

# Executive Summary

## *A Study Update to Explore the Feasibility for Consolidation of Martinsville City and Henry County School Divisions*

### Introduction

#### Contracting Agency and Study Team

In the fall of 2002, the Martinsville/Henry County Chamber of Commerce (Partners for Progress) contracted with Education Programs and Services, LLC, to conduct a study examining the feasibility of consolidating the Martinsville City and Henry County School Divisions. A *Memorandum of Agreement* was signed in November, 2002, that outlined the scope of work to be performed by Education Programs and Services. The study was conducted in four phases and completed in May, 2004. The Study Team formed by Education Programs and Services, LLC consisted of five consultants: S. John Davis, now deceased, was an experienced educator who served for many years as Division Superintendent for Fairfax County Public Schools. He then served as Superintendent of Instruction for the Commonwealth of Virginia. John Schreck also was employed by Fairfax County School Division where he served as Assistant Superintendent and Director of Governmental Relations. David Alexander was employed by Virginia Tech where he was Professor of Educational Leadership. He authored several textbooks and numerous articles that dealt with legal and fiscal issues relating to public schools. Robert Madigan was Associate Professor Emeritus of Management at Virginia Tech

and the author of many articles that dealt with human resources, including employee selection, compensation, and team effectiveness. Richard Salmon was employed by Virginia Tech as Professor of Educational Leadership with a specialization in school finance. He authored several textbooks and numerous articles that were published in professional journals.

S. John Davis & Associates, Ltd., an affiliate of Education Programs and Services, LLC, was contacted in September, 2012, for the purpose of updating, *Feasibility of Merger/Consolidation of the Martinsville City and Henry County School Divisions*, previously conducted by Education Programs and Services, LLC, May, 2004. It was understood that additional information would be required in order to update the earlier study. The Study Team appointed by S. John Davis & Associates, Ltd. included members of the team that conducted the previous study, John Schreck, David Alexander, and Richard Salmon, plus three additional professionals, Toni Elitharp, Ronald Epperly, and Travis Twiford. Toni Elitharp has served as a member of study teams that analyzed the potential for consolidation of school divisions elsewhere in the Commonwealth of Virginia and currently is employed by Pulaski County School Division as Director of Special Education. Ronald Epperly served for many years as the fiscal officer for Martinsville City School Division and currently serves as Vice President for Financial Management and Administrative Services at Patrick Henry Community College, Martinsville, Virginia. Travis Twiford served for over two decades as school superintendent for several North Carolina school districts. He also served as an administrator and professor at Virginia Tech for several years and is a recognized authority of school facility acquisition and management. Abbreviated professional vitae

for the members of the Study Team are included in Volume II, Appendix A.

### **Methodology**

S. John Davis & Associates, Ltd. reviewed the prior study and identified the Study Phases and Methodology to be used in updating the earlier study. The completed update did not replicate all components of the four phases identified in the May 2004 study since several components were relatively unchanged. The updated study was completed in six months, submitted June 3, 2013, and employed the following five-phase process:

- **Phase I**

The conduct of Phase I provided a current and a historical assessment of the input of resources and a critique of educational outputs as measured by several performance indicators for Henry County and Martinsville City School Divisions. The update of Phase I also included an analysis of the instructional programs and services offered by the two school divisions. Components reviewed included, but were not limited to: staffing of programs (student-teacher ratios), management of curriculum and instruction, advanced programs, career and technical education programs and other specialized programs pursuant to the potential effects that a consolidation may have on students, schools and communities. Additionally, select expenditure categories were reviewed, including the following: total expenditures per student, current expenditures per student, instructional expenditures per student, student and staff support expenditures per student, administrative expenditures per

student, and operations and maintenance, food services and other services per student.

- **Phase II**

Phase II included a presentation of the system used by the Commonwealth of Virginia to finance public elementary and secondary education. In addition, an assessment of local fiscal capacity, local fiscal effort, and distribution of direct state aid were reviewed for past years and projected for Henry County and Martinsville City School Divisions from FYs 2014 to 2020. The Consolidation Incentive Program and its uncertain future<sup>1</sup> were also presented, and the additional state aid that may accrue to a consolidated Henry County and Martinsville City School Division was projected from FYs 2014 to 2020.

- **Phase III**

In order to determine personnel costs resulting from consolidation, salary scales for a consolidated school division were presented as follows: (1) adoption of the lower of the two salary scales, Martinsville City School Division, and the immediate placement of Henry County School Division personnel on the Martinsville City School Division salary scale; (2) adoption of the lower of the two salary scales, Martinsville City School Division, but *held harmless* the Henry County School Division personnel at their

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<sup>1</sup> The *Consolidation Incentive Program* was so-named by the Study Team. Several changes were made to the program by the 2013 General Assembly, see: *2012 Va. Acts of Assembly*, Special Session 1, Chapter 3, Item 139(A)(4)(c.1) and H.B. 1500 (*Va. 2013*), Item 139 (A) (4) (c.4 & c.5).

current salary levels during a transition period, two biennia, until the Henry County School Division personnel became equalized to the Martinsville City School Division salary scale by cost-of-living or other adjustments to the Henry County School Division scale;<sup>2</sup> (3) the adoption of a salary scale that contained specified salaries for experience and earned degrees for Martinsville City and Henry County School Divisions which were determined as medians or mid-points between the two school divisions; and (4) adoption of the Henry County School Division salary scale, the higher of the two salary scales, and immediate placement of Martinsville City School Division personnel on the Henry County School Division salary scale. In order to determine personnel costs resulting from consolidation for (3) above, salary scales were presented in alternative forms as follows: (a) adoption of the median of the two salary scales and immediate placement of both Henry County and Martinsville City School Division personnel on the median salary scale; (b) adoption of the median of the two salary scales and immediate placement on the Henry County School Division salary scale, but *held harmless* the Martinsville City School Division personnel at their current salaries during a transition period, two biennia, until the Martinsville City School Division

personnel became equalized to the median salary scale.

- **Phase IV**

The update of Phase IV provided a current assessment of capital facilities. However, not all facilities were reassessed since most schools were relatively unchanged since FY 2004. Only those facilities that have been renovated or repurposed to serve different grades were reassessed, although the current number of students were noted for each school currently in service. Updated information was recorded for all schools, including enrollment, grades served, student capacity, year initially constructed and year of additions or renovations. Additionally, building and grounds expenditures, as well as capital improvement and maintenance expenditures, were updated and capital outlay and debt service expenditures were presented for both school divisions. The status of ancillary services such as student transportation, school food services and building maintenance also were reviewed briefly and updated.

- **Phase V**

Contained in Phase V are the Observations, Findings, and Summary of the information presented in Phases I to IV. An overview of the overall status of the Henry County and Martinsville City Public School Divisions was presented, including a discussion of the educational, economic and financial implications that likely will result from consolidation. The Study Team did not make

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<sup>2</sup> The prior report conducted in 2004 found that the salary scale/schedule used by Martinsville City School Division was higher than the salary scale/schedule employed by Henry County School Division. However, by 2013, Henry County now used a higher salary scale, and as a consequence, there was no need to *hold harmless* Martinsville City employees who were placed on the Henry County salary scale.

recommendations about whether or how a consolidation should be undertaken but presented relevant information and data for policymakers to make an informed decision pursuant to consolidation of the two school divisions.

## **Phase I: Administration, Personnel, and Instructional Implications for a Consolidated School Division**

### **A Review of Assessment**

A review of standardized tests results over the last eight years suggests that budget reductions have negatively affected specific areas<sup>3</sup> of academic achievement in Henry County and Martinsville City School Divisions.<sup>4</sup> State and federal standards now require increased accountability for the adequate performance of school divisions.<sup>5</sup> The Virginia accountability system is based on an assessment system that demands excellence from teachers, students, and administrators. The increased accountability now calls for the validation and evidence of student success beyond the test scores. Accountability must include predictive validity that the passing test scores correlate with performance in school or the work force. Increased rigor in the curriculum and improved test creation has called on educators to provide more time-intensive, in-depth work that requires complex thinking and analytical skills.<sup>6</sup> Salary and compensation packages will need to be competitive to attract and retain highly-

qualified teachers, administrators and other professionals. The increased rigor of the curricula and increased accountability measures could be more easily met by combining forces and resources needed to attract and retain a diverse workforce who possesses the knowledge base and skills necessary to deliver a plethora of higher level courses. Additionally, this combined highly trained workforce could provide increased offerings that address advanced placement, dual enrollment, gifted and talented programs, technology, and competency-based certification classes in career and technical education. A consolidated system should allow for increased diversity while possessing the resources to provide continuous professional development to ensure that the workforce has the skills and knowledge needed to provide the necessary instruction for achieving the highest level of academic excellence.

Economic and demographic trends affecting the Henry County and Martinsville City School Divisions raise concern about the future of both school divisions. Various assumptions affect consideration for consolidation including the decline in enrollments and deteriorating economic bases. The mechanism that determines state and local fiscal responsibilities, i.e., local composite index, (LCI) is a volatile and whimsical device that destabilizes state aid for public schools.<sup>7</sup> Adequate state funding of public education appears to be increasingly suspect, which then shifts an even greater fiscal responsibility to the localities in order to provide continuity of educational programs and services. Further, additional local funds will be required to support current educational programming. Efficiencies through a consolidated system could be realized by combining central office administration. Other efficiencies may

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<sup>3</sup> Academic areas are identified and discussed extensively in the complete report.

<sup>4</sup> VDOE. Retrieved from: [http://www.doe.virginia.gov/statistics\\_reports/supts\\_annual\\_report/2010\\_11/index.shtml](http://www.doe.virginia.gov/statistics_reports/supts_annual_report/2010_11/index.shtml)

<sup>5</sup> See: *Standards of Learning, Code of Virginia*, §§22.1-253. 13.1 et.seq. (2012) and *No Child Left Behind*, Pub. L. 107-110. 115 Stat. 1425, enacted January 8, 2002.

<sup>6</sup> *Keeping Accountability Systems Accountable*. Retrieved from: <http://www.ediawcenter.org/assets/files/pdfs/secondary%20reform/Kappan.PDF> January 2007.

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<sup>7</sup> A more thorough discussion of the LCI is presented in Phase II.

be seen through a combined system; integrated student transportation system, integrated food services, integrated academic programming, coordinated co-curricular activities, integrated operation and maintenance services, centralized human resources, budget and fiscal functions and unitary school board.<sup>8</sup>

### **Organization of a Consolidated School Division**

Currently, both Henry County and Martinsville City School Divisions have adopted similar organizations to manage their professional and support personnel for meeting their primary responsibility to educate the youth of their communities. Separately, Henry County and Martinsville City have been projected to serve 7,088<sup>9</sup> and 2,153<sup>10</sup> students, respectively in FY 2014, and a consolidated school division likely would serve approximately 9,241 students combined. Superintendents of similarly-sized school divisions and above often employ intervening administrative levels between building principals and the superintendent. Other superintendents who serve similarly-sized school divisions prefer that direct lines of authority are maintained between the superintendent and building principals. Preceding formal consolidation, those selected to administer a consolidated school division should initiate a study to design and configure an administrative and support staff for management of an expanded and more complex system of capital facilities and increased numbers of instructional and support personnel. As an aid to such a discussion, a hypothetical

organizational chart was prepared and can be viewed as Chart 1. Its ancillary function was to illustrate the potential costs saving that could be accrued if a consolidation of the two school divisions did occur.

### **System Inputs**

#### **Enrollment Trends**

It should come as no surprise that student enrollments for both school divisions have declined for several decades. In FY 1977, fall enrollments for Henry County and Martinsville City School Divisions were 13,917 and 4,073, respectively. Twenty-seven years later, FY 2004, fall enrollments had declined to 8,180 for Henry County and 2,611 for Martinsville City, or declines of 5,737 students (41.2%) and 1,462 students (36.0%), respectively. For FY 2007, Henry County and Martinsville City reported their fall enrollments, 7,821 and 2,517, or further reductions of 359 students (4.4%) and 94 students (3.6%), respectively. Five years later, Fall FY 2012, enrollments for Henry County and Martinsville City School Divisions were 7,463 and 2,317, or further declines of 358 students (4.8%) and 200 students (8.6%), respectively. Over the 35 fiscal years, 1977 to 2012, Henry County and Martinsville City School Divisions saw their fall enrollments decline by 6,454 and 1,756 students, or 46.4% and 43.1%, respectively. Fall enrollments for Henry County have been projected to experience an unbroken annual decline from FY 2012 through FY 2020. For the eight-year period, Henry County has been projected to experience a decline of 946 students, or a percent loss of 12.7%. However, fall enrollments for Martinsville City have been projected to increase slightly by 72 students from FYs 2012 to 2020, or an increase of 3.1%.

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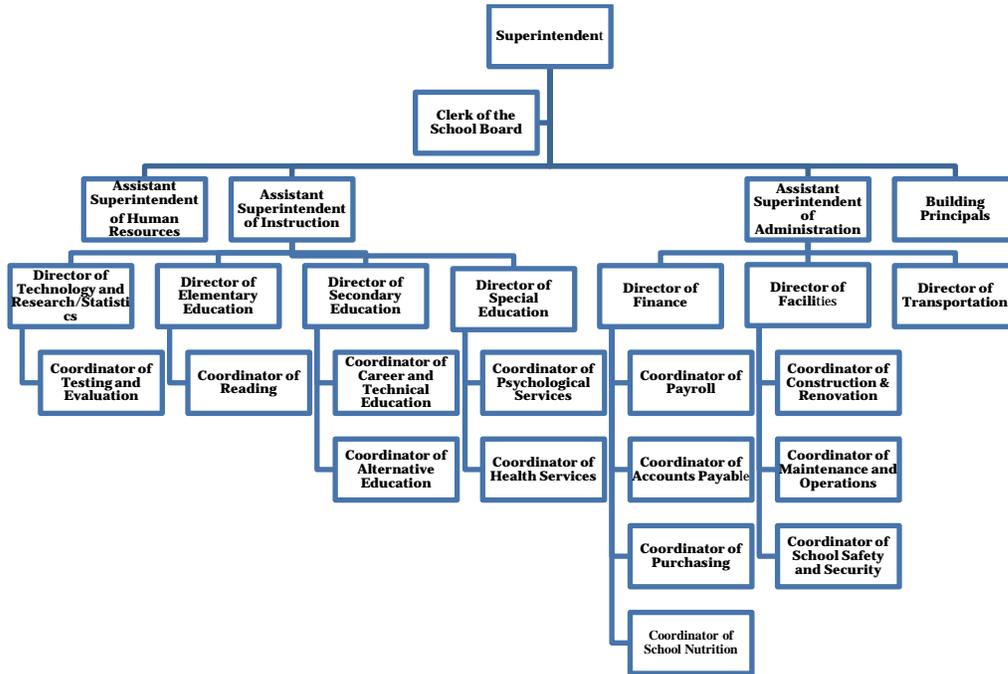
<sup>8</sup> While beyond the scope of this study, each service area offers potential cost savings and are worthy of analysis, either through internal or external cost efficiency reviews.

<sup>4</sup> FY 2013 Fall Enrollment counts. Information Management Systems, *Henry County Public Schools, Enrollment Projections, 2012/13*. (Rockford, MI: IMS, 2013).

<sup>10</sup> FY 2013 Fall Enrollment counts. Information Management Systems, *Martinsville City Public Schools, Enrollment Projections, 2012/13*. (Rockford, MI: IMS, 2013).

# Chart 1

## Hypothetical Organization Chart



## **Schools Needed by a Consolidated School Division**

Henry County and Martinsville City School Divisions now provide services for students enrolled in pre-kindergarten but did not in FY 2004. For Henry County, fall ADM for FY 2012 showed 3,493 students in pre-kindergarten through grade 5. ADM for grades 6, 7, and 8 reached 1,511, and for grades nine through twelve was 2,173.<sup>11</sup> Students served by Henry County School Division were distributed among ten elementary schools, two middle schools, and two high schools. Concurrently, Martinsville City reported fall ADM grades pre-kindergarten through grade 5 at 1,071, grades 6-8 reached 468, and 9-12 was 668. Martinsville City uses two elementary schools, one middle school, and one high school to serve its students.<sup>12</sup>

A consolidated school division would serve a projected 9,334 students (PreK-12) in FY 2014, with a projected high school enrollment of 2,791 students. Grade configuration could be maintained as PreK-5, 6-8 and 9-12 if three high schools are operated, i.e. Bassett High School, Magna Vista High School, and Martinsville High School, each ranging from 900 to 1,000 students. Middle school fall enrollment has been projected for a consolidated system to enroll 1,979 students, served by three middle schools, i.e. Fieldale-Collinsville Middle School, Laurel Park Middle School, and Martinsville Middle School, each hosting 650-750 students per school. Elementary fall enrollment (PreK-5) reported 4,564 students in SY 2011-2012 and would require use of 12 elementary schools, each serving 380-500 students.

Separately, for SY 2011-2012, Henry County served an enrollment that was 61.3%

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<sup>11</sup> VDOE. Retrieved from: [http://www.doe.virginia.gov/statistics\\_reports/supts\\_annual\\_report/index.shtml](http://www.doe.virginia.gov/statistics_reports/supts_annual_report/index.shtml), Superintendent's Annual Plan, Table 8

<sup>12</sup> *Ibid.*

White, 21.3% African-American, 11.5% Hispanic, and 5.0% mixed. Martinsville City served an enrollment that was 30.6% White, 57.0% African-American, 8.0% Hispanic, and 3.0% mixed. A consolidated school division would serve a racial composition of approximately 54.2% White, 29.7% African-American, 11.3% Hispanic, and 4.8% mixed.<sup>13</sup> Due the much larger size of Henry County, the racial/ethnicity shifts of a consolidation would not dramatically change the racial/ethnic profile of the Henry County School Division.

## **Fiscal Resources**

Similar to most Virginia school divisions, Henry County and Martinsville City School Divisions saw their state and local appropriations decline significantly during the *Great Recession*<sup>14</sup> which directly affected their expenditures. Although increased federal appropriations help stabilize the fiscal calamity faced by school divisions across the country, due to the large reductions in state and local appropriations, Henry County School Division witnessed its current operating expenditures per student fall from \$9,883 in FY 2009 to \$9,512 by FY 2012, or a decline of \$371 per student. However, for the eight-year period, FYs 2004 to 2012, total current operating expenditures per ADM increased by \$2,226 from \$7,286 to \$9,512, or 30.6%. Much of the growth of current operating expenditures per ADM was due to the doubling of federal appropriations over the eight-year period.

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<sup>13</sup> VDOE. Retrieved from:

<http://www.pearsonaccess.com/cs/Satellite?pagename=Pearson/QuickLink/va/Virginia%20Department%20of%20Education,%20Education%20Management%20System>

<sup>14</sup> The *Great Recession* (also referred to as the *Lesser Depression*, the *Long Recession*, or the *global recession of 2009*) was a marked global economic decline that began in December 2007 and took a particularly sharp downward turn in September 2008. According to the United States National Bureau of Economic Research, the recession commenced June 2007 and ended December 2009..

The Martinsville City School Division registered a decrease of \$462 per student in total current operating expenditures from \$11,108 for FY 2009 to \$10,646 by FY 2012, or a loss of \$462 per student. From FYs 2004 to 2012, Martinsville City saw its current operating expenditures per ADM increase by \$2,066 from \$8,580 to \$10,646, or 24.1% over eight years. Similar to the Henry County School Division, federal appropriations significantly increased over the eight years from FYs 2004 to 2012, \$681 per ADM, or 56.9%, which helped reduce the negative effects due to level-funding by the locality in recent years. The Commonwealth also increased its appropriations to Martinsville City by \$1,037 per ADM, or a 27.6% increase over eight years despite deep cutbacks since FY 2009.

In regard to total current operating expenditures between the two school divisions for FY 2012, the Henry County School Division expended \$9,512 per ADM, or \$1,134 per ADM below the Martinsville City School Division and \$1,457 below the average registered by the Commonwealth. Although from FYs 2004 to 2012, the Commonwealth increased funding for both school divisions, recent state funding has been inadequate. For Henry County School Division, State per ADM funds fell from \$5,825 in FY 2009 to \$4,894 in FY 2012, or a reduction of \$931 per ADM and a 16.0% decline. The reduction in State per ADM funds for Martinsville City School Division has been even more severe and fell from \$6,022 in FY 2009 to \$4,798 in FY 2012, or a reduction of \$1,224 per ADM and a 20.3% decline.

### **Current Operating Expenditure Patterns**

For FYs 2004 and 2008 to 2012, current operating expenditures, by function and percent, were examined for Henry County and Martinsville City School Divisions. FYs 2004 through 2012. The Henry County School Division employed 378 elementary

Henry County registered a smaller percent of current operating expenditures for administrative purposes than the average expended by the Commonwealth. The percent expended for the administrative function by Martinsville City was higher; however, smaller school divisions usually experience higher costs for administrative services due to diseconomies of scale. From FYs 2004 to 2008, the percent expended by Martinsville City for the administrative function increased to 10.9% but since declined to 4.6% in FY 2012. The percentages registered by Henry County and Martinsville City were similar to the percentages experienced by the Commonwealth for the following functions: instruction, attendance and health, and operations and maintenance. Henry County registered a higher percent for student transportation services than Martinsville City or the Commonwealth. Rural county school systems, due to their long transportation routes usually experience higher costs than small city systems or for the Commonwealth as a whole.

### **Student/Teacher Ratios**

As student membership changes in a school division, the number of elementary and secondary teaching positions also change, although not as rapidly as the changes in student membership. The lag-time following changes in student membership is particularly lengthy since the reduction in student membership rarely declines in convenient blocks of students that permit reductions in the number of classroom teachers. Instead, the loss of students normally is spread over the entire student body, thereby making it difficult to reduce teachers proportionally to the reduced number of students.

Henry County and Martinsville City School Divisions have each experienced a gradual loss of elementary teaching positions from teachers in FY 2004 and by FY 2012, the number of teachers were reduced to 311.

The loss of elementary teachers can be justified partially by the decline in the number of elementary students enrolled. However, the reduction of teachers was paralleled by the alarming increase in student/teacher ratios. Henry County saw its elementary student/teacher ratio increase from 12.2:1 in FY 2004 to 14.2:1 in FY 2012, an increase of 2 students per teacher. Henry County also reduced the number of secondary teachers from the 301 employed in FY 2004 to 200 teachers in FY 2012.<sup>15</sup> The reduction of secondary teachers partially addressed the decline in secondary students, but similar to the reduction of elementary teachers, there was a significant increase in student/teacher ratios. The student/teacher ratios increased from 10.3:1 in FY 2004 to 12.9:1 in FY 2012, an increase of 2.6 students per teacher. In FY 2004, the Martinsville City School Division reduced its elementary teaching positions from 130 in FY 2004 to 106 teachers in FY 2012, and saw their student/teacher ratios increase from 12.2 to 12.6 over the same eight years, a slight increase of 0.4 students per teacher. At the secondary level, Martinsville City reduced its secondary teaching positions from 102 in FY 2004 to 70 in FY 2012. As a result, the student/teacher ratios increased from 9.7:1 to 11.4:1, an increase of 1.7 students per teacher.<sup>16</sup> Both school divisions experienced nearly identical percent reductions in their teaching force.

### **Teacher Quality**

Henry County School Division has consistently employed highly-qualified core academic teachers with only 1% not meeting the federal definition of the highly-qualified standard in SY 2011-2012. Further, Henry County lowered the percent of core academic classes taught by teachers who did not meet the highly-qualified standard from

6% in SY 2008-2009 to 1% in their high poverty schools for SY 2011-2012.<sup>17</sup>

Martinsville City School Division highlights the difficulty faced by many school divisions to consistently retain highly-qualified core academic teachers. Meeting this standard is particularly problematic for smaller school divisions; a handful of resignations or retirements can drastically affect whether this standard will be met. Only 1% of core academic classes were taught by teachers not meeting the federal definition of highly-qualified in SY 2009-2010. However, by SY 2011-2012, this percentage reached 5%. Martinsville City experienced similar difficulty maintaining highly-qualified core academic teachers in high poverty schools as well, increasing from 1% in SYs 2009-2010 to 6% in SY 2011-2012.<sup>18</sup>

The Henry County School Division has shown positive results in lowering its percent of teachers who were employed under a provisional licensure. Since SY 2009-2010, Henry County has moved from 7% to 4% of provisional licenses, and from 2% of their special education teachers holding provisional licenses to 1% in SY 2011-2012. Henry County meets the state average with the percent posted in SY 2011-2012.<sup>19</sup>

Martinsville City School Division also has lowered the percent of teachers who were employed under provisional licensure. However, Martinsville City continues to employ twice the percent of provisionally-licensed teachers than does the Commonwealth. Progress has been made; however, since SY 2009-2010, Martinsville City moved from 13% to 8% percent of teachers holding a provisional license in SY 2011-2012; and has continued to maintain 1% percent of provisionally-licensed special education teachers, thus, meeting the

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<sup>15</sup> *Supra*. VDOE. *Superintendent's Annual Plan*, Table 17 A-B

<sup>16</sup> *Ibid*.

<sup>17</sup> *Ibid*.

<sup>18</sup> *Ibid*.

<sup>19</sup> VDOE. Retrieved from: <http://www.doe.virginia.gov/> *Statistics and Reports, School Divisions and State Report Cards*.

statewide average of provisionally-licensed special education teachers for SY 2011-2012.

The percent of teachers holding Baccalaureate and Master's degrees in the Henry County School Division has remained stable over time. In SY 2011-2012, 54% of teachers in Henry County hold Baccalaureates and 45% have received Master's degrees. Very few, (1.0%), possess a doctoral degree. The teacher education attainment numbers are the reverse of the statewide 44/53 percent split for the Bachelor's and Master's degrees. The percent of teachers holding Baccalaureates and Master's degrees in the Martinsville City School Division have remained stable from SYs 2009-2010 to 2011-2012. Fifty-four percent of Martinsville City's teachers hold Baccalaureates and 44% hold Master's degrees. Very few, (1.0%), possess doctoral degrees.<sup>20</sup>

Both school divisions should continue to emphasize the importance of teachers acquiring advanced degrees. High quality teachers provide savings by reducing the costs of recurring professional development training. Higher level teacher skills are necessary to carry out the increased accountability standards in preparing students for college or the world of work.

### **Staffing Requirements**

The Virginia Standards of Quality, including, State Basic Aid formula, i.e., Foundation Program, specifies and mandates minimum staffing standards for all school divisions. The staffing requirements for principals and assistant principals are as follows: Elementary schools: one half-time principal for up to 299 students, one fulltime principal for 300 students and above, one half-time assistant principal for 600-899 students, and one fulltime assistant principal at 900 students and above. Middle schools: one fulltime principal employed on a 12

month basis and one fulltime assistant principal for each 600 students. High schools: one fulltime principal employed on a 12 month basis and one fulltime assistant principal for each 600 students.<sup>21</sup>

The number of principals and assistant principals employed by the Henry County School Division has been consistent over time: SY 2008-2009 (28), SY 2009-2010 (28.40), and SY 2010-2011 (29). Martinsville City School Division has shown a slight increase since SY 2008-2009 (9) SY 2009-2010 (9.05) and SY 2010-2011 (11).<sup>22</sup> The numbers of guidance counselors and librarians employed by Henry County School Division have been consistent over time; SY 2008-2009 (44), SY 2009-2010 (44) and SY 2010-2011 (42.5). Martinsville City School Division has shown a slight increase since SY 2008-2009 (12.9), SY 2009-2010 (13) and SY 2010-2011 (14.50).<sup>23</sup>

Total instructional positions posted on the Superintendent's Annual Report indicated that the Henry County School Division employed in SY 2008-2009 (852.08) total instructional positions, in SY 2009-2010 (864.64) and in SY 2010-11 (857.97). Based on end-of-year ADM for determining positions per 1,000 students, Henry County School Division employed in SY 2008-2009 (111.85) instructional positions per 1,000 students, in SY 2009-2010 (115.90), and in SY 2010-2011 (115.16).<sup>24</sup>

Total instructional positions posted on the Superintendent's Annual Report revealed Martinsville City School Division employed (292.28) total instructional positions in SY 2008-2009, (287.06) in SY 2009-2010 and (302.38) in SY 2010-2011. Based on end-of-year ADM for determining positions per 1,000 students, Martinsville City School Division employed (118.18) instructional

<sup>20</sup> *Ibid.*

<sup>21</sup> *Supra*, VDOE. *Superintendent's Annual Plan*, Tables 17A, 17B, and 18.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

positions per 1,000 students in SY 2008-2009, (114.99) in SY 2009-2010 and (125.56) in SY 2010-2011. Both school divisions revealed similar instructional staffing patterns for the last three years.<sup>25</sup>

### **Personnel Compensation**

As evident from an examination of the Superintendents' Annual Reports, some fluctuation has been seen in the average annual salaries paid principals and assistant principals over time. The fluctuation of average annual salaries was due to primarily to the employment of different individuals who possessed various degrees and had different years of experience. The average annual salary for principals by Henry County School Division was \$70,740.59, SY 2007-2008, \$74,589.78, SY 2008-2009, \$72,133.00, SY 2009-2010, \$72,931.18, SY 2010-2011, and \$74,765.07, SY 2011-2012. The average annual salary paid assistant principals was \$55,563.01, SY 2007-2008, \$59,723.73, SY 2008-2009, \$56,255.00, SY 2009-2010, \$59,041.01, SY 2010-2011, and \$59,794.65, SY 2011-2012.<sup>26</sup>

The average annual salary paid principals by the Martinsville City School Division was \$92,168.76, SY 2007-2008, \$87,560.11, SY 2008-2009, \$85,135.00, SY 2009-2010, \$80,394.48, SY 2010-2011, and \$75,739.87, SY 2011-2012. The average annual salary paid assistant principals by Martinsville City School Division was \$64,506.00, SY 2007-2008, \$68,994.42, SY 2008-2009, \$63,996.00, SY 2009-2010, \$59,427.66, SY 2010-2011, \$59,062.50, SY 2011-2012.<sup>27</sup>

Fluctuation also has been seen in average annual salaries paid teacher and teacher aides over time and also was due primarily to the employment of different individuals who possessed various degrees and had different years of experience. The average annual salary for teachers revealed that Henry County School Division paid

\$40,153.08, SY 2007-2008, \$41,616.03, SY 2008-2009, \$40,700.53, SY 2009-2010, \$42,492.78, SY 2010-2011, and \$43,822.09, SY 2011-2012. The average annual salary paid teacher aides by Henry County School Division was \$15,731.66, SY 2007-2008, \$15,830.83, SY 2008-2009, \$15,319.70, SY 2009-2010, \$15,109.46, SY 2010-2011, and \$16,057.10, SY 2011-2012.<sup>28</sup>

The average annual salary paid teachers revealed that Martinsville City School Division paid \$44,312.26, SY 2007-2008, \$42,418.41, SY 2008-2009, \$42,803.31, SY 2009-2010, \$44,168.94, SY 2010-2011, and \$42,968.61, SY 2011-2012.

The average annual salary paid teacher aides indicated that Martinsville City School Division paid \$16,141.37, SY 2007-2008, \$15,887.43, SY 2008-2009, \$14,780.33, SY 2009-2010, \$15,668.06, SY 2010-2011, and \$17,015.15, SY 2011-2012.<sup>29</sup>

Statewide, the average salaries paid Principals, Assistant Principals, Teachers, and Teacher Aides in SY 2011-2012 were \$92,391.28, \$75,648.87, \$52,115.34, and \$19,012.94, respectively. Both school divisions compensate their instructional personnel far below the average compensation provided by the Commonwealth as a whole. The reason for the low compensation of personnel is due to the combination of their deteriorating fiscal capacities and falling fiscal efforts. While little can be done immediately to remedy the deteriorating fiscal capacities of the two school divisions, their lackluster fiscal efforts generated for the public schools are the result of prior budgetary decisions by elected officials.

## **Performance Measures**

### **Student Promotion and Attendance**

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<sup>25</sup> *Ibid.* VDOE. *Superintendent's Annual Plan*, Table 19.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

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<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

From SYs 2003-2004, 2007-2008 to 2011-2012, the percentages of students promoted by both Henry County and Martinsville City School Divisions have been nearly identical. In SY 2003-2004, Henry County promoted 96% and Martinsville City promoted 98%. By SY 2011-2012, Henry County promoted 98% of its students while Martinsville City promoted 99%.<sup>30</sup> Similarly, the average daily attendance (ADA) of students as a percent of ADM for Henry County and Martinsville City School Divisions has been similar for the same time period. For SY 2011-2012, the ADAs for Henry County and Martinsville City School Divisions were both 96% of their respective ADMs.

### **Graduation and Dropout Rates**

The Federal Graduation Indicator for Henry County School Division for the SY 2010-2011 four year cohort shows that 81% of the students earned a standard or an advanced diploma. The statewide average was 82%. The Federal Graduation Indicator, four-year cohort, for Martinsville City School Division reported that 79% of students earned a standard or an advanced diploma, which fell slightly below the statewide average.<sup>31</sup>

For the Class of 2012, the first-time 9th Grade Cohort in SY 2008-2009 in Henry County Public School Division experienced an on-time graduation rate of 86.5% for the *All Student* subgroup and a dropout rate of 1.8%, a decrease from the 3.0% for SY 2003-2004. The prior year, Class of 2011, the first-time 9th Grade Cohort in SY 2007-2008 recorded an on-time graduation rate of 88.3% for *All Student* subgroup and a dropout rate of 4.3%. Martinsville City School Division reported that the Class of 2012, First-time 9th Grade Cohort in SY 2008-2009 achieved an on-time graduation rate of 86.5% for the *All Student* subgroup and a dropout rate of 4.0%, an increase from

the 0.0% reported for SY 2003-2004. The Class of 2011, the first-time 9th Grade Cohort in SY 2007-2008 experienced an on-time graduation rate of 85.9% for the *All Student* subgroup and a dropout rate of 8.1%.

The dropout rate is one measure of the success of the two school divisions. Both Henry County and Martinsville City School Divisions were able to decrease their dropout rates from prior graduating class. Henry County's dropout rate decreased from 4.3% for the Class of 2011 to a dropout rate of 1.8% for the Class of 2012. Martinsville City School division saw a decreased dropout from 8.1% for the Class of 2011 to 4.0% for the Class of 2012. *The high school dropout rate provides one indicator for potential future problems such as higher risk of unemployment and other social ills. According to the U.S. Bureau of Labor Statistics, in May 2011, the national unemployment rate for those without a high school diploma was 5.3 percentage points higher than those who had graduated from high school.*<sup>32</sup>

### **Advanced Placement, Dual Enrollment, and the Piedmont Governor's School**

The student enrollment in Advanced Placement classes has increased significantly in Henry County School Division from SY 2003-2004 and has continued to increase over the last three years, although the numbers of students who dual-enrolled has declined.<sup>33</sup> Martinsville City School Division has seen its enrollments in AP classes increase while the number of dual enrollment courses taken by students increased from SYs 2003-2004 to 2009-2010 but has declined for SYs 2010-2011 and 2011-2012. Participation in the *Piedmont Governor's School* by students from Henry County has remained stable from SYs 2003-2004 to 2011-2012.

<sup>30</sup> *Ibid.* Tables 5, 6.

<sup>31</sup> *Ibid.* Tables 17A, 17B.

<sup>32</sup> Retrieved from: <http://vaperforms.virginia.gov/indicators/education/hsDropout.php>.

<sup>33</sup> *Ibid.* Tables 5, 6.

Discounting an apparent bogus number reported in SY 2003-2004 for Martinsville City, the numbers of students participating in the *Piedmont Governor's School* also have remained stable.

### **Academic Evaluation**

Virginia, under the *No Child Left Behind Act* flexibility waiver, established annual measurable objectives (AMOs). These newly established AMOs represent objectives for reducing proficiency gaps between low-performing and high performing schools.<sup>34</sup> Also, the flexibility waiver requires pass rates increases for all subgroups each accountability year. These objectives in reading and mathematics have replaced the Adequate Yearly Progress (AYP) progress targets required under federal law. Separate AMOs have been established for subgroups previously reported and for newly designated proficiency groups that historically have had difficulty meeting the set achievement standards. The federal law holds school divisions accountable to close achievement gaps between low-performing subgroups and higher-achieving students. The Virginia flexibility waiver that acceptable progress is made over the next six years, and three additional gap groups have been identified as subgroups of students who must pass Standards of Learning (SOL) tests in reading and mathematics. Proficiency Gap Group 1 is comprised of *Students with Disabilities*, *Limited-English Proficient (LEP)*, and *Economically-Disadvantaged* students, regardless of their race and ethnicity. Proficiency Gap Group 2 is comprised of *African-American* students, not of *Hispanic* origin, including those also counted in Proficiency Gap Group 1. Proficiency Gap

Group 3 consists of *Hispanic* students, of one or more races, including those also counted in Proficiency Gap Group 1. SOL scores for Henry County School Division have remained consistent for all represented and measured subgroups of students. For FY 2012, Henry County met the English state pass rate in all subgroups except *White* and *Limited English Proficient*. The *White* subgroup demonstrated a 91% pass rate compared to a statewide average of 93%, and the subgroup *Limited English Proficient* demonstrated a pass rate of 76% as compared to the statewide average of 80%. Henry County met the Mathematics state pass rate in all subgroups except *All Students*, *Students with Disabilities* and *Limited English Proficient*. The *All Students* subgroup demonstrated a pass rate of 67% as compared to the statewide average of 68%, the *White* subgroup demonstrated a 71% pass rate as compared to the statewide average of 75%, the subgroup *Students with Disabilities* demonstrated a pass rate of 38% with a statewide average of 40% and the subgroup *Limited English Proficient* demonstrated a pass rate of 54% as compared to the statewide average of 59%.

SOL scores for Martinsville City School Division have declined slightly in all represented and measured subgroups of students. For FY 2012, Martinsville City was slightly below the statewide average pass rates for English. The subgroup *All Students* demonstrated a pass rate of 85% compared to the statewide average of 89%, the *White* subgroup met the statewide average of 93% with a demonstrated 94% pass rate, the subgroup *Black* had a 79% pass rate compared to the statewide average of 80%, *Economically Disadvantaged* demonstrated a pass rate of 80% compared to the statewide average of 81%, and *Limited English Proficient* demonstrated a pass rate of 73% compared to the statewide average of 80%. The SOL score for Mathematics for subgroups *All Students*, recorded a pass rate of 59% and a statewide average of 68%, the subgroup *Black*

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<sup>34</sup> VDOE. Retrieved from: [www.doe.virginia.gov/administrators/superintendents.../285-12.shtml](http://www.doe.virginia.gov/administrators/superintendents.../285-12.shtml), ESEA Flexibility Waivers, *Superintendent's Memo*, Attachment B, Memo No. 147-12, June 1, 2012.

demonstrated a pass rate of 50% compared to the 52% statewide average pass rate, the *White* subgroup had a 72% pass rate compared to the statewide average of 75%, *Students with Disabilities* demonstrated a pass rate of 35% with a state average of 40%, the *Economically Disadvantaged* subgroup scored a pass rate of 51% with a state average of 54%, and the subgroup *Limited English Proficient* met the statewide average pass rate of 59%. The SOL test scores for both school divisions either met or were near the state objectives for 2012.

### **Sanctions**

The Virginia Department of Education identified school divisions that met all of the benchmarks in reading, mathematics and graduation. Martinsville City School Division was among 67% of school divisions that met this standard,<sup>35</sup> although Albert Harris Elementary School was identified as a *priority school* for FY 2013. Schools so identified must employ a state-approved coach to help the division develop, implement and monitor intervention strategies to improve performance of students at risk of not meeting achievement standards or dropping out of school.

Henry County School Division did not meet all benchmarks and Bassett High School was required to develop and implement . . . *an improvement plan*.<sup>36</sup>

## **Phase II: Fiscal Capacity, Fiscal Effort, and Distribution of Direct State Aid for Henry County and Martinsville City School Divisions, Biennia 2005-2006 to 2013-2014**

### **Fiscal Capacity**

Most Virginia direct aid formulae for public elementary and secondary education employ a measure designed to assess the local fiscal capacities, i.e., Local Composite Index (LCI), in order to determine state and local responsibilities for funding public schools. History has shown that among the 136 school divisions, the LCIs typically range from 1.0000 and greater to approximately 0.1700, thereby those school divisions with the 1.0000 and greater LCIs would qualify for no direct state aid while those school divisions at the lower end of the continuum would qualify for 87% of their state-calculated costs. However, the Commonwealth has historically provided some direct state aid to those school divisions considered to possess high fiscal capacity and has truncated at 0.8000 the LCIs from 0.8000 and above, thereby guaranteeing the high fiscal capacity school divisions will receive no less than 20% of their state-calculated costs for State Basic Aid and other state grants affected by the LCI. For FYs 2013, 2014, the range of LCIs spanned from 0.1866 to 0.8000.

From FYs 2005-2006 to 2013-2014, the fiscal capacities, as measured by the LCI, for both Henry County and Martinsville City School Divisions have declined. Among 136 school divisions, Henry County has fallen from a statewide rank of 111<sup>th</sup> for FYs 2005-2006 to 125<sup>th</sup> for FYs 2013-2014.<sup>37</sup> Concurrently, Martinsville City has witnessed an even more severe decline in its statewide rank; Martinsville City has fallen from 110<sup>th</sup> for FYs 2005-2006 to 131<sup>th</sup> for FYs 2013-2014. Eleven school divisions are currently ranked lower in fiscal capacity than Henry County and just five school divisions are ranked lower than Martinsville City.

### **Fiscal Effort**

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

<sup>37</sup> While higher LCIs indicate greater fiscal capacity, a higher ranking denotes less fiscal capacity.

Adding to the fiscal problems resulting from their declining fiscal capacities is that the fiscal effort generated by Henry County and Martinsville School Divisions also has deteriorated from FYs 2006 to 2011-2012. The fiscal effort made by Henry County fell from \$1.0251 per \$100 to \$0.5540 per \$100 fiscal capacity, a decline of approximately 46%. The fiscal effort ranking made by Henry County to fund public schools fell from 102<sup>nd</sup> to 128<sup>th</sup> over the 5-6 years. Martinsville City, while generating considerable greater fiscal effort for public schools than was made by Henry County also saw its fiscal effort fall from \$1.7802 per \$100 fiscal capacity to \$1.0302 per \$100 fiscal capacity, or a decline of 42%. The fiscal effort ranking for Martinsville City declined from 19<sup>th</sup> to 32<sup>nd</sup> from FYs 2006 to 2011-2012.

### **State Aid Distribution Formulae**

Presented in the full report are explanations of the state aid funding formulae, including examples of FY 2013 direct state aid calculations for Henry County and Martinsville City School Divisions. These explanations and examples were presented to assist policymakers understand their fiscal responsibilities and projected resources likely available to the two school divisions through a consolidation.

### **Consolidation Incentive Program**

The Commonwealth of Virginia in order to encourage small and usually cost-inefficient local governing agencies and school divisions to consolidate has enacted legislation, entitled herein as the Consolidation Incentive Program, which provides additional state fiscal assistance to the consolidated school divisions. Recent consolidation efforts were governed by provisions similar to the one enacted by the 2012 General Assembly.<sup>38</sup> Subject to the

approval of the Governor, the Consolidation Incentive Program granted the consolidating school divisions the privilege of employing the lower LCI of the two school divisions for calculating direct state aid and local required expenditures for a mandated of fifteen consecutive fiscal years. However, during the 2013 session of the General Assembly, several members began to view the projected state appropriations through the Consolidation Incentive Program to be very generous to the merging Bedford City and Bedford County School Divisions. Its generosity was particularly noteworthy since the two school divisions had been operating as unitary for considerable time. The 2013 General Assembly responded with legislation making state aid appropriations through the Consolidation Incentive Program potentially far less generous and much more uncertain.<sup>39</sup> Prior to submission to the Governor for approval, the amended program shifted authority to the State Board of Education to determine precisely the LCI, any number between the LCIs for the two consolidating school divisions, that will be used to calculate direct state aid and local required expenditures from a minimum of five up to fifteen consecutive fiscal years. Although unlikely, the State Board of Education could select the higher of the two LCIs for calculating state aid and local required expenditures, thus providing less state aid than the two school divisions would receive without employment of the Consolidation Incentive Program. However, in the past, the State Board of Education (SBOE) has typically selected the lower of the two LCIs when earlier versions of the Consolidation Incentive Program legislation similarly granted authority to the SBOE to select (set) the LCI to be applied to the several state grants. However, for the consolidation of Alleghany County and Clifton Forge City School Divisions, the SBOE initially

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<sup>38</sup> 2012 Va. Acts of Assembly, Special Session I, Chapter 3, Item 139(A)(4)(c.1).

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<sup>39</sup> 2013 Va. Acts of Assembly, Chapter 806, Item 139(A)(4)(c.1)(c.4)(c.5)(c.6).

selected LCIs higher than the lower of the two LCIs, but ultimately permitted the two school divisions to use the lower LCI.

Due to the recent legislative changes made to the Consolidation Incentive Program, discussed above, the following simulation,

The 2013 General Assembly directed the Joint Legislative Audit and Review Commission to study the issue and recommend alternatives in a report due in 2014.<sup>40</sup>

Presented below are two alternatives pursuant to the application of the Consolidation Incentive Program:

### **Additional Direct State Aid: Alternative 1**

Alternative 1 employs the lower LCI of Martinsville City School Division to project direct state aid and local required expenditures for Henry County School Division. For FY 2014, the additional Direct State Aid allocation for Henry County School Division through the Consolidation Incentive Program, Alternative 1, would yield **\$1,230,197**. Due to the projected decline in the LCIs for Martinsville City School Division, the additional Direct State Aid appropriations would continue to increase annually through FY 2020 to **\$1,755,674**, despite the projected decreases in the number of students (ADM) served by Henry County. The projected increases in Direct State Aid appropriations are due solely to the projected economic decline for Martinsville City. No accommodation was made for likely increases in state aid due to adjustments for the effects of inflation as measured by the Consumer Price Index and should be considered as constant SY 2013-2014 dollars. As stated previously, the Consolidation Incentive Program does not directly affect state appropriations for Martinsville City and only affects the state appropriations for Henry County that are gained through use of the Martinsville City LCIs.

### **Additional Direct State Aid: Alternative 2**

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<sup>40</sup> *Ibid.* (c.6).

referred to as Alternative 2, was made. While Alternative 1 was a *best case* determination of additional state aid that would accrue to the two school divisions, Alternative 2 is less generous. Specifically, the LCIs chosen by the State Board of Education (SBOE) for application could be substantially higher, thus generating less additional state aid through the Consolidation Incentive Program. For the purpose of the simulation of Alternative 2, the midpoints, or medians, were determined between the higher LCIs assigned Henry County School Division and the lower LCIs assigned Martinsville City School Division. Currently, the SBOE has the authority to set the number of years from 5 to 15 fiscal years for application of the Consolidation Incentive Program to assist the consolidated school division; however, it is assumed that the SBOE likely would apply the Consolidation Incentive Program for the full 15 years. Identical to the simulation of Alternative 1, projected state aid was made for seven fiscal years, 2014 to 2020.

For FY 2014, the additional Direct State Aid allocation for Henry County School Division through the Consolidation Incentive Program, Alternative 2, would yield **\$612,686**. Due to the projected decline in the LCIs for Martinsville City School Division, the projected additional Direct State Aid appropriations would continue to increase through FY 2020 to **\$875,580**, despite the projected decreases in the number of students (ADM) served by Henry County. As stated previously, the projected increases in additional Direct State Aid appropriations are due solely to the projected economic decline for Martinsville City and no accommodation was made for likely increases in state aid due to adjustments for the effects of inflation as measured by the Consumer Price Index or other inflationary measures.

### **Phase III: A Review of Employee Compensation and Fringe Benefits**

## **for Henry County and Martinsville City School Divisions**

### **Employee Compensation and Classification System**

If Henry County and Martinsville City agree to consolidate, both parties should develop and implement a single well-developed employee compensation and classification system that contains the following components:

- All employees should be placed on a salary schedule or employed under a written contract;
- The agreed upon salary schedule/contract should be made to pay the prevailing wage rate for each classification;
- Position (degree requirements or training needed, number of employees supervised, level of responsibility, skills needed), etc.;
- Provision for some previous recognition of length of service should be included;
- Anniversary dates of employment or promotion should be clearly stated in order to facilitate personnel policy implementation; and
- Compensation schedules should be compared with competing agencies, job markets, and benchmarks;
- Salary schedules should be reviewed periodically and the review committees should include employee representative whenever possible;
- Varying lengths of contracts should be established and should directly apply to the needs of the positions;
- Fringe benefits should be considered as a part of the compensation package;
- Provision should be made to allow for periodic cost-of-living adjustments (COLAs);
- Generally, the compensation system structure should provide for a

differential of approximately 2.5% between steps and 5% between classifications; and

- A clear, easily understandable interpretation of the *Fair Labor Standards Act* (FLSA)<sup>41</sup> should be provided to all employees. Positions covered by the FLSA should be clearly designated within the material provided.

The employee compensation systems administered by Henry County and Martinsville City School Divisions exhibited only minor differences. It is likely that the close geographic proximity of the two school divisions, similar fiscal capacities,<sup>42</sup> and the competition to fill personnel vacancies have created a natural set of economic controls in the market. The two divisions tend to recruit personnel from essentially the same pool of applicants and many have strong ties to the geographic area.

### **Alternative Employee Compensation Transition Strategies**

Should a consolidation between Henry County and Martinsville City occur, decisions regarding various salary scales/schedules will be required for all publically-funded employees, including personnel employed by Henry County and Martinsville City School Divisions. This study analyzed the two salary schedules currently employed by the two school divisions and then presented the following four alternative strategies for accommodating consolidation of the two sets of salary schedules:

- The Henry County School Division salary scales/schedules were utilized, thereby Martinsville City School Division personnel were placed on the Henry County School Division salary scales/schedules;
- Martinsville City School Division scales/schedules were utilized, thereby Henry County School Division personnel were placed on the Martinsville City School Division salary scales/schedules; and
- Median scales/schedules were created from the current two scales/schedules for Henry County and Martinsville City School Divisions.
- The lower of the two salary scales/schedules, Martinsville City School Division, adopted but held harmless the Henry County School Division personnel during the transition period. Adoption of this alternative would initially be cost neutral.

All employees of the consolidated school divisions could be placed on the higher salary scales, all employees could be placed on the lower scales possibly *holding harmless* those negatively affected for a transition period of a specified period, or until such time that cost-of-living or other salary scale adjustments have occurred. Likewise, a similar *hold harmless* provision could be implemented should the median salary scale/schedule be adopted. As mentioned previously, adequate compensation for services performed is very important to employees, and warrants careful consideration by policymakers.

### **Salaries for Non-Administrative Instructional Personnel**

A review of the teacher salary schedules for FY 2013 showed a difference of approximately \$2,000 between baccalaureate starting salaries for Henry County and Martinsville City School

<sup>41</sup> The *Fair Labor Standards Act of 1938*, as amended 29 U.S.C. 201, *et seq.*

<sup>42</sup> For FY 2013, the Local Composite Index (LCI) for Henry County School Division was 0.2430, while 0.2175 was reported for Martinsville City School Division, a difference of 0.0255. VDOE. Retrieved from: [http://www.doe.virginia.gov/school\\_finance/budget/compositeindex\\_local\\_abilitypay/index.shtml](http://www.doe.virginia.gov/school_finance/budget/compositeindex_local_abilitypay/index.shtml)

Divisions. Henry County reported a starting salary of \$38,718, and Martinsville City reported \$36,741. Through use of furnished salary and personnel data, the following series of simulations were conducted:

- When the current Martinsville City School Division teachers were placed on the Henry County School Division salary scale/schedule, the higher of the two scales, annual salary costs of approximately **(\$431,527)** resulted;
- When the current Henry County School Division teachers were placed on the Martinsville City School Division scale/schedule, the lower of the two scales, annual salary savings of approximately **\$1,501,335** occurred; and
- The placement of both current Martinsville City and Henry County School Division teachers on a median salary scale/schedule would realize annual salary savings of **\$466,466**.

### **Salaries for Support Personnel**

An analysis of salary schedules and compensation for support personnel employed by the two school divisions revealed both similarities and significant differences pursuant to their formal structures. Henry County School Division has developed a school structure and pay plan for all categories of employees, and its salary scales contain the following components: job descriptions, longevity, days worked per year, and hours worked per year. The salaries of support personnel are then indexed relative to base teacher salaries. In contrast, Martinsville City School Division has implemented a schedule that contains salary ranges for all categories of support personnel that reflect minimum and maximum rates for each personnel category.

If consolidation of the two school divisions occurs, the unitary school board should review and implement a clear, systematic, easily-understood compensation and classification system for its support personnel. Presently, it is very difficult to determine the relative compensation for comparable tasks between the two school divisions due to the dissimilarity of their formal structures and varied responsibilities. Martinsville City employs a market-driven system of compensation while Henry County has established a system with defined components.

Custodial services have been outsourced by Henry County School Division to a private vendor. Under contract for FY 2013, the school division is obligated for \$1,304,967 to compensate approximately 64 employees via a scale that ranges from \$8 to \$12 per hour. Martinsville City employs its own custodians who are compensated from a scale that ranges from \$8.50 to \$12.40 per hour. Compensation for maintenance personnel varied between both school divisions. For fulltime staff in Henry County, pay ranges varied from \$24,643 to \$47,267 among three levels of maintenance personnel. Martinsville City reported a range for fulltime pay from \$30,162 to \$32,448. Pay ranges for clerical and support personnel are similar for Henry County and Martinsville City School Divisions, although a formal structure is not employed by Martinsville City, only ranges containing minimum and maximum salaries. Martinsville City reported its compensation for part-time food services personnel ranges from \$7.68 to \$8.84 hourly for part-time workers to \$12,576 to \$25,008 annually for fulltime personnel. Paraprofessionals employed in Henry County are placed on either Level I where salaries range from \$14,986 to \$21,348, or Level II that uses a range from \$18,422 to \$26,244. Martinsville City used a single category of paraprofessionals that spanned three steps from \$13,980 to \$17,139 annually. Due to the similarity of compensation salary

scales/schedules for support personnel employed by Henry County and Martinsville City School Divisions, it is unlikely that substantial costs or cost savings would be realized through a consolidation.

### **Fringe Benefits**

In addition to employee salaries, Fringe Benefits collectively contain payments or accommodations for retirement, health care, life insurance, workers' compensation, methods of salary distribution (pay periods), availability of salary supplements and overtime compensation, administration of leave, position security, workloads, position classification, length of work days and year, liability insurance provisions, tax deferred and tax sheltered annuities, due check-offs, training opportunities, promotional opportunities, and professional development opportunities and are important components of a comprehensive compensation system. An attractive fringe benefit package will help create environments that attract and retain high quality employees. In addition, fringe benefits play an important role in fostering a positive climate of an organization and the success of individuals within the school division.

Other than the partially-paid health care coverage provided the retirees of Martinsville City School Division, the fringe benefits offered by the two school divisions are similar and should not pose a substantial barrier to a consolidation.

### **School Division Central Office Administration Staffing**

A review of the central office staffing charts did not indicate significant differences regarding responsibilities and duties between the two school divisions; instead differences are the result of division size and personnel staffing decisions rather than the functions performed. An analysis of

personnel staffing requirements and costs was accomplished as follows:

- Comparison school divisions were selected by identifying school divisions with similar numbers of students that would be enrolled if Henry County and Martinsville City School Divisions were consolidated.
- Personnel staffing data for the comparison school divisions, Henry County, Martinsville City, and Henry County and Martinsville City School Divisions Combined were obtained from VDOE.<sup>43</sup> A comparison was made between personnel staffing for Henry County and Martinsville City School Division Combined and the comparison school divisions.
- While Henry County and Martinsville City School Divisions Combined showed higher numbers of administrative personnel than the comparison school divisions, all other categories of personnel employed by Henry County and Martinsville City were below the number of personnel reported by the comparison school divisions.<sup>44</sup>
- Consolidation of the Henry County and Martinsville City School Divisions could result in cost savings pursuant to the reduction of administrative positions. Projected cost savings due to a reduction of 11.5 administrative positions<sup>45</sup> would accrue salary savings, including fringe benefits of approximately **\$1,035,000**.

### **Potential Costs, Cost Savings, and Additional State Aid Realized from**

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<sup>43</sup> *Supra*. VDOE. *Superintendent's Annual Report*.

<sup>44</sup> The lower numbers of personnel classified as *Other Professionals* and *Trades, Labor, Operative, and Service* likely result from classification policy differences and out-sourcing certain responsibilities and tasks by Henry County and Martinsville City School Divisions.

<sup>45</sup> See full report, Phase III, page 109, pursuant to the justification for the reduction of administrative personnel.

**the Consolidation Incentive Program**

Potentially, a consolidation of Henry County and Martinsville City could experience the following annual costs, cost savings, and additional state aid realized through the Consolidation Incentive Program: Displayed below are several combinations that policymakers could select:

Combination 1:

**(\$431,527) Additional Costs.**  
 Current Martinsville City School Division teachers placed on the Henry County School Division salary scale/schedule;  
 \$1,230,197 **Additional State Aid.**  
 Consolidation Incentive Program, Full Use of the Martinsville City LCI; and  
 \$1,035,000 **Cost Savings.**  
 Reduction of Central Office Administrative Positions.  
**\$1,833,670 Total**

Combination 2:

**(\$431,527) Additional Costs.**  
 Current Martinsville City School Division teachers placed on the Henry County School Division salary scale/schedule;  
 \$612,686 **Additional State Aid.**  
 Consolidation Incentive Program, Use of the Martinsville City Median LCI; and  
 \$1,035,000 **Cost Savings.**  
 Reduction of Central Office Administrative Positions.  
**\$1,216,159 Total**

Combination 3:

\$466,466 **Cost Savings.**  
 Placement of both current Martinsville City and Henry County School Division Teachers on a Median Salary Scale/Schedule; and  
 \$1,230,197 **Additional State Aid.**  
 Consolidation Incentive Program, Full Use of the Martinsville City LCI; and  
 \$1,035,000 **Cost Savings.**  
 Reduction of Central Office Administrative Positions.  
**\$2,731,663 Total**

Combination 4:

\$466,466 **Cost Savings.**  
 Placement of both current Martinsville City and Henry County School Division Teachers on a Median Salary Scale/Schedule;  
 \$612,686 **Additional State Aid.**  
 Consolidation Incentive Program, Use of the Martinsville City Median LCI; and  
 \$1,035,000 **Cost Savings.**  
 Reduction of Central Office Administrative Positions.  
**\$2,064,152 Total**

Combination 5:

\$1,501,335 **Cost Savings.**  
 Current Henry County School Division Teachers were placed on the Martinsville City School Division Scale/Schedule;  
 \$1,230,197 **Additional State Aid.**  
 through the Consolidation Incentive Program, Full Use of the Martinsville City LCI; and  
 \$1,035,000 **Cost Savings.**  
 Reduction of Central Office Administrative Positions.  
**\$3,766,532 Total**

Combination 6:

\$1,501,335	<b>Cost Savings.</b> Current Henry County School Division Teachers were placed on the Martinsville City School Division Scale/Schedule;
\$612,686	<b>Additional State Aid.</b> Consolidation Incentive Program, Use of the Martinsville City Median LCI; and
\$1,035,000	<b>Cost Savings.</b> Reduction of Central Office Administrative Positions.
<b>\$3,149,021</b>	<b>Total</b>

The above combination of policy decisions all contain cost savings resulting from the reduction of administrative personnel that likely would be very controversial. Similar to other policy decisions, the decision to reduce the number of administrative personnel would be the prerogative of the elected officials who represent a consolidated school division. Not surprisingly, the combination of costs and cost savings that generate the largest amounts are likely to be the most controversial. Those policies that generate the smaller amounts are likely to be less controversial.

There are additional cost savings that may accrue from several services provided by a consolidated school division as identified in Phase I, page 14. These integrated services include the following: student transportation, operation and maintenance, school nutrition, fiscal affairs, and others.

**Phase IV: A Review of Capital Facilities for Henry County and Martinsville City School Divisions, FY 2013**

The Study Team visited each of the schools in Martinsville City and Henry County Divisions during February and March of 2013. Two Study Team members, M. David Alexander and R. G. Salmon, had also visited all schools in Martinsville City and Henry County in 2003 as part of the prior study. At that time, the Study Team recommended closure of several schools in both Henry County and Martinsville City School Divisions. Previously, in 1999, the Virginia Department of Education had recommended closure of Clearview Elementary and Patrick Henry Elementary schools in Martinsville City; Alexander and Salmon, in 2003, concurred with this recommendation. Also, the Study Team recommended that Henry County close Ridgeway Elementary and Spencer Penn Elementary Schools.

Subsequently, the Martinsville School Board closed Druid Hills Elementary and Clearview Elementary schools. The School Board repurposed Druid Hills Elementary School, which now serves as the Martinsville City School Board Office. Patrick Henry Elementary School has remained operational; but has undergone substantial renovations, including installation of air conditioning and upgraded lighting in 2006. Nevertheless, it still remains less than a suitable facility. The Clearview School was creatively turned into a Head Start Center with various other early education programs. The Henry County School Division closed Basset Middle, Fieldale Elementary, Figsboro Elementary, Irisbury Elementary, Ridgeway Elementary, and Spencer Penn Elementary schools. Also, Fieldale-Collinsville High and Laurel Park High schools were converted into middle schools while Drewry Mason Middle, Carver Middle and Axton Middle schools were repurposed into elementary schools.

While substantial progress has been made by Martinsville City School Division by the closure of two schools; however, as mentioned above, Patrick Henry Elementary

School remains problematic. In summary, during SY 2003-2004, Martinsville City operated six facilities while currently four are operational, one high school, one middle school, and two elementary schools. Henry County closed six schools and renovated several schools over a six-year period; nevertheless, despite the commendable outlay of resources, several schools still need to be renovated. Previously, Henry County operated 20 facilities in SY 2003-2004; currently, 14 are operational, including 2 high schools, 2 middle schools and 10 elementary schools.