McLean Citizens Association
The Voice of McLean for Over 100 Years

FY 2025 BUDGET RESOLUTION
April 3, 2024

EXECUTIVE SUMMARY

Fairfax County General Fund expenditures have risen more rapidly than inflation, enabled largely by rising tax revenues on residential properties. At the same time, adverse trends that impose growing fiscal challenges have emerged or become impossible to ignore.

This resolution urges the Board of Supervisors to develop a 5-year fiscal sustainability strategic plan, which would limit expenditures based on the assumption that the rate of increase in residential property tax revenues would not exceed inflation in the prior 12-month period.

The resolution commends the Supervisors and School Board members for advocating for additional federal funding for special education costs and additional K-12 state funds. It also recommends that FCPS analyze whether federal mandates for special education are being applied uniformly to all school districts and use this analysis in future advocacy efforts.

This resolution urges the School Board to provide justification for constructing the Dunn Loring ES. If the School Board is unable to provide adequate data justifying construction of the Dunn Loring ES, it should refrain from constructing it.

The resolution also urges the School Board to analyze expenditure categories that have grown faster than inflation and to revise ERFC plan documents to limit the new DROP benefit to ERFC Legacy participants who retire in FY 2024. It also recommends that FCPS offer different levels of raises to its employees in FY 2025, and implement merit pay for FCPS employees who are neither teachers nor aides.

BACKGROUND

Whereas:

1. For decades, Fairfax County (County) has benefitted from a dynamic local economy, which attracted businesses and well-educated residents due to its location, infrastructure, quality of life, and reasonable cost of living compared to household incomes.[1]

[1] According to the GMU Stephen S. Fuller Institute, Fairfax County is losing domestic residents, and "our anecdotal evidence suggests there are not just retirees moving to the Outer Banks. Our employers are losing prime age

2. Although office buildings have declined in value and are generating lower commercial property tax revenues, County revenues from residential property taxes have increased faster than inflation, placing a greater proportion of the tax burden on homeowners.[2]

3. Other Northern Virginia jurisdictions are minimizing property tax rate increases in their FY 2025 budgets:
    a. Arlington County proposed a 1.5 cent increase in the property tax rate, offset by a 1.7 cent reduction in the stormwater tax rate by shifting to a stormwater utility fee, plus the elimination of 20 filled and 13 vacant positions.
    b. City of Falls Church proposed to reduce the real estate tax rate by one cent,
    c. Loudoun County proposed no increase in the real property tax rate.
    d. Prince William County proposed no increase in the real property tax rate.

4. The County has some mandatory expenditures:
    a. Required contributions to WMATA are likely to continue increasing given massive operating deficits and capital needs for the Metro system.
    b. The County must fund core governmental services, such as public safety and a K-12 public school system that complies with federal and state laws.
    c. The County must pay interest on County bonds.

5. Contributions to pension plans will continue to increase given growing unfunded pension liabilities, unless the County and/or participating employees make larger contributions in the near term that cause unfunded liabilities to decrease.[3]

6. Years of deferred maintenance increased unfunded capital needs, which led to growing competition for County bond proceeds, and the issuance of more County bonds.

7. The County provides directly, contracts with nonprofits to provide, and/or offers financial incentives for third parties to provide services for free or at subsidized rates, such as Fairfax Connector buses, housing for people in households that earn less than 80% of Area Median Income, plus other health and human services programs.

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workers to competing regions of the country." https://sfullerinstitute.gmu.edu/wp-content/uploads/2023/04/Population-Change-in-the-Washington-Region.pdf.

[2] For example, from January 2023 to January 2024, the Consumer Price Index for All Urban Consumers in the Washington-Arlington-Alexandria area increased by 3.6%. https://www.bls.gov/regions/mid-atlantic/cpi-summary/2024/consumerpriceindex_summary_mid-atlantic_202401.pdf In contrast, the County's FY 2025 Advertised Budget proposes a 4 cent increase in the property tax rate, in a year when residential assessments on existing properties rose by an average of 2.9% throughout the County, which amounts to an average property tax increase of almost 7% https://www.fairfaxcounty.gov/taxes/real-estate/residential-assessment-comparisons

[3] MCA Resolution, County Pension Plan Stress Test & Sensitivity Reports (2024).

8. The County has some job categories that require compensation increases above inflation given attrition, vacancy rates, and salaries offered by competing employers, and it has thus offered higher raises and/or bonuses for those job categories than for other County jobs.[4]

9. The County's fiscal challenges are exacerbated by growing Fairfax County Public Schools (FCPS) requests for County funds, which arise in part from FCPS staffing and other decisions that increased FCPS operating costs and in part from inadequate:
   a. state funding for FCPS.[5]
   b. federal funding for FCPS costs incurred to educate students with disabilities.[6]

10. Consistent with the County's general policy of charging fees that cover the costs of providing services, the County's FY 2025 Advertised Budget includes fee increases, but allocating all indirect costs accurately could identify other opportunities to raise fees.

11. The County's process to determine the desirability of a proposed development or program does not fully consider indirect and contingent expenses arising from the proposal over a decade or longer period of time, such as environmental costs, public safety costs, costs of providing additional human services, higher public school expenditures associated with student subgroups, traffic congestion and its impacts on productivity, and lower property tax revenues from adjoining areas due to decreases in nearby property values.

12. Raising revenues by allowing a casino to be built in Tysons[7] will create negative externalities that increase other County costs and/or reduce other sources of County revenue.
   a. Property values in neighborhoods in or near Tysons are likely to decline, reducing County property tax revenues.
   b. Crime near the casino will increase public safety costs.
   c. Demand for County-funded health and human services will increase as more residents – including many with lower incomes - become addicted to gambling.
   d. More traffic congestion could reduce purchases at Tysons retail establishments, thus reducing the County's share of total sales taxes.
   e. Professional services businesses could be deterred from owning or renting office space in or near Tysons.
   f. People could be deterred from renting or buying homes in or near Tysons, particularly families with children who might attend public schools near Tysons.

13. Raising revenues through higher taxes, particularly higher residential property taxes, will make the County less attractive to many middle-class families,[8] while not providing the

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[4] FY 2025 Fairfax County Advertised Budget Plan (Overview), County Executive Message. See also https://www.fairfaxcounty.gov/budget/sites/budget/files/Assets/documents/fy2025/qa/FY_2025_QA.pdf, Question C-62.

[5] https://jlarc.virginia.gov/landing-2023-virginias-k-12-funding-formula.asp

[6] https://www.fairfaxcounty.gov/boardofsupervisors/sites/boardofsupervisors/files/assets/adopted-118th-congress-federal-legislative-strategy-and-principles-12.5.2023.pdf

[7] Senate Bill. 675 was tabled until January 2025. https://patch.com/virginia/reston/nova-casino-without-referendum-possible-budget-amendment-report

[8] The County's total population declined from 2019 to 2022 and increased by 2,569 in 2023, but the County's net international in-migration has masked the County's net domestic out-migration since at least 2014.

necessary impetus for a thorough examination of existing programs that could be eliminated or scaled back.

14. The County's Strategic Plan was adopted in 2021 and revised in May 2023, and focuses on the provision of services through existing, expanding and new programs.[9]

15. The County does not have a Fiscal Sustainability Strategic Plan, with data, metrics and projections over 5 or more years regarding the financial sustainability and financial costs associated with each component of the County's General Fund expenditures, consistent with ensuring that the County's valuable triple A bond rating remains intact.

16. County resources can be deployed to develop a Fiscal Sustainability 5-Year Strategic Plan:
    a. Reports by the County Executive's 13-person internal audit team and the 3-person Office of Program & Financial Audits (OFPA) that reports to the Board of Supervisors can provide data that helps the County Executive and County budget staff identify budget cuts and fee increases.[10]
    b. Performance measures for all agencies, including but not limited to data on authorized positions, attrition, hiring, and vacancies,[11] as well as key output measures, can be used to identify inefficient and/or ineffective programs.[12]
    c. Further analysis on the allocation of County indirect costs can be used to determine appropriate fees and charges for County-provided services.

RESOLVED

The McLean Citizens Association urges the Board of Supervisors to:

1. Set the property tax rate for real estate every year, starting in FY 2025, to limit annual percentage increases in residential property tax revenues to inflation for the prior twelve months.[13]

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https://www.fairfaxcounty.gov/budget/sites/budget/files/Assets/documents/fy2025/qa/FY_2025_QA.pdf, Question C-53. See also https://sfullerinstitute.gmu.edu/wp-content/uploads/2024/03/Population-Change-in-the-Washington-Region-1.pdf

[9] https://www.fairfaxcounty.gov/strategicplan/

[10] See https://www.fairfaxcounty.gov/internalaudit/audit-report and https://www.fairfaxcounty.gov/boardauditor/quarterly-auditors-reports .

[11] Cutting funding to pay compensation for vacant positions without eliminating those positions eliminates "significant excess funding" in an agency, and was one strategy used to cut costs in the County's FY 2025 Advertised Budget. https://www.fairfaxcounty.gov/budget/sites/budget/files/Assets/documents/fy2025/qa/FY_2025_QA.pdf, Question C-66.

[12] https://www.fairfaxcounty.gov/budget/fy-2025-advertised-performance-measures-pm Arlington County is proposing to expand performance measures for its agencies and will include "output measures" for fourteen departments that might require Arlington County to "collect data not previously tracked." P. 35, County Manager's Message.

[13] For purposes of determining annual inflation that will affect property tax rates, the MCA recommends using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria area. https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_washingtondc.htm

2. Develop a Fiscal Sustainability 5-Year Strategic Plan that shows how the County can manage and limit expenditures, by adopting a budget where the County's residential property tax revenues increase no faster than inflation, using methods such as:
   a. Deploying the County's internal audit team and OFPA to identify ineffective programs and less necessary positions (even if those positions are not vacant) and consider increasing the number of internal auditors and OFPA auditors.
   b. Gathering, publicly posting and using attrition, hiring and vacancy data to identify positions that are hardest and easiest to fill with qualified applicants, and adjusting total compensation – salary scales, bonuses, and benefits - accordingly.
   c. Developing robust performance measures for all agencies and offices, starting with agencies and offices that have few or no performance measures, and using the resulting data to identify programs that are ineffective and/or inefficient, and positions that can be eliminated.
   d. Regularly assessing whether County fees for services fully cover the County's direct and indirect costs of providing those services and adjusting County fees accordingly.
   e. Fully evaluating the complete range of potential direct, indirect and contingent short-term and long-term costs associated with all proposed developments and programs, to ensure that the County approves developments and implements programs only after fully documenting the potential short-term and long-term budget ramifications.

BACKGROUND: Demographic Projections and FCPS Facilities Planning

Whereas:

1. FCPS operating and capital budgets are based on FCPS staff enrollment projections, while Virginia sales tax revenues are allocated among school districts using estimates by the Weldon Cooper Center for Public Service at the University of Virginia (Weldon Cooper).[14]

2. According to the 2023 Fairfax County Demographic Report:
   a. the number of Fairfax County residents under age 5 declined from 72,960 (6.7% of the population) in 2010 to 66,316 (5.8%) in 2020.
   b. the total number of County residents between ages 5 and 14 is expected to decline from 151,456 in 2023 to 138,740 in 2030. [15]

3. FCPS enrollment faces downward pressures for at least five years, due to demographic trends including a tendency to defer marriage and smaller completed family sizes (at age 45),[16] which could result in smaller age-cohorts in future years, beginning at the elementary school level:
   a. According to the Virginia Department of Health:
      i. Fairfax County births per year decreased by 24% between 2008 (15,334 births) and 2022 (12,371 births), and

[14] https://www.coopercenter.org/virginia-school-data
[15] https://www.fairfaxcounty.gov/demographics/sites/demographics/files/Assets/demographicreports/fullrpt.pdf, Tables 2.2 and 2.3.
[16] https://www.prb.org/resources/why-is-the-u-s-birth-rate-declining/ See also https://www.brookings.edu/articles/will-births-in-the-us-rebound-probably-not/

ii. Fairfax County's birth rate declined by 28% from 2008 (15.1 per 1000) to 2022 (10.9 per 1000), and the smallest recent cohorts (born in 2020, 2021 and 2022) have not yet entered elementary school.

b. Declining births are reflected in FCPS enrollment as of February 2024:[17]

i. Grade levels 9 through 12 each had about 15,000 students.

ii. Grade levels KG through 6 each had about 13,000 students.

4. Weldon Cooper projects lower FCPS K-12 student enrollment over the next five years than FCPS, with the greatest differences at the elementary school level.[18]

5. Except during and immediately after the Great Recession and the pandemic, FCPS's projected K-12 enrollment typically exceeded actual K-12 enrollment, and the FCPS assumption that its Birth to KG Ratio will increase from 87% in FY 2024 to 93% in FY 2029 suggests that FCPS enrollment projections are likely to exceed actual future enrollment.[19] FCPS enrollment also faces upward pressures, such as from conversion of office to residential real estate and other residential development activities, which could result in larger age-cohorts in future years. However:

   a. FCPS CIP projections that include migration impacted by development activity have not reported upward pressure on the elementary schools in the Dunn Loring area.

   b. MCA independent analysis also does not show upward pressure by the development activity on the elementary schools near Dunn Loring.[20]

6. FCPS staff and Weldon Cooper both use birth rates, assumptions about the ratio of students born to public school kindergarten enrollment five years later (which reflect changes in the number of households with school-aged children), and historic data about student in-migration and out-migration to project enrollment.

7. According to guidelines mentioned in the FCPS Capital Improvement Program (CIP), "[n]ew school construction projects are considered when significant capacity deficits are likely to persist over time" and "capacity needs cannot be met within a given area of the school system" and FCPS will "[c]onstruct new schools only where surplus capacity or existing school inventory are not available in order to maximize limited capital monies." [21]

8. Most projects in the CIP are renovations, but the CIP also contains some projects for new schools and additions, including Dunn Loring ES.

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[17] FCPS "anticipates that larger cohorts moving through middle and high school will be offset by smaller, recent kindergarten cohorts, thereby decreasing overall enrollment totals" and that the "size difference between the upper grade cohorts and lower grade cohorts is expected to suppress any continued pandemic rebound." https://www.fcps.edu/sites/default/files/media/pdf/FY-2025-Proposed-Budget.pdf., p. 131.

[18]For example, Weldon Cooper projects that by 2028-29, FCPS will have under 11,000 students in grades 1 and 2.

[19] https://www.fcps.edu/sites/default/files/media/pdf/Proposed-FCPS-FY-2025-29-CIP.pdf, p. 26

[20] The MCA comparison of CIP projections and County proffer student enrollment assumptions is available on the MCA web site public documents folder.

[21] https://www.fcps.edu/sites/default/files/media/pdf/Proposed-FCPS-FY-2025-29-CIP.pdf, p. 8, 14.

9. FCPS estimates that it will cost $84.4 million to build an elementary school at Dunn Loring, of which $3.4 million will be spent before FY 2025 on planning and design, $1.4 million will be spent in FY 2025 on permitting costs, and $79.7 million will be spent in FY 2026, FY 2027 and FY 2028 on construction.[22]

10. The Board of Supervisors approved FCPS' request on February 6, 2024 to concurrently process the rezoning application and site plan for the proposed Dunn Loring ES,[23] which is scheduled for a public hearing before the Board of Supervisors on September 24, 2024.[24]

11. The Dunn Loring ES project is not supported by FCPS 5-year enrollment projections, since no elementary school near Dunn Loring has an existing or projected "capacity deficit," and elementary schools in that vicinity are projected to have an aggregate "capacity surplus" of 789 seats in 2028-29.[25]

12. After Prince William County Public School staff consulted with Weldon Cooper and other demographers, its School Board voted to delay the construction of a new school.[26]

13. The use of County bond proceeds to build Dunn Loring will increase FCPS operating costs:
    a. FCPS will have to maintain the building even if it is empty.
    b. If FCPS changes boundaries to move students from nearby elementary schools with capacity surpluses, there will be a cluster of under-capacity elementary schools with higher-than-average per pupil fixed costs.

RESOLVED

The MCA urges the School Board to provide justification for constructing the Dunn Loring ES. If the School Board is unable to provide adequate data justifying construction of the Dunn Loring ES, it should refrain from constructing it.

BACKGROUND: FCPS - Administrative Expenditure Growth

Whereas:

1. Between FY 2018 and February 2024:
    a. Inflation was about 23%.[27]

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[22] FCPS FY 2025-29 CIP, Table 14, p. 49 and Table 15, p. 50.

[23] https://www.fairfaxcounty.gov/boardofsupervisors/sites/boardofsupervisors/files/Assets/documents/02-06-24_Final-Summary.pdf, p. 14-15.

[24] https://plus.fairfaxcounty.gov/CitizenAccess/cap/CapDetail.aspx?type=1000&Module=Zoning&capID1=REC23&capID2=00000&capID3=034EM&agencyCode=FFX&FromACA=Y

[25] FCPS FY 2025-29 CIP, pp. 81 – 85. The County's Tysons Tracker states that of the eight "schools serving Tysons" including four elementary schools, none is projected to have capacity deficits. https://tysons-tracker-fairfaxcountygis.hub.arcgis.com/apps/798111197bff41c78ad823bde6e4c0f6/explore

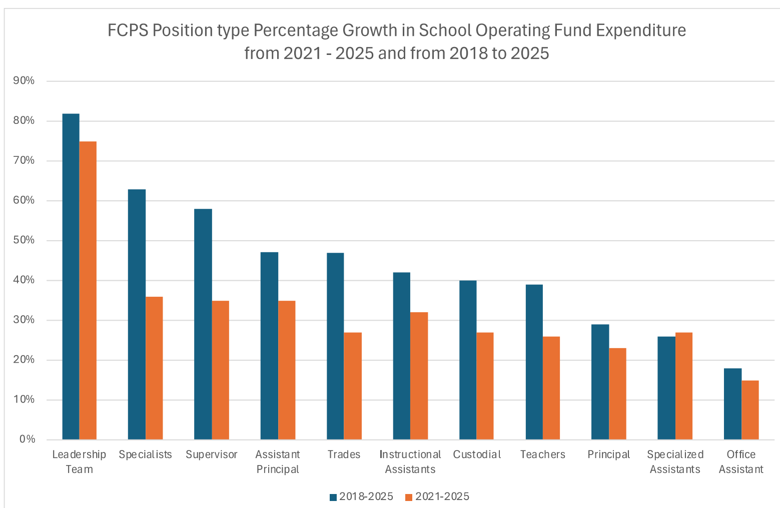
[26] https://www.insidenova.com/headlines/delay-of-prince-william-s-14th-high-school-appears-imminent-despite-community-lobbying/article_19b4c062-e63d-11ee-accf-d77a4a16c80a.html

[27] https://data.bls.gov/pdq/SurveyOutputServlet

b. The number of FCPS students decreased by almost 4%.

2. The FCPS FY 2025 Advertised Budget includes 26,694 positions, of which 12,681 (48%) are teacher positions,[28] 16,479 (62%) are "teacher scale" positions[29] and an additional 3,607 (7%) positions are for aides who work with students.

3. Between FY 2018 and the FY 2025 Advertised Budget, FCPS administrative positions increased more rapidly than Teacher Scale positions and expenditures for administrative positions increased more rapidly than inflation and increased more rapidly than positions and expenditures for Teacher Scale positions, for example:
   a. FCPS Leadership Team positions[30] increased from 17 to 25 (47%) and Leadership Team expenditures increased by 82%, with an average salary of $248,426.
   b. FCPS Supervisor[31] positions increased to 215 (23%) and Supervisor expenditures increased by 58%.
   c. FCPS Specialist positions[32] increased to 1,906 (24%) and Specialist expenditures increased by 63%.
   d. Teacher Scale positions increased to 16,479 (7%), and Teacher Scale expenditures increased by 39%.



[28] https://jlarc.virginia.gov/pdfs/reports/Rpt576-3.pdf, p. 52.
[29] FY 2025 Teacher Scale Full-Time Equivalent (FTE) positions paid from the main School Operating Fund (SOF) include 503 KG teachers, 3,415.5 ES teachers, 1,315.6 MS teachers, 2,661.4 HS teachers, 868.3 ES general music, art and physical education teachers, 199 reading teachers, 2.3 ES art teachers, 192 instrumental music teachers, 155.5 GT Resource teachers, 15 lab teachers, 288.5 instructional support positions, 1,103.2 ESOL teachers, 3,698.3 special education teachers, 14.5 audiologists, 84 Physical and Occupational Therapists, 309.3 vocation education teachers, 136.1 alternative education teachers, 89 Academy teachers, 353 MS and HS counselors, 221 ES counselors, 239 librarians and 227 unassigned teaching reserve positions.
[30] FY 2025 Leadership Team positions include the Superintendent, 9 Division Chiefs, 13 Assistant Superintendents, one Division Counsel, and one Auditor General.
[31] FY 2025 Supervisor FTE positions paid from the SOF include 12 executive principals (not based in schools), 46.5 directors, 126.5 coordinators, and one Deputy Auditor General.
[32] FY 2025 Specialist FTE positions paid from the SOF include 5 hearing officers, 3 executive assistants, 5 auditors, 7 attorneys, 107 functional supervisors, 35 certified athletic trainers, 184.5 psychologists, 185.5 social workers, 170.5 instructional specialists, 314.8 business specialists and 654 technical specialists.

RESOLVED

The MCA urges the School Board to analyze rapidly rising FCPS expenditures for employees who work solely or largely with adults, especially given the 4% decline in FCPS student enrollment since FY 2018 and the likely future decline in FCPS enrollment.

BACKGROUND: FCPS Compensation

Whereas:

1. The FCPS FY 2025 Advertised Budget proposes a 6% across-the-board raise for all FCPS employees, without regard to the attrition rate, applications per vacancy, and compensation offered for each position by other Northern Virginia school districts.
    a. FCPS attrition rates for administrative positions are lower than attrition rates for classroom teachers and instructional assistants.
    b. To justify the proposed across-the-board 6% raise, FCPS cites starting salaries for one subset of applicants for FCPS jobs – teachers with no prior teaching experience who have a masters degree.

2. The County's FY 2025 Advertised Budget proposes different salary increases based on the number of vacancies, the difficulty of filling vacancies, and regular studies comparing compensation by the County and competing employers for the same position.

3. In the past, FCPS has proposed higher percentage raises for some job categories than other job categories, based on market surveys for particular jobs.[33]

4. Other Northern Virginia school districts' FY 2025 proposed budgets:
    a. Include different percentage raises by job category and even for different levels of experience within a single job category.[34]
    b. Seek to maximize or at least increase the state contribution as a percentage of the total cost of proposed compensation increases.[35]

5. Although past efforts to implement merit pay for teachers in FCPS failed, roughly 30% of FCPS positions[36] are for jobs that exist in the private sector, where compensation increases often reflect job performance.

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[33] For example, the FCPS FY 2022 Budget included higher raises for principals and aides.

[34] For example, Prince William County Schools proposed administrator raises averaging 5.2%, support staff raises from 3.2% to 9.2%, and teacher raises from 5% to 9.1%, with the highest raises for teachers with 12-18 years of experience. It gave smaller raises to teachers with masters degrees than to teachers with bachelors degrees. Alexandria City Public Schools offered signing and retention bonuses for math and science teachers. Arlington County also used compensation studies to modify its salary scales in FY 2023 and prior years.

[35] For example, Arlington County Public Schools proposed a step increase for eligible employees (average 2.3%) plus a 1% cost of living adjustment and referenced the Virginia Senate's proposed 3% compensation increase.

[36] According to the FCPS FY 2025 Proposed Budget, roughly 69% of FCPS Full-Time Equivalent positions are for employees paid on the Teacher Scale or one of the aide pay scales.

6. Research from one large school district program found that bonuses of up to $25,000 for highly effective teachers[37] and up to $30,000 for highly effective administrators,[38] coupled with a carefully-designed evaluation process, increased retention of highly effective employees and increased attrition for less effective employees.[39]

RESOLVED

The MCA urges the School Board:

- To use the same process and analyses as the County to determine appropriate compensation increases for different categories of employees in FY 2025; and
- To implement merit-based compensation for FCPS employees who are not paid on the salary scales for teachers, instructional assistants, and specialized assistants.

BACKGROUND: FCPS Amendments to the FCPS Supplemental Pension Plan (ERFC)

Whereas:

1. The FY 2025 Advertised Budget requests $6.5 million for the first year of higher ERFC contributions for one of three pension benefit enhancements (including a new 5-year Deferred Retirement Option Program (DROP) for certain FCPS employees hired before July 1, 2001), based on an actuarial estimate by ERFC's former actuarial firm:
   a. Although the stated justification for DROP is that FCPS will otherwise lose the bulk of its most experienced employees when they become eligible for an ERFC Legacy pension, ERFC's actuaries assume based on past attrition rates for ERFC Legacy employees that a substantial percentage of these employees would continue working for FCPS after age 55 without DROP.[40]
   b. The estimated first-year FY 2025 cost for DROP increased to $7.2 million after ERFC hired a new actuarial firm in summer 2023, but this new estimate was not disclosed in FCPS staff presentations about DROP.[41]

2. On January 26, 2024, ERFC's board of trustees voted unanimously to recommend that the School Board approve three amendments that enhanced ERFC supplemental pension benefits, after receiving a presentation from FCPS staff:
   a. The first amendment added a 5-year DROP, which was initially estimated to increase the ERFC contribution rate by 0.88% of payroll in FY 2026 (6.86% -

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[37] https://dcps.dc.gov/publication/current-impact-guidebooks

[38] https://dcps.dc.gov/sites/default/files/dc/sites/dcps/publication/attachments/DCPS%20School%20Leader%20IMPACT%20Guidebook%20Principals_1.pdf

[39] Dee, James and Wyckoff (2019), "Is Effective Teacher Evaluation Sustainable: Evidence from DCPS," (EdWorking Paper: 19-166), retrieved from Annenberg Institute at Brown University. https://edworkingpapers.com/sites/default/files/ai19-166.pdf.

[40] [describe data on retention of employees who become eligible for ERFC Legacy] ERFC FY 2023 ACFR, p. 30.

[41] When asked why the estimated first-year cost of DROP increased from $6.5 million to $7.2 million, the FCPS CFO did not know how or why the new actuarial firm's estimate differed from the old actuarial firm's estimate.

5.98%), although the presentation stated that the rate was "expected to increase 0.38% of payroll.".[42] The other two ERFC amendments also increased benefits:

i. The amendment to allow employees to use sick leave balances to purchase service credits was estimated to increase the ERFC contribution rate by 0.17%,[43] although FCPS officials later stated that it was not estimated.
ii. The cost of the third amendment was not estimated. [44]

3. When the School Board on March 21, 2024 debated the motion to approve the three ERFC plan amendments:
   a. Eight[45] of the twelve School Board members voted for the ERFC plan amendments that increase ERFC liabilities and FCPS contributions to ERFC.
   b. Multiple school board members urged that this vote be deferred until after the Board of Supervisors voted on the FY 2025 transfer to FCPS[46].
   c. The FCPS CFO recharacterized the $6.5 million estimated first-year cost of DROP as a one-time cost, because DROP costs in later years would not be identified and would just be rolled into the total ERFC contribution.
   d. The most experienced member of the School Board pointed out that the FY 2025 Advertised Budget characterized the cost of DROP as a recurring cost, not as a one-time cost, and that FCPS still would have to pay for DROP even if the Board of Supervisors did not vote for a transfer large enough to allow the School Board to include the DROP estimated first-year cost in its FY 2025 Adopted Budget.
   e. The FCPS Superintendent and CFO assured the School Board members that there would be sufficient unused budgeted funds during the FY 2024 Year-End Budget Review to fund the FY 2025 ERFC contribution for DROP and the other two new ERFC benefits, without knowing the cost of the other two benefits.
   f. All but two[47] School Board members voted for a follow-on motion to prioritize the use of one-time funds from the FCPS year-end budget review to pay for the ERFC benefit increases if they did not vote to include the FY 2025 cost of these ERFC contribution increases in the FCPS FY 2025 Adopted Budget.

4. As of December 31, 2022, FCPS had 2,752 employees participating in the ERFC Legacy Plan, with an average salary of $104,574, at the top of the teacher pay scale.[48]

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[42] Before this meeting, ERFC had obtained the higher estimate for a $7.2 million first-year cash contribution cost of DROP, but it did not use that higher estimate in briefing the School Board It appears from the January 26, 2024 presentation that a second "Drop Study – Additional Alternative" analysis was performed by Buck on December 13, 2023.

[43] This amendment's cost was accurately described in the presentation, which cited another Buck study dated January 5, 2024.

[44] https://youtu.be/Owl37CuCeOw?t=3671

[45] Ricardy Anderson (Mason), Mateo Dunne (Mt. Vernon), Kyle McDaniel (At Large), and Ilryong Moon (At Large) did not vote for the DROP amendment to the ERFC plan.

[46] Given the second estimate of $7.2 million, it is possible that the $6.5 million requested funding in the FCPS FY 2025 Advertised Budget may not suffice.

[47] Mateo Dunne voted no and Ilryong Moon abstained on the follow-on motion.

[48] https://www.erfcpension.org/Resources/f4f1d8cd-7dea-4691-ad4b-8181987fe2fc/ERFC%202023%20ACFR.pdf, p. 86.

5. ERFC had over $1 billion in unfunded liabilities as of June 20, 2022, largely because ERFC had failed to earn its targeted net investment returns in most prior years:
    a. ERFC's current assumed net return is 7.0%,[49] but its average returns as of January 31, 2024 were 6.1% over 10 years and 6.1% since January 1, 1999.
    b. If ERFC had assumed a 6.0% net investment return, it would have had a $1.7 billion unfunded liability as of June 30, 2023.[50]
    c. Even if ERFC earned net returns of 7.0% per year in the future, its unfunded liability would not be eliminated until 2044.[51]

6. The 2022 VRS Report to the General Assembly recommended that in considering pension benefit enhancements, "focus should not only be placed on the contribution rates required to fund the benefits, but also the unfunded liabilities generated" which "have the potential to create additional volatility in contribution rates."[52]

<u>RESOLVED</u>

The MCA urges the Board of Supervisors to:

- subtract the updated $7.2 million first-year estimated cost of DROP from the amount it would otherwise include in the FY 2025 transfer to FCPS,
- subtract post-FY 2025 ERFC contributions attributable to DROP from the amounts that the County would otherwise include in its transfer to FCPS, and
- recommend that the School Board and ERFC immediately revise the ERFC plan documents to limit the DROP program to ERFC Legacy participants retiring in FY 2024.

BACKGROUND: FCPS Advocacy at the Federal and State Level

Whereas:

1. In FY 2025, FCPS estimates that it will have 29,697 students (16.3% of total FCPS projected enrollment) who receive a total of 50,899 special education services:
    a. 6.1% of enrolled students will receive Level 1 special education services.
    b. 10.3% of enrolled students will receive Level 2 services or preschool services.[53]

2. FCPS special education students receive an average of 1.7 special education services:[54]
    a. The average cost for a Level 2 service is $39,865.
    b. The average cost for a Level 1 service is $9,041.
    c. The average cost for related special ed services is $8,863.
    d. The average cost for preschool special ed services is $25,517.

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[49] Virginia Retirement System (VRS) and the County's three pension plans all assume 6.75% net investment returns and use a 6.75% discount rate to estimate the cost of pension benefits.
[50] ERFC FY 2023 ACFR, p. 20.
[51] ERFC FY 2023 ACFR, p. 14.
[52]VRS, Stress Test and Sensitivity Analysis Report to the General Assembly of Virginia (Oct. 2023), p. 22.
[53] https://www.fcps.edu/sites/default/files/media/pdf/FY-2025-Proposed-Budget.pdf, p. 128.
[54] https://www.fcps.edu/sites/default/files/media/pdf/FY-2025-Proposed-Budget.pdf, p. 126-127.

3. When Congress enacted the Individuals with Disabilities Education Act (IDEA) in 1975, Congress pledged to pay 40% of the average per pupil expenditure for special education.[55]

4. The federal government funds less than 15% of per pupil special education costs.[56]

5. Although all public schools in the United States are subject to the IDEA, FCPS is known for its well-regarded programs for students who need extensive special education services and has more Level 2 special education students than other Northern Virginia school districts.[57]

6. Federal IDEA requirements may not be applied uniformly across school districts, because enforcement depends on whether parents file a complaint against a school district.[58]

7. The Board of Supervisors has long advocated that the federal government fully fund federal mandates in the Individuals with Disabilities Education Improvement Act (IDEA).[59]

8. The School Board's Legislative Program explicitly supports mandatory funding for special education programs to "meet the federal commitment to fund 40 percent of the 'excess costs' of special education as promised" when the IDEA was adopted in 1975.[60]

9. On July 10, 2023, the Joint Legislative Audit and Review Commission (JLARC) delivered a report to the Governor and Virginia General Assembly, which recommended substantial changes in the state SOQs and in the Local Composite Index (LCI) formula used to allocate state education funds among Virginia school districts.[61]

<u>RESOLVED</u>

1. The MCA commends the Board of Supervisors and School Board for advocating for additional federal (IDEA) funding for FCPS and for advocating for increased state education funding, based on the JLARC study on Virginia's K-12 Funding Formula.[62]

2. The MCA recommends that the School Board study the extent to which legal requirements for special education are implemented consistently to all school districts and use the results of such study in their future legislative advocacy.

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[55] https://www.vanhollen.senate.gov/news/press-releases/van-hollen-huffman-introduce-bill-to-fully-fund-special-education

[56] https://www.vanhollen.senate.gov/news/press-releases/van-hollen-huffman-introduce-bill-to-fully-fund-special-education. See also https://www.law.georgetown.edu/poverty-journal/blog/the-2020-case-for-fully-funding-the-idea-a-pandemic-and-a-political-window/

[57] Washington Area Boards of Education (WABE) Guides from FY 2006 to FY 2024.

[58] https://specialeducationaction.com/wp-content/uploads/2022/11/Fairfax-County-Public-Schools-Resolution-Letter-OCR-Docket-No.-11-21-5901.pdf

[59] https://www.fairfaxcounty.gov/boardofsupervisors/sites/boardofsupervisors/files/assets/adopted-118th-congress-federal-legislative-strategy-and-principles-12.5.2023.pdf, p. 16; and

[60] https://www.fcps.edu/sites/default/files/media/pdf/2024-FCSB-Legislative-Program-Adopted.pdf

[61] https://jlarc.virginia.gov/pdfs/reports/Rpt575-3.pdf

[62] https://www.fairfaxcounty.gov/legislation/

Approved by the MCA Board of Directors
April 3, 2024

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