COMMITTEE REPORT

March 3, 2021

**H. 3609**

Introduced by Reps. Lucas, G.M. Smith, Allison, Whitmire, Huggins, Ballentine, Wooten, Calhoon, McGarry, M.M. Smith, Yow, Jefferson, R. Williams, Wheeler, K.O. Johnson, Haddon, Magnuson, Morgan, Henegan, B. Newton, Anderson, Govan, Murray, Davis, Hixon, Taylor, Oremus, Blackwell, W. Newton, Herbkersman, Bradley and Weeks

S. Printed 3/3/21--S.

Read the first time February 3, 2021.

**THE COMMITTEE ON FINANCE**

To whom was referred a Joint Resolution (H. 3609) to restore teacher step increases that were suspended by Act 135 of 2020 due to financial uncertainties caused by the COVID‑19 Virus, by appropriating fifty million dollars to provide for, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the joint resolution, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. (A) From the 2018‑2019 Contingency Reserve Fund, and notwithstanding Act 135 of 2020, Part II, Section (4)(D), there is appropriated $50,000,000 to the Executive Budget Office to provide teacher step increases, including fringe, for the 2020‑2021 School Year in accordance with Act 91 of 2019, Part 1.B. Proviso 1.A.36. The funds must be held in a separate account and disbursed to school districts in accordance with subsection (B). Any funds remaining in the account after June 30, 2021, must be remitted to the Contingency Reserve Fund.

(B)(1) The Department of Education shall distribute the funds to each school district in an amount, determined by the Revenue and Fiscal Affairs Office, equal to the increased cost of salaries to the school district, including fringe, due to the step increase in the state minimum salary schedule.

(2) The Department of Education shall provide the Revenue and Fiscal Affairs Office the number of full‑time equivalent state‑funded positions that were eligible for the step increase pursuant to Section 59‑20‑50(4)(b) in school years 2019‑2020 and 2020‑2021 that each district has in each cell of the state minimum teacher salary schedule. For school year 2019‑2020, the department shall provide the number of positions as of the end of the school year. For School Year 2020‑2021, the department shall provide the number of positions as of March 1, 2021.

(3) The Revenue and Fiscal Affairs Office shall determine the actual increased cost of the step increase, including fringe, in the state minimum salary schedule by determining the increase in the amount of total salaries of such positions in School Year 2020‑2021 when compared to School Year 2019‑2020 due to the change in the salaries of eligible positions for the step increase that are in the same school district in School Year 2020-2021 as they were in School Year 2019-2020 due to moving up one year of experience on the state minimum salary schedule. The Revenue and Fiscal Affairs Office shall include in the cost of the step increase calculation position codes eligible for the step increase that have no experience rating or credentials associated with their respective position codes. The Revenue and Fiscal Affairs Office shall notify the Executive Budget Office and the Department of Education of its determination for each school district. Then, the Executive Budget Office shall distribute the cumulative amount to the Department of Education to be distributed to each school district that experienced an increase in the manner determined by the Revenue and Fiscal Affairs Office.

(C) For each position that is eligible for the step increase for the 2020‑2021 School Year, each school district shall provide a one‑time lump sum payment of the entire step increase due to the employee, including any amounts in arrears, by June 15, 2021, or the school district may utilize its current payroll system to pay the step increase as long as the first payment retroactively includes all previous payments that would have been due the eligible employee. A position is eligible for the step increase if that position was fulfilling the requirements of their School Year 2020‑2021 contract as of March 1, 2021. In order for any amounts in arrears to be considered earnable compensation for the purposes of the South Carolina Retirement System, the amounts in arrears and the contributions thereon must be reported by allocating the amounts in arrears to the affected employees by quarter for the periods during which the amounts would have been earned. The Department of Education, the Revenue and Fiscal Affairs Office, and the Public Employee Benefit Authority must collaborate so that retirement reporting for any amounts in arrears can be submitted in a consolidated, electronic format.

SECTION 2. Pursuant to the intent and appropriation set forth in SECTION 1, the provisions of Act 135 of 2020, Part II, Section (4)(D) relating to step increases, are deleted. The step increases required and authorized by SECTION 1 for the 2020-2021 School Year are permanent.

SECTION 3. This joint resolution takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**State Expenditure**

This bill appropriates $50,000,000 from the 2018-19 Contingency Reserve Fund to provide teacher step increases for the 2020-2021 school year. The bill directs RFA to determine the cost of the step increase for each district based upon data provided by SDE. Each school district is directed to provide a one-time lump sum payment to each position eligible for the step increase for 2020-21 by June 15, 2021.

The bill specifies that SDE provide RFA the number of state-funded positions eligible for the step increase pursuant to Section 59-20-50(4)(b) for three school years, 2018-19, 2019-20, and 2020-21, that each district has in each cell of the salary schedule. For 2018-19 and 2019-20, the data must include full-time equivalent state-funded positions as of the end of the school year. For 2020-21, SDE is to provide the positions as of March 1, 2021. According to SDE, the positions that are included in this step increase calculation based upon the bill are those listed below.

**Position Code Position**

03 Special Education (Itinerant)

04 Prekindergarten (Child Development)

05 Kindergarten

06 Special Education (Self-Contained)

07 Special Education (Resource)

08 Classroom Teacher

09 Retired Teachers

10 Library Media Specialist

11 Guidance Counselor

17 Speech Therapist

18 ROTC Instructor

36 School Nurse

37 Occupational/Physical Therapist

38 Orientation/Mobility Instructor

39 Audiologist

40 Social Worker

85 Psychologist

The bill specifies that RFA determine the cost of the increase in salaries for each district based upon the increase in salary costs for 2020-21 compared to 2019-20 due to the change in the average number of years of service for such positions. RFA will calculate the amount to be distributed to each school district based upon this change. Further, this calculation will be based on the full cost of the salaries without any local cost share as required by the EFA. The bill does not address fringe costs, and we have interpreted that the fringe cost associated with the salary will be the responsibility of the local district.

Under the procedure outlined in the bill, RFA will determine the increased cost in salaries by component and identify the amount due to the step increase based on the difference in total teacher salaries in 2020-21 compared to 2019-20 due to the change in the average number of years of service.  The total cost of the step is greatly influenced by turnover of teachers, which is reflected in the average years of experience.  In our statewide analysis, we found that the step increase does not significantly increase the cost of total salaries, and in some years, the teacher turnover resulted in a cost savings even after the step increase is provided.  The statewide cost, however, may not be uniform by district as differences in turnover may lead to different results.

This method seeks to separate the cost of any increases due to an increase in the number of teachers from the cost of providing the step increase by determining the average number of years of service and how that changes.  Any increase in total salaries from 2019-20 to 2020-21 due to an increase in the number of teachers will be separated out and not included in the determination of the step cost.

On a statewide level, the increase cost in some districts is frequently offset by a decrease in costs in other districts. On a district level, districts that have a lower average number of years of experience in 2020-21 vs. 2019-20 would have a decrease in cost from the step and would not receive funding. Only those districts with a net increase in the average years of experience would receive an increase in funding. The total cost may be higher than it would be if calculated statewide since only the increases will be counted without the offsetting decreases. The amount of funding to each district will depend on this calculation and will be available after SDE provides the data for teacher positions as of March 1, 2021, to enable RFA to calculate the district-level costs. If the cost is less than $50,000,000, any remaining funds after June 30, 2021, will be remitted to the Contingency Reserve Fund.

For reference, our statewide analysis can be found at https://rfa.sc.gov/data-research/education/stepcost.

**Revenue and Fiscal Affairs.** There is no impact on expenditures for RFA to determine this cost as this responsibility is within the normal scope of business.

**Department of Education.** There is no impact on expenditures for SDE to provide these data as this responsibility is within the normal scope of business.

**Local Expenditure**

Local expenditures are expected to increase as the step and fringe benefits are paid. The expenditure increase for each district will be available after SDE provides the data for teacher positions as of March 1, 2020 to enable RFA to calculate the district-level costs.

**Local Revenue**

This bill appropriates $50,000,000 from the 2018-19 Contingency Reserve Fund to provide teacher step increases for the 2020-2021 school year. Based upon the methodology outlined in the State Expenditure Section above, RFA will determine the increased cost in salaries by component and identify the amount due to the step increase based on the difference in total teacher salaries in 2020-21 compared to 2019-20 due to the change in the average number of years of service. For districts with an increase attributable to the change in the average years of service, RFA will provide the amount of funding to be distributed to the district. Only districts with an increase will receive a distribution. The amount of funding to each district will depend on this calculation and will be available after SDE provides the data for teacher positions as of March 1, 2021 to enable RFA to calculate the district-level costs.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **JOINT RESOLUTION**

TO RESTORE TEACHER STEP INCREASES THAT WERE SUSPENDED BY ACT 135 OF 2020 DUE TO FINANCIAL UNCERTAINTIES CAUSED BY THE COVID‑19 VIRUS, BY APPROPRIATING FIFTY MILLION DOLLARS TO PROVIDE FOR TEACHER STEP INCREASES FOR THE 2020‑2021 SCHOOL YEAR.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. (A) From the 2018‑2019 Contingency Reserve Fund, and notwithstanding Act 135 of 2020, Part II, Section (4)(D), there is appropriated $50,000,000 to the Executive Budget Office to provide teacher step increases for the 2020‑2021 School Year in accordance with Act 91 of 2019, Part 1.B. Proviso 1.A.36. The funds must be held in a separate account and disbursed to school districts in accordance with subsection (B). Any funds remaining in the account after June 30, 2021, must be remitted to the Contingency Reserve Fund.

(B)(1) The Department of Education shall distribute the funds to each school district in an amount, determined by the Revenue and Fiscal Affairs Office, equal to the increased cost of salaries to the school district due to the step increase in the state minimum salary schedule.

(2) The Department of Education shall provide the Revenue and Fiscal Affairs Office the number of full‑time equivalent state‑funded positions that were eligible for the step increase pursuant to Section 59‑20‑50(4)(b) in school years 2018‑2019, 2019‑2020, and 2020‑2021 that each district has in each cell of the state minimum teacher salary schedule. For school years 2018‑2019 and 2019‑2020, the department shall provide the number of positions as of the end of the school year. For School Year 2020‑2021, the department shall provide the number of positions as of March 1, 2021.

(3) The Revenue and Fiscal Affairs Office shall determine the actual increased cost of the step increase in the state minimum salary schedule by determining the increase in the amount of total salaries of such positions in School Year 2020‑2021 when compared to School Year 2019‑2020 due to the change in the average number of years of service for such positions. The Revenue and Fiscal Affairs Office shall notify the Executive Budget Office and the Department of Education of its determination for each school district. Then, the Executive Budget Office shall distribute the cumulative amount to the Department of Education to be distributed to each school district that experienced an increase in the manner determined by the Revenue and Fiscal Affairs Office.

(C) For each position that is eligible for the step increase for the 2020‑2021 School Year, each school district shall provide a one‑time lump sum payment of the entire step increase due to the employee, including any amounts in arrears, by June 15, 2021.

SECTION 2. This joint resolution takes effect upon approval by the Governor.

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