TO: Dr. Eric Williams, Superintendent  
FROM: E. Leigh Burden, Assistant Superintendent, Business & Financial Services  
SUBJECT: FY19 Preliminary Fiscal Outlook  
DATE: August 8, 2017

The FY19 budget development process has already begun. Although it is too early to provide firm data for FY19, staff have attempted to provide some broad projections so that everyone has an early understanding of the potential needs of LCPS for FY19. Preliminary details about expenditure and revenue projections follow. Also, there are three key points that must always be emphasized when providing early projections:

- this information is only to illustrate potential expenditures;
- these are not recommendations—thus these items may or may not be included in the FY19 Superintendent’s Proposed Budget; and
- the sum of the potential expenditures identified in this memo should not be interpreted as a recommended change in the budget.

Preliminary Expenditure Information

ENROLLMENT GROWTH

Enrollment  

- Enrollment projections for FY19 are not yet completed and will be largely based on the September 30, 2017 actual enrollment. New enrollment projections will be developed in October and will most certainly change from the enrollment projections used in this calculation. But for now, the CIP projections developed in October of 2016 and updated with March enrollment results in a projection of 84,187 students—an increase of 2,565 students or about 3.1%.

- At the FY18 cost per pupil (CPP) $13,688, LCPS would need $35.1 million in additional funds to maintain current service levels. However, adjustments to this calculation are anticipated due to potential economies of scale—each additional student does not typically cost the full average CPP; but with the lack of more current data, a conservative approach is most prudent.

New Schools  

- The Commonwealth’s Standards of Quality (SOQ) requires a variety of support positions based on the opening of new buildings. SOQ support positions include principals, guidance counselors, secretaries, librarians, and assistant principals. Custodians are an example of another position type allocated per building. There are also the non-salary costs of utilities and insurance. For FY19, we will provide support positions for Goshen Post Elementary, Willard Intermediate and the Academies of Loudoun, as well as provide early staff for a tentative new Elementary School and Independence High School opening the following year (FY20). The total estimated additional cost is $6.6 million.
Expenditures (continued)  

FY 19 Preliminary Fiscal Outlook – August 8, 2017

**SALARIES & BENEFITS**

*Step Increases*  
$19.2 million  
- Step increases for all eligible employees’ average about 2.3%. Note employees at the top of the scale do not receive step increases. The cost of step increases for all those eligible is $19.2 million.

*Teacher Salary Adjustment*  
$14.6 million  
- These funds are identified for continued restructuring of the Teacher Salary schedule to increase competitiveness—particularly for mid-career teachers—and to make further progress toward the strategic action on this topic.

*Other Compensation*  
$8.9 million  
- Other compensation includes potential initiatives for employees not eligible for step increases, such as modest one-time payments for employees at the top of the scale, a modest market/scale adjustment of 1% and/or reclassifications for administrative, classified and auxiliary scale staff members.

*VRS*  
$5.0 million  
- Virginia Retirement System (VRS) contributions are expected to increase due to a planned increase initiated by the General Assembly. Estimates are based on historical increases in VRS rates for K-12 employees.

*Healthcare*  
$7.0 million  
- National trends show healthcare costs and other employee benefit programs are increasing at a rate of 8.5% which results in an additional cost of $7.0 million. AON consultants/actuaries are currently reviewing claims to determine a better estimate for cost increases for FY19 which will be provided in October.

**ENHANCEMENTS, RESTORATIONS & REALLOCATIONS**

*Full Day Kindergarten*  
$2.0 million  
- Expanding FDK will require additional funding. Although the revised FDK strategic action sets forth an FY19 milestone of 83%, staff plans to recommend serving as many kindergarten students in FDK as space will permit. This estimate of additional expenditures is based on serving approximately 85% of kindergarten students in FDK. The actual proposed increased will be based on the actual increase in FDK classes and the actual decrease in HDK classes.

*Instructional Initiatives*  
$1.8 million  
- It is likely that additional expenditures would be proposed for instructional initiatives such as the NWEA Measure of Academic Progress (MAP) assessment, performance-based assessments, instructional facilitators, band uniform replacement, the ELL Welcome Center, and computer science.
Expenditures (continued)  

**Vision 20/20 Initiatives**  

$4.0 million  

- Pupil Services has partially implemented special education deans at all high schools. Five additional positions would complete this initiative so that all high schools have one special education dean. This item is a placeholder for potential Vision 20/20 initiatives or resources needed to implement selected strategic actions of the School Board-approved Strategic Plan. An example of one initiative is five additional special education deans at high schools which would result in every high school having one.

**Textbooks & Digital Learning Resources**  

$2.0 million  

- LCPS recently concluded an assessment of textbooks and digital learning resources. Additional funds are needed in FY19 to implement the results of the assessment.

Potential expenditure increases for FY19 are summarized below.

<table>
<thead>
<tr>
<th>Preliminary Expenditure Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment Growth</td>
<td>up to $41.7 million</td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>$54.7 million</td>
</tr>
<tr>
<td>Enhancements, Restorations, Reallocations</td>
<td>$9.8 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>up to $106.2 million</td>
</tr>
</tbody>
</table>

It should be noted that providing a preliminary fiscal outlook has its disadvantages, primarily due to unanticipated items not yet considered. All major expenditure drivers have been included, but a new need could still arise that has significant budget impact.

**Preliminary Revenue Information**

*Federal/Miscellaneous/Carryover Revenue*  

**Minimal Change**

We expect minimal changes to Federal/Miscellaneous revenue and no change to Carryover funding.

*Local Funding*  

**Unknown**

We do not have any preliminary projections as to what the local funding levels might be at this time. Typically the County releases its first projections in October. However it should be noted that the Board of Supervisors Finance Committee was briefed on the economic outlook by County staff in July 2017. No recommended funding levels were proposed.

*State Funding*  

$5.7 million

State funding is largely unknown at this time due to the recalculation of the Local Composite Index (LCI) and late December introduction of the Governor’s Proposed Budget. The LCI identifies the State and local shares of funding for K-12 education. If the LCI goes up LCPS will receive less funding from the State; if the LCI goes down we will receive more funding from the State. A projected LCI cannot be calculated accurately by LCPS due to the indices reliance on statewide data. Typically the new LCIs are released late fall every two years. LCPS generally gets additional funding from the State to address new enrollment.
However, in anticipation of very late information, LCPS once again contracted with Dr. Richard Salmon, an authority on public school finance and a longtime professor at Virginia Tech, to calculate the estimated LCPS LCI so that we would have an early projection. Dr. Salmon has estimated that the LCI for LCPS will go down slightly. If this estimate is correct, LCPS State revenue could increase by $13 million solely due to the LCI change. Additionally, new funds due to enrollment growth are estimated at $5.7 million. Thus, early estimates show we could see nearly $19 million in additional State revenue for FY19 due to enrollment and LCI changes.

For this early estimate, we are only showing the State funding attributed to enrollment increases or $5.7 million. Once new LCI numbers are officially updated by the State, the estimate will be revised.

Potential revenue increases for FY19 are summarized below.

<table>
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<th>Preliminary Revenue Information</th>
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<tr>
<td>Local Funding</td>
<td>Unknown</td>
</tr>
<tr>
<td>State Funding</td>
<td>up to $5.7 million</td>
</tr>
<tr>
<td>Federal Revenue</td>
<td>Minimal change</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>Minimal change</td>
</tr>
<tr>
<td>Carryover Funding</td>
<td>Minimal change</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>up to $5.7 million</strong></td>
</tr>
</tbody>
</table>

Please contact me if you have questions.