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FISCAL AND POLICY NOTE
First Reader

Senate Bill 775
Finance

(Senator Benson)

Education - Salaries of Noncertificated Public School Employees - Minimum
Living Salaries

This bill requires a noncertificated public school employee to be paid at least a minimum living salary beginning in fiscal 2022. The bill specifies minimum salaries for counties in Tier 1 and Tier 2 under the State Living Wage Law for fiscal 2022 through 2024; beginning in fiscal 2025, subsequent year minimum salaries are increased by a specified inflation rate. Also, a contract between a public school employer and third party for services that otherwise would be provided by a noncertificated public school employee must require that the third party (1) provide the same working conditions and standards that would have been required for a noncertificated public school employee and (2) pay at least the minimum living salary that applies to a noncertificated public school employee. **The bill takes effect July 1, 2018, applies only prospectively, and may not be interpreted to apply to collective bargaining agreements entered into before the bill's effective date.**

Fiscal Summary

State Effect: General fund expenditures for teachers' retirement costs may increase to the extent that the State pays a share of the retirement costs for some noncertificated employees (*e.g.*, substitute teachers). Any increase, which is anticipated to be minimal, begins in FY 2024.

Local Effect: Local school system expenditures increase statewide by \$115.1 million in FY 2022 and by \$236.1 million in FY 2024. Costs for local school systems to contract with private entities increase expenditures further beginning in FY 2022. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Small businesses that contract with local school systems will be impacted by the requirement to provide equivalent conditions and salaries as do the school systems.

Analysis

Bill Summary: Tier 1 includes Baltimore City and Anne Arundel, Baltimore, Howard, Montgomery, and Prince George’s counties. Tier 2 includes all counties not included in Tier 1. **Exhibit 1** shows Tier 1 and Tier 2 minimum annual salaries for noncertificated employees. A local public school employer and an exclusive representative of noncertificated employees may negotiate a living salary schedule that exceeds the requirements of the bill.

Exhibit 1 Required Minimum Salaries Under the Bill

	<u>Tier 1</u>	<u>Tier 2</u>
Fiscal 2022	\$29,000	\$24,000
Fiscal 2023	32,500	27,750
Fiscal 2024	36,000	31,500

Beginning in fiscal 2025, the subsequent year’s minimum salaries for each tier are increased by the rate of any growth in the Consumer Price Index for All Urban Consumers for the Washington-Baltimore metropolitan area or a successor index published by the federal Bureau of Labor Statistics.

Current Law/Background: In general, *certificated* public school employees include teachers, principals and assistant principals, school counselors, library media specialists, pupil personnel workers, reading specialists, psychological personnel, and school social workers. Generally, *noncertificated* public school employees include building maintenance staff, school bus drivers, support staff, and other staff who do not require professional teaching certification.

Public school employees may form, join, and participate in the activities of employee organizations of their own choice for the purpose of being represented on all matters that relate to salaries, wages, hours, and other working conditions.

State Living Wage Law

Chapter 284 of 2007 made Maryland the first state to require State service contractors to pay their employees a “living wage.” For fiscal 2008, the living wage was set at \$11.30 in Montgomery, Prince George’s, Howard, Anne Arundel, and Baltimore counties and

Baltimore City (Tier 1). It was set at \$8.50 for all other areas of the State (Tier 2). The living wage rates are adjusted annually for inflation by the Commissioner of Labor and Industry within the Department of Labor, Licensing, and Regulation. Effective September 28, 2017, the Tier 1 living wage is \$13.79 and the Tier 2 wage is \$10.36. Montgomery and Prince George’s counties and Baltimore City have local living wage ordinances that apply to their procurement of services.

State Expenditures: For certain public school employees, mainly teachers, retirement costs are paid primarily by the State based on local school system salaries from the second prior fiscal year. To the extent that the State pays the retirement costs for some noncertificated employees, State expenditures for retirement will increase beginning in fiscal 2024. It is assumed that local school systems are responsible for the retirement costs of most noncertificated employees and thus, any increase in State costs is not significant.

Local Expenditures: Local school system expenditures increase by an estimated \$115.1 million in fiscal 2022, increasing to \$236.1 million in fiscal 2024 based on the following assumptions and analysis.

According to the Maryland State Department of Education, in fiscal 2018 approximately 10,530 Tier 1 employees and 4,860 Tier 2 employees have salaries below the respective fiscal 2022 minimums of \$29,000 and \$24,000 under the bill. An estimated 16,610 Tier 1 employees and 8,060 Tier 2 employees have salaries below the respective fiscal 2024 minimums under the bill. **Exhibit 2** shows the approximate total number of noncertificated employees who have salaries below the respective annual minimums established by the bill for Tier 1 and Tier 2 in fiscal 2022 through 2024.

Exhibit 2
Current Number of Employees Below Minimum Salary

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Tier 1	10,530	13,210	16,610
Tier 2	4,860	6,520	8,060
	15,390	19,730	24,670

Source: Maryland State Department of Education

For Tier 1, this includes the initial 10,530 employees plus about 2,680 whose fiscal 2018 salary is between \$29,000 and \$32,500 (the fiscal 2022 and 2023 minimums), and about

3,400 whose fiscal 2018 salary is between \$32,500 and \$36,000 (the fiscal 2023 and 2024 minimums). For Tier 2, this includes the initial 4,860 employees plus about 1,660 whose fiscal 2018 salary is between \$24,000 and \$27,750 (the fiscal 2022 and 2023 minimums), and about 1,540 whose fiscal 2018 salary is between \$27,750 and \$31,500 (the fiscal 2023 and 2024 minimums).

Exhibit 3 shows the estimated increase in local school system expenditures under the bill by tier, after accounting for (1) annual inflation of salaries between fiscal 2018 and the initiation of the respective minimums and (2) an assumed fringe benefit rate of 25%, which includes retirement costs for all affected employees. **Exhibit 4** shows these estimated increased costs by county. Increased expenditures by fiscal 2024 range from over \$40 million in Montgomery and Prince George’s counties to less than \$500,000 in Kent and Queen Anne’s counties. For fiscal 2025 and subsequent years, the total impact is not expected to increase significantly over fiscal 2024.

For purposes of this analysis, the number of fiscal 2018 employees is not inflated based on assumption that the natural growth in the total number of noncertificated employees in public school systems prior to initiation of the minimum salaries (which would tend to *increase* costs under the bill) is offset by the number of employees whose inflationary salary growth during that same period would place their salaries above the annual minimums under the bill (which would tend to *increase* costs under the bill)

Exhibit 3
Increased Local School System Expenditures
(\$ in Millions)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Tier 1	\$84.5	\$124.6	\$164.6
Tier 2	30.6	51.1	71.5
	\$115.1	\$175.7	\$236.1

The Exhibit 3 and 4 results do not account for the likelihood that the adjustments to noncertificated salaries that are below the respective annual minimums will place upward pressure on noncertificated salaries that are above those minimums, as well as the possibility that in some counties this will also place upward pressure on certificated salaries. Therefore, the estimated annual costs under the bill may be understated. Also, local school systems may experience considerably increased costs associated with

contracts with private entities, beginning in fiscal 2022, to the extent that these private entities would increase their charges in order to cover increased pay to their employees.

Exhibit 4
Increased Local School System Expenditures
(\$ in Thousands)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Anne Arundel	\$12,481	\$18,604	\$24,708
Baltimore	12,253	19,178	26,081
Baltimore City	11,100	13,596	16,087
Howard	4,400	7,225	10,042
Montgomery	22,668	34,214	45,724
Prince George's	21,608	31,819	41,999
Tier 1 Total	\$84,510	\$124,635	\$164,641
Allegany	1,722	2,361	2,999
Calvert	1,300	2,376	3,450
Caroline	1,395	2,314	3,231
Carroll	3,571	4,685	5,797
Cecil	1,776	2,580	3,383
Charles	815	1,759	2,700
Dorchester	316	698	1,079
Frederick	3,931	8,236	12,530
Garrett	642	1,039	1,435
Harford	4,269	7,604	10,931
Kent	120	209	297
Queen Anne's	57	234	410
St. Mary's	1,993	2,940	3,886
Somerset	324	592	860
Talbot	197	511	825
Washington	3,921	5,970	8,014
Wicomico	3,061	5,125	7,184
Worcester	1,216	1,850	2,482
Tier 2 Total	\$30,625	\$51,083	\$71,494
Total	\$115,136	\$175,718	\$236,135

Additional Information

Prior Introductions: None.

Cross File: HB 1061 (Delegate Ebersole, *et al.*) - Ways and Means.

Information Source(s): Baltimore City; Prince George's County; Maryland State Department of Education; Department of Legislative Services

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md/rhh

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