

JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION



**Technical Report:
Cost of Competing Adjustment for School
Divisions in Northern Virginia**

SENATE FINANCE COMMITTEE,
EDUCATION SUBCOMMITTEE

January 24, 2013

**Study Mandate:
Senate Finance Chairman Request,
JLARC Authorization (June 2012)**

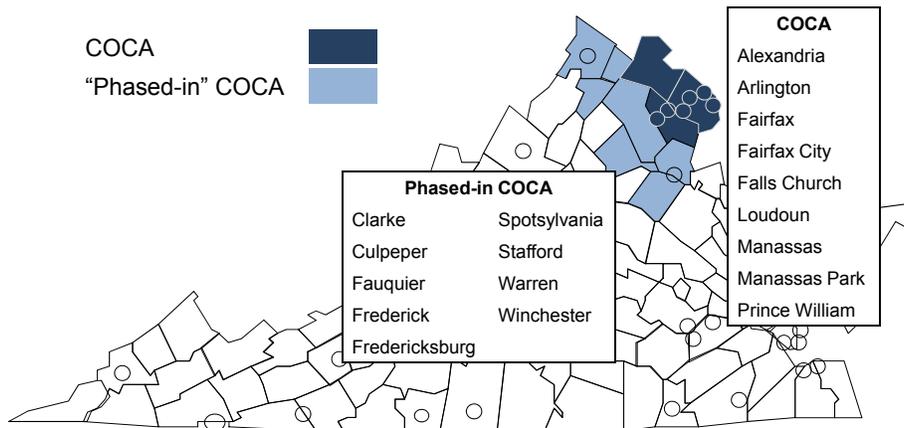
Review cost of competing adjustment (COCA) provided to Northern Virginia school divisions through Standards of Quality (SOQ) funding formula

- Last JLARC study of COCA in 1995
- Key budget issue during 2012 Session

COCA Recognizes Higher Cost of Division Staffing in Northern Virginia

- One of 3 factors beyond local control that increases division costs
 - Amounts derived using State approach to NOVA staffing in mid-1990s
- COCA typically an additional
 - 9.83% for instructional staffing
 - 24.61% for support staffing

State Provides Full COCA to 9 Divisions, and “Phased-in” COCA to Another 9



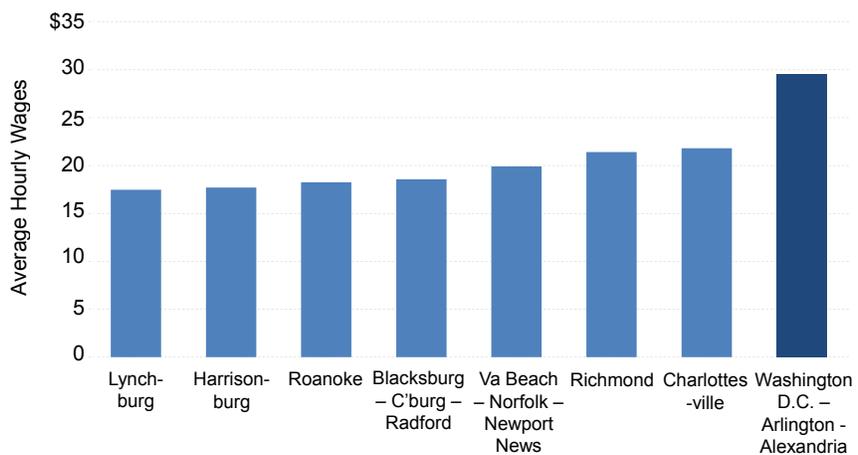
Some of Original Justification for COCA Based on Higher Cost in Northern Virginia in 1993

- NOVA average wages were 24% higher than rest of State
- Cost of living in Washington, D.C. Metropolitan Statistical Area (D.C. MSA) was 23% higher than rest of State

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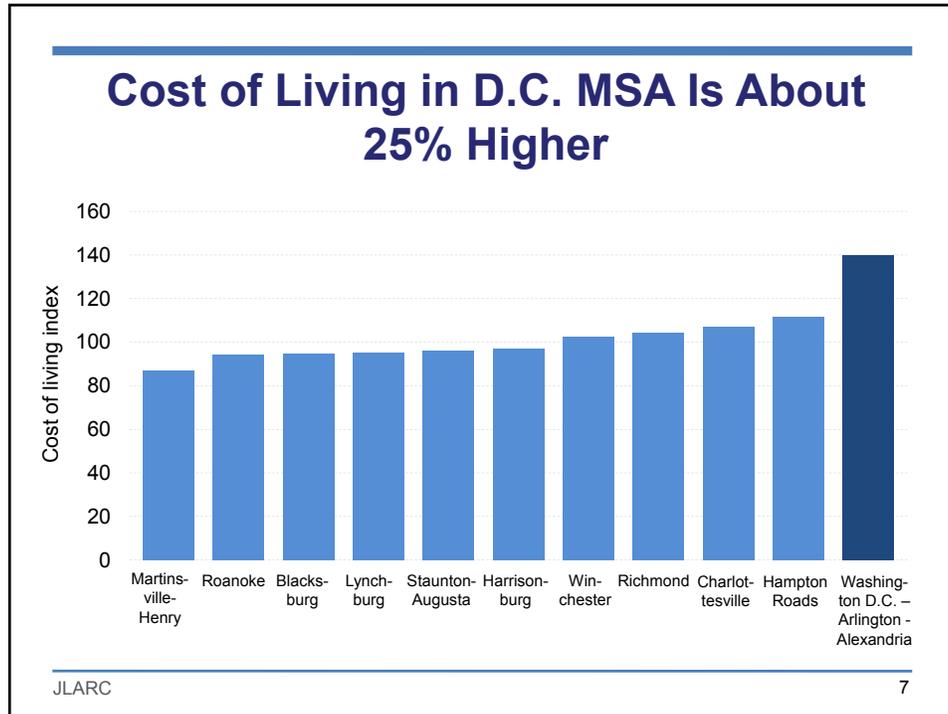
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Average Hourly Wages in D.C. MSA Are 36% Higher



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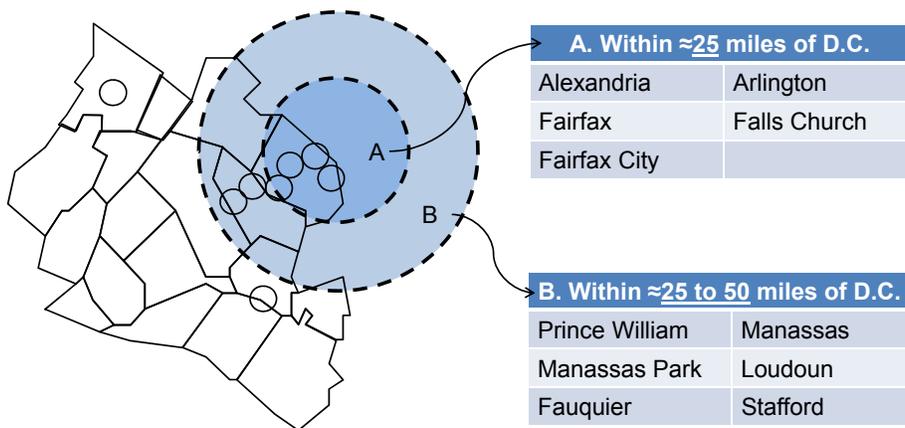


Proximity to D.C. Area Is Key Factor in Assessing COCA

- D.C. MSA spans 23 localities in VA, MD, WVA, and D.C.
- COCA originally applied to NOVA divisions closest to D.C.
- Phased-in COCA divisions added later and are farther away from D.C.
 - Winchester more than 70 miles away

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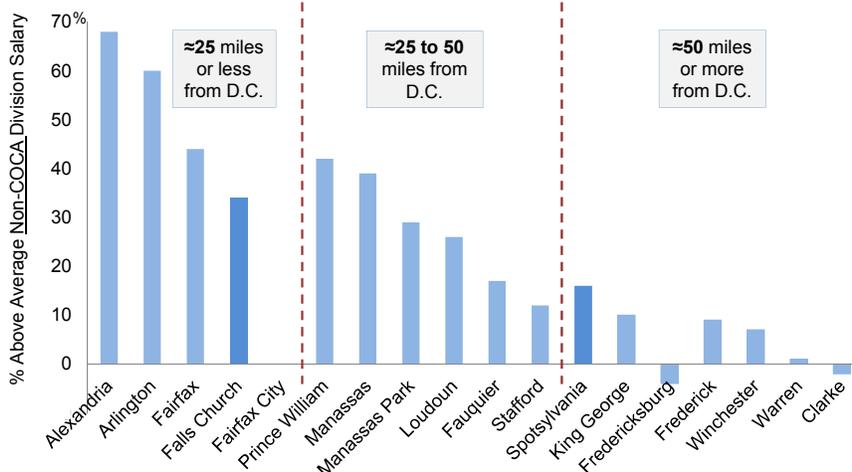
11 Virginia School Divisions Within About a 50-mile Radius of D.C.



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NOVA Divisions Generally Pay Higher Salaries the Closer They Are to D.C.

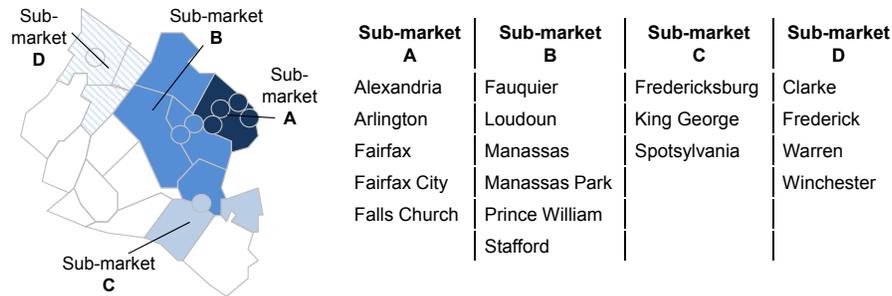


*Fairfax City reports much of its salary data with Fairfax County

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Mileage From D.C. and Salaries Yields 4 “Sub-markets”



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Sub-market “A” Divisions Appear to Have Most Justification for a COCA

- Generally pay salaries for most positions far above average in other divisions
- Geographically closest to D.C., most expensive MSA in State by far

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Sub-market “B” Divisions Appear to Have Some Justification to Receive a COCA

- Generally pay higher salaries than most other divisions, but less consistently
 - Some divisions in central and eastern Virginia pay more for certain positions
- Geographically adjacent to sub-market A
 - Primary competition for school division staff is other divisions

Recommendation

The General Assembly may wish to consider recognizing the cost of competing in two groupings of school divisions.

Group A: Alexandria, Arlington, Fairfax, Fairfax City, Falls Church

Group B: Prince William, Loudoun, Stafford, Fauquier, Manassas, Manassas Park

See p. 44 of written report for full text of recommendation.

Approach #1: Use Average Salaries as Upper Bound of Cost of Competing

- Actual salaries divisions pay is most direct measure of labor market for school division employees
- Using these salaries assumes
 - Divisions efficiently allocate their budgets
 - Given salaries offered, divisions are generally able to effectively recruit and retain high-quality workforce

Approach #2: Subtract Local “Policy Choice” Funds From Upper Bound Cost

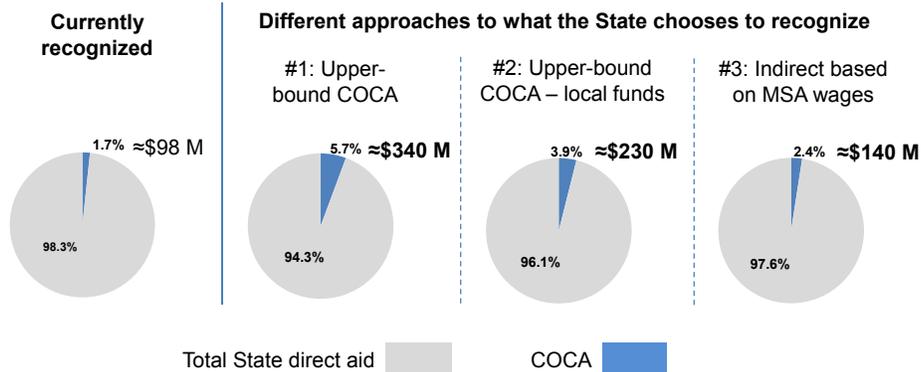
- In FY 2011, all school divisions provided some additional local funds beyond what SOQ requires
- Original COCA rationale was to only recognize costs incurred due to factor outside of a division’s control--not additional funding due to local policy choices

Approach #3: Use Regional Wages* as Indirect Approximation of Cost Differential

- Difference between D.C. MSA and rest of State can be used as approximate, though indirect, measure of what employers pay

*U.S. Bureau of Labor Statistics publishes average hourly wages by MSA in Virginia.

Different Approaches to COCA Could Cost State Between \$140 M and \$340 M*



*Figures shown are total cost to State -- not net of currently recognized \$98 M.

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