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FISCAL IMPACT STATEMENT

LS 6621

BILL NUMBER: HB 1343

NOTE PREPARED: Jan 11, 2021

BILL AMENDED:

SUBJECT: Minimum Teacher Salary.

FIRST AUTHOR: Rep. Andrade

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that, for a school year beginning after June 30, 2021, the minimum annual salary for a full-time teacher employed by a school corporation may not be less than \$50,000. The bill also provides that each full-time teacher employed by a school corporation shall receive a bonus of \$1,000, not based on performance, from the school corporation for hardships related to teaching during the 2020-2021 school year due to the coronavirus disease (COVID-19).

Effective Date: July 1, 2020 (retroactive).

Explanation of State Expenditures: *Hardship Bonus:* The bill requires school corporations to pay a bonus of \$1,000 to all teachers for hardships related to teaching during the 2020-2021 school year. The bonus would be paid in FY 2021. While the bill does not make an appropriation, state funding assistance would likely be necessary in order for school corporations to be able to give all full-time teachers a \$1,000 bonus. The bonus is expected to increase school corporations' expenditures by \$56 M in FY 2021. [See *Explanation of Local Expenditures* for additional details.]

Salary Floor: The bill does not include an appropriation or increase state tuition support, but for school corporations to feasibly pay all full-time teachers at least \$50,000, state tuition support would need to increase. The bill is expected to increase school corporations' spending by roughly \$199 M to \$216 M in FY 2022. [See *Explanation of Local Expenditures* for additional details.]

Teachers' Retirement Fund (TRF): Increasing teacher salaries for active members of the TRF would include both members in the '96 Fund as well as members in the Pre-'96 Fund and could increase the pension benefit that members are eligible for at retirement. Pension benefits are calculated using an average of the highest

20 quarters of salary. Teachers who started working before July 1, 1995, are members of the TRF Pre-'96 Fund. The TRF Pre-'96 Fund is a pay-as-you-go plan that is paid for through the Pension Stabilization Fund by General Fund appropriations, interest, and lottery revenue.

Explanation of State Revenues:

Explanation of Local Expenditures: *Hardship Bonus:* LSA estimates that there were just under 56,000 full-time teachers in school corporations in FY 21, so the \$1,000 hardship bonus would increase expenditures by approximately \$56 M.

Salary Floor: School corporations would be required to spend an additional \$199 M to \$216 M in FY 2022 to get all full-time teachers' salaries to at least \$50,000. In order to keep salaries at this level, school corporations would need to continue to spend a similar amount in FY 2023. Over time, as inflation causes salaries, and presumably state tuition support, to rise, the additional expenditure required to pay full-time teachers a minimum of \$50,000 would decrease. While school corporations could pay for a portion of the salary increase required in the bill by reducing expenditures in other areas, they would ultimately need state tuition support increases to pay for the vast majority of the salary increase.

Teacher Salaries and Benefits: The bill could increase local expenditures for teacher salaries and benefits. Teacher retirement benefits for members of the TRF '96 Fund are paid for through employer contributions as a percentage of salary. In FY 2021, school corporations will contribute 5.5% of salary to the TRF '96 Fund for teacher retirement for members of the TRF '96 Fund. The increase in teacher salaries proposed by this bill would reduce the funded status of the fund and would likely require an increase in the actuarial defined contribution rate and employer contribution rate. A more precise impact could be obtained by conducting an actuarial analysis of the proposal.

Additional Information- A join of the certified employee (CE) and certified position (CP) data that DOE collects was used to determine teacher salaries. The CE data has information on teacher experience, education, and salary. The CP data has the personnel codes of non-teaching positions. By combining these two datasets, the LSA was able to discern the count and salary of teachers for the past three school years. For this analysis, teachers making less than the minimum annual salary in the Indiana Education Employment Relations Board's Collective Bargaining Statewide Summary Report were excluded, as many are not full-time teachers or may simply be data errors.

The high end of the estimated expenditure increase uses FY 2020 salaries to find what the cost of the bill would have been in FY 2020. The low end of the estimate grows FY 2020 salaries by the annual percentage increase in salary for all teachers making less than \$50,000 annually from FY 2018 through FY 2020 in order to estimate FY 2021 salaries. Neither of the estimates account for an increase in the number of new teachers, but the actual expenditure increase is still likely to fall within the range provided. However, there are two factors that could impact the accuracy of the estimate:

1. The estimate assumes that all full-time teachers who currently make less than \$50,000 would all be paid exactly \$50,000, and teachers currently making \$50,000 or more would not be impacted by the bill. If schools wanted to pay some teachers more based on experience, education, and other factors, the cost could increase substantially.
2. School corporations may have directed larger salary increases towards teachers making less than \$50,000 in FY 2021 than they had from FY 2018 through FY 2020, thus decreasing the cost to get all teachers' salaries to \$50,000.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: School corporations.

Information Sources: DOE certified employee and certified position data, LSA Education Database, Indiana Education Employment Relations Board's Collective Bargaining Statewide Summary Report.

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