



COMMONWEALTH OF VIRGINIA

County of Fairfax



SHARON BULOVA
CHAIRMAN

FAIRFAX COUNTY BOARD OF SUPERVISORS

12000 GOVERNMENT CENTER PKWY, SUITE 530
FAIRFAX, VIRGINIA 22035-0071
TELEPHONE: 703/324-2321

SANDRA S. EVANS
CHAIR

FAIRFAX COUNTY SCHOOL BOARD

8115 GATEHOUSE ROAD, SUITE 5400
FALLS CHURCH, VIRGINIA 22042
TELEPHONE: 571/423-1075

November 1, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia
P.O. Box 1475
Richmond, VA 23218

Dear Governor McAuliffe,

On behalf of the Fairfax County School Board and the Fairfax County Board of Supervisors, we are writing to you about two issues of critical importance – the impending increase in Virginia Retirement System (VRS) rates and state funding for salary increases for teachers and other instructional personnel.

We would like to begin by thanking you again for making K-12 a top priority of your Administration, and for prioritizing state funding for public education in the 2016-2018 biennium budget. Your advocacy for restoration of Cost of Competing Adjustment (COCA) funding for school support positions was particularly appreciated, as it recognizes the higher salaries required in Northern Virginia to attract and retain highly qualified staff. We also appreciate your efforts earlier this month to minimize the impacts of additional state funding cuts on local governments and school divisions in FY 2017, as the Commonwealth addresses its recent funding shortfall. As you prepare your 2016-2018 biennium budget amendments for the 2017 General Assembly (GA), we would like you to consider two items that would provide significant positive benefits to localities and school systems throughout Virginia.

First, we urge you to consider returning VRS payment schedules to the statutory timeline set in 2012, which would bring VRS rate contributions to 100 percent of the full actuarial rate in FY 2019, rather than proceeding with the accelerated schedule approved by the 2016 GA. As you know, in 2012 the Commonwealth adopted a plan to address chronic shortfalls in VRS funding, which included a specific timeline for implementation. VRS rates in FY 2017 and FY 2018 were to be based on 90 percent of the full VRS actuarial rate, and were required to move to 100 percent of that rate in FY 2019. This long-term schedule allowed localities and school divisions to include that timeline in budget planning. However, due to projections of available resources and a state revenue picture that seemed to be improving, the 2016-2018 biennium budget accelerated the adoption of the 100 percent actuarial rate by one year to FY 2018.

Unfortunately, local governments are facing the same economic challenges the Commonwealth is experiencing, and we anticipate that the accelerated increase in VRS rates in FY 2018 will cost Fairfax County Public Schools (FCPS) over \$25 million. Allowing that rate increase to revert to the original schedule would make it easier for both localities and the state to balance their budgets in FY 2018. Such a change would reduce the state's required expenditures by \$71 million. Importantly, it would do nothing to change the Commonwealth's already adopted and shared strong statutory commitment to ensuring the future solvency of the state's retirement system for all of our employees. To continue to address VRS solvency, we would also encourage you to consider ways to pay down the remaining unfunded liabilities

in the teacher retirement pool if opportunities arise, as was done for the state employee pool in 2016. Such an action would help improve the system's solvency, reduce required contribution rates, and mitigate additional costs to the Commonwealth and localities.

Secondly, while we understand that the difficulties facing the state due to lower than expected revenues present a significant challenge, it is our hope that the Commonwealth will be able to provide the anticipated funding for salary increases for teachers and other instructional personnel throughout the state. Because local governments and school divisions have to consider and adopt local spending plans prior to the state finalizing its own revenue projections and budget, school division budgets for FY 2017 and school division budget planning for FY 2018 were both predicated on the availability of budgeted state salary funds. Though there was a revenue contingency clause in the state's budget language, state revenues did not appear likely to trigger that contingency language at the time local budget decisions were being made.

In Fairfax County, the state funding expected for the partial year FY 2017 salary increase totals \$4.4 million, and full year funding in FY 2018 would be \$7.8 million. Because of our Local Composite Index and shortcomings in Virginia's education funding formulas, this state funding represents only a small fraction of the true cost of providing a two percent salary increase in Fairfax; the full year cost is over \$40 million, so that \$7.8 million covers less than 20 percent of the total cost of local implementation. However, the state contribution is an important part of the equation, and the Fairfax County School Board relied in part on the incentive offered by the state in deciding to implement pay raises in FY 2017.

The adoption of the 2016-2018 biennium budget was an encouraging step in beginning to improve state funding for K-12, and your unwavering support for public education was a critical part of that effort. We certainly understand the fiscal challenges facing the Commonwealth, and we look forward to continuing to work with you to craft solutions that ensure adequate and appropriate state funding for educating our children.

Sincerely,



Sharon Bulova
Chairman
Fairfax County Board of Supervisors



Sandra S. Evans
Chair
Fairfax County School Board

Cc: Members, Fairfax County Board of Supervisors
Members, Fairfax County School Board
Edward L. Long, Jr., County Executive
Dr. Karen Garza, Superintendent, FCPS
Michael Molloy, Director of Government Relations, FCPS
Claudia Arko, Legislative Director



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November 1, 2016

Dear Members of the Urban Crescent Initiative on K-12 Education Funding,

On behalf of the Fairfax County Board of Supervisors and School Board, we are writing to you about two issues of critical importance to all of our local governments and school divisions – the impending increase in Virginia Retirement System (VRS) rates and state funding for salary increases for teachers and other instructional personnel.

Last year, all of us worked together to advocate for increased state funding for K-12 education. As a result of those efforts, as you know, the 2016 General Assembly (GA) took an important step forward by substantially increasing funding for public education in the 2016-2018 biennium budget. Though the Commonwealth's chronic underfunding of K-12 over many years made it unlikely that a permanent solution could be enacted in one legislative session, we made essential progress.

Unfortunately, the sudden and unexpected revenue shortfall that the state experienced at the end of FY 2016 has affected budget projections for FY 2017 and FY 2018. Because of that, one important component of the increased state funding – the state's share of a two percent salary increase for teachers and other instructional personnel – will not go forward as planned. This creates a particular challenge as local governments and school divisions have to adopt their budgets, and make decisions about compensation, prior to any state adjustments; though there was a revenue contingency clause in the state's budget language, state revenues did not appear likely to trigger that language at the time local budget decisions were being made. Additionally, due to a state revenue picture that seemed to be improving, the 2016-2018 biennium budget included a provision accelerating a significant increase in Virginia Retirement System (VRS) rates (the rates were scheduled to be funded at 90 percent of the actuarial rates for FY 2018, increasing to 100 percent of actuarial rates in FY 2019 – the budget requires the 100 percent funding rate to go into effect in FY 2018).

Fairfax County is facing the same economic challenges the Commonwealth is experiencing, and we are sure that is the case for many of your localities as well. As a result, potentially losing the state's portion of the salary increase for school employees, coupled with the major increase in required local expenditures for VRS, is creating challenges for us both in the current fiscal year and in our planning for FY 2018. The Fairfax County Board of Supervisors and School Board have jointly signed a letter to Governor McAuliffe, which we have attached for your information, asking him to consider returning VRS payment schedules to the statutory timeline originally set in 2012, bringing VRS rate contributions to 100 percent of the full actuarial rate in FY 2019 rather than proceeding with the accelerated schedule approved by the 2016 GA. Such a change provides the added benefit of making it easier for the state to balance its budget in FY 2018, as it would reduce the state's required expenditures by \$71 million. The letter also urges the Governor to seek solutions to allow the Commonwealth to provide the anticipated funding for salary increases for teachers and other instructional personnel throughout the state.

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The coalition we all formed last year was critically important to our successes, so we are writing to encourage you to consider sending similar letters to the Governor; we may eventually want to reach out to our GA members as well. Though the state is struggling with lower than expected revenues at present, its obligation to adequately and appropriately fund K-12 education has not changed; in fact, as we all know, our obligations to fund our school systems are not lessened during economically challenging times, and we often have to make tough choices to ensure we are providing a high quality public education.

Thank you for your time and attention to this vital matter. We in Fairfax County look forward to continuing to work with you to ensure the Commonwealth provides the funding necessary to educate our youngest Virginians.

Sincerely,



Sharon Bulova
Chairman
Fairfax County Board of Supervisors



Sandra S. Evans
Chair
Fairfax County School Board

Cc: Members, Fairfax County Board of Supervisors
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