FISCAL NOTE

Bill #:	SB0101	**Title:**	Referendum for statewide teacher salary Schedule
Primary Sponsor:	Sam Kitzenberg	**Status:**	In First House--Introduced

____ Sponsor signature Date

____ Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	**FY2003 Difference**
Expenditures:		
General Fund	$69,621	$65,053,284
Net Impact on General Fund Balance:	**($69,621)**	**($65,053,284)**

Yes	**No**		**Yes**	**No**	
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. SB 101 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.
2. SB 101 establishes 10 educational attainment lanes ranging from BA to BA+90 semester credits.
3. The index value of each step or lane increment in SB 101'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.)
4. SB101 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 SB 101.
5. The state will pay the benefit cost associated with the increased pay.
6. Based on a sample of school districts, raising the level of Montana teacher salaries to the level proposed in SB 101 will require a 10.2% increase of overall statewide teacher salaries in FY03. The additional scheduled salary cost in projected to be $44.2 million; the additional payroll costs for TRS and FICA employer contributions are projected to be $6.6 million. Combined salary and payroll costs are projected to be $50.8 million above projected FY02 costs for teacher salaries.

7. Section 1(4) of SB 101 provides for a state-paid 5% longevity payment to all employed educators having 20+ years of TRS credited service. In FY04 the longevity payment increases to 8% for educators having 25+ years of TRS credited service. The average cost of the 5% increment would be $2,000 in FY03 and 3,000 educators qualify for these longevity payments at a total cost of $6.0 million
8. Section 1(5) of SB 101 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.
9. Total SB 101 costs for scheduled salary, associated payroll taxes, longevity and stipends is estimated to be $64.8 million in FY03.
10. 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.
11. SB 101 is effective upon approval by the electorate and applies to school years beginning on or after July 1, 2002. OPI will need to bring on staff in April 2002 in order to be ready to implement the requirements of SB 101 if the electorate approves it in November 2002.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
FTE	1.0	4.0
Expenditures:		
Personal Services	44,621	178,484
Operating Expenses	25,000	75,000
Transfers		64,800,000
TOTAL	69,621	65,053,484
Funding:		
General Fund (01)	69,621	65,053,484
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	(69,621)	(65,053,484)

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 SB101 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.

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 SB101. The schedule in SB101 will increase by the growth in the CPI. If districts increase salaries slower than the CPI the state cost will rise.

TECHNICAL NOTES:

1. SB 101 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.