

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED**  
**FISCAL MEMORANDUM**

**HB 1117 – SB 1308**

March 30, 2015

**SUMMARY OF ORIGINAL BILL:** Removes current authorization for local education agencies (LEAs) to adopt alternative salary schedules. Requires the state salary schedule to include 20 steps, with a salary increase at each step and five increases for the attainment for advanced degrees. The salaries set for each step of the salary schedule shall be equal to the salaries set forth in the 2012-2013 state salary schedule increased by one and one-half percent. Prohibits the adoption of the state salary schedule to result in the reduction of a teacher's salary who is employed by an LEA at the time the salary schedule is adopted. If the General Assembly approves any increase in state funding for salaries of licensed personnel, then the percentage by which the minimum salary set forth in the Basic Education Program (BEP) formula is raised shall be multiplied by the proportion between the number of teacher units contained with the BEP formula to the actual number of teachers statewide. The resulting percentage shall be applied to each step of the state salary schedule. Authorizes LEAs to provide greater salary increases than what would be required by the state salary schedule. Such salary increases shall be paid for with local funding.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures – Not Significant

Increase Local Expenditures – Up to \$15,181,000/Permissive

Other Fiscal Impact - There will be a reduction in federal grant funds from the federal Teacher Incentive Grant Fund program in the amount of \$30,000,000. This funding is shared by state and local governments. The extent to which such funds would be allocated to local governments cannot be determined.

**SUMMARY OF AMENDMENT (005027):** Deletes all language of the original bill. Requires that in any fiscal year in which the General Assembly approves an increase in state appropriations for salaries of licensed personnel, then the percentage, by which the Basic Education Program (BEP) formula's instructional salary unit cost is increased, shall also be applied to each step of the state salary schedule. Authorizes local education agencies (LEAs) to provide greater salary increases than what would be required by the state salary schedule. Such increases shall be paid for with local funding.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On March 27, 2015, a fiscal memorandum was issued for this amendment with an estimated fiscal impact of:

*Increase State Expenditures – Not Significant*

*Increase Local Expenditures - \$771,300*

*Other Fiscal Impact – In any future year the General Assembly increases the BEP salary unit cost, LEAs whose salary levels were meeting or slightly exceeding the minimum state salary schedule prior to the unit cost increase, will subsequently incur an increase in local expenditures in order to meet the new required minimum salary schedule. With each succeeding salary unit cost increase made by the General Assembly, a compounding effect will occur because additional LEAs will have to meet the new higher required minimum salary schedule. The extent of increased local expenditures cannot be quantified and are dependent upon the extent of additional appropriations made by the General Assembly for the purpose of increasing the BEP salary unit cost.*

On March 30, 2015, we received additional information from the Department of Education. Data that was included in the original fiscal memo was incorrect. Based on this new information, the corrected fiscal impact is as follows:

**(CORRECTED)**

**Increase State Expenditures – Not Significant**

**Increase Local Expenditures - \$1,242,000**

**Other Fiscal Impact – In any future year the General Assembly increases the BEP salary unit cost, LEAs whose salary levels were meeting or slightly exceeding the minimum state salary schedule prior to the unit cost increase, will subsequently incur an increase in local expenditures in order to meet the new required minimum salary schedule. With each succeeding salary unit cost increase made by the General Assembly, a compounding effect will occur because additional LEAs will have to meet the new higher required minimum salary schedule. The extent of increased local expenditures cannot be quantified and are dependent upon the extent of additional appropriations made by the General Assembly for the purpose of increasing the BEP salary unit cost.**

Assumptions for the bill as amended:

- The proposed funding for FY15-16 would have the effect of raising the state minimum salary schedule by four percent for each step in the schedule.

- Based on information from the Department of Education, there are 23 LEAs whose salary levels are close enough to the state minimum salary level that they will be required to increase local expenditures to meet the new minimum salary level.
- The state will share in this cost annually through the BEP salary component beginning in FY15-16 through the FY15-16 budget improvement, but there is no increase in state expenditures since the money for salary increases and other compensation would be appropriated in the absence of the bill.
- Based on information from the Department of Education's database, the increase in local expenditures is estimated to be \$1,242,012 beginning in FY15-16. This amount will be added to the LEAs maintenance of effort and will be recurring each fiscal year.
- Each fiscal year that the General Assembly increases the BEP salary unit cost, the state minimum salary schedule will also be increased. As the state salary increases, more and more LEAs will be impacted since more LEAs will have salary schedules that are close to or at the state minimum level. Any increase in local expenditures in future fiscal years as a result of future actions by the General Assembly cannot be reasonably quantified and are dependent upon multiple unknown factors including the percentage by which the BEP salary unit cost is increased; the level of each LEA's salary schedules relative to the state minimum salary schedule; and the fiscal year in which such actions are taken.
- Information and calculations from the Department of Education's database have not been included in this estimate for the sake of brevity but are available upon request.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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