

# FISCAL NOTE

**Bill #:** SB0099

**Title:** Statewide teaching salary schedule

**Primary**

**Sponsor:** Sam Kitzenberg

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
-------------------	------	---------------------------------	------

## Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<b>Expenditures:</b>		
General Fund	61,958,484	67,198,484
<b>Net Impact on General Fund Balance:</b>	(61,958,484)	(67,198,484)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

## Fiscal Analysis

### ASSUMPTIONS:

1. Based on school district personnel assignment reports submitted to the Office of Public Instruction in FY 2000, there are 11,125 FTE teachers and specialists employed in Montana's public schools.
2. SB99 establishes a 15-step pay schedule for all Montana public school teachers. The schedule's steps are "stair cased" so that fewer steps are provided at the lower end of the educational attainment matrix and more steps are provided in the upper ranges.
3. SB99 establishes 10 educational attainment lanes ranging from BA to BA+90 semester credits.
4. The index value of each step or lane increment in SB 99's salary structure is 3% (i.e. Each step is worth 3% more than the step above it and each lane is worth 3% more than the lane value to its immediate left.)
5. SB99 requires the state to pay the difference between the district's current base salary and the minimum base salary established in Subsection (1)(a) of SB99.
6. Districts will increase salaries 2.5% per year.
7. The CPI will increase 3% in from December 2001 to December 2002.
8. The State will pay the benefit cost associated with the increased pay.
9. Based on a sample of school districts, raising the level of Montana teacher salaries to the level proposed in SB99 will require a 9.6% increase in FY2002. The additional scheduled salary cost is projected to be

(continued)

\$40.4 million in FY2002 and \$44.2 million in FY2003; the additional payroll costs for TRS and FICA employer contributions are projected to be \$6.1 million in FY 2002 and \$6.6 million in FY 2003.

Combined salary and payroll costs are projected to be \$46.5 million in FY2002 and \$50.8 million in FY2003.

10. Section 1(4)(a) of SB99 provides for a state-paid 5% longevity payment to all employed educators having 20+ years of TRS credited service. Assuming 3,000 educators qualify for an average of \$2,000 the cost would \$6.0 million per year.
11. Section 1(4)(b) provides an additional longevity payment of 3% for educators having 25+ years of TRS credited service. Assuming that 1,000 educators qualify for these longevity payments, which average \$1,200, longevity costs are projected to be \$1.2 million per year.
12. Section 1(5) of SB99 provides for state-paid stipends for holders of masters or doctoral degrees, holders of national board certification, student teacher advisors, and teachers assigned to a PIR-committee. Combined annual costs for these stipends could exceed \$8 million.
13. It is assumed that the Office of Public Instruction will be the state agency designated to make payments to approximately 10,000 teachers annually for salary and payroll taxes, longevity increases, and stipends. Four FTE (2 -Grade 16 and 2-Grade 14) will be needed to administer this program. The appropriation necessary for designing an automated system to manage and process salary information from 450 school districts is \$100,000. The majority of the cost of the automated system will be incurred in FY02.

FISCAL IMPACT:

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
FTE	4.0	4.0

Expenditures:

Personal Services	178,484	178,484
Operating Expenses	80,000	20,000
Transfers	<u>61,700,000</u>	<u>67,000,000</u>
TOTAL	61,958,484	67,198,484

Funding:

General Fund (01)	61,958,484	67,198,484
-------------------	------------	------------

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(61,958,484)	(67,198,484)
-------------------	--------------	--------------

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. School district expenditures may increase substantially as a result of state salary supplements.
2. School districts may shift a portion of their salary costs to the state to the extent district salary increases do not keep up with the growth in SB99 schedules. This may result in reduced local taxes or increased expenditures on other items by the district. If district salary increases exceed the growth in the CPI state supplements will be reduced shifting costs to the district.

LONG-RANGE IMPACTS:

1. The cost of this program will increase in FY04 with the expansion of the longevity allowance of 8% to employees who have completed 25 or more years of service.

(continued)

2. Future increases in the state support for teacher salaries under this bill will depend on the rate of increase of district salaries in relation to growth in the salary schedule in SB99. The schedules in SB99 will increase by the growth in the CPI. If districts increase salaries slower than the CPI the state cost will rise.

TECHNICAL NOTES:

1. SB99 does not indicate which state agency will be responsible for payments to school districts. This fiscal note assumes that the Office of Public Instruction will be the administering agency.
2. The bill requires the state general fund to pay for increases in “base salary” leaving it unclear if employee benefits on the additional sums are to be paid by the district or the state. In this note it is assumed the state general fund would pay these costs.
3. Section 1(4) indicates the state will pay the costs in years after FY02 for differences between district salary schedules and the schedule in SB99. Section 1(2) requires the district to pay at least the salary level in SB99 with no mention of state supplement.