

Response to Questions on the FY 2014 Budget

Request By: Supervisor Foust

Question: Employee VRS Contribution:

- How much money would be saved in FY 2014 if an additional 1 percent rather than 3 percent of the VRS contribution is shifted to employees?
- What are the costs and benefits of completing the shift in FY 2014?
- What are the costs and benefits of making the shift incrementally over the next three years?

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

If FCPS were to shift only the required 1 percent VRS contribution to employees, rather than shifting the remaining 3 percent and completing the state mandate, it would cost \$10.8 million less in FY 2014 than projected in FCPS' FY 2014 Advertised Budget. This assumes that employees would not be held harmless in terms of the reduction to take home pay.

Completing the VRS shift (3 percent) would cost \$16.6 million in FY 2014, assuming no hold harmless provision. If no other salary increases are provided to keep employees' pay from decreasing, an additional \$4.9 million would be required to hold employees harmless. Benefits of completing the shift in FY 2014 include slightly lower overall cost than the incremental increases; doesn't add to the projected shortfall for FY 2015; and improves equity in employee pay since current and new employees will be contributing the same rate to retirement.

Shifting only the required 1 percent would cost \$5.8 million in FY 2014, excluding any hold harmless provision. With hold harmless, the cost would be \$7.0 million. If FCPS were to not complete the shift, we would be deferring the liability to future years. Based on the projections for FY 2015 that were presented to the School Board and Board of Supervisors at the March 12, 2013 work session, this would create additional fiscal pressure as FCPS works to address the projected budget shortfall and employee compensation needs. In addition, beginning in FY 2016 expenditures would be \$0.5 million higher each year in perpetuity if the shift were completed incrementally. This amount will be even higher if employees receive salary increases in FY 2014, FY 2015, or FY 2016.