

Overview of Cost Drivers in the Providence Teachers Union Contract

1

**PRESENTATION TO THE PROVIDENCE CITY COUNCIL
FINANCE COMMITTEE – EDUCATION SUBCOMMITTEE**

MARCH 14, 2011

MATTHEW M. CLARKIN, JR., INTERNAL AUDITOR

OVERVIEW OF PRESENTATION

2

- The Providence Public School District is facing a projected budget deficit between \$28 to \$40 million in FY2012
- Goals of this presentations
 - Bring teacher salaries more in line with the state's average without increasing the overall cost of the contract
 - Realize savings from the contract to fund other education programs

TEACHER COSTS

3

- There are currently more than 1,900 teachers employed by the Providence School District
- Teacher salaries (\$134 million) represent approximately 77% of the District's FY2011 salary budget
- Total teacher wages and fringe benefits (\$201.1 million) is approximately 73% of the District's budget for wages and fringe benefits

COMPARISON OF PROVIDENCE TEACHER SALARIES

4

- According to research recently presented to the Education Sub-Committee by Amit Jain, the top salary step for Providence teachers is 4.6% less than the state's mean
- In addition, salaries for Providence teachers on steps 1–9 are 3.7% less than the state's mean

	State Mean	Providence	% Variance from State Mean
Top Step	\$72,361	\$69,064	-4.6%
Steps 1-9	\$50,811	\$48,979	-3.6%

BRINGING TEACHER SALARIES TO THE STATE AVERAGE: YEAR ONE

5

- Increasing the Step #10 salary by 4.6% (\$72,241 from \$69,064) would result in a total increase of \$5.7 million
- Increasing the Steps #1-9 by 3.6% (\$39,640/\$41,067 from \$62,092/\$64,327) would result in a total increase of \$918,000
- As a result, it would cost \$6.6 million to provide all Providence teachers with a salary that is at the State midpoint

THREE-YEAR COST OF POTENTIAL SALARY INCREASES

6

- It is unknown how teacher contracts Statewide will change over the next two years, as school districts are asking for concessions statewide. With that said, we will assume 2% salary increase each year, which will provide some protection against possible increases in cost of living
 - If Providence teacher salaries are increased to the State midpoint in 2011/12, it will cost an additional \$3.1 million to provide a 2.0% salary increase in 2012/13, for a cumulative cost of \$9.7 million
 - An additional 2.0% salary increase in 2013/14 will cost an another \$3.2 million for a three-year, cumulative cost of \$12.9 million

THREE-YEAR COST OF POTENTIAL SALARY INCREASES

7

Step	# on Step	Annual Salary	Total Cost	% Incr.	Year # 1	Year # 2	Year # 3
					3.60%/4.60%	2.00%	2.00%
1	92	\$39,640	\$3,646,880	3.60%	\$131,288	\$75,563	\$77,075
2	27	\$39,074	\$1,054,998	3.60%	\$37,980	\$21,860	\$22,297
3	39	\$41,350	\$1,612,650	3.60%	\$58,055	\$33,414	\$34,082
4	82	\$45,617	\$3,740,594	3.60%	\$134,661	\$77,505	\$79,055
5	26	\$48,984	\$1,273,584	3.60%	\$45,849	\$26,389	\$26,916
6	40	\$42,327	\$1,693,080	3.60%	\$60,951	\$35,081	\$35,782
7	40	\$55,662	\$2,226,480	3.60%	\$80,153	\$46,133	\$47,055
8	47	\$59,065	\$2,776,055	3.60%	\$99,938	\$57,520	\$58,670
9	55	\$62,092	\$3,415,060	3.60%	\$122,942	\$70,760	\$72,175
10	1514	\$69,064	\$104,562,896	4.60%	\$4,809,893	\$2,187,456	\$2,231,205
					\$5,581,711	\$2,631,680	\$2,684,313
				Fringe	\$1,055,278	\$497,545	\$507,496
				Total	\$6,636,989	\$3,129,225	\$3,191,809

COST OF SALARY INCREASE TO MIDPOINT IN 2011/12 PLUS 2% RAISES IN BOTH 2012/13 AND 2013/14

8

Year	2011/12	2012/13	2013/14
Marginal Cost for the year's increase	\$6.60	\$3.10	\$3.20
Total Cost for the year's increase	\$6.60	\$9.70	\$12.90

(All figures in millions of dollars)

COVERING THE COST OF INCREASED TEACHER SALARIES

9

- There are potential savings in the current contract that will allow for teacher salaries to be brought on par with the state average without increasing overall costs and possibly realizing savings to fund other education programs
- Potential savings are available in the following areas:
 1. Substitute Teaching
 2. Aligning Work Expectations to the State Average
 3. Miscellaneous
 4. Health Benefits

POTENTIAL SAVINGS

10

POTENTIAL SAVINGS #1 SUBSTITUTE TEACHING

SUBSTITUTE TEACHERS: A STATEWIDE PERSPECTIVE

11

- In the vast majority of Rhode Island cities and towns substitutes are paid on a per diem basis and do not receive health benefits. The typical per diem rate is \$100 or less
- Substitute teachers in Providence are paid on a Step basis and receive health benefits. The typical cost per day is more than \$200
- The State average cost of substitute teachers is \$185 per student per year (Information Works!)
- Substitute teaching cost the District's local budget approximately \$13 million in FY2010, or \$545 per student per year

COMPARISON OF SUBSTITUTE TEACHER COMPENSATION

12

- Long-Term-Substitutes-In-Pool (LTSP) teachers in Providence are paid at the higher rates than in other cities in RI

<u>City/Town</u>	<u>Per Diem Range</u>		<u>Medical Benefits</u>
<i>Providence</i>	<i>\$204</i>	<i>\$253</i>	<i>Individual Plan</i>
North Providence	\$75	\$100	None
Cranston	\$68	\$95	None
Warwick	\$75	\$90	None
Lincoln	\$77	\$87	None
Pawtucket	-	\$85	None
Johnston	\$75	\$85	None
East Providence	-	\$80	None

Substitute Teachers: The Providence System

13

- Substitute teachers in Providence are classified as either a Long-Term-Sub-In Pool (LTSP) or a Long-Term Sub (LTS)
- LTS's are substitute teachers that are placed into long-term teaching positions (one semester or longer)
- LTSP's are called on a daily basis as needed

LONG-TERM SUBSTITUTES IN POOL (LTSP)

14

- Currently, a LTSP can be paid as high as Step 4 (\$45,617) and receives individual health benefits
- Changing the compensation for a LTSP to a \$125 per diem from the current 4th Step maximum would result in savings of approximately \$3.4 million based upon a pool of 122 substitutes
- The elimination of health benefits for LTSPs will reduce costs by an additional \$1.1 million

REGULAR TEACHERS IN POOL (R'S-IN-POOL)

15

- A Regular Teacher In Pool (“R-in-Pool”) is a full-time teacher who – for one reason or another – is placed in the District’s pool of substitute teachers. For example, teachers who apply unsuccessfully for positions through Criterion Based Hiring qualify for full pay as an R-in-Pool Substitute
- The District began the current school year with a total of 79 R’s-in-Pool
- As of March 1st, 45 regular teachers remained in the substitute pool
- R’s-in-Pool are eligible for family health insurance and their salary can be as high as \$69,064 (Step 10) and can be eligible for longevity and advanced degree stipends
- It is estimated that longevity and advanced degree stipends for the 79 Rs-In-Pool will average approximately \$2,500 above the base pay for each teacher
- Through March 7th, the 45 current Rs-in-Pool have discharged a total of 230 sick/personal days at an approximate total cost of \$160,000

REGULAR TEACHERS IN POOL (R'S-IN-POOL)

16

- The average salary for our R's in pool teachers is \$62,176 (Step 9) to perform substitute teacher work
- The highest compensated R-in-pool currently in the Substitute Pool will receive total compensation of \$73,993, or more than \$400 per day. If FICA and retirement is considered, the total compensation package is \$87,977, or more than \$500 per day
- Each R-in-Pool costs the District an additional \$27,800 annually above a 4th Step substitute
- Rs-in-Pool also receive sick leave and other benefits that the District does not pay substitute teachers. Thus, when an R-in-Pool substitute takes a sick day, the District pays the R-in-Pool and a second teacher to substitute for the R-in-Pool

REGULAR TEACHERS IN POOL (R'S-IN-POOL)

17

- If R's in pool were paid at a 4th Step maximum, the District would realize savings of approximately \$2.2 million.
- If R's in pool were paid at a \$125 per diem rate, the District would realize a savings of approximately \$4.37 million.

	10 th Step R-In-Pool	4 th Step LTSP	\$125 per Diem LTSP
Annual Salary	\$69,064	\$45,617	\$22,500
FICA	\$5,283	\$3,490	\$1,721
Retirement	\$7,770	\$5,132	\$2,531
Total Cost	\$82,117	\$54,239	\$26,753
\$ Variance from R-in-Pool		\$27,878	\$55,365
Total Variance *		\$2,202,400	\$4,373,803

**Based upon 79 Rs-in-Pool*

SAVINGS FROM SUBSTITUTE TEACHER REFORM

18

Type of Reform:	Savings Range (\$ million)	
Change LTSP to \$125 Per Diem	\$3.4M	\$3.4M
Discontinue LTSP Health Benefits	\$1.1M	\$1.1M
Reform R's in Pool	\$2.2M	\$4.4M
Total Potential Savings	\$6.7M	\$8.9M

POTENTIAL SAVINGS

19

POTENTIAL SAVINGS #2: ALIGNING WORK EXPECTATIONS TO THE STATE AVERAGE

ALIGNING WORK EXPECTATIONS TO STATE AVERAGE

20

- Many, if not most of our teachers work hours in excess of the minimum required by the contract, such as working with children after school and reviewing student work at night. Others, however, work strictly according to the minimum required in the contract.
- As documented in Amit Jain's report, Providence teachers' contractual work days are among the shortest in Rhode Island
- Providence teachers work between 5 minutes (middle/high schools) and 23 minutes (elementary) fewer than the State average, amounting to between 15 and 69 fewer hours per year
- Providence's school work year is 181 days, which is the shortest in Rhode Island and 2 days shorter than the State average
- The Providence contract provides for 11 hours of teacher meetings as part of base compensation, while the statewide average is 17 hours
- The Providence contract requires that teachers receive extra pay for all meetings outside of the strict limits of the teacher work day defined in the contract. The hourly rate is \$25 for some purposes and between \$40 and \$70 for others

ALIGNING WORK EXPECTATIONS TO STATE AVERAGE

21

- While bringing teachers to the average state salary, it is reasonable to ask that our teacher's work day be at the state average as well
- If teachers participated in their first 15 hours of Professional Development without compensation (i.e. 5 minutes more work per day), the District would save approximately \$1.9 million
- If teachers attended 6 more hours of teacher meetings without additional compensation, the District would save \$300,000
- It is important to note that the salary increase teachers receive will be eligible for retirement consideration, while it is likely that professional development soon will not be eligible

Total Projected Savings = \$2.2 million

SAVINGS SUBTOTAL

22

Potential Savings:	<u>\$ Range</u> (\$Million)	
1. Substitute Teacher Reform	\$6.7	\$8.9
2. State Average Work Expectations	\$2.2	\$2.2
Total Potential Savings	\$7.8	\$11.1

POTENTIAL SAVINGS

23

POTENTIAL SAVINGS #3:

MISCELLANEOUS

MISCELLANEOUS

24

- There are other savings opportunities in the contract that do not reduce the salaries of our classroom teachers. They include:
 - Bell time changes at various schools
 - 50% reduction in stipends paid to athletic coaches, club advisors and other extracurricular positions
 - Revision to the District's Sick Leave Bonus

SCHOOL BELL TIME CHANGES

25

- Middle Schools

- Per section 8-6.1 of the teacher's contract, middle school hours are 8:05-2:25pm
- A half-hour, change to the start times at the middle schools is estimated to save as much as \$300,000 annually in transportation costs

- Pleasant View Elementary School

- Has a start time of 8:35am, which is a half hour earlier than any other elementary school in the District
- If Pleasant View's start time was changed to mirror that of other elementary schools (9:05am), the District could eliminate one school bus at the cost of approximately \$100,000

Total Projected Savings = \$400,000

ATHLETIC DIRECTORS, COACHES & OTHER POSITIONS

26

- All positions listed on the next slide are compensated at the percentages shown. These percentages are applied to the individual's base salary at the appropriate step based upon the years of experience in that specific capacity
- Therefore, a football head coach with five years of coaching experience would receive \$7,348 to coach as season
- In FY2010, the District spent approximately \$800,000 for the various positions shown on the next slide
- A fifty-percent reduction in these payments will save the District approximately \$400,000 annually
- Teachers who are officially designated to act as helpers at athletic events are paid \$25.00 per hour to a maximum of \$50 per event.
- The payments for athletic event helpers costs the District \$50,000 last fiscal year
- A fifty-percent reduction in these payments will save the District approximately \$25,000 annually

Total Projected Savings = \$425,000

ATHLETIC DIRECTORS, COACHES & OTHER POSITIONS

27

- Teachers holding the positions shown below are paid the following percentages on their base salary

Position	Percentage
Academic Decathlon Coach	10.00%
Athletic Directors	15.00%
Drama Coaches	15.00%
Head Coach - Football	15.00%
All City Band Director	15.00%
All City Orchestra	15.00%
School Treasurer	15.00%
Assistant Coach - Football	10.00%
Head Coach - All Other Sports	10.00%
All City Asst. Band Director	10.00%
All City Asst. Orchestra	10.00%
Speech & Debate Coach	10.00%
Asst. Coach - All Other Sports	8.00%
Coach of Tennis	8.00%
Coach of Cross Country	8.00%
Coach of Golf	8.00%
Yearbook Advisor	8.00%
Newspaper Advisor	8.00%
Literacy Magazine Advisor	8.00%

SICK LEAVE BONUS

28

- Any teacher who utilizes five (5) or less sick days during the school year receives payment for five days pay. The number of days paid is then deducted from the teacher's sick bank
- The District paid in FY2010 approximately \$1.95 million in sick bonuses
- A more effective incentive would be to adjust the number of sick days paid as teachers have fewer absences
- If the Sick Bonus is revised so that the incentive is still 5 days of additional pay minus the number of sick days discharged during the year. It is estimated that this change would save approximately \$600,000

Total Projected Savings = \$600,000

SAVINGS SUBTOTAL

29

Potential Savings:	<u>\$ Range</u> (\$Million)	
1. Substitute Teacher Reform	\$6.7	\$8.9
2. State Average Work Expectations	\$2.2	\$2.2
3. Miscellaneous	\$1.4	\$1.4
Total Potential Savings	\$10.3	\$12.5

POTENTIAL SAVINGS

30

POTENTIAL SAVINGS #4: HEALTH BENEFITS

Health Benefits

31

- Teachers hired after September 1, 2004 receive Blue Cross Plan 750
- Teachers hired prior to September 1, 2004 currently receive Healthmate Coast-to-Coast as their health plan which is more expensive than Plan 750
- Teachers who receive Healthmate Coast-to-Coast have a fixed co-share of \$867 for a individual plan and \$2,316 for a family plan
- Teachers who receive Blue Cross 750 have a fixed co-share of \$355 for a individual plan and \$937 for a family plan
- Non-union City employees and most state employees pay 20% coshares on health benefits
- A transfer of all teachers to Plan 750 will result in the savings of approximately \$2.9 million at the current Plan 750 coshare, \$4.5 million at a 15% co-share, or \$5.6 million at a 20% coshare

Total Projected Savings = \$2.9 – \$5.6 million

Post-Retirement Health Coverage

32

- An average of forty teachers retire each year and receive individual health coverage (not including dental) until age 65 when they are transferred to Medicare
- Based upon this average number of annual retirements, the District can save approximately \$250,000 in the first year if post-retirement health benefits were not offered to these forty teachers
- The annual savings would obviously compound due to increases to the cost of health benefits and additional retirees
- In FY2011, \$6.8 million has been budgeted for post-retirement health benefits for all employees
- Approximately half of the school districts in Rhode Island offer post-retirement health coverage and the trend is to curtail or eliminate this benefit

Total Projected Savings = \$250,000 (Year #1)

SAVINGS SUBTOTAL

33

Potential Savings:	<u>\$ Range</u> (\$Million)	
1. Substitute Teacher Reform	\$6.7	\$8.9
2. State Average Work Expectations	\$2.2	\$2.2
3. Miscellaneous	\$1.4	\$1.4
4. Health Benefits	\$3.1	\$5.8
Total Potential Savings	\$13.4	\$18.3

THE BIG PICTURE: SALARY INCREASE + CONTRACT REFORM = FUNDS FOR OTHER EDUCATION PURPOSES

34

	2011/12	2012/13	2013/14
	(\$ Million)	(\$ Million)	(\$ Million)
Cost of Salary Increases	\$6.60	\$3.10	\$3.20
Cumulative Salary Costs	\$6.60	\$9.70	\$12.90
Potential Savings	\$13.4 Million - \$18.3 Million Per Year		
Net Savings After Paying			
Salary Increases:	\$6.8 - \$11.7	\$3.7 - \$8.85	\$0.5 - \$5.65
Net Cumulative Savings	\$6.8 - \$11.7	\$10.5 - \$20.55	\$11.0 - \$26.2