



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	H. 3609	Amended by House Ways and Means on January 14, 2021
<b>Author:</b>	Lucas	
<b>Subject:</b>	Teacher Step Increase	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Jolliff	
<b>Impact Date:</b>	January 25, 2021	

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### **Fiscal Impact Summary**

This bill appropriates \$50,000,000 from the 2018-19 Contingency Reserve Fund to provide teacher step increases for the 2020-2021 school year. Revenue and Fiscal Affairs (RFA) will determine the increased cost in salaries by component (years of service and number of teachers) 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. Further, this calculation will be based on the full cost of the salaries without any local cost share as required by the EFA. 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 the State Department of Education (SDE) provides the data for teacher positions as of March 1, 2020 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. 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.

There is no impact on expenditures for RFA or SDE to accomplish these calculations as this responsibility is within the normal scope of business.

Local expenditures are expected to increase as the step and fringe benefits are paid. Local revenue for those districts determined to have an increase in cost will increase by up to \$50,000,000. The increase to each district will depend on this calculation and 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.

### **Explanation of Fiscal Impact**

#### **Amended by House Ways and Means on January 14, 2021**

#### **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.

<b>Position Code</b>	<b>Position</b>
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.

#### **State Revenue**

N/A

#### **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