

## ***Classified Staff Salary Increase Information***

### ***FLSA-Fair Labor Standards Act***

The Department of Labor (DOL) proposed increasing the standard salary level to qualify for exemption from the FLSA minimum wage and overtime requirements as an executive, administrative, or professional employee from \$455 a week (\$23,660 a year) to \$921 a week (\$47,892 a year), based on 2013 data. The regulations also proposed a mechanism for annually updating the minimum salary and the DOL is seeking comments on one of two proposed mechanisms. If one of the annual update mechanisms is implemented, the DOL anticipates that the annual salary requirement in 2016 will be \$970 a week, or \$50,440 a year. **Rationale for Change: The DOL, in the preamble to the regulations, noted that the current salary level threshold for exemption of \$455 per week, or \$23,660 annually, is below the poverty threshold for a family of four.**

This would affect classified staff members who currently are acting in a “supervisory capacity” and making “substantial decisions” or considered “white collar” employees under the law. These would include “director” positions, such as head of maintenance, head of transportation, head of kitchen, & director of technology.

#### Considerations & Important Information:

- 1) Regulations will likely be released in June
- 2) The timeframe for adhering to guidelines won't come immediately (30, 60, 90 days)
- 3) “At-will” work agreements can be modified at any time
- 4) There are strategies for managing the change:
  - a. PTO for overtime hours
  - b. Changing salaried employees to hourly employees WITHOUT negatively affecting their earnings

As regulations are approved and begin to be enforced, Pat and I will continue to work with the school's legal counsel and make those people affected by this decision aware of the changes to their work agreements and the options available to them. The change will be manageable. However, it will take clear communication, guidance from legal, and ensuring we are treating those employees affected in a fair manner.

### ***Insurance Costs Increase & Options***

When considering the pay increase for classified, traditionally, “total cost” has not been presented in the calculations for pay increases. Total costs means including FICA, Retirement, Insurance Costs, etc. Only the salary or hourly wage has been a consideration in the calculation of those amounts. This is a fairly common practice. With the advent of the Patient Protection and Affordable Care Act (PPACA), this is something the board may want to take into consideration in the future.

Currently, we have 19, 9-month classified employees who are eligible for insurance. In accordance with PPACA, we are required to make an offer of “affordable insurance” to these employees. As defined by PPACA, “affordable” means that the total contribution of the employee cannot exceed 9.5% for 2015; 9.66 for 2016; or 9.69 for the 2017 school year, of the employee's gross household income. Currently, those employees are asked to pay 25% of the cost of the monthly premium amount. That monthly premium amount is currently \$134.16 or \$1,609.92 annually.

In consulting with the school district's attorney, he suggested a method for determining the safest and surest way to meet the PPACA requirements for "affordability" and to avoid the corresponding penalties the district could incur, if an employee would go to the exchange. The monthly "tax" (aka-penalty) is \$3,000 a year for each employee. The method the attorney suggested is looking at all of the W-2's for the classified employees who work 30 hours or more per week and see who the lowest paid employee is. After determining who the lowest paid employee is, take the amount from "box 1" on the W-2 and multiply it by the affordability factor of 9.66% and use that product as the amount that employees would contribute to their insurance cost.

When this calculation was performed, the amount of \$5,706.60 was used, and the corresponding contribution amount was \$551.26 a year, or \$45.94 a month. As mentioned previously, the current annual contribution is \$1,609.92 and the monthly contribution is \$134.16. The increased contribution for the district is \$1,058 a year or \$88.19 a month.

There are currently 9 of the 19 eligible 9-month classified employees who take the insurance benefit. So, the additional contribution for the school district will be \$9,522 a year, based on the eligible staff members' current utilization of the benefit. For each additional employee who utilizes this benefit, the cost of providing the benefit will increase the district's financial responsibility by \$1,058.

As per the "Classified Wage Increase Proposal," a .5% increase in wages for the entire classified staff represents a value of \$4,568.54. A 2.5% increase in wages represents \$22,842. A 3.07% increase in wages represents \$28,050.