

Oregon House of Representatives - Committee on Business and Labor
 HB3130
 Financial Support Data

Dear Committee and Sponsors:

I have reached out via public record requests to EDUStaff, ESS and several school districts and ESDs to get data related to cost, numbers and detail of outsourced substitute teachers that would be impacted by HB 3130. While this is still on-going, I will be sharing my research on this at this point for public testimony and for your consideration in the work session for this bill.

The key take-aways from this research:

1. Very few substitute teachers work enough hours to be eligible for retirement benefits, less than 10 percent in any one district substitute pool.
2. The fees paid to the outsourcing staffing agencies (EDUStaff and ESS) are based on percentage of daily rate/ gross wages - this ranges from 24 to 26%
3. Given that most substitute teachers do NOT get enough hours, the fees paid to the outsourcing staffing agencies contain a profit margin that supports not only the current substitute pickup of 6% but also the retiree percentage that each District pays. This is simply because the number of eligible outsourced substitute teachers are small and are covered with the profit margin from those who do not get their hours.

The data set I have requested is from 2015 to 2020 lists these 4 items for respondents.

- | |
|-----------------------------------------------------------------------------------------|
| 1. How many licensed substitute teachers did you employ who worked at least 1/2 day? |
| 2. What was the total hours worked for these same substitute teachers? 1 day = 8 hours. |
| 3. What was the total Gross Payroll for these Sub Teachers? Wages+Employer Matches |
| 4. How many of the Sub Teachers in #1 worked 600 hours or more? |

A	B	C	D	E	F
Greater Albany Public Schools					
Year	# of licensed subs	Total Combined Hours Worked	Total Combined Gross Pay	# Subs over 600 HRS	
2019	268	58232	\$1,350,910.45	23	
2020	194	26387	\$644,875.81	4	
Source: Randy Lary: randy.lary@albany.k12.or.us					
Southern Oregon ESD					
Year	# of licensed subs	Total Combined Hours Worked	Total Combined Gross Pay	# Subs over 600 HRS	
School year 2018-2019	530	157278	\$7,926,187.52		"That is difficult to say. My guess would be that that number would be very low. 600 hours would be 15 weeks of full time work and I can not think of any subs in our system who do that." Patty Michiels
School Year 2019-2020	503	100883	\$6,354,385.78		
Source: Patty Michiels, Chief Human Resources Officer patricia_michiels@soesd.k12.or.us					
Tillamook School District					
Year	# of licensed subs	Total Combined Hours Worked	Total Combined Gross Pay	# Subs over 600 HRS	
2019	75	14725	\$417,202.75	7	
2020	51	7335	\$229,780.51	1	
Source: Shannon Farriers, Finance Director farriers@tillamook.k12.or.us					

From the data captured we can conclude that only a small percent of substitute teachers would be eligible under this bill. Most substitute teachers do not work enough hours to qualify for retirement benefits in either insourced or outsourced districts.

Further, it was asked what percent of the school district total budget are substitute teachers. Tillamook School District provides a great example that substitute teachers are a small percentage.

Subs as % of Budget

Our year is July 1 - June 30th. But this should give you a good idea of the percentage.

Year	General Fund			Special Revenue			Total % All Funds
	Expenditures	Sub costs	%	Expenditures	Sub costs	%	
2020-2021	Not yet completed						
2019-2020	\$22,689,776	\$400,748	1.77%	\$5,828,207	\$85,970	1.48%	1.71%
2018-2019	\$22,275,684	\$568,432	2.55%	\$6,309,224	\$89,372	1.42%	2.30%
2017-2018	\$21,057,249	\$511,658	2.43%	\$5,674,547	\$73,803	1.30%	2.19%
2016-2017	\$19,522,123	\$575,481	2.95%	\$4,905,112	\$71,510	1.46%	2.65%
2015-2016	\$18,946,927	\$462,156	2.44%	\$4,551,985	\$68,970	1.52%	2.26%
2014-2015	\$17,396,608	\$412,001	2.37%	\$5,170,834	\$92,409	1.79%	2.24%
AVERAGE							2.22%

Source: Shannon Farriers, Finance Director farriers@tillamook.k12.or.us

If we look at the percentage of substitute teachers from our three Districts as applied to the counts of out-sourced substitute teachers. I believe the pool of eligible substitute teachers will be between 280 and 300. Within the count some substitute teachers may not qualify every year. I am personally listed within the EDUStaff Marion, Polk and Yamhill count and I will account for retro-activeness from 2018 to 2020, I am one person of the 280-300 estimated outsourced substitute teachers that will be eligible under this Bill.

Outsourcing Staffing Agency	District	Substitute Teachers	Year
ESS	Various	1,791	2019
EDUStaff	Marion, Polk, Yamhill	722	2018
EDUStaff	Linn Benton	277	2018
Total		2,790	

Source: ESS and EDUStaff via information requests from OSTA

What have Outsourced Substitute Teacher Districts paid these staffing agencies:

Parkrose School District outsources to ESS. Parkrose School District provides their justification for outsourcing in the documents below. The term “Fringe Rates” are the employer matches and other benefits that are paid by the school district on behalf of the employee above salary.

Parkrose estimates the cost of PERS at 26.11% of the substitute teachers base daily rate. Parkrose pays ESS 26% of the base daily rate as noted below as the staffing agency fee. Parkrose pays ESS 238.54 for a daily substitute teacher and 277.24 per day for a long term substitute teacher in the 2020-21 school year. The 26% staffing fee goes to Medicare and Social Security Matches: 7.65%, Workers Compensation of .42% and Unemployment of .30%. When added together the 8.37% of the 26% staffing fee is used for employer-paid employment taxes.

PARKROSE SCHOOL DISTRICT FRINGE RATES						
Fringe/ Benefit Description	District Assigned Object Code	2017-18 Fringe Rate	2018-19 Fringe Rate	2019-20 Fringe Rate	2019-21 Fringe Rate	Change
PERS - District						
Tier I & II	0211	27.20%	27.20%	23.92%	23.92%	-3.28%
ORSRP	0211	21.87%	21.87%	18.47%	18.47%	-3.40%
BLENDED	0211	24.11%	24.11%	20.11%	20.11%	-4.01%
PERS - Employee 6% - District Pickup	0212	6.00%	6.00%	6.00%	6.00%	0.00%
COMBINED BLENDED PERS & PICKUP		30.11%	30.11%	26.11%	26.11%	-4.01%
FICA - Federal Insurance Contribution Act						
Social Security	0220	6.20%	6.20%	6.20%	6.20%	0.00%
Medicare	0221	1.45%	1.45%	1.45%	1.45%	0.00%
Total FICA - Federal Insurance Contribution Act		7.65%	7.65%	7.65%	7.65%	0.00%
Workers Compensation (assigned based on job classification - change yearly - 90% of salaries under class 8868)						
School Bus Drivers - W/C Class 7380	0231	4.65%	4.26%	3.99%	4.26%	-0.39%
School - Professional Emp & Clerical - W/C Class 8868	0231	0.48%	0.42%	0.38%	0.42%	-0.06%
School - All Other Employees - W/C Class 9101	0231	3.67%	3.20%	2.84%	3.20%	-0.47%
School - Cafeteria / Kitchen Employee - W/C Class 9349	0231	3.59%	3.02%	2.84%	3.02%	-0.57%
Vol Teacher VOL@ \$9.25 / HR - W/C Class 8868	0231	0.48%	0.42%	0.38%	0.42%	-0.06%
Unemployment	0232	0.30%	0.30%	0.30%	0.30%	0.00%
TOTAL BENEFIT / FRINGE RATE WITHOUT INSURANCE		38.54%	38.48%	34.44%	34.48%	-4.01%
(this total is based on using blended PERS rates & W/C class 8868 as the most frequent rate usage)				Updated 6/25/19 with new WC Rates	Used for 19/20 Budget	
Health Insurance	0241	<i>(this amount is based on each individual union contract and what the member qualifies for)</i>				

Looking at these rates, a cost-effective solution to outsourced substitute teachers is found. It is clear that the district has provided moneys for more substitute teachers than actually qualify. As noted here, Parkrose estimates that their cost is 34.48% of the base teacher salary rate, versus the 26% outsourcing fee. The 26.11% of the 34.48% does not apply to the vast majority of outsourced substitute teachers. Therefore, the unused portion of the staffing fee can be used to pay for those substitute teachers who do get their 600 hours and would qualify under this bill for retirement benefits.

Substitute Rate for 2020-2021

BA - Step 1 \$ 41,806.00 OEA Contract pg 90 - Appendix A

ODE Guidelines:

For Districts with class schedules based on 5 - day week - Yes Parkrose

OPTION A The minimum pay rate for the **first 10 days** of substitute teaching is \$189.32 per day (\$42,318 divided by 190 times 85%)
<https://www.oregon.gov/ode/schools-and-districts/grants/Pages/Financial-Budgeting-and-Accounting.aspx>
 (see additional tab "Data from ODE Website" for information)

OPTION B Substitute teaches for **more than 10 consecutive days in the same assignment** rate of pay will be the higher of the two options:

option 1 Take 1/190th of the District's annual salary scale for the beginning teachers with a bachelor's degree. [ORS 342.610 (3)(a)(A)]

option 2 The rate will be \$189.32 per day. [ORS 342.610 (3)(a)(B)]

OPTION A (10 days or less)

The minimum pay rate for the **first 10 days** of substitute teaching is \$189.32 per day (\$42,318 divided by 190 times 85%)

TEACHER SUBSTITUTE RATE 20/21 for 10 days or less	\$189.32
With EMS managing our substitutes add 26%	\$49.22

EMS Billable Substitute Rate for 2020-21 for 10 days or less **\$238.54**

OPTION B (11 days or more of consecutive same assignment)

(if have salary scale - minimum rate is the higher of Option 1 or 2)

Option 1 Take 1/190th of the District's annual salary scale for the beginning teachers with a bachelor's degree. [ORS 342.610 (3)(a)(A)]

BA-Step 1 \$ 41,806.00 (see note above)

1/190th 0.5263%

Option 1 Hrly Rate \$ 220.03

Option 2 The rate will be \$189.32 per day. [ORS 342.610 (3)(a)(B)]

<https://www.oregon.gov/ode/schools-and-districts/grants/Pages/Financial-Budgeting-and-Accounting.aspx>

Option 2 Hrly Rate \$ 189.32

TEACHER SUBSTITUTE RATE 20/21 for more than 10 days	\$ 220.03
With EMS managing our substitutes add 26%	\$ 57.21

EMS Billable Substitute Rate for 2020-21 for 11 days or more \$ **277.24**

The PERS 26.11% does not apply to substitute teachers in the Parkrose School District for 4 reasons.

1. Outsourcing: Parkrose outsources to ESS, so substitute teachers in this district have not gotten any PERS credits regardless of the hours worked. When HB3130 passes, the profit margin left of the staffing fee will be more than enough to pay the 26.11% for those substitute teachers who work the required number of hours.
2. Very few work the 600 hours according to Shari Lewis, who supplied this data and a very long conversation about it. She also noted in Parkrose that substitute teachers are likely to work in more than one school district.
3. It is not clear how the school board could have passed these numbers without the statistic of the count of substitute teachers who would get and would not get their 600 hours. As noted in the Parkrose data, a substitute teacher who does not get the 600 hours would not have the 20.11% applied or the 6% for a total of 26.11% that does not apply to their gross wages, leaving a large margin to be applied to those substitute teacher who do get their 600 hours.
4. The Parkrose data shows a false assumption that all substitute teachers get the hours to qualify for PERS credits.

There is a large profit margin on each substitute teacher being paid who never will get the 600 hours. Even if Parkrose insources their substitute teachers the 20.11% + 6% the allotted calculation would be false, as only a tiny fraction will get it their hours. It is a faulty assumption that all substitute teachers will work their 600 hours thereby gaining retirement benefits.

WESD paid EDUStaff 24% in 2019 for the similar costs, but this % could be higher now.

Similarly, substitute teachers do not often work the 30 hours per week to qualify for health care under the Affordable Care Act. Health Care is absent from Parkrose's calculations as well. Substitute teachers are not getting any premium subsidy from the outsourcing staffing agencies or the school districts. With the passage of HB3130, this would not change.

I hope this helps. This is a restorative bill, it is an equity bill, it is the right thing to do. Please help us move this bill forward. Thank you, send me questions; send Opponents to me with their numbers.

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Oregon Substitute Teachers Association
Oregon Substitute Teacher
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