeted in the School Construction Fund. This fund, which totals \$208.3 million in FY 2004, contains funding for new construction and facility renovation, expansion, and improvement projects. Annual appropriations are made to cover the total value of multiyear contracts regardless of the year in which actual payments are made to contractors.

The Office of Design and Construction Services is responsible for the acquisition of school sites, the design and construction of new school facilities (including additions to existing schools), and renovations of existing school facilities in accordance with approved educational specifications. Currently, the Office of Design and Construction Services:

- Implements projects contained in the 1997, 1999, and 2001 School Bond Referenda which totaled \$232.9 million, \$297.2 million, and \$378.0 million, respectively
- Manages the \$5.0 million provided for additional portable classrooms and the \$0.7 million for facility modifications transferred from the Operating Fund
- Coordinates facility modification (minor improvement) projects and the installation and relocation of temporary classroom facilities provided to house students and instructional services at schools with insufficient space
- Provides equipment for new schools, additions to existing schools, and renovations of existing school facilities. Funding for this equipment is provided from approved bond sales and a transfer from the Operating Fund. In FY 2004, the transfer from the Operating Fund to the School Construction Fund will be \$3.4 million, a decrease of \$1.5 million from FY 2003 funding.



# Capital Projects Funds

## Capital Improvement Program

Each year the School Board, the school staff, and the community study, update, and extend the five-year school Capital Improvement Program (CIP) for incorporation into the overall county Capital Improvement Program. The CIP is used as a basis for determining the timing and size of proposed bond referenda. The primary source of funding for school construction projects is the sale of bonds authorized by the voters through referenda.

Since 1988, seven bond referenda, totaling \$1.6 billion, have been approved by Fairfax County citizens. Most recently, in November 2001, the citizens demonstrated their dedication to education by passing a record \$378.0 million referendum with an 80 percent approval level.

Bonds are sold to meet annual cash flow requirements. Actual bond sales will be based on a review of cash needs prior to each sale and the condition of the bond market. The FY 2004 total budget for bond sales is \$130 million.

## Impact on Operating Budget

Since Fairfax County Public Schools has been experiencing tremendous population growth over the past ten years, the Capital Improvement Program (CIP) has been a significant expenditure. The CIP has struggled to keep up with the demands of population increases. When population growth occurs, temporary trailers are added to a school as an interim solution to the need for additional classroom space. More teachers are added to the growing school-based on pupil-teacher ratios, and operating expenses are increased to provide the school with its per-pupil allocation of funding. Eventually, new construction, an addition, or a movement of special populations may occur to alleviate the overcrowding.

### History of Bond Referenda for School Construction

<u>Year</u>	<u>Amount</u> (\$ in millions)
1988	\$178.9
1990	\$169.3
1993	\$140.1
1995	\$204.1
1997	\$232.9
1999	\$297.2
2001	\$378.0

When the Construction Fund pays for the building of a new school or an addition, there is an impact on the Operating Fund. In the typical scenario of a new moderate-size elementary school, FCPS would add the following new positions: 1.0 principal, 1.0 guidance counselor, 1.0 librarian, 1.0 reading teacher, 2.0 instructional assistants, 3.0 administrative assistants, and 3.0 custodians. The cost of these positions amounts to approximately \$0.6 million.

In addition, the Operating Fund transfers one-third of the cost to equip a new school. Bond funds are used to fund the remaining two-thirds. The two-thirds, one-third assumption is based on estimates that approximately two-thirds of the equipment will have a useful life of 20 years, and is therefore appropriate for bond funding. It is assumed that the remainder of the equipment has a shorter than 20 year useful life and therefore should be funded by the Operating Fund.

# Capital Projects Funds

In FY 2004, \$3.4 million dollars is budgeted in the Operating Fund to be transferred into the Construction Fund for equipment funding to provide furnishings and necessary equipment for new and renovated schools. A moderately sized new elementary school would receive approximately \$720,000 in bond funding and \$360,000 for one-time start-up equipment costs from the Operating Fund.

This year's Capital Improvement Program estimates that \$1.95 billion will be needed to meet FCPS' facility requirements over the next 10 years.

## Accounting Basis

The School Construction Fund is a capital projects fund which follows the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available and expenditures are generally recognized when the liability is incurred.

School Construction Fund		
(\$ in millions)		
	Amount	Positions
FY 2004	\$ 208.3	86.3
FY 2003	<u>382.2</u>	<u>86.3</u>
Change	\$ (173.9)	0.0

# Capital Projects Funds

## Major New Projects for FY 2004

### Renewals

Renewal projects seek to upgrade the existing school facility to increase its usable life by 20 to 30 years. The facility is modernized through replacement of existing infrastructure and by upgrading instructional facilities to current educational standards. Improvements include: upgrading heating, air conditioning, lighting, and plumbing; remodeling library media centers; upgrading gyms, labs, and vocational facilities; refurbishing classrooms and creating small instructional spaces; installing wiring for cable television and computers; providing upgraded furnishings and equipment where appropriate, etc.

Riverside	\$7.5 million
Forest Edge	\$11.7 million
Floris	\$10.1 million
Laurel Ridge	\$10.8 million
Greenbriar East	\$10.3 million
Groveton	\$11.8 million
Hutchison	\$14.6 million
Wolftrap	\$9.4 million
Greenbriar West	13.9 million
Navy	\$13.3 million
Lake Braddock	\$72.5 million

### Equipment

Funding for equipment needs is provided to schools involved in new construction, renewals, and additions.

Equipment (new, renewals, and additions)	\$3.4 million
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# Capital Projects Funds

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## Major Maintenance

The life cycles of major building systems in some schools are out of phase with, or are shorter than, the 20 to 25 years expected of their host facilities. These infrastructure elements include heating and air conditioning plants and roofing systems. These facility requirements are funded in the building maintenance category.

Building Improvements	\$6.6 million
Air Conditioning Replacement	\$1.0 million
Boiler Replacement	\$0.5 million
Technology Network Upgrades	\$5.0 million
Asphalt	\$2.1 million
Bus Parking	\$0.8 million
Energy Performance	\$1.0 million

## Other

State Construction Grant	\$0.9 million
Facility Modifications	\$0.7 million
Miscellaneous Projects	\$0.4 million

# Capital Projects Funds

<b>Cost of Opening a New School*</b>						
<b>Impact on Operating Fund</b>						
<b>Types of Impacts</b>	<b>Elementary School</b>		<b>Middle School</b>		<b>High School</b>	
	<b>Positions</b>	<b>Cost</b>	<b>Positions</b>	<b>Cost</b>	<b>Positions</b>	<b>Cost</b>
<b>Positions:</b>						
Principal	1.0	\$125,364	1.0	\$127,283	1.0	\$137,043
Assistant Principal			2.0	197,558	3.0	341,405
Guidance Director			1.0	111,215	1.0	111,215
Guidance Counselor	1.0	74,094	3.0	248,886	6.0	497,772
Student Activities					1.0	117,561
Librarian	1.0	76,666	1.0	76,666	2.0	153,332
Reading Teacher	1.0	67,532	1.0	67,532	1.0	67,532
Other Teachers			0.5	33,766	1.0	67,532
Instructional Assistant	2.0	57,660	1.0	28,830		
Office Personnel	3.0	122,505	5.0	204,174	9.5	387,931
Custodians	3.0	113,012	7.0	263,694	16.0	602,729
<b>Subtotal Personnel</b>	<b>12.0</b>	<b>\$636,833</b>	<b>22.5</b>	<b>\$1,359,604</b>	<b>41.5</b>	<b>\$2,484,052</b>
<b>Operating Expenses</b>						
Textbooks Start-Up		\$74,400		\$147,193		\$292,866
Library Start-Up		129,000		215,200		408,880
Supplies Start-Up		50,400		84,000		159,600
Utilities						
Electricity & Gas		103,890		193,536		471,557
Water & Sewer		4,792		11,251		28,414
Refuse Collection		5,281		12,280		18,419
Telephones		20,203		24,757		48,557
Staff Development		88,462		120,156		232,721
Part-Time Office Personnel, Per Diem		8,740		8,740		20,423
<b>Subtotal Operating</b>		<b>\$485,168</b>		<b>\$817,113</b>		<b>\$1,681,437</b>
<b>Equipment Start-Up</b>		<b>\$360,000</b>		<b>\$630,000</b>		<b>\$1,500,000</b>
<b>Total</b>		<b>\$1,482,001</b>		<b>\$2,806,717</b>		<b>\$5,665,489</b>
Recurring Costs		\$770,999		\$1,601,428		\$3,050,999
Nonrecurring Costs		\$711,002		\$1,205,289		\$2,614,490
*Based on average enrollments and average salaries including benefits.						

# Internal Service Funds

## School Insurance Fund

The School Insurance Fund provides for the administration of workers' compensation accounts, the centralization of self-insurance accounts for liability and the purchase of commercial insurance. Funding is provided for the following positions:

2.0	Branch Managers
2.3	Financial Analysts
5.0	Technical Assistants
<u>1.0</u>	Office Assistant
10.3	Positions

The Office of Benefit Services, Department of Human Resources, administers the workers' compensation program in conjunction with an independent claims service company. Risk Management, Department of Financial Services, provides administration of the insurance programs other than workers' compensation.

An increase of \$0.3 million in FY 2004 is primarily due to an increase in expenditures of \$0.5 million related to industrywide insurance cost increases and administrative costs, offset by a reduction of \$0.2 million in workers' compensation claims accounts.

## Accounting Basis

The School Insurance Fund is an internal service fund and follows the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

School Insurance Fund		
(\$ in millions)		
	Amount	Positions
FY 2004	\$ 9.5	10.3
FY 2003	<u>9.2</u>	<u>10.3</u>
Change	\$ 0.3	0.0

# Internal Service Funds

## Health & Flexible Benefits Fund

The Health and Flexible Benefits Fund provides for the administration of health care and dental care benefit plans for employees and retirees. In addition, the fund provides for the payment of eligible health care and dependent care expenses for employees enrolled in the flexible spending account program.

Funding is provided for the following positions:

7.5	Business Specialists
3.0	Accounting Technicians
<u>2.5</u>	Business Operations Assistants
13.0	Positions

On July 26, 2001, the School Board adopted the proposed changes to the health and dental plans as follows:

- Eliminate the discount dental and network dental coverage from the medical plans
- Add two Aetna dental options: dental preferred provider organization (DPPO) and dental maintenance organization (DMO)
- Provide employer contribution to the dental plans derived from savings in changes to plan design
- Amend the existing HealthChoice (POS) plan to eliminate the use of the Trigon network, changing the program to a single network option calling it the BlueChoice POS
- Add the BlueCard preferred provider organization (PPO) as a national network option
- The Kaiser Permanente (HMO) plan and the Aetna (EPO) plan would remain

In FY 2004, premium rate increases and higher enrollment will increase the employer, employee and retiree contributions by \$15.3 million from the FY 2003 estimate. Flexible spending account withholdings are expected to increase \$0.6 million.

Health claims and premiums paid are expected to increase by \$17.9 million over the FY 2003 estimate. Claims incurred but not reported (IBNR) are expected to decrease by \$1.0 million. Administrative expenditures are expected to increase by \$0.2 million and flexible spending account expenditures are expected to increase by \$0.5 million.

As a result of changes in the health plan design, changes in contributions, claims and administrative expenses, the claims stabilization reserve is expected to increase by \$0.5 million from the FY 2003 estimate. In addition, these plan changes are primarily responsible for health insurance savings experienced in FY 2003.

# Internal Service Funds

## Accounting Basis

The Health and Flexible Benefits Fund is an internal service fund and follows the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Health and Flexible Benefits Fund		
(\$ in millions)		
	Amount	Positions
FY 2004	\$ 169.8	13.0
FY 2003	<u>151.7</u>	<u>13.0</u>
Change	\$ 18.1	0.0



# Internal Service Funds

## Central Procurement Fund

The Central Procurement Fund is the primary means by which items for warehouse inventory are replenished. A volume inventory purchasing method assures better pricing and ensures the items are readily available to schools and offices within Fairfax County Public Schools (FCPS). The Office of Supply Operations places large bulk orders with contract vendors to maintain warehouse stock.

Schools, centers, and offices place orders for warehouse stock items through the procurement system (CASPS). The Office of Supply Operations receives and fills the orders, then delivers the items to the ordering locations. Individual schools, centers, and offices are charged for their items when the orders are filled, then the Central Procurement Fund is replenished.

The Central Procurement Fund warehouse operation also provides the ability to consolidate individual orders for delivery to schools, centers, and offices within FCPS. Locations place CASPS orders for a variety of goods at various times; as orders are being filled, items are pulled from inventory and are consolidated by delivery location. This process reduces the paperwork and administrative burden associated with ordering hundreds of thousands of items annually and enables schools to take advantage of vendor discounts for large orders. For items that cannot be purchased centrally through the Central Procurement Fund, direct purchases are made.

To support operating costs the fund generates revenue through a 4.0 percent markup on all items sold. The Central Procurement Fund supports the purchase of over 1,100 line items of inventory, with a goal of inventory turnover four to six times annually through sales to FCPS customers.

The Office of Supply Operations manages the Central Procurement Fund. One analyst position provides oversight of this fund under direct supervision.



## Accounting Basis

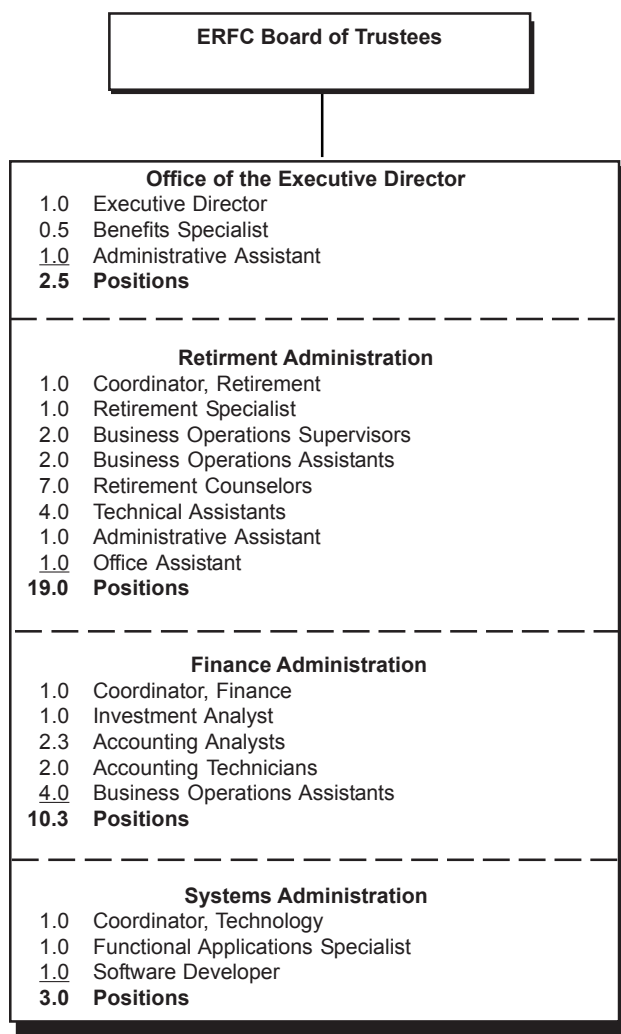
The Central Procurement Fund is an internal service fund and follows the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Central Procurement Fund		
(\$ in millions)		
	Amount	Positions
FY 2004	\$ 14.0	1.0
FY 2003	14.0	1.0
Change	\$ 0.0	0.0

# Pension Trust Fund

## Educational Employees' Supplementary Retirement Fund

The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) was established on July 1, 1973. It serves all full-time, monthly paid instructional and noninstructional personnel. The responsibility for general administration and operation of the fund is vested in a Board of Trustees. In addition, the executive director and 33.8 employees are responsible for the daily administration of the system.



Total Positions

34.8

# Pension Trust Fund

The ERFC utilizes the services of an investment consultant and several investment firms to invest the trust fund assets. Fiscal year 2002 was a difficult period for investors due to very poor capital markets both in the United States and overseas. Because of ERFC's widely diversified asset base and relatively conservative asset allocation, ERFC's performance relative to other similar pension funds was good. For the 2002 fiscal year, ERFC's total return of -4.4 percent compares favorably to its diversified benchmark return of -5.5 percent and to the median return of -6.2 percent for public pension plans with more than \$1 billion in assets. This comparative data is based on information provided by Mercer Investment Consulting.

## Goals

- To continue the automation of ERFC systems to improve member services
- To increase member understanding through the development of a comprehensive communications plan
- To effectively and efficiently adjust the fund's asset allocation based upon the outcome of the asset/liability modeling study that will be concluded in the second quarter of FY 2003
- To review and adjust as necessary the internal controls of ERFC processes for maximum efficiency and protection

## Receipts

Total receipts projected in FY 2004 are \$177.0 million. The sources include employee and employer contributions of \$67.0 million and earnings from investments of \$110.0 million. The projected earnings from investments are based on a 7.5 percent rate that is consistent with the investment return assumption used by the plan's actuary. The employer's contribution is projected to be \$25.1 million in FY 2004 and is budgeted as an expenditure in the other School Board funds because it is paid directly to the retirement trust fund. Based on an actuarial report recommendation, the employer contribution will increase from 2.0 to 2.5 percent in FY 2004. The employees' contribution is projected to be \$41.9 million.

## Expenditures

The FY 2004 expenditure budget totals \$141.6 million. Major components are: payments to retirees of \$114.0 million; investment costs of \$12.8 million; refunds to members leaving FCPS before retirement of \$3.4 million; Option D payments of \$7.0 million (payments to retirees who elect to receive a lump sum payment and a reduced monthly benefit); and personnel and other administrative expenses of \$4.4 million.

# Pension Trust Fund

## Accounting Basis

The ERFC Fund is a pension trust fund and follows the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

### Educational Employees' Supplementary Retirement System (\$ in millions)

	<b>Amount</b>	<b>Positions</b>
FY 2004	\$ 141.6	34.8
FY 2003	130.0	34.8
Change	\$ 11.6	0.0