

Response to Questions on the FY 2012 Budget

Request By: Supervisor McKay

Question: Please provide costs for possible options for compensation adjustments for FCPS employees such as a one percent increase, a one percent bonus, and a \$1,000 bonus.

Response: The following response was prepared by Fairfax County Public Schools:

Several options are available for FCPS consideration for employee compensation adjustments.

Increase to Base Pay - A one percent increase in employee pay would total approximately \$17.9 million in FY 2012. This amount includes positions in the School Operating Fund (SOF) and includes contracted personnel, along with hourly staff. Costs to FCPS would include the cost of the compensation adjustment, Social Security and Medicare taxes, and retirement contributions which would be paid on these wages. Additionally, as the adjustment would change the base pay, this would be a recurring cost to FCPS in FY 2013.

Flat-Dollar Bonus – A flat \$1,000 bonus provided to all contracted employees in the SOF in a paid status would cost FCPS approximately \$26.1 million. This includes bus drivers and attendants. As a bonus, FCPS would not be required to make retirement contributions on these wages. The net take-home amount for employees would be approximately \$636.

Bonuses are considered supplemental wages, and taxes are withheld at flat rates of 25 percent (federal) and 5.75 percent (state), plus applicable Social Security and Medicare taxes. However, it should be noted that bonuses are treated no differently than regular wages when determining an individual's total tax liability at year-end. If an employee's wages are subject to a tax withholding rate in excess of the employee's tax liability, the employee may claim a refund on his or her individual income tax return for the year he or she received the wages.

Because each employee's tax situation is unique, it is not feasible from an administrative standpoint to provide a flat bonus which would result in each employee receiving the same net dollar amount.

Bonus as Percent of Pay – A one percent bonus provided to all contracted employees in the SOF in a paid status would cost FCPS approximately \$14.1 million. This includes bus drivers and attendants. As a bonus, FCPS would not be required to make retirement contributions on these wages. The net take-home amount would vary for each employee depending on their base salary; it is estimated that the average take-home amount would be approximately \$345.