

BDR 23-184

AB 190

LOCAL GOVERNMENT FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 5, 2015

Agency Submitting: White Pine County School District

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
Wages & Benefits (Expense)			\$77,000	\$154,000
PERS (Expense)			(\$72,380)	(\$144,760)
Medicare (Expense)			\$1,117	\$2,234
Worker's Comp (Expense)			\$1,925	\$1,925
Total	0	0	\$7,662	\$13,399

Explanation

(Use Additional Sheets of Attachments, if required)

Refer to attached.

Name Paul Johnson

Title CFO

February 27, 2015

BDR 23-184

Paul Johnson, CFO
White Pine County School District
1135 Avenue C
Ely, NV 89301

Summary: Revises provisions governing public employees' retirement (PERS)

The revisions to PERS proposed in BDR 23-184 would drastically and significantly alter public employee compensation. The Nevada PERS is one of the best recruiting tools for public education. Although our District does not have a formal survey, most new teachers indicate that wages and benefits were the leading factors they considered when moving to Nevada. A reduction in PERS would undoubtedly adversely impact teacher recruitment and retention. In rural areas, it will be increasingly difficult to find teachers willing to work in such remote areas with diminished compensation. With Clark County's shortage of classroom teachers, a change this significant to PERS would undoubtedly further complicate their ability to find qualified classroom teachers.

In addition to recruitment and retention, diminished benefits will cost in other ways. Employee turnover is costly in terms of training and staff development as well as consistent, quality services. Consistency and quality are perhaps more important in education than any other business.

Although changes to PERS may assist with the unfunded post-employment liability, it may actually increase operating costs for certain employers with collective bargaining agreements. For example, many collective bargaining agreements contain provisions that require employers to increase wages to offset decreases in PERS. Because of this language, the proposed change in PERS will simply shift the employer contribution to wages instead of PERS. Further, all employees on the salary schedule would benefit whether they qualify for PERS or not. Employees that work less than 20 hours per week currently do not qualify for PERS. The shift to gross wages would cost more than the decrease in PERS because of Medicare, worker's compensation and social security for certain employees. In other words, shifting the compensation to wages would increase the employer's liability for Medicare, Worker's Compensation and Social Security for eligible employees.

Changes in compensation could be offset by other forms of defined contribution plans such as 401(k), 403(b) and 457(b) plans. However, these changes would have to be collectively bargained.

The District would have to negotiate a separate salary schedule for employees hired after June 30, 2016. If 10 employees are replaced per year that make an average of \$35,000; placed on a new and separate salary schedule conforming to this BDR; and the District is required to offset the PERS rate decrease through wages; the estimated impact would be as follows:

White Pine County School District										Paul Johnson, CFO				
BDR 23-184										2/27/2015				
										(10% * 22%)				
										Current				
										FY2016				
Account Code										Estimate				
AccountDescription										Estimate				
										Difference				
										Description				
100	000	0000	000	0000	100	00000	00	000		Wages (\$35,000 ave * 10 emp)	350,000	427,000	77,000	22% inc. to offset PERS decrease. Replacing 10 employees.
100	000	0000	000	0000	230	00000	00	000		Retirement Contributions	98,000	25,620	(72,380)	28% FY2015, 6% FY2016.
100	000	0000	000	0000	240	00000	00	000		Medicare Payments	5,075	6,192	1,117	1.45% of Total Wages
100	000	0000	000	0000	270	00000	00	000		Workers' Compensation	8,750	10,675	1,925	2.5% of Total Wages
Total General Fund Wages										461,825	469,487	7,662	Total	
										Example				
										Emp #1				
										Emp #2				
										Difference				
										Description				
Wages										35,000	42,700	7,700	22% inc. to offset PERS decrease. Replacing 10 employees.	
PERS										9,800	2,562	(7,238)	28% FY2015, 6% FY2016.	
Medicare										508	619	112	1.45% of Total Wages	
PACT										875	1,068	193	2.5% of Total Wages	
Total										46,183	46,949	766	Total	