



Jay Fisette, Chair
Arlington County Board
2100 Clarendon Blvd. Suite 300
Arlington, VA 22201
Via Email

February 21, 2014

Dear Mr. Fisette:

The County Manager's revised estimate of revenue, based on stronger than expected commercial and residential property values, is good news for the Arlington community. This significantly assists Arlington Public Schools (APS) in addressing our budget gap to maintain current services, which now is \$ 1 million (without any compensation increase and with no instructional enhancements).

In December, the School Board adopted its FY 2015 Budget Direction. To meet the anticipated budget gap, the School Board directed the Superintendent to include options for cost savings in his proposed budget (to be presented February 27th) and to use funds from the FY 2013 closeout for one-time costs in FY 2015. We anticipate that the proposed budget will include significant reductions and the Board already has acted to allocate \$11.1 million from our FY 2013 closeout to help defray one-time costs in the FY 2015 budget.

In its Budget Direction, the School Board also noted that it would determine what, if any, additional revenue it would request from the County Board, in order to maintain the quality of APS. The share of revenue that APS has received from the County has declined in recent years, from 46.1% in FY 2011 and FY 2012 to 45.6% in FY 2014. The APS share of revenue is a percentage of a portion of locally-generated revenue.

The County Board's Budget Guidance provides a 45.6% share of County revenue, which will provide a County transfer of approximately \$19.6 million more to APS than in the current fiscal year. This would leave APS with a deficit of approximately \$1 million to maintain current services, given our estimate of baseline cost increases. If the cost of a step increase is included, our budget gap grows to \$9 million. Details are provided in the attachment to this letter. This does not include any enhancements to our instructional programs, which would be targeted to improve student achievement and to address our achievement gaps.

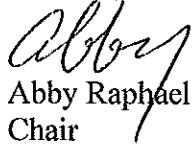
The School Board is committed to maintaining, and continually improving, the quality of public education in Arlington. This is particularly important now, when our enrollment is increasing, as are the needs of our diverse student population. Therefore, consistent with the request that I made to you on the Board's behalf when we spoke in early February, the School Board respectfully requests that the County Board restore to APS the percentage share of revenue that we had in FY 2011 and FY 2012: 46.1% of shared, locally-generated tax revenue. Our request

would result in an increased transfer of \$4.8 million, reducing our budget gap to \$4.2 million (including a compensation increase). We understand that the revised revenue estimates leave the County with no budget gap.

Our community is committed to delivering the highest quality education to our students, and it recognizes that the strength of our schools is a critical component of Arlington's economic vitality. The recent study by Michael L. Walden, "The Economic Impact of Arlington Public Schools," documents this, concluding that the quality of APS results in increases in local property values, adding property tax revenues of between \$27 and \$47 million annually. The study also demonstrates the positive impact of APS expenditures on the local economy, as well as the savings to the County in social services spending.

The School Board understands that the County Board has many priorities to balance in meeting the needs of our residents. As noted in your Budget Guidance, these include health and safety, affordable housing, environmental sustainability, a social safety net, and public education. As elected officials and stewards of public funds, we all are aware of the important, and sometimes competing, demands for funding. We also are most appreciative of the consistent support that the County Board has provided to APS. The School Board believes that its request to return to a 46.1% share of revenue for APS is responsible and reasonable, and will benefit all Arlington residents, especially our children.

Sincerely,



Abby Raphael
Chair

Arlington School Board

Cc: School Board members
County Board members
Superintendent

Attachment

Arlington Public Schools FY 2015 Budget Request – Supporting Information

Budget Gaps – December 2013 Estimates

Per County Manager’s 12/11/13 presentation (includes a step increase for County and APS):
 County Budget Gap: \$7.7 million (assumed \$14.9 million increase in revenue)
 APS Budget Gap: \$16.2 million (assumed \$12.5 million increase in revenue)

Major Cost Increases in APS Baseline Budget

Enrollment Staffing:	\$7.5 million
Enrollment - Relocatable Classrooms:	\$2.4 million
VRS rate increase:	\$7.5 million
Health care:	\$2.6 million
Energy/Transportation:	<u>\$0.6 million</u>
	\$20.6 million

Not included in APS Baseline: Cost of Compensation Increase – Step \$8.0 million

January 2014 Revised Revenue Estimate/Effect on Budget Gaps

County Revenue Increase over FY2014 at 54.4% share:	\$23 million
APS Revenue Increase over FY2014 at 45.6% share:	\$19.6 million
County Budget Gap (includes step):	None
APS Budget Gap (includes step):	\$9.0 million

Revenue Sharing History

Year	APS Share	County Share	County Transfer % Inc (in millions)	County local revenue % Increase (in millions)
FY 2011	46.1%	53.9%	\$360.3	1.0%
FY 2012	46.1%	53.9%	\$378.8	5.2%
FY 2013	45.8%	54.2%	\$400.4	6.7%
FY 2014	45.6%	54.4%	\$412.6	4.2%
FY 2015	45.6%	54.4%	\$432.2	4.7%
FY 2015 (APS request)	46.1%	53.9%	\$437.0 (+\$4.8m)	3.7%