Analysis of the Proposed FCPS Budget for FY2016 Report FAC/FCA-141

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Introduction: The proposed FY2016 budget for Fairfax County Public Schools (FCPS) calls for an increase of $65M (million) in the school operating budget relative to the approved FY2015 budget[1]. The same reference shows that enrollment is expected to increase 0.71%. Inflation is expected to be 1.65%. The combination of enrollment increases and inflation amounts to $59M. So the budget increase seems reasonable.

Much of the increase is due to a $43M increase in regular salaries – a 3.0% increase. Of this, $10M can be attributed to a 0.71% increase in enrollment. A Market Scale Adjustment of 1.0% might account for another $14M.

The proposed expenditures exceed the proposed revenues by $33M[1].

The study reported herein was conducted to determine if a closer look at the budget would reveal a way of overcoming this $33M shortfall.

Summary: The $33M shortfall might be decreased if some of the income estimates are found too low and some of the expense estimates are found too high. The budget calls for a contribution by the County that is $43M greater than in the FY2015 approved budget. This 4.22% considerably exceeds the 2.36% combined inflation and enrollment increases. At 2.36% the County contribution would be $10M less. So we seek savings amounting to $43M.

We consider first the income:

1. Special education revenue (the IDEA funds) is shown equal to the FY2015 approved budget, but $8.6M less than the revised budget. There is no justification for this decrease.
2. The budgeted relapse rate is only 2.1%, whereas 3.3% (=1/30) might reasonably be expected to retire, so a saving of another $8M seems likely because of additional retirements.

The following expenditures might be reduced:

1. The DROP program could be eliminated. The program was instituted during the housing bubble, when funds were plentiful. DROP costs approximately $70,000 per retiring person. If 3% of the 22,000 employees are retiring, the saving would be $46M. The DROP program gives each retiring teacher a check for approximately $225,000 upon retirement. School executives can get a check for twice that amount.
2. The 1% Market Scale Adjustment (MSA) could be eliminated, so most teachers, by advancing one step, would receive "only" a 2.9% raise, as compared to the 1.75% raise expected for private-sector taxpayers. The saving would be $14M. Alternatively, the 1% MSA could be retained but the step increases be delayed for three or four months.
3. The Executive Principal position that was created for the first time in FY2015 could be eliminated, as a saving of $1M.

The sum of the added income and reduced expenditures is $32M plus another $46M if the DROP program is eliminated – more than the $43M saving needed.

In recent years, the proposed amount has been $49M (2%) above the actual. Since we sought $43M in savings, this difference alone would be sufficient. A 2% contingency is reasonable, but it should be kept in a reserve and not spent unless absolutely necessary – perhaps only with approval by the Board of Supervisors.

Discussion: Because the data on teacher salaries is clearly reported, we focus on teacher salaries. The percent changes in most of the other school-system salaries follow those of the teachers, at least as averaged over a few years.

Teacher Salaries vs. Student Performance

[1] http://www.fcps.edu/fs/budget/documents/proposed/FY16/FY16ProposedBudget.pdf ($2,561,704,858 proposed vs. $2,497,716,696 approved FY2015 budget per Page 205)

The FCPS argument has consistently been that we must pay our teachers more than neighboring jurisdictions so that we get the best people to teach[2]. Historically the FCPS has not done so, ranking 7 of 10 (Exhibit 1) in salary while the FCPS students rank 2 of 10 in SAT scores, second only to Fall Church students[3]. Fairfax County has the second-highest benefits, measured as a percent of salary (Exhibit 2). The greater benefits results in a rank of 5 out of 10 for Fairfax County in terms of total teacher compensation (Exhibit 4).

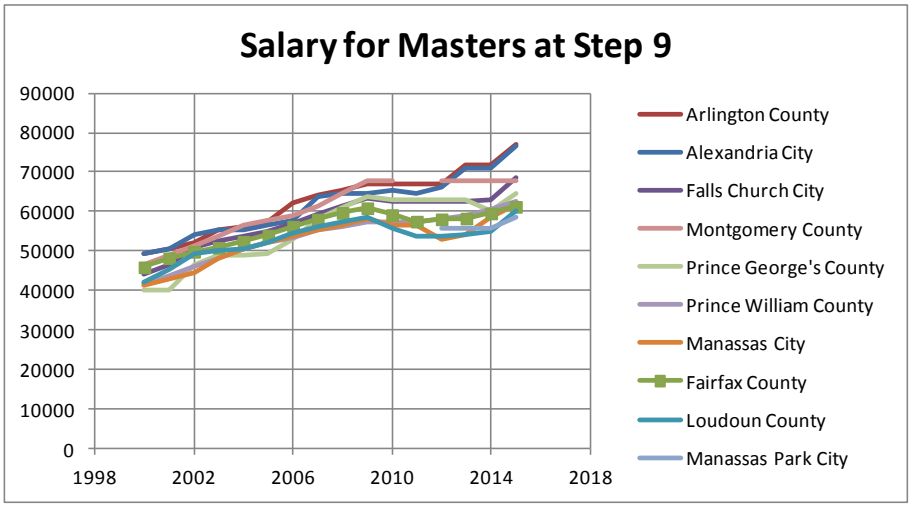

Exhibit 1: Teacher Salaries for Fairfax County and Neighboring Jurisdictions

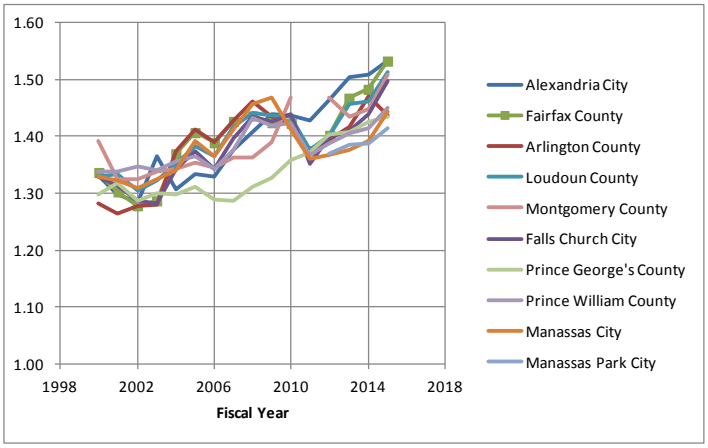

Exhibit 2: Ratio of Total Compensation to Salaries for Teachers

SAT data show that there is no connection between teacher compensation and the performance of the students. The correlation coefficient is less than 0.17 (Exhibit 3). Much of the difference between schools disappears when the SAT scores are corrected for the ethnic composition of the schools[4]. Simply put, paying the teachers more does not imply that the students will perform better. Teachers are conscientious, whether paid well or not. They also have graduated from high school and college. Many have Master's degrees. So they are all well qualified.

Public-School Teacher Salaries vs. Salaries of Others

But are teachers paid enough?

[2] FCPS hires teachers not only on the basis of the most qualified but also to maintain ethnic diversity among the teaching staff.
[3] The salary of teachers with a Masters Degree and nine years of experience is representative of all teacher salaries. The salary is close to the average teacher salary and all salaries are geared to each other. In fact, the percent increases in compensation for all county employees has been historically nearly the same, whether teachers or not.
[4] http://www.fcta.org/Pubs/Reports/2014-06a-fac.html

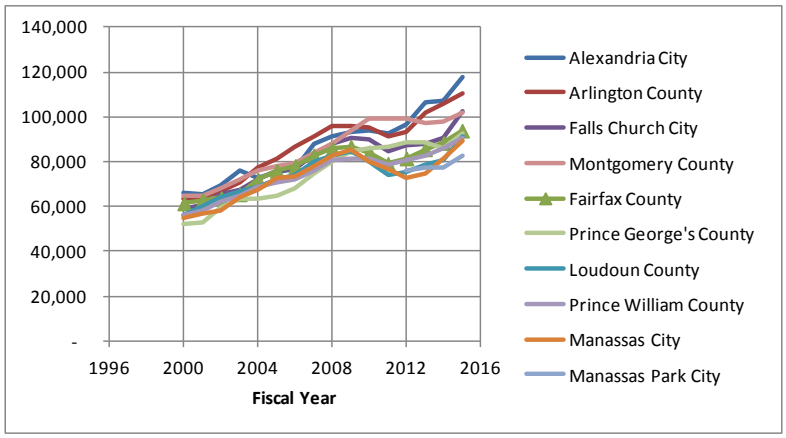

Exhibit 3: Total Compensation for Teachers with a Masters Degree and Nine Years of Experience

The teachers should be paid more if the taxpayers can afford higher taxes. By allowing a step increase with no MSA as recommended above, most teachers will get raises of 2.9%, which exceeds the raises of 1.75% (0.1% above inflation[5]) that private-sector households are experiencing. Because the private-sector taxpayers are getting smaller raises than the teachers, the taxpayers are less able to pay the teachers more. On this basis, teachers should not be given even greater raises.

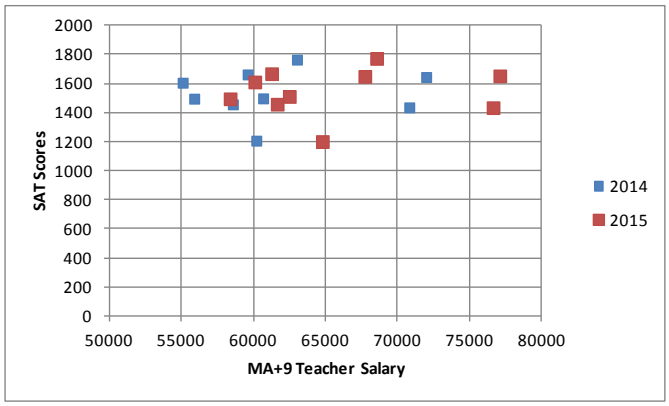

Exhibit 4: SAT Scores Depend Little on Teacher Salaries

Another argument in favor of larger teacher raises is that teachers have been underpaid in the past. The arguments for and against this position are difficult to establish. Private-school teachers are paid 10% to 20% less than public-school teachers[6]. Non-teachers changing jobs to teach get a salary increase; teachers changing jobs to non-teaching jobs get a lower salary[7]. This data on changing jobs implies that public-school teachers are not underpaid but, rather, are overpaid. When benefits are included, the over-compensation is seen to be much greater. For the public-school teacher, the benefits in Fairfax County have risen to 53% of the salary. In private industry, the benefits are only 30% of the salary. Comparisons between teaching jobs and private-sector jobs are justifiable because the people working in the private sector are taxed to pay the teacher salaries. For example, paying teachers in Bath County, Virginia, the same amount as teachers are paid in Fairfax County would be unjust, because the burden on the Bath private-sector workers, who are paid much less than private-sector workers in Fairfax County. So the data imply that school teachers are paid more than their counterparts in the private sector.

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[5] http://data.bls.gov/timeseries/CIU10100000000000A. Data is not available for 2003. See also http://www.brookings.edu/blogs/jobs/posts/2015/01/09-jobs-burtless

[6] http://www.heritage.org/research/reports/2011/10/assessing-the-compensation-of-public-school-teachers (Table 3). Teachers at Bishop Ireton High School in Alexandria are paid 20% less than public school teachers. See also http://work.chron.com/private-school-teacher-pay-scale-3212.html

[7] http://www.heritage.org/research/reports/2011/10/assessing-the-compensation-of-public-school-teachers

When teacher salaries are compared only to teacher salaries in neighboring districts, the issue of pay equity is more difficult to ascertain. The problem with this comparison is that teachers in different districts are represented by the same labor union or sympathetic labor unions – even if the not all teachers belong to the union. In addition, none of the school districts base their salaries on productivity or performance. The only limitation on salary increases is the wrath of voters, who might vote the politicians out of office if the tax increase is more than they will tolerate. The poorer school districts suffer most from the process of bidding for teachers with ever increasing pay because their citizens can least bear the weight of high taxes. It is fairer to compare the teacher salaries to the taxpayers who support them. But the data show that student performance is independent of teacher salary (Exhibit 3); therefore, there is no justification on the basis of better performance for better pay.

Raises for Productivity Increases

Perhaps salary increases for teachers should be based on teacher productivity, either a better product (higher test scores) or more product (more students), just as they are in private industry. If productivity is measured by the number of students, perhaps teachers would choose to have more students in class. The cost of educating the standard (normal) student is on the order of $10,000 per year. The cost of educating 25 standard students is $250,000 per year. The average teacher is paid approximately $65,000 per year, $2,600 per student. Would a teacher choose to teach one additional student if the teacher's salary was increased by $2,600 per year for doing so? Benefits are approximately 50% of the wage, so the teacher's total compensation is $3,900 per student – perhaps that would be enough for teachers to prefer more students[8]. Adding a student to the class might decrease the quality of the students produced, so quantity alone should not be the determinant. A standardized test would be needed to measure the quality.

Raises for Student-Performance Increases

Schools within a school system are evaluated on the basis of the quality of their product, as measured by the scores the students earn in the Standards of Learning tests (SOL's). This measure of productivity has a disadvantage: it gives the teachers an incentive to work with the poorer students, perhaps to the neglect of the better students, so more students pass the SOL's. In addition, SOL's are not given every year.

A better measure might be the total number of points earned in the SOL scores (the sum of the SOL scores for all students in the class).

Standardized tests, uniform throughout the school district, such as used before the SOL's were instituted, would serve the same purpose. If comprehensive standardized tests were given each year, a teacher's performance could be measured by the increase in the class performance (i.e., the average score) as compared to the class performance at the end of the previous year. New students could be omitted from this computation or could be tested at the beginning of the year to establish the starting condition.

Raises for Productivity and Student Performance Combined

The two foregoing measures of teacher productivity and quality could be combined by multiplying the number of students in the class by the average score.

Alternative Ways of Reducing the FCPS Budget

The FCPS budget continues to grow faster than the number of students and the rate of inflation, combined. In part, the budget exceeds the combined rate because programs proliferate, so more teachers and resources are required. Programs are rarely terminated, because little or no attempt is made to determine if a program is effective, including cost-effective. There are many claims that Head Start, for example, is effective only for first grade. After first grade, no difference can be seen between students that were in Head Start and those that were not – even if students are matched in the comparison so the effect of variations from student to student are eliminated. Nevertheless, Head Start continues at a cost that some claim is over $200B per year. There is no accountability associated with the various programs. All FCPS programs should be evaluated on a cost-benefit basis. Those not cost effective should be eliminated.

[8] When I was in elementary school, there were 50 students in a class with one teacher and no teacher aids. In high school, there were 35 students with one teacher and no aids. Discipline was more strict in those days.