



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Fiscal Note

Short Title: Restore Master's Pay for Certain Teachers.
Bill Number: Senate Bill 28 (First Edition)
Sponsor(s): Sen. Britt, Sen. Horner

SUMMARY TABLE

	FISCAL IMPACT OF S.B. 28, V.1 (\$ in millions)				
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures					
Currently Eligible Positions	6.8	7.1	7.2	7.5	7.8
Longer-Term Impact	Likely Budget Cost - Refer to Fiscal Analysis Section				
General Fund Impact	(6.8)	(7.1)	(7.2)	(7.5)	(7.8)
NET STATE IMPACT	(\$6.8)	(\$7.1)	(\$7.2)	(\$7.5)	(\$7.8)

* Estimates adjusted for inflation based on projections of the NIPA Compensation Index (Moody's Analytics-Dec 2018)

FISCAL IMPACT SUMMARY

The bill repeals the sunset of graduate degree salary supplements provided to teachers employed in positions where a graduate degree is not required for licensure. The reauthorization of the salary supplements for these employees who spend at least 70% of their work time in classroom instruction related to their field of graduate preparation has two notable projected fiscal impacts: 1) Existing teachers who would immediately qualify for the salary supplement under the bill, but are ineligible to receive the supplement under current law, and 2) Teachers without a graduate degree who would now have a financial incentive to pursue a graduate degree.

This analysis finds that the bill would have an immediate \$6.8 million fiscal impact on the State due to employees becoming eligible for the supplement, with the potential for additional future costs that could be mitigated with less generous base teacher salary schedule increases.

FISCAL ANALYSIS

Prior to S.L. 2013-360, as amended by S.L. 2014-100, teachers and instructional support personnel paid in accordance with the teacher salary schedule were eligible to earn the following State-funded salary supplements:

Master's Degree
10% of base salary

Advanced Degree
\$126 per month

Doctoral Degree
\$253 per month

National Board
12% of base salary

The aforementioned legislation sunset the master's, advanced, and doctoral degree supplements for teachers and instructional support personnel who did not need the graduate degree for licensure if they had not completed a graduate level course prior to August 2013.

Immediate Cost

Based on licensure data obtained by the Department of Public Instruction (DPI), there are approximately 1,941 employees who have a license at the master's, advanced, or doctorate level but do not currently receive a salary supplement due to Section 8.22 of S.L. 2013-360, as amended by Section 8.3 of S.L. 2014-100. The total cost to reinstate the graduate degree salary supplements in their prior form for the 1,750 employees supported from State or local funds is approximately \$8 million, with the funding source split approximately 80% State-funded and 20% locally-funded. Since school districts have some flexibility in determining which employees to pay from the various allotments provided by the State, this analysis assumes that the State would shoulder the total cost of the supplement reinstatement as school districts optimize funding sources supporting their workforce.

While the bill repeals the relevant sections from S.L. 2013-360 and S.L. 2014-100, it also alters supplement eligibility requirements when compared to the previous supplement policy. The bill differs from the prior policy in a few ways, most notably:

- Instructional support personnel are excluded from supplement eligibility if graduate education is not required for licensure, and
- The teacher must spend 70% or more of their work time in classroom instruction related to their academic preparation or subject area within their area of licensure (previously 50% or more)

Based on available position data, teachers account for approximately 85% of the aggregate position count for teachers and instructional support personnel. However, a larger percentage of instructional support personnel are in positions where graduate level academic preparation is required for licensure, and are therefore already eligible for the salary supplements. This would suggest that teachers would account for a slightly larger portion of the \$8 million total cost than 85%. However, this analysis will use the 85% assumption as there is insufficient data to estimate the cost reduction impact of the 70% workday requirement versus the previous 50% requirement. As a result, this analysis assumes the immediate cost to reinstate the graduate degree supplements as defined in the bill is \$8 million x 85% = \$6.8 million.

Future Cost

The reinstatement of salary supplements for graduate degrees would likely increase future costs related to teacher compensation compared to current law, as teachers would have a financial incentive to pursue graduate academic preparation, increasing the number of employees paid a salary supplement compared to the status quo. While the impact of the sunset of salary supplements for graduate degrees has not yet become noticeable in the aggregate teacher



workforce, the impact on the number of teachers obtaining graduate degrees is more apparent in early career teachers as displayed in the following table.

Teachers/ Instructional Support Personnel Receiving Graduate Degree Salary Supplement (%)									
Years of Experience	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	18.8%	20.4%	19.4%	22.8%	23.7%	20.1%	16.6%	11.2%	8.9%
2	20.8%	19.7%	23.6%	22.3%	27.0%	27.1%	21.3%	14.3%	10.8%
3	22.9%	23.8%	25.3%	25.5%	27.7%	29.5%	26.8%	20.1%	15.7%

Note: Excludes beginning teachers (0 years of experience) due to data quality issues. Excludes speech pathologists, school psychologists, and audiologists. Source: Department of Public Instruction

If the existing teacher salary schedule remained unchanged over time, funding needed to support the teacher salary schedule would likely decrease as employees eligible for the graduate degree supplement retire or leave the profession in future years. Therefore, reinstating the salary supplements would place additional cost on the State relative to current law.

To gauge the fiscal impact of the financial incentive of the graduate degree salary supplement, this analysis compared the 2017 teacher workforce (post-supplement sunset) to the 2012 workforce (pre-supplement sunset) to estimate the additional number of teachers who would be paid a salary supplement if the sunset had not occurred. Applying the current salary schedule to a comparison of the 2017 actual workforce versus the 2017 workforce adjusted to mirror the percentage of teachers paid a graduate degree salary supplement in 2012 yields an additional State cost of approximately \$17.5 million. While \$6.8 million of this total is captured earlier in this analysis due to teachers who obtained a graduate degree without the salary supplement incentive, the net difference between the \$17.5 million estimate and the \$6.8 million estimated earlier in this analysis (\$10.7 million) provides direction on the fiscal impact of the financial incentive of the graduate degree salary supplements since the 2013 sunset. If the salary supplements were restored and no future increases were made to the base teacher salary schedule, the future impact would likely increase from this estimate.

With the exception of the most recent recession and its aftermath, the General Assembly has increased pay under the teacher salary schedule in most years¹. Assuming that the General Assembly continues to increase teacher and instructional support salaries by increasing the base teacher salary schedule, the General Assembly could provide smaller increases to the base schedule to offset the fiscal impact of restoring graduate degree salary supplements. Therefore, this analysis assumes that the bill will have a likely ongoing budget cost above the \$6.8 million required to compensate current employees who would become eligible under the bill, but the amount is indeterminable because it depends on future General Assembly actions.

¹ https://www.ncleg.gov/FiscalResearch/statistics_and_data/statistics_and_data_pdfs/salaries_benefits/Historical_LSI-2018-19.pdf

DATA SOURCES

Department of Public Instruction.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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