



SAFC FY22 – Curriculum Budget Report

Report Author: Joel Gordon, AFC Representative from Amherst

Report Date: December 10, 2020

Subcommittee Meeting Date: November 5, 2020 3-5PM

Attendees:

Stephanie Grund, SAFC Ex-officio Member, SCSB Member

Stephen Coughlin, SCSB Member

Michelle Croteau SAU Business Administrator

Michael Berry, SHS Principal

Christine Landwehrle, Asst Superintendent

Joel Gordon, SAFC Committee Member

Financial Summary :

Following the initial release of the budget, two FTE's were removed from the curriculum budget reducing that budget by \$233k, comprised of \$146.6k of direct salary reductions and \$86.5k in benefits

FY22 Curriculum Budget adjusted: \$7,595,214/ 39% of total budget

Change from FY21 Budget: +\$406,675/ Increase YOY 5.7%

Change from 3- year average: +\$432,414/ Increase 4.7%

Discussion:

The curriculum portion of the budget accounts for 39% of the overall school budget.

Teacher salaries and teacher benefits make up 92% of the curriculum portion of the budget at \$4.5 million and \$2.4 million, respectively.

- Teacher's direct salary expenses are up \$135k or 3.1%, generally in line with expectation from the PPC agreement.
- Teachers benefits expenses are up \$269k, or 12% over the current FY21.

The key drivers:

Benefits: Benefits are all non-direct compensation costs including medical, dental, life and disability insurances, Social Security, Medicare, NH Retirement and 403B contributions.

- The contribution to the NH Retirement System is increasing over 28% from \$780k in FY 2021 to just over \$1MM in the proposed budget.
 - The current contribution rate for FY22 and FY23 has been set at 21% of compensation.

RECOMMENDATION: The SAU should create a working group/subcommittee to better inform the citizens on the expectation for future retirement expenses and their impact to the school budgets over time. The SAU should be exploring options that might be available for managing this considerable cost component of the budget, including legislative initiatives.

- Scheduled matching contributions of \$302k to the 403B retirement plan is up 10% or \$29k.
 - <https://www.sau39.org/site/handlers/filedownload.ashx?moduleinstanceid=4026&dataid=7895&FileName=GCBDA-Approved-May2020.pdf>
 - In the most recent PPC Agreement, the SAU agreed to increase the 1:1 match in steps up to 1% over the Social Security Contribution Rate. Without taking into account salary increases, this provision builds in an increase by about 3.5% annually.
 - As recently as 2011, the SAU matched 85% of the employee contribution to their 403B.
- The cost of health insurance is scheduled to increase \$75K or 8.7% for FY22. In FY21 the increase in premiums was 2.3%.
 - **Waiver of Health Benefits:** Pursuant to the PPC Agreement, teachers may waive their health insurance through the SAU if they have coverage via an alternative source in exchange for a \$1,200 per year stipend. Of the 58.3 FTEs, thirteen currently are enrolled in this option. Savings to the SAU range from \$12,000 to \$22,000 per year per enrollee depending upon the type of plan (individual/family) and the selection of the plan itself.

RECOMMENDATION: Given the potential savings, encouraging employees that are eligible to move on to partner plans should be evaluated. The expectation is that the decision of whose health insurance a family selects is based on price and quality of the plan. If a more significant rebate could be offered to incent more participants, it could provide potential savings. The SAU did a survey of potentially eligible employees within its budget, SCSB should do the same.

Salaries: Includes direct compensation comprised of salary and longevity premiums. As noted earlier, teacher salaries as adjusted are budgeted at \$4,495,614, up \$137k or 3.1% following the removal of two positions that were cut from last year’s budget (although not specifically designated) resulting in 58.3 FTEs for FY22.

FY22 will be the second year of a four-year PPC agreement approved in March 2020 for the FY21 school year. The PPC Agreement is a “policy” of the district laying out specifics on how it compensates its teachers and professional staff. Although discussed as a policy, it is treated as a fixed contract similar to a collective bargaining agreement to the extent that the policy-based wage increases are considered an obligation when crafting the default budget – as such the default budget for salaries is identical to the proposed budget.

RECOMMENDATION: Consideration should be given to the policy decision of treating the PPC as a contractual obligation with evergreen salary increases. At a minimum, upon the expiration of the agreement, no increases should be included in the default budget.

The PPC agreement includes a salary table with 17 steps for longevity, with movement up the matrix by one step for each year of continued service. In addition, there are 30 lanes representing educational advancements/qualifications (i.e.: 10 college credits) where completion of approved coursework results in a lane change and a concomitant salary increase. Within each table, salary steps range from a low of \$120 per year (moving from first to second year), to a high of \$1,920 for an experienced teacher moving to the 16th level. The full range of these longevity steps for FY22 is \$17.3k for the lowest qualified teacher (Lane A), and \$23k for the most qualified (Lane AD), the average of those step changes is 1.4%, although less experienced teachers earn a slightly higher percentage than more senior teachers, albeit the actual dollars are less.

Lane changes across all 30 lanes are generally \$882 per lane, irrespective of longevity resulting in across the board increase of \$31.3k across all lanes.

Of interest, the underlying matrix in each year of the PPC agreement is adjusted, thus, the FY22 matrix has already included a built-in increase at each of the 16 steps from the FY21 matrix. Therefore, when moving from one year to the next, not only would a teacher increase a step, but would do so on a new matrix with a higher base from which to step. The outcome for FY22 is an average 3.3% increase of built-in wage growth (across all steps, not teacher specific).

Adding to the above, an increase in both step and lane change from FY21 to FY22 would result in an average 5.3% increase for less qualified teachers, 4.7% for middle range, and 4.1% for highly qualified teachers. And in cases where teachers achieve a three-lane certification, that annual increase could be over 7% in a single year for a mid-level teacher (P6).

Finally, the matrices under this agreement generally result in higher percentage increases as teachers accrue more longevity, effectively accelerating the percentage wage growth the longer the teachers remain in the system as shown in the chart below:

Percentage increase YOY Plus Increasing A Step

	A	B	C	D	E	F	G	H	I	J
[Step 0]										
(Step 1)	3.1%	3.0%	3.0%	2.9%	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%
(Step 2)	3.3%	3.2%	3.2%	3.1%	3.0%	3.0%	2.9%	2.9%	2.8%	2.8%
[Step 3]	3.4%	3.4%	3.3%	3.3%	3.2%	3.1%	3.1%	3.0%	3.0%	2.9%
[Step 4]	3.6%	3.5%	3.5%	3.4%	3.3%	3.3%	3.2%	3.2%	3.1%	3.1%
[Step 5]	3.7%	3.7%	3.6%	3.5%	3.5%	3.4%	3.4%	3.3%	3.3%	3.2%
[Step 6]	3.9%	3.8%	3.7%	3.7%	3.6%	3.6%	3.5%	3.4%	3.4%	3.3%
[Step 7]	4.0%	3.9%	3.9%	3.8%	3.7%	3.7%	3.6%	3.6%	3.5%	3.5%
[Step 8]	4.1%	4.0%	4.0%	3.9%	3.9%	3.8%	3.7%	3.7%	3.6%	3.6%
[Step 9]	4.2%	4.2%	4.1%	4.0%	4.0%	3.9%	3.9%	3.8%	3.8%	3.7%
[Step 10]	4.3%	4.3%	4.2%	4.1%	4.1%	4.0%	4.0%	3.9%	3.9%	3.8%
(Step 11)	4.4%	4.4%	4.3%	4.2%	4.2%	4.1%	4.1%	4.0%	4.0%	3.9%
(Step 12)	4.5%	4.5%	4.4%	4.3%	4.3%	4.2%	4.2%	4.1%	4.1%	4.0%
(Step 13)	2.3%	2.3%	2.3%	4.4%	4.4%	4.3%	4.3%	4.2%	4.2%	4.1%
(Step 14)	2.3%	2.3%	2.3%	4.5%	4.5%	4.4%	4.4%	4.3%	4.3%	4.2%
(Step 15)	2.3%	2.3%	2.3%	4.6%	4.6%	4.5%	4.4%	4.4%	4.3%	4.3%
(Step 16)	2.3%	2.3%	2.3%	4.7%	4.7%	4.6%	4.5%	4.5%	4.4%	4.4%

RECOMMENDATION: It is unclear whether anyone understands the trajectory of these salary tables. Being able to obtain a multiyear projection of future costs of existing teaching staff was not readily available. It should be clear what the salary obligations will be for every returning teacher by October of the year prior to the FY for the foreseeable future, and this should be scheduled out in a multi-year plan. Given the expectation for increasing qualification of existing teachers to support the dual enrollment policy, there should also be a longer-term plan for how the lane changes will impact future operating

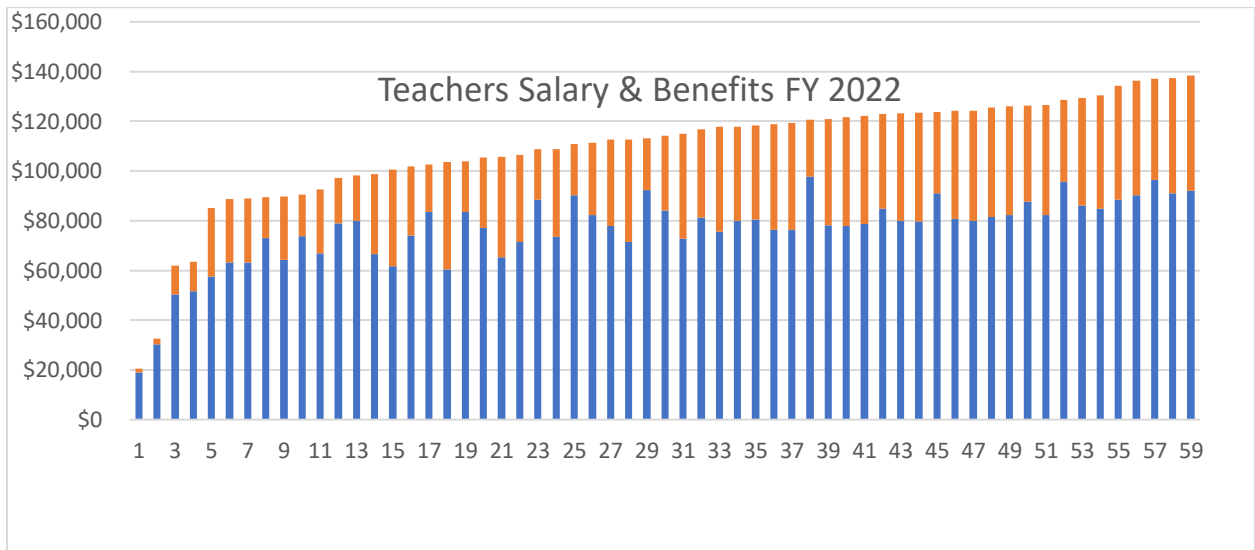
budgets. Specifically, how many targeted development programs will be required/offered over the next several years. This FY22 budget includes \$170M in development funding, of which \$7,500 is targeted.

COMMENT: As the SAU continues to advance under its vision for dual fuel enrollment with the concomitant need for teacher certifications, it is unclear how many lane changes will be expected from the existing professionals staff to execute under that strategy, or in the alternative, whether new hiring criteria will result in significantly more qualified teachers being hired at higher average salaries.

Other Curriculum line items total \$495k – down \$35k or 6.6% from FY21.

- Of these, there are over a dozen different line items comprising various types of professional development which combined total \$171k, the largest component of which, at \$80k, is Faculty Development. The net for these line items is a reduction of 2.1% YOY.
- Substitutes and Clerical support comprise \$99M of Other Curriculum, up 1.7% YOY.
- The remaining \$225k represent cuts from FY21 of 13.7% (-\$33k) for items such as textbooks, classroom supplies, and music program expenses.

The following is a histogram of the salary and benefits expense for each of the position listed in the



After removing the two and one-half vacant positions the total position count remains at 58.3 FTE with an average salary of \$76,384 and a median of \$79,662. This compares to the prior year where the average salary was \$75,132 and median of \$76,746, and increase of 1.7% and 3.8%, respectively. The highest level salary is \$97,620 in 2022, and highest fully load salary & benefits is \$138,502.