





## Compensation Options

School Board Work Session  
October 23, 2008

 <p data-bbox="431 533 683 583"><b>Question 1</b></p>	 <p data-bbox="935 533 1187 583"><b>Question 2</b></p>
<p data-bbox="362 642 760 894">What is the Board's consensus regarding a starting point for compensation and benefits?</p>	<p data-bbox="870 642 1260 894">What assumptions should staff members consider as they plan the 2009-10 budget?</p>

The Superintendent sought direction from the School Board regarding these two key questions.



The **Highest Priority** of this Division has to be the work that supports our Vision, Mission and Goals.

**Our Vision:** All learners believe in their power to embrace learning, to excel, and to own their future.

***This is what we want to see happen.***

**Our Mission:** The core purpose of Albemarle County Public Schools is to establish a community of learners and learning through rigor, relevance, and relationships, one student at a time.

***This is what we will do to achieve that vision.***

**Our Goals:**

1. Prepare all students to succeed as members of a global community and in a global economy.
2. Eliminate the Achievement Gap (bring all students to academic success)
3. Recruit, retain, and develop a diverse cadre of the highest quality teaching personnel, staff and administrators.
4. Achieve recognition as a world-class educational system.
5. Establish efficient systems for development, allocation, and alignment of resources to support the Division's vision, mission, and goals.

***These are the ways that we will accomplish our***



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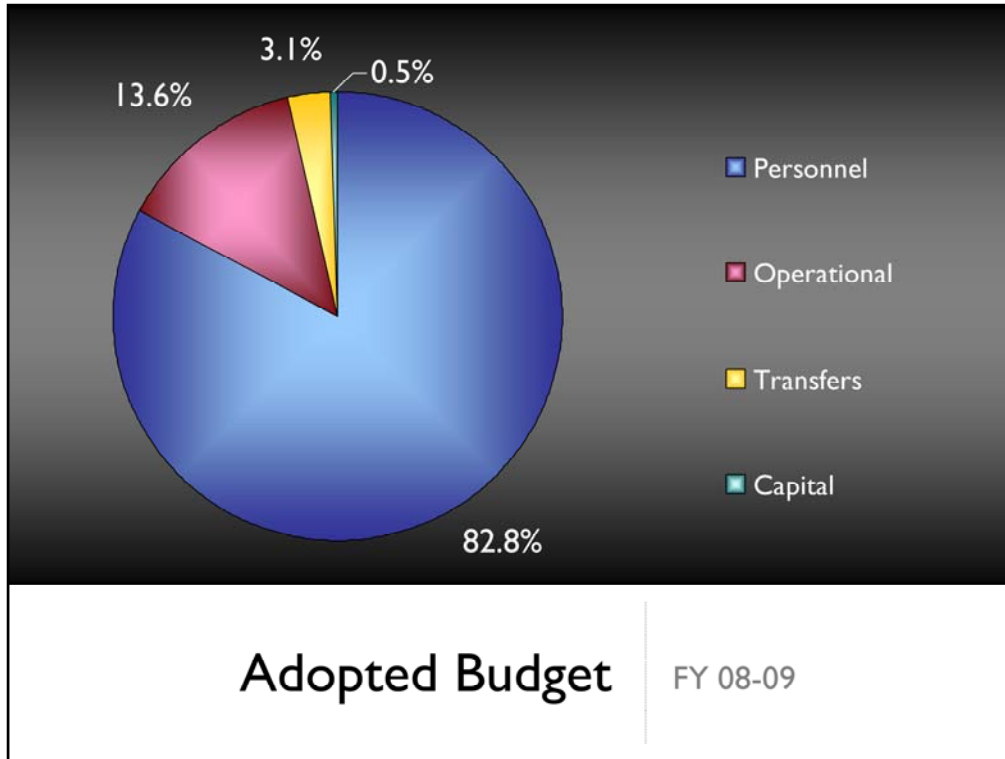
Our **Core Mission Work** occurs in our classrooms; therefore, teaching and learning must be central to budget decisions.

**Support Services** for student learning should be preserved to the greatest degree possible.

**Non-Instructional Support Services** should be critically considered due to long-term costs associated with reducing these types of services.

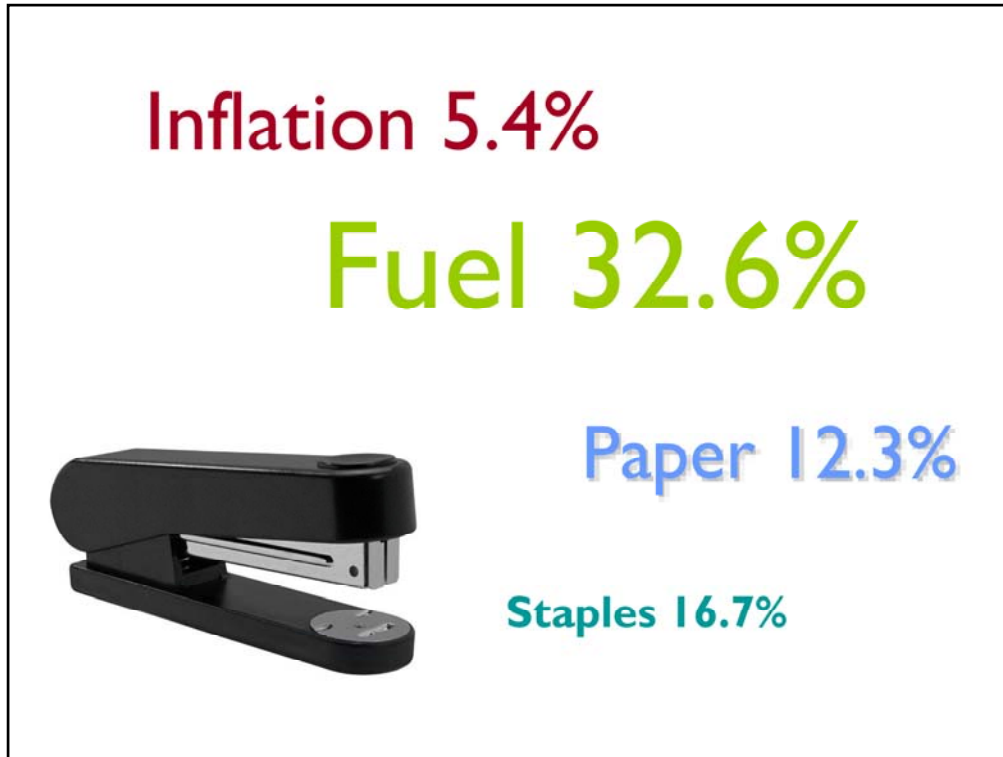
**PEOPLE** do the core and support work essential to accomplishing the Division's goals.

## 5 Assumptions for Developing the Superintendent's Funding Request



It's obvious that this Division values PEOPLE as its most important asset.

- Of our \$151M adopted budget for the current school year, \$125M (82.8%) is allocated for compensation and benefits ... for PEOPLE.
- Only \$20.6M, or 13.6%, is spent on operational costs.
- That 13.6% of our of budget encompasses not only the costs to operate our buildings, but also the materials and support supplies that enable valuable instruction in our classrooms.



Just in the last year, from September 2007 to September 2008 ...

- Overall inflation (COST of LIVING) has risen **5.43%**
- Fuel has risen **32.59%**
- Paper by **12.30%**
- Staples by **16.73%**

Albemarle County's School Operational Budget has increased by 1.5% to 3% 6 times in the last 10 years due to these rising costs of doing business.

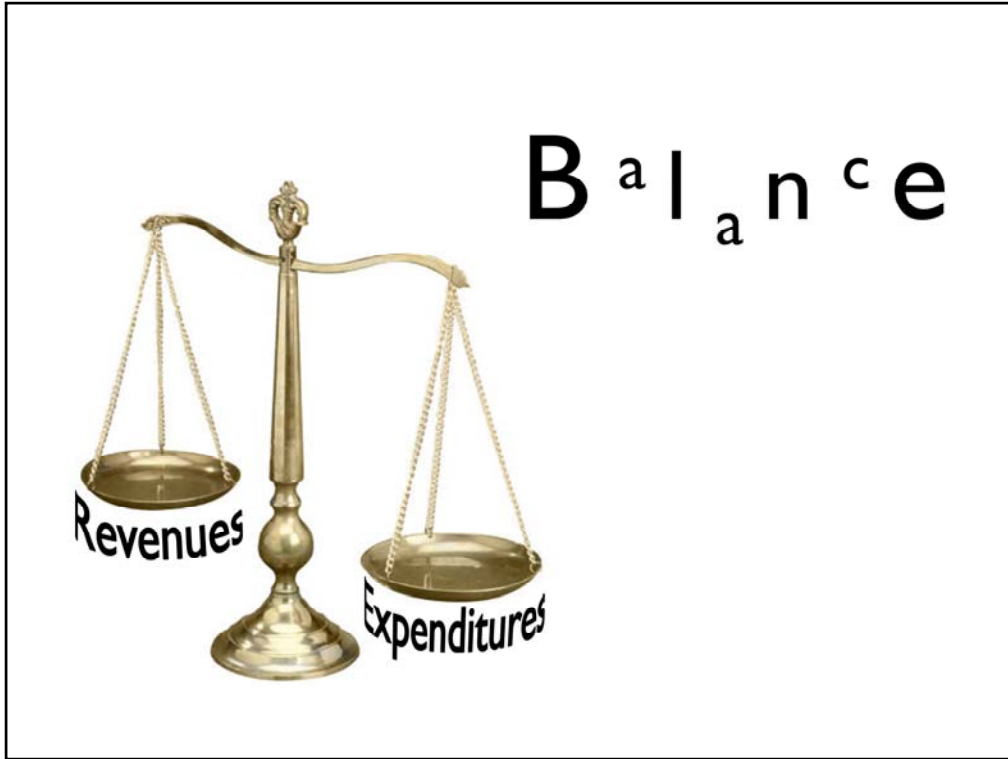
**Risk: These increases may continue to escalate.**



In the last 10 years, Albemarle County Public Schools has funded more than \$85M in recurring initiatives (ones that need to be funded year after year).

- The biggest increase has been in compensation – \$56M (\$65.7%) in the last 10 years – due to increasing salaries and benefits, not adding people.
- The other large recurring initiatives have been in instruction (which includes professional development of existing teachers, new programs, and technology)
- Albemarle County Public Schools spends a greater percentage of its budget on instruction (directing impacting student learning) than most other divisions in the state.





Without additional revenues, reducing staff is necessary to increase salaries.



**What has investment in these various initiatives meant for our schools?**

- We have become a Division that is highly competitive for excellent teachers, and our retention rates are impressive.**
- Advanced Placement (AP)**
  - AP Course Enrollment has increased from 1,361 students in 2003-04 to 2,150 in 2007-08 (a 57.97% increase).
  - The number of AP exams taken has risen from 69% in 2003-04 to 82% in 2007-08.
  - The number of students scoring a 3-5 on the AP exam has increased from 74% in 2003-04 to 79% in 2007-08.
- Math Achievement**
  - Three-year trend data shows that 4<sup>th</sup> graders have increased their scores on the SOL tests by 7 percentage points; 5<sup>th</sup> graders by 8 percentage points; 6<sup>th</sup> graders by 19 percentage points; and 7<sup>th</sup> graders by 47 percentage points.
  - Two-year trend data shows that 4<sup>th</sup> grade students have increased their problem solving scores on the NSRE by 9 percentage points, and their total math scores by 10 percentage points.
  - Two-year trend data also shows that 8<sup>th</sup> grade students have increased both their problem solving and total math scores on the NSRE by 7 percentage points.
- Framework for Quality Learning**
  - Concept-centered curriculum framework that identifies the most important concepts in a discipline
  - Increase in complexity
- Teacher Performance Appraisal**
  - Growth model
  - Developed performance appraisal designed to support the implementation of the framework
- Professional Learning Communities**
  - Created time within the school day for teachers to work collaboratively, and we believe that has significant impact on best practices and closing the achievement gap. Teachers learn from each other instructional strategies and interventions that help them become more effective in their classrooms and deal with differing student needs.
- In essence, the initiatives the Board has chosen to fund over the last decade have enabled us to support the most important work in the Division.**

<b>Then</b> (1998)	<b>Now</b> (2008)
No adopted competitive market	Adopted competitive market
Beginning teacher salary: \$25,920	Beginning teacher salary: \$41,947
Health insurance: \$2,445/FTE	Health insurance: \$6,645/FTE
Full-time teachers: 934	Full-time teachers: 1094
Minimum certification requirements	Increased certification requirements
Limited SOQ required FTEs	Increased SOQ required FTEs
Chalkboard-centered classrooms	Technology-centered classrooms
Limited English Proficient (LEP) students: 370	Limited English Proficient (LEP) students : 770
No high-stakes testing	High-stakes testing
Number of students: 11,981	Number of students: 12,531
School space square footage: 1.9M	School space square footage: 2.2M
Bus miles traveled daily: ~ 12,000	Bus miles traveled daily: ~ 12,000
Fuel cost: \$0.95/gal (2002)	Fuel cost: \$3.55/gal

F.T.E. = "Full-time equivalent", meaning a full-time salaried position, or employee.

In 10 years, the educational and the financial landscape has changed dramatically.

The number of full-time teachers has not increased dramatically (14.6 %), but other costs have:

Starting teacher salary up **61.8%** over ten years

Health Care Costs up **171.7%** over ten years

Fuel costs up **274%** in six years

# B a l a n c e

We are facing a financial forecast that is far less than ideal, and as a result, our revenues and expenditures are significantly out of balance.

The School Division receives 68.2% of its revenue from LOCAL sources, primarily property taxes, but:

- Housing assessments are down, and home foreclosures are up, resulting in significantly lower real estate tax revenues.
- Consumer spending and sales tax revenue is down.
- Personal property tax revenue is down as people keep older vehicles rather than buying newer ones.

The School Division receives 30.65% of its revenue from state sources, but:

- Statewide cuts are being made from the Virginia Department of Education's budget for 2009-2010, resulting in fewer revenues from the state.

The School Division receives only 1.43% of revenues from the federal government, but must meet the mandates of the federal government's laws, such as No Child Left Behind, which require certain positions and assessments and reports.



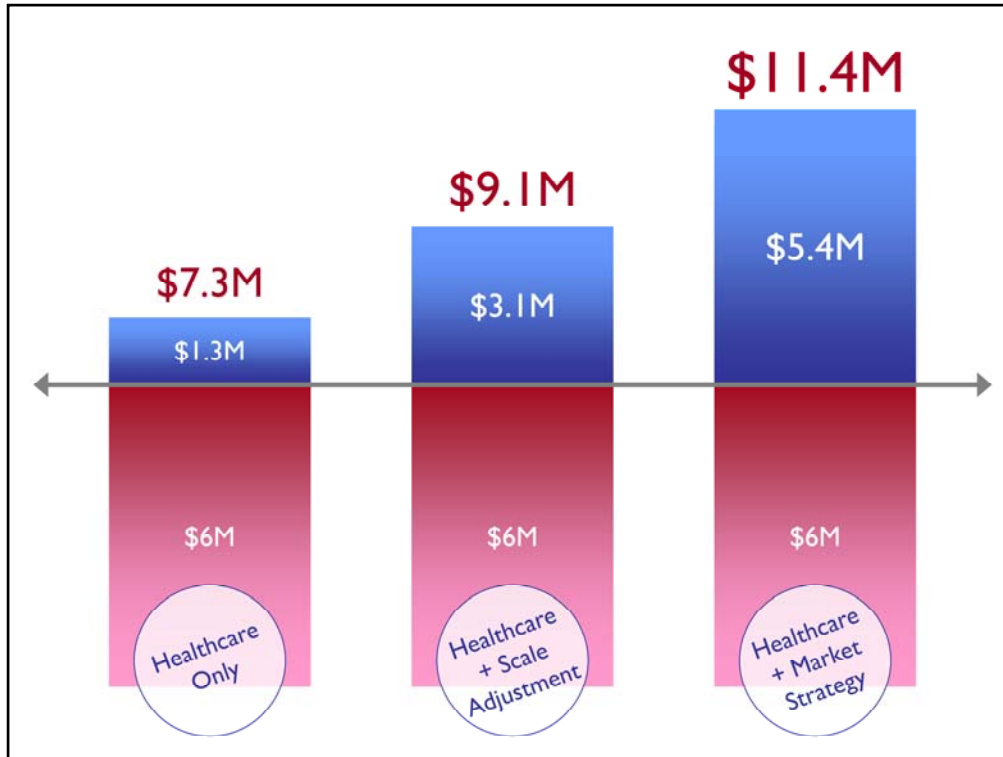
The School Board has Three Choices ... Grow and Develop, Maintain, or Lose Ground

**“Grow and Develop”** = Cover the cost of a 12% increase in medical premiums and 5% increase in dental care premiums and fund the salary increases to bring our teacher and staff salaries in line with those in our competitive market (see next slide).

**“Maintain”** = Cover the cost of a 12% increase in medical premiums and 5% increase in dental care premiums and implement a salary scale adjustment for teachers and classified staff. This increases the starting pay and maximum pay for each job level, but does not necessarily give each employee a raise.

**“Lose Ground”** = Cover the cost of a 12% increase in medical premiums and 5% increase in dental care premiums but do not give any salary increases to any employees. The School Division loses ground against competing school systems and organizations who will be able to attract employees with higher salaries.

“Maintenance of Effort” also carries the risk of not being able to keep pace with rising inflation, which, coupled with further decreased revenues creates the possibility of losing ground. This affects our competitive ability as a Division to attract or retain high quality personnel.

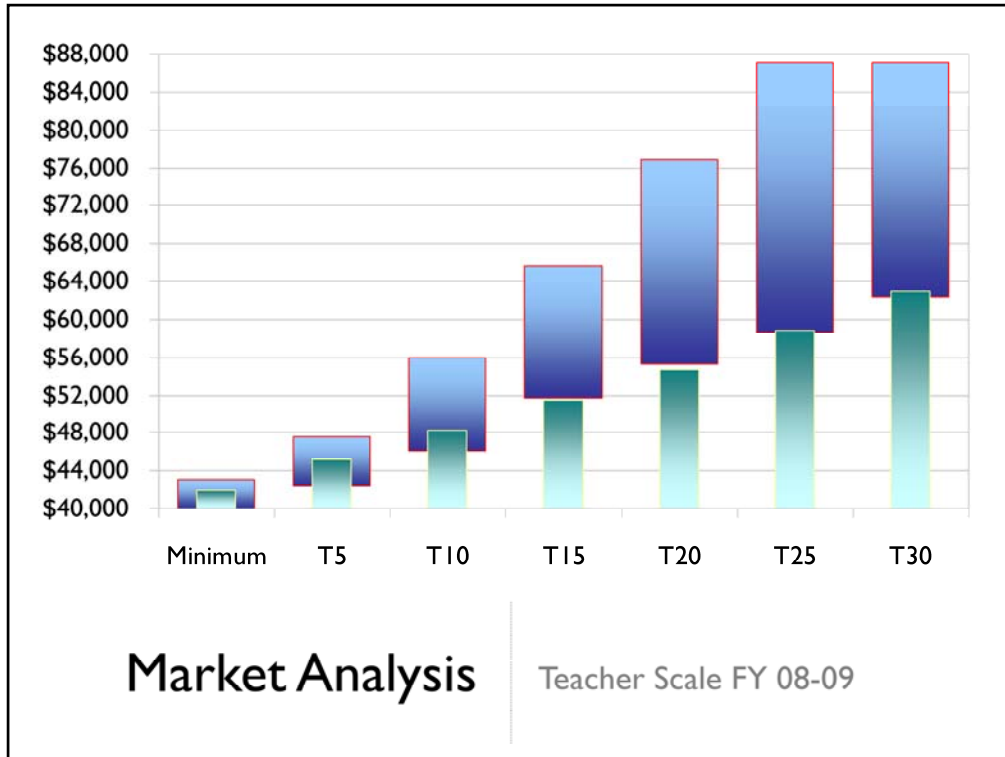


**We anticipate beginning the 2009-10 school year with a minimum \$6M deficit.**

That's \$2.8M in local reductions in addition to \$3.2M in potential state reductions, according to state estimates.

Compensation related Funding Needed for ...

- Increased Healthcare Costs Only (“Lose Ground”)= \$1.3M, bringing the deficit to \$7.3M
- Increased Healthcare Costs + Scale Adjustment (“Maintain”)= \$3.1M, bringing the deficit to \$9.1M
  - \$3.1M → \$1.3M for Healthcare + \$1.1M for a 1.82% Adjustment to the Teacher Scale + \$700,000 for a 2% Adjustment to the Classified Scale
- Increased Healthcare Costs + Competitive Market Strategy (“Grow & Develop”)= \$5.4M, bringing the deficit to \$11.4M
  - \$5.4M → \$1.3M for Healthcare + \$2.6M to meet Market for Teachers + \$1.5M to meet Market for Classified Staff



**Market Analysis of Teacher Pay in Albemarle County Public Schools vs. Teacher Pay in our Competitive Market**

Key

Blue → Top quartile (75<sup>th</sup> percentile) of our adopted market

Teal Green → ACPS

- Data indicate that our teacher salary scales are in the top quartile at the following steps: Minimum, 5 years, 10 years, 25 years, and 30 years.
- Although we did not quite reach the top quartile at both 15 and 20 years, we are very close.

Our Competitive Market Includes:

Albemarle County bases its compensation plan on an adopted “competitive market.” Salaries and benefits in Albemarle are compared with the companies and school divisions in this group. The Board has adopted a compensation strategy to be in the top quartile of salaries in the competitive market. Albemarle’s competitive market consists of:

- Augusta County
- Hanover County
- City of Charlottesville
- James City County
- City of Chesapeake
- Loudoun County
- City of Danville
- Louisa County
- City of Harrisonburg
- Madison County
- City of Lynchburg
- Montgomery County
- City of Roanoke



Climbing out of the hole ...

Three Ways (combination of the three)

- Use of **one-time** Fund Balance to address recurring needs (NOT a long-term solution)
- Increase revenues
- Reduce expenditures (cut people)





The revenue deficit is anywhere from \$7.3 million to \$11.4 million, depending on whether the board decides on “Grow and Develop,” “Maintain,” or “Lose Ground” compensation option.

**Where could we cut?**

•**Non-instructional positions** – these are furthest from the classrooms, but support our day-to-day-work in the division. Making cuts here would affect services that our classrooms rely on.

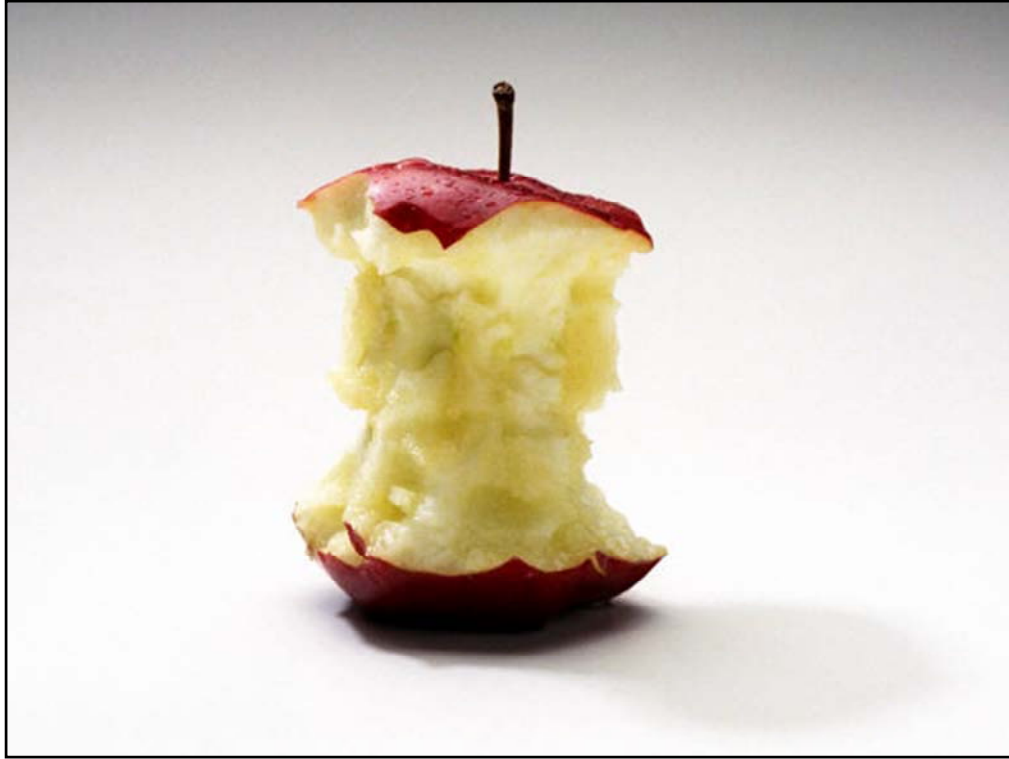
•**Use of the Fund Balance** – due to strong fiscal discipline in 2007-08 in anticipation of the slackening economy, the division has funds that could be applied to make up deficits for 08-09 and 09-10. These are not recurring revenues, however, and there are limitations on the types of expenses that can be paid for with these funds.

•**Physical Resources** – delay building improvement projects, delay replacement of technology and vehicles. This affects the physical environment for our staff and students, and their access to cutting-edge technology used in lessons.

•**Places where we exceed the State Standards of Quality** – Albemarle County Schools has made the decision to have additional teachers, literacy specialists, and aides beyond the levels required or recommended by the state as a way to reduce class sizes and be able to offer specialized programs that improve student achievement. These positions that are “above and beyond” what is mandated could be targeted for cuts.

•**Non-SOQ Instructional Program Reduction** – Albemarle County Schools offers programs that are not required under the state standards of accreditation or standards of quality. These programs could be targeted to for cuts in order to balance the budget deficit.

These savings are categorical savings: Even if we had additional revenues coming, we would still have to make cuts to our expenditures. There is no amount of revenue growth (in the form of increased tax rates) that would be supported by the Board of Supervisors that



The idea is to keep the cuts as far from our core ... our students, our teachers, our support staff ... as possible.



### **Question 1**

What is the Board's consensus regarding a starting point for compensation and benefits?



### **Question 2**

What assumptions should staff members consider as they plan the 2009-10 budget?