

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 914 (First Edition)

SHORT TITLE: Teachers Convert Personal Leave to Sick Leave.

SPONSOR(S): Senator Nesbitt

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES					
EXPENDITURES (millions)					
State General Fund					
Local Governments	\$0.2*	\$4.6*	\$4.7*	\$4.8*	\$4.9*
POSITIONS (cumulative): N/A					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Local Education Agencies (LEAs), State Public School Fund, Department of Public Instruction (DPI), Teachers' and State Employees' Retirement System (TESRS)					
EFFECTIVE DATE: July 1, 2007					

* Note: Fiscal impact based on limited data, and estimates of the bill's impact on teacher behavior. Actual fiscal impact could be significantly higher or lower. See Assumptions and Methodology section for detail.

BILL SUMMARY:

This bill allows teachers to convert excess personal leave days into sick leave days. Currently, teachers may accumulate up to five personal leave days. Under this bill, any excess personal leave days (above five) earned by June 30 of each year would be converted to sick leave days on July 1.

Additionally, this bill would require all teacher requests for personal days to be granted automatically, so long as the request is made at least five days in advance and a substitute teacher is available.

ASSUMPTIONS AND METHODOLOGY:

In order to understand how the bill creates potential additional costs to the State and/or Local Governments by increasing usage of leave days, one must first understand current leave policies.

NC Public Schools Leave Policies

Personal Leave

Personal leave is earned only by classroom teachers and school media specialists who require substitutes. In order to be eligible, the employee must be in a permanent full- or part-time position. Personal leave is earned at the rate of 0.20 days for each full month of employment not to exceed two days per year. Unused personal leave may be carried forward from one year to another and may be accumulated to a maximum of five days. Teachers must pay a \$50 substitute deduction if using a personal day on an instructional day.

Sick Leave

Current State Board of Education policy allows all full-time teachers to earn one day of sick leave per month employed. Most teachers are employed for ten months per year and therefore earn ten sick leave days per year. Teachers do *not* have to pay a substitute deduction when using sick leave. Teachers can accumulate an unlimited number of sick days. Accumulated sick leave counts as creditable service towards retirement. One month of credit is allowed for each 20 days of unused sick leave upon retirement. One more month is allowed for any part of 20 days left over.

Current Usage of Leave Days

In fiscal year 2005-06, 107,634 teachers¹ used a total of 848,505 days of sick leave. This amounts to 98% of all teachers taking an average of 7.88 sick leave days per teacher. During the same year, 37,541 teachers used 77,252 days of personal leave. This amounts to 34% of all teachers taking an average of 2.06 personal leave days per teacher.

This 2005-06 data can be adjusted based on growth of the teacher population to arrive at an estimate of current usage of personal leave for the 2006-07 school year. The teacher population has grown by 1.93% from 2005-06 to 2006-07. The table below shows how estimated leave day usage for 2006-07 compares to actual usage from 2005-06:

	2005-06 (actual)	2006-07 (est.)
Sick Days Used	848,505	864,881
Personal Days Used	77,252	78,743

Effects of New Policy on Utilization

It is impossible to determine exactly how this bill would affect usage of leave. Any increase in usage of leave days (personal or sick) will increase expenditures on substitutes. Each additional day of sick leave costs \$72.66² (the average price of a substitute). Each additional day of personal leave costs \$22.66 (the average price of a substitute minus the required substitute deduction).

¹ The term “teachers” in the remainder of this fiscal note is used to describe all certified personnel who are eligible to earn personal leave days.

² Includes Social Security tax.

The bill also potentially affects payouts over time from the Teachers' and State Employees' Retirement System (TESRS). However, the bill is not likely to produce significant impacts on TESRS in the time period considered by this fiscal note.

Scenario 1: No change in leave day usage

It is possible – though probably unlikely – that usage of leave will remain unchanged by this bill. *In that case, there will be no impact on State or local costs* due to increased use of substitutes. If usage of leave remains unchanged, however, that means sick days will be accrued at a faster rate than under the current policy. Such accrual could ultimately create additional costs for TESRS, but is not likely to produce significant impact on the System in the time period considered by this fiscal note, as explained above.

Scenario 2: Increase in personal leave and sick leave usage

While the impact of this bill on teacher behavior is debatable, it is almost sure to lead to increased usage of leave days to some extent. Scenario 2 attempts to determine the *most likely* fiscal impact of the bill. However, *the actual fiscal impact of this bill could be substantially higher or lower, due to reliance on incomplete data and unpredictable behavioral estimates.*

This analysis makes the following assumptions:

- Personal leave increases by 10% since personal leave would be automatically granted under this bill, so long as it is requested in at least five days in advance.
- Teachers continue using the same percentage of available sick leave days. This bill will lead to increased availability of sick leave as personal leave days are converted. This analysis assumes that teachers will continue using approximately 78% of available sick leave.³

Increased Personal Leave

In order to determine the fiscal impact of increased personal leave usage, one must first project what substitute expenditures would have been in the absence of any policy change. To do so requires growing the actual number of leave days taken in 2005-06 by the growth of the teacher population.⁴ Over the past decade, the teacher population has grown by approximately 2.5% per year. Therefore, the baseline projection for usage of leave days grows at 2.5% per year for years 2007-08 and beyond. The projected personal days used under the new policy are simply 10% higher than what is projected under current policy.

³ One could argue that since the average teacher does not currently use all of his or her available sick leave, the current amount of available sick leave is sufficient, and usage would therefore remain unchanged in the face of additional sick leave availability. Such an assumption would eliminate the fiscal impact of this bill due to additional availability of sick leave. Given that some number of teachers currently use their maximum number of sick leave days, however, it is likely that usage of sick leave will increase by some amount.

⁴ This assumes that usage of leave days in 2005-06 is representative of a “typical” year, and usage will remain consistent in subsequent years. It is possible that usage of leave could be substantially above or below the projections noted here.

10% Increase in Personal Leave Usage

	2007-08	2008-09	2009-10	2010-11	2011-12
Personal Days Used (current policy)	80,712	82,729	84,798	86,918	89,090
Personal Days Used (new policy)	88,783	91,002	93,277	95,609	98,000
Additional Subs. Needed	8,071	8,273	8,480	8,692	8,909
Additional Sub. Costs (add'l days x \$22.66)	\$182,892	\$187,465	\$192,151	\$196,955	\$201,879

Increase in Sick Leave

The first step in estimating the fiscal impact of this bill due to increased sick leave usage is to project the number of teachers in future years. The following data are used to create the projection:

- Approximately 10,000 new teachers are hired in North Carolina each year.⁵
- The five-year average teacher turnover rate for the period ended 2005-06 is 12.57%.
- The teacher population grows at approximately 2.5% per year.

Using this data, it is possible to project the number of teachers with various years of experience in the North Carolina school system.

Teachers by Years of Experience in North Carolina

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1st Year	10,000	10,000	10,000	10,000	10,000	10,000
2nd Year	8,743	8,743	8,743	8,743	8,743	8,743
3rd Year	7,644	7,644	7,644	7,644	7,644	7,644
4th Year	6,683	6,683	6,683	6,683	6,683	6,683
5th Year	5,843	5,843	5,843	5,843	5,843	5,843
6th Year	5,109	5,109	5,109	5,109	5,109	5,109
7+ Years	67,899	70,697	73,565	76,505	79,518	82,606

Under current policy, approximately 40% of teachers are using approximately 2 personal leave days per year (approximately 60% do not use any personal leave days). That means that the average teacher in North Carolina earns a net of 1.2 personal leave days per year. However, this analysis assumes that teachers will begin using more personal leave beginning with the 2007-08 school year. A 10% increase in the usage of personal leave would imply that the average teacher would accumulate a net of 1.0 personal leave days per year for years 2007-08 and beyond. The table below shows the personal leave days accumulated per teacher at the end of the school year. Note that teachers accumulate approximately 1.2 personal leave days per year until 2007-08, when they begin accumulating 1.0 personal leave days per year.

⁵ Note that all newly hired teachers start with zero personal leave days available, no matter what experience level they are paid at.

Personal Leave Days Accumulated Per Teacher, End of Year

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1st Year	1.2	1.0	1.0	1.0	1.0	1.0
2nd Year	2.4	2.2	2.0	2.0	2.0	2.0
3rd Year	3.6	3.4	3.2	3.0	3.0	3.0
4th Year	4.8	4.6	4.4	4.2	4.0	4.0
5th Year	5.0	5.8	5.6	5.4	5.2	5.0
6+ Years	5.0	6.0	6.0	6.0	6.0	6.0

Of course, teachers can only carry forward 5 personal leave days per year. Under this bill, excess days are converted to sick leave days at the end of the school year. For example, the average 5th year teacher has accumulated 5.8 days of personal leave at the end of the 2007-08 school year. This means that in the 2008-09 school year, 6th year teachers will, on average, have 0.8 *additional* days of sick leave available. The table below shows the additional sick leave days per teacher that would be created by this bill under the assumptions detailed above.

Additional Sick Leave Available Per Teacher

	2007-08	2008-09	2009-10	2010-11	2011-12
1st Year	0.0	0.0	0.0	0.0	0.0
2nd Year	0.0	0.0	0.0	0.0	0.0
3rd Year	0.0	0.0	0.0	0.0	0.0
4th Year	0.0	0.0	0.0	0.0	0.0
5th Year	0.0	0.0	0.0	0.0	0.0
6th Year	0.0	0.8	0.6	0.4	0.2
7+ Years	0.0	1.0	1.0	1.0	1.0

This analysis assumes that the additional available sick leave is used at the same rate as existing sick leave. That is, it assumes that teachers will continue to use approximately 78% of available sick leave days.⁶ The cost stemming from additional sick leave days is calculated as follows:

$$\text{Cost of addt'l sick leave usage} = \text{Addt'l sick leave available} \times \text{Sick leave usage rate (78\%)} \times \text{Number of teachers}$$

The table below shows the added costs attributable to increased sick leave usage.

⁶ The 22% of additional sick leave days that would *not* be used under this scenario would eventually create additional costs for TESRS. As stated above, however, there would be no significant impact on the System in the time period considered by this fiscal note.

Cost of Increased Sick Leave Usage under New Policy

	2007-08	2008-09	2009-10	2010-11	2011-12
1st Year	\$0	\$0	\$0	\$0	\$0
2nd Year	\$0	\$0	\$0	\$0	\$0
3rd Year	\$0	\$0	\$0	\$0	\$0
4th Year	\$0	\$0	\$0	\$0	\$0
5th Year	\$0	\$0	\$0	\$0	\$0
6th Year	\$0	\$231,623	\$173,718	\$115,812	\$57,906
7+ Years	\$0	\$4,169,277	\$4,335,882	\$4,506,653	\$4,681,692
TOTAL	\$0	\$4,400,900	\$4,509,600	\$4,622,464	\$4,739,598

As the above table demonstrates, increased usage of sick leave days will lead to increased expenditure on substitute teachers.

Total Fiscal Impact of Bill

In order to determine the total cost of the bill, one must add the increased expenditure due to additional sick leave with the additional expenditure due to additional usage of personal leave (page 4). The table below shows the total anticipated fiscal impact of this bill.

Total Fiscal Impact of Bill

	2007-08	2008-09	2009-10	2010-11	2011-12
Increase From Addt'l Personal Leave	\$182,892	\$187,465	\$192,151	\$196,955	\$201,879
Increase From Addt'l Sick Leave	\$0	\$4,400,900	\$4,509,600	\$4,622,464	\$4,739,598
Total Costs	\$182,892	\$4,588,365	\$4,701,751	\$4,819,419	\$4,941,477

Who Pays For Additional Substitutes?

Since LEAs are responsible for paying the costs of substitute teachers, the additional cost technically would be the responsibility of the LEAs. The State appropriates General Fund dollars through the Non-Instructional Support allotment, however, to cover the costs of substitute teachers. It is possible that the State would eventually increase the Non-Instructional Support allotment in response to the added substitute teacher costs associated with this bill. The additional expenditures will therefore be funded either out of additional local dollars or additional State appropriation for Non-Instructional Support.

SOURCES OF DATA: Department of Public Instruction

TECHNICAL CONSIDERATIONS: None

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