

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 714 Third Edition

**SHORT TITLE:** Compensation/Public Schools Employees/Active Duty

**SPONSOR(S):** Senator Hartsell

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>
<b>EXPENDITURES (in millions)</b>					
State	<b>\$1.5</b>	<b>**See Assumptions &amp; Methodology Section**</b>			
Local	<b>\$0.5</b>	<b>**See Assumptions &amp; Methodology Section**</b>			
Charter Schools	<b>\$0.1</b>	<b>**See Assumptions &amp; Methodology Section**</b>			
<b>POSITIONS:</b>	<b>N/A</b>				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> State Public School Fund, Local Boards of Education, Charter Schools.					
<b>EFFECTIVE DATE:</b> July 1, 2002.					

**BILL SUMMARY:** The bill amends public schools personnel statute to require that the State Board of Education (State Board) “adopt rules relating to leaves of absence, without loss of pay or time” for periods of military training, State or federal military duty, or for special emergency management service.” The new rules must include provision that (i) the State pay any salary differential to employees in State-funded positions, (ii) the local board of education pay any salary differential to employees in locally-funded positions and the local supplement for employees in State-funded positions, and (iii) charter schools pay any salary differential to charter school employees.

**ASSUMPTIONS AND METHODOLOGY:** Current Military Leave policy for public schools employees<sup>1</sup> provides that individuals on unpaid leave will retain accumulated sick leave and continue to earn State service credit and time toward salary increases. Current policy does not provide, however, for payment of salary differential to employees in all cases of military leave.

<sup>1</sup> Public Schools Benefits & Employment Policy Manual, [www.ncpublicschools.org/benemanual/military.htm](http://www.ncpublicschools.org/benemanual/military.htm)

The bill requires that no public school employee shall be paid less, as a result of being on military leave, than the salary they would have received at the public school in which they are employed. To meet this requirement, the State, local boards, and charter schools will increase expenditures for payment of salary differential that is not required under current statute.

These increased expenditures are assumed to be necessary only in a time of significant and/or protracted military engagement. This analysis assumes that the level of military activity occurring in FY 2002-03 will decline gradually in FY 2004-05 and that public school personnel will be able to fully resume their roles in the public schools by the beginning of the 2004-05 school year. As it would not be practical to attempt to predict when in the next five fiscal years another significant military event might occur, the analysis assumes that the costs associated with the bill are limited to FY 2002-03.

### **State Expenditures**

The bill requires the State to “pay any salary differential to employees in State-funded positions.” This analysis assumes:

1. 120 certified and 30 non-certified State-funded employees on active duty in FY 2002-03; average monthly salary and benefits (except health care<sup>2</sup>) for certified employees of \$4,208
2. Average military rank of employees: sergeant, E-7 (midrange salary of \$2,990/month)
3. Average salary differential: \$1,218 per month or \$12,180 annually
4. Average monthly military salary for the non-certified employees is higher than their average monthly public school salaries. Therefore, there would be no salary differential to pay.

Using these assumptions, total increased State expenditures for payment of salary differential will be \$12,180 X 120 certified employees = \$1,461,600.

### **Local Board Expenditures**

Local expenditures will be comprised of two components:

1. Payment of local supplements
2. Payment of locally funded-employees

Precise estimates of increased local expenditures for either local supplements or number of locally-funded employees affected are not available at this time. Based on the assumptions described below, the total increased local expenditures are estimated to be approximately \$461,880.

Assuming the average annual local teaching supplement is \$2,631,<sup>3</sup> the total cost for 120 certified personnel would be \$315,720. Information on additional supplements for extra duties, additional local benefits, etc. are not available at this time, however. Thus, it would be reasonable to assume that this cost is understated. To the extent that the bill does not intend for

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<sup>2</sup> Health care benefits are provided by the military while the employee is on active duty.

<sup>3</sup> Department of Public Instruction website

local boards to pay employees the entire local supplement (see Technical Considerations section of this analysis), the cost may be overstated.

Based on the number of State-funded teachers on leave, and the of State-funded to locally-funded certified personnel (about 10:1), it seems reasonable to assume that some small number on the order of 10-12 locally-funded personnel will qualify for differential pay. Assuming the same salary figures as used above for State funded teachers, it is possible that local boards' expenditures for differential pay will increase by up to approximately \$146,160.

### **Charter School Expenditures**

An estimate of how many charter schoolteachers are on military leave is not available at this time. Based on the number of public school teachers on leave, it seems reasonable to assume that some small number on the order of 5-10 might qualify for the differential pay. Assuming the same salary figures as used above for State funded teachers, it is possible that charter schools' expenditures will increase by up to approximately \$120,000. It is unlikely that any one school will experience an increase of more than \$25,000 (the differential pay for two teachers).

**SOURCES OF DATA:** Department of Public Instruction

### **TECHNICAL CONSIDERATIONS:**

1. As written, the bill requires that the State pay "any salary differential" for employees in State funded positions, while the local boards of education pay "the local supplement." This could be interpreted as requiring both that the State make up the entire differential and that local boards of education pay the entire local supplement that would have been paid to the employee. In this scenario: (a) both the State's and local boards' expenditures will be greater than if each was simply required to pay their proportionate share of any differential, and (b) the employee will in fact earn more than he or she would have in the absence of the military leave. In order to remove any potential confusion regarding how the policy is to be implemented, it may therefore be necessary to amend the bill to clarify exactly the portion of compensation for which each party is responsible.
2. The bill's effective date of July 1, 2002, requires that public school personnel be paid retroactively for salary differential that was uncompensated in the FY 2002-03. The Department of Public Instruction has indicated that it will need to run a supplemental payroll in order to account for these special payments. The bill does not identify a funding source for the payments, however. Assuming that the payments are to be made in FY 2002-03 from funds appropriated for FY 2002-03, the bill would need to identify a source for the funds. If the payments are in fact made in FY 2003-04, a similar problem will exist. The bill needs to identify an appropriation for FY 2004-05 that will support the payments.

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**DATE:** May 27, 2003



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