The Legislature created Educator Salary Adjustment (ESA) program during the 2007 General Session to attract and retain qualified teachers in the public schools. The Legislature provided direct ongoing salary adjustments (increases) of $2,500 for all educators in the system (teachers and school-level administrators). The following year, the Legislature increased the amount for classroom teachers only (excluding school-level administrators) by an additional $1,700. In both the $2,500 and $1,700 adjustments, the Legislature appropriated an additional 24.16 percent to pay the cost of employer-paid benefits (Retirement, Workers Compensation, Social Security, and Medicare). The total of $4,200 for classroom teachers ensured a larger percentage increase for beginning teachers, increasing beginning teacher salaries statewide.

Program funding has increased with the growth of new teachers, but funding for employer-paid benefits has not increased with changes in the state retirement rate. See page 2 for more details.

The employer-paid benefits amount reflects the cost structure in school districts. Some charter schools may not participate in these benefits at the same level and may receive more funding than required to provide $4,200 to qualifying educators.

As a result of S.B. 186 (2017 General Session), LEAs will no longer report unsatisfactory evaluation results to the state. In FY 2018, LEAs reported only 7 educators with ratings below satisfactory. Beginning in FY 2019, the State Board of Education will distribute funding to LEAs based only on educator counts.

Legislators may wish to use the Public Education Appropriations Funding Decision Tree to further review this program.
Discussion Item: Employer-Paid Benefits

In addition to the $2,500 and $1,700 salary adjustment, in creating the program the Legislature appropriated additional funding to pay the costs associated with employer-paid benefits, namely, Retirement, Workers Compensation, Social Security, and Medicare. An additional 24.16 percent was included in the appropriation for each salary adjustment. This ensured that qualifying educators would receive the full adjustment amount as gross income on their paycheck. Assuming a full $4,200 adjustment amount, an additional $1,015 is added for employer-paid benefits, for a total of $5,215 per educator.

Since the creation of the program, the Legislature has adjusted program funding levels for new educators entering the system. However, the Legislature has not adjusted program funding levels for changes in employer-paid benefits, namely, the state retirement rate. The retirement rate has increased from 15.72 percent in FY 2009 to 22.19 percent in FY 2018. This increases the original employer-paid benefit rate from 24.16 percent to 30.63 percent.

The cost to increase the employer-paid benefits rate in FY 2018 is estimated at $8,751,900.

### Employer Paid Benefit Rates

<table>
<thead>
<tr>
<th>Benefits</th>
<th>FY 2009</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>15.72</td>
<td>22.19</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>0.79</td>
<td>0.79</td>
</tr>
<tr>
<td>Social Security</td>
<td>6.20</td>
<td>6.20</td>
</tr>
<tr>
<td>Medicare</td>
<td>1.45</td>
<td>1.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24.16</strong></td>
<td><strong>30.63</strong></td>
</tr>
</tbody>
</table>

**Office of the Legislative Fiscal Analyst September 19, 2017**

### Recommended Legislative Action

The Legislature may wish to consider the following:

- Determine if the Educator Salary Adjustments program should continue as a categorical program, be moved to a block-grant program, or the funding moved into the WPU Value. The Public Education Appropriations Funding Decision Tree may be useful in this process.

- If the program remains a categorical program, the Legislature may wish to address the following items:
  1. Determine if the employer-paid benefits rate should be adjusted for changes in the state retirement rate. This action may have two components:
     - Direct staff to include the 30.63 employer-paid benefits rate in the estimates used to develop the FY 2018 supplemental and FY 2019 budgets.
     - Include an additional $8,751,900 as an additional funding request for prioritization during the 2018 General Session.
  2. Provide guidance to the State Board of Education or arrange for legislation to be drafted detailing how to handle potential over-allocations due to differing employer-paid benefits costs and educator evaluation outcomes in the LEAs. Potential options may include:
     - Require LEAs to remit unused allocations due to lower employer-paid benefits costs or unsatisfactory performance back to the state.
     - Require LEAs to report employer-paid benefit costs and adjust program allocations accordingly.
     - If the Legislature intends that educator evaluation results continue to be factored into the allocation of program funding, direct the State Board of Education to develop a reporting mechanism to obtain this data.