



# FISCAL IMPACT REVIEW

CBA WSC and WTU 2020-2023 FINAL TA

PREPARED FOR

SCHOOL COMMITTEE MEETING EXECUTIVE SESSION

11 MAY 2021

## EXECUTIVE SUMMARY

The Warwick School Committee (WSC) negotiating team has arrived at a Tentative Agreement (TA) with the Warwick Teachers' Union. The fiscal impact of the agreement is driven mainly by the changes to two areas: (A) increase to the salary schedule (A-1) (which then affect the subsidiary pay rates dependent on the schedule such as department head ratio, psychologist salaries and hourly rates); and, (B) changes to the health insurance premium co-share rates (13-8). The one term of the TA with minimal fiscal impact is the length of the school year (12-1.1). Appendix D as presented maintains the ability to reduce the WTU work force in line with declines in enrollment.

The 3-year term of the TA spans fiscal year 2021 through fiscal year 2023. The TA salary increases are; FY21 – 0%, FY22 – 2.5%, and FY23 – 2.5%. The TA health insurance co-shares are equal to 17% of the FY22 health premiums and 18% of the projected health premiums for FY23.

Considering the terms of the TA:

- 1) The fiscal impact of this TA can be absorbed within the FY22 School Committee recommended budget with negligible adjustments.
- 2) It is possible for the WSC to eliminate the district's structural deficit within terms of this TA assuming WTU staff reductions are made as a result of declining enrollment.
- 3) The fiscal impact of the TA by year are:
  - a. FY21 = \$ 0
  - b. FY22 = \$ 2,466,148
  - c. FY23 = \$ 5,614,745

I will be available for questions.

Respectfully,



Robert C. Baxter, Jr.  
Executive Director of Finance and Operations  
Warwick Public Schools

## SALARY INCREASES (A-1)

The TA increases salary for the WTU members over its three-year term. For FY21, the TA defines a 0% increase. In other words, no retroactive pay increases. For FY22, the TA defines a 2.5% increase, and for FY23 a 2.5% increase.

STEP	20 / 21		21 / 22 TA			22/23 TA		
	Rate	TA Rate	Calc Rate	Var.	TA Rate	Calc Rate	Var.	
1	\$ 46,837.00	\$ 48,008.00	\$ 48,008.00	\$ -	\$ 49,208.00	\$ 49,208.00	\$ -	
2	\$ 51,651.00	\$ 52,942.00	\$ 52,942.00	\$ -	\$ 54,266.00	\$ 54,266.00	\$ -	
3	\$ 55,609.00	\$ 56,999.00	\$ 56,999.00	\$ -	\$ 58,424.00	\$ 58,424.00	\$ -	
4	\$ 59,568.00	\$ 61,507.00	\$ 61,057.00	\$ 450.00	\$ 63,045.00	\$ 62,583.00	\$ 462.00	
5	\$ 63,531.00	\$ 65,119.00	\$ 65,119.00	\$ -	\$ 66,747.00	\$ 66,747.00	\$ -	
6	\$ 67,483.00	\$ 69,170.00	\$ 69,170.00	\$ -	\$ 70,899.00	\$ 70,899.00	\$ -	
7	\$ 71,807.00	\$ 73,602.00	\$ 73,602.00	\$ -	\$ 75,442.00	\$ 75,442.00	\$ -	
8	\$ 75,409.00	\$ 77,294.00	\$ 77,294.00	\$ -	\$ 79,266.00	\$ 79,226.00	\$ 40.00	
9	\$ 78,646.00	\$ 80,612.00	\$ 80,612.00	\$ -	\$ 82,627.00	\$ 82,627.00	\$ -	
10	\$ 86,386.00	\$ 88,546.00	\$ 88,546.00	\$ -	\$ 90,760.00	\$ 90,760.00	\$ -	

Figure 1: TA SALARY SCHEDULE

Over three years, the average annual salary increase is 1.67%. The salary schedule includes a couple of typographical errors in the favor of the WTU (See Figure 1).

The salary increases will inflate not only the salaries, but also salary dependent benefit amounts including Social Security, Medicare, and pension contributions. The total amount of WTU related salaries and benefits in FY21 (projected) equals \$ 95,539,106. The salary increases defined in the TA will result in a cumulative \$7,225,145 in expenses (see Figure 2) over the 3-year term of the contract.

		FY21	FY22	FY23
<b>SALARY INCREASES</b>				
FY21 SALARY AND BENEFITS BASE (ex HEALTH)	\$ 95,539,106			
ASSUMED RATE OF SALARY INCREASE		0.0%	2.5%	2.5%
FINANCIAL IMPACT OF PROPOSED INCREASE		\$ -	\$ 2,388,478	\$ 4,836,667

Figure 2: FISCAL IMPACT OF SALARY INCREASES

## HEALTH INSURANCE (13-8)

number of plans			FY2020	FY2021	FY2022	FY2023		
			per employee	per employee	per employee	total additional co-pay collected	per employee	total additional co-pay collected
Healthmate Family	591	Health Plan Premium	\$23,631.36	\$25,289.88	\$26,301.48		\$27,879.57	
		20% Share by Admin	\$4,726.27	\$5,057.98				
		WTU Copay - Family	\$3,534.00	\$3,534.00	\$4,471.25	\$553,915.70	\$5,018.32	\$323,318.83
		WTU Copay Rate as a %	14.90%	13.90%	17.00%		18.00%	
Healthmate Individual	182	Health Plan Premium	\$9,306.84	\$9,975.48	\$10,374.50		\$10,996.97	
		20% Share by Admin	\$1,861.37	\$1,995.10				
		WTU Copay - Family	\$1,390.00	\$1,390.00	\$1,763.67	\$68,007.03	\$1,979.45	\$39,273.71
		WTU Copay Rate as a %	14.94%	13.93%	17.00%		18.00%	
BC Classic Family	14	Health Plan Premium	\$25,268.28	\$27,042.24	\$28,123.93		\$29,811.37	
		20% Share by Admin	\$5,053.66	\$5,408.45				
		WTU Copay - Family	\$3,779.00	\$3,779.00	\$4,781.07	\$14,028.95	\$5,366.05	\$8,189.69
		Percent	14.96%	13.97%	17.00%		18.00%	
BC Classic Individual	4	Health Plan Premium	\$9,995.16	\$10,711.32	\$11,139.77		\$11,808.16	
		20% Share by Admin	\$1,999.03	\$2,142.26				
		WTU Copay - Ind	\$1,492.00	\$1,492.00	\$1,893.76	\$1,607.04	\$2,125.47	\$926.83
		Percent	14.93%	13.93%	17.00%		18.00%	
						\$637,558.72		\$371,709.06

Figure 3: HEALTH INSURANCE CO-PAY SCHEDULE

Figure 3 illustrates the health insurance contributions from WTU members per the TA. As with the salary schedule, there is no retroactive changes to FY21. The FY22 employee contributions are equivalent to 17% of the FY22 health insurance premiums (4% greater than FY21). The FY23 employee contributions are equivalent to 18% of the projected FY23 health insurance premiums (6% greater than the FY22 rates).

Based on the current health insurance enrollment, the district would expect to see an increase in employee contributions of \$637,589 in FY22 and an additional \$371,709 in FY23.

	FY21	FY22	FY23
<b>CHANGES TO HEALTH CO-SHARE</b>			
ESTIMATED FY22 TOTAL WTU PREMIUMS			
ESTIMATED TOTAL WTU PREMIUMS	\$ 17,152,817	\$ 17,867,517	\$ 18,939,568
ANNUAL INCREASE IN PREMIUMS AS A PERCENTAGE		4%	6%
CURRENT LEVEL WTU DEDUCTIONS	\$ 2,400,448	\$ 2,400,448	\$ 2,400,448
CURRENT WTU DEDUCTIONS AS A PERCENT OF PREMIUMS	13.99%	13.43%	
PROPOSED WTU HEALTH CO-SHARE AS A PERCENTAGE OF PREMIUMS		17.00%	18.00%
PROPOSED WTU HEALTH CO-SHARE		\$ 3,037,478	\$ 3,409,122
PROPOSED DISTRICT PORTION OF PREMIUM	\$ 14,752,369	\$ 14,830,039	\$ 15,530,446
FINANCIAL IMPACT OF CHANGES TO HEALTH CO-SHARE		\$ 77,671	\$ 778,077

Figure 4: CHANGE TO DISTRICT HEALTHCARE EXPENSE

The projected net increase in health premium expense for WTU members to be used for accounting for the impact of healthcare on the district’s structural deficit is \$77,671 in FY22 and \$778,077 in FY23. This amount is the year to year difference in the district’s portion of the WTU members’ health premiums (i.e., between the increase in WTU total health care premiums less the increase in WTU member employee contributions).

## CONTRACT FEASIBILITY

The FY22 fiscal impact of the TA (\$2.293M) can be absorbed within the FY22 School Committee recommended budget with negligible adjustments. The current FY22 School Committee Recommended budget includes a 1% salary increase for the WTU membership (~\$1.2M in salaries and non-health benefits); and, a \$500k in arbitration / legal fees associated with a contested contract negotiation that can be re-appropriated to the increased WTU salaries and benefits. These budgeted funds plus the additional employee health contributions (\$637k) will offset the additional expense due to the increase in salaries. The total offset will be \$2.337M against an increase of \$2.293M freeing up \$44k in the local budget.

It is also possible for the WSC to eliminate the district’s structural deficit within terms of this TA assuming WTU staff reductions are made as a result of declining enrollment. In addition to the 34 FTE reduction proposed for this year, the WSC will be required to further reduce the WTU workforce by an estimated 20-30 FTEs due to declines in enrollment in FY23. Assuming the required staff reductions are made, it will be possible to increase WTU salaries while at the same time eliminating our structural deficit.

Figures 5 and 6 shows the impact of the TA on the structural deficit. Red indicates increase to structural deficit, green indicates reduction to structural deficit. Both scenarios assume that the WSC will make the 34 FTE reduction in WTU staff as a result of enrollment decline. The scenario depicted in Figure 5 assumes that the WSC makes no further reductions in staff in FY23 or FY24.

	FY21	FY22	FY23	FY24
<b>CONTRACT FEASIBILITY</b>				
ESTIMATED BEGINNING STRUCTURAL DEFICIT	\$ (5,000,000)			
NET CHANGE TO STRUCTURAL DEFICIT		\$ 2,293,852	\$ (854,745)	\$ (1,786,571)
RESULTING STRUCTURAL DEFICIT		\$ (2,706,148)	\$ (3,560,893)	\$ (5,347,465)

Figure 5: SUMMARY NET IMPACT ON STRUCTURAL DEFICIT ASSUMING NO STAFF REDUCTIONS IN FY23 AND FY24

The scenario depicted in Figure 6 is a typical example of a scenario where the district’s structural deficit is eliminated. It assumes the 34 FTE reduction in FY22, a 20 FTE reduction in FY23 and a 0% salary increase as well as a 4FTE reduction in FY24.

	FY21	FY22	FY23	FY24
<b>CONTRACT FEASIBILITY</b>				
ESTIMATED BEGINNING STRUCTURAL DEFICIT	\$ (5,000,000)			
NET CHANGE TO STRUCTURAL DEFICIT		\$ 2,293,852	\$ 1,945,255	\$ 1,573,429
RESULTING STRUCTURAL DEFICIT		\$ (2,706,148)	\$ (760,893)	\$ 812,535

Figure 6: SUMMARY - SUMMARY NET IMPACT ON STRUCTURAL DEFICIT ASSUMING STAFF REDUCTIONS IN FY23 AND FY24