SUMMARY

Two programs in the Minimum School Program (MSP) provide additional compensation to qualifying educators. These programs include the Educator Salary Adjustment and the Teacher Salary Supplement programs. Qualifying educators receive a specific dollar amount as part of their total compensation. The appropriation for each program also includes an amount to help LEAs pay the employer-paid benefits costs associated with the compensation adjustments.

Employer-Paid Benefits

The following employer-paid benefits are included in the compensation adjustments: Retirement, Workers Compensation, Social Security, and Medicare. A 24.16 percent add-on is included in the appropriation for each program to pay these costs. Chart A provides a breakdown, by percentage, for each of these factors.

STATUTORY AUTHORITY

Governing statutes for each program contain similar language requiring the ongoing maintenance of the compensation adjustments into the future.

Educator Salary Adjustments

Utah Code (53A-17a-153) states that “subject to future budget constraints, the Legislature shall appropriate sufficient money each year to (i) maintain educator salary adjustments provided in prior years; and (ii) provide educator salary adjustments to new employees.” Statute continues by directing the Legislature to provide funding for employer-paid benefits, namely, “money appropriated for educator salary adjustments shall include money for the following employer-paid benefits: (i) retirement; (ii) worker’s compensation; (iii) Social Security; and (iv) Medicare.”

Teacher Salary Supplement

Utah Code (53A-17a-156) includes similar language, “subject to future budget constraints, the Legislature shall annually appropriate money to the Teacher Salary Supplement Restricted Account established in Section 53A-17a-157 to fund the Teacher Salary Supplement Program.” Statute continues with language on employer-paid benefits, namely, “money appropriated for the Teacher Salary Supplement Program shall include the following employer-paid benefits: (i) retirement; (ii) worker’s compensation; (iii) Social Security, and (iv) Medicare.”

RETIREMENT RATE IMPACTS

Over the past several years, the Legislature has provided additional funding for each program. The funding increases covered the costs associated with providing the compensation adjustments to additional qualifying educators. However, due to the economic downturn, changes in the percentages for employer-paid benefits were not funded.

Over the past couple of years, the retirement rate has increased from 15.72 percent to 18.76 percent in FY 2013 and again to 20.32 percent in FY 2014. Both changes result in a 4.74 percent increase to the employer-paid benefit percentage, for a total of 28.9 percent.

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Chart A: Employer Paid Benefits

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Percent</th>
</tr>
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<tbody>
<tr>
<td>Retirement</td>
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<tr>
<td>Workers Compensation</td>
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<tr>
<td>Social Security</td>
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<tr>
<td>Medicare</td>
<td>1.45</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>24.16</strong></td>
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Cost Estimates

The following bullets estimate the cost of providing retirement rate changes for each program. These are preliminary estimates, as the General Session nears these estimates will be updated based on the number of qualifying educators and retirement rates. Utah is facing multiple years of retirement rate increases to cover fund losses due to the economic downturn. These increases will continue to impact the cost of these programs into the future.

Each estimate below is for FY 2014 and includes an estimated total employer-paid benefits percentage of 28.9 percent (up from the 24.16 percent).

- Educator Salary Adjustments – $5,996,900
- Teacher Salary Supplement – $183,300