Recommendations and Guidelines for NRS 288 Fiscal Impact Assessments

A Preliminary Review and Analysis White Paper

May 2010

Introduction

The Las Vegas Chamber of Commerce retained Applied Analysis and Hobbs, Ong & Associates to prepare a series of recommendations and guidelines relative to the Nevada Revised Statutes (NRS) Chapter 288 fiscal reporting requirements passed by the 2009 Nevada State Legislature. NRS 288 relates to relations between governments and public employees, including the formation and modification of collective bargaining agreements. Specifically, Senate Bill 427 passed by the 2009 Nevada State Legislature amended NRS 288 by adding the following language.

> Any new, extended or modified collective bargaining agreement or similar agreement between a local government employer and an employee organization must be approved by the governing body of the local government employer at a public hearing. **The chief executive officer of the local government shall report to the local government the fiscal impact of the agreement.** (SB 427, section 13 at page 22; codified as NRS 288.153; emphasis added)

The specific disclosure required by these two sentences may be open to multiple interpretations, but the legislative intent is clear. The fiscal impacts of changes to collectively bargained agreements between public employers and public employees are to be set forth in a comprehensive and understandable manner such that an average taxpayer can fully understand the financial implications of these complex agreements. To this end, SB 427 was ostensibly designed to increase the transparency of the collective bargaining process thereby providing interested parties the information necessary to formulate their own opinions and draw independent conclusions regarding those contracts.

This summary is designed to provide guidance from a fiscal impact assessment standpoint as to what should be included and the general form for consistent reporting. Importantly, no two contracts are exactly same, no two jurisdictions report in precisely the same manner and it would be impracticable to attempt to foresee all of the changes that might result from future negotiations. These limitations notwithstanding, the principal objective of the passage above is unambiguous – *the public cost of the new, changed or amended collectively bargained agreements must be analyzed and publicly reported*. To accomplish this objective, we would suggest three steps are required. First, the government employer should provide a general overview of how all provisions in the agreement are being treated (or untreated) from a fiscal analysis standpoint. Second, a summary fiscal impact analysis should be provided detailing the expected cost of the new or modified agreement annually and over the term of the contract. Third, detailed working papers should be available to the public to show how the fiscal impacts of each element were calculated. In the sections that follow, we provide a definition of what a fiscal impact assessment is and discuss each of these steps in additional detail.

Fiscal Impact Summary

Fiscal impact analysis, as used here, is defined as a projection of the change in direct, current, public costs associated with a new, extended or modified collective bargaining agreement to the jurisdiction employing those workers covered by the agreement. Such costs should be calculated in detail, showing the fiscal effects of all contract provisions, including both increases and decreases from the status quo. The status quo would either be the contract previously in existence or no contract should one not have existed previously.

Collective bargaining agreements should be analyzed both in terms of their aggregate public cost (e.g., 1,000 employees times $50,000 per employee equals $50 million in cost) as well as the contract's net change in cost. A fiscal impact analysis is a comparison of alternative courses of action and any new or modified agreement should be measured against the status quo. In most cases, the status quo would be defined as an extension of the existing agreement already in place or the current cost structure where no agreement previously existed.

Although there may be secondary or indirect impacts resulting from a new or modified collective bargaining agreement (e.g., higher retail sales and use tax payments resulting from higher wage and salary payments to employees or lower costs of indigent health subsidies because health insurance is extended to uninsured employees), the required fiscal impact assessment should only focus on the direct impacts of the agreement in question. Direct impacts include any actual dollars paid or value of services provided by the government employer that inure to the benefit of the public employees covered by the agreement. Indirect impacts are not treated due to: (1) the near impossibility of predicting accurately the secondary consequences of government payments and employee expenditures; and (2) the recurring potential for double counting when primary and secondary impacts are viewed simultaneously.[1]

Fiscal impact analyses should be based on the current workforce; and, where rates of escalation are not specifically set forth in the agreement (e.g., a cost-of-living adjustment tied to the Consumer Price Index), rate assumptions should be consistent with those documented over a period of not less than five years. It is impossible to foresee unspecified escalations in costs or how any particular government workforce will change over time. Thus, the fiscal impact analysis should assume that the new or modified collective bargaining agreement is applied to the current workforce and any rates of escalation (e.g., cost-of-living adjustments, merit pay or health care contributions) should be consistent with historical averages documented at the time of the analysis unless alternative rates are specifically set forth in the agreement.

The analysis should include both increases and decreases in public costs. Public costs include those payments or services inuring directly to the benefit of covered workers (e.g., salary payments) as well as

[1] Generally adapted from Robert W. Burchell, David Listokin, William R. Dolphin, *The New Practitioners Guide to Fiscal Impact Analysis* (1985).

additional direct public cost sourced to the agreement itself (e.g., having to increase staffing levels or overtime due to adding days off for public workers). Concessions made by workers should be viewed as decreases in public cost, and given equal treatment, because they represent savings when compared to the status quo. Decreases in public cost should include both direct payments (e.g., increased employee contributions toward health care) as well as any other direct reduction in public cost sourced to the terms of the agreement (e.g., decreased cost of electricity resulting from moving from a five-day to a four-day work week).

Elements to be Included in the Fiscal Impact Analysis

Most collective bargaining agreements are structured similarly, with well defined articles or sections dealing with specific provisions of the agreement. At the outset of the fiscal impact assessment, each section of the agreement should be classified as: 1) unchanged, 2) no-cost item, or 3) cost item in a matrix format (See Exhibit A). The intent of this exercise to allow a third-party to quickly ascertain what elements of the agreement have been altered and which elements the jurisdiction expects to have a fiscal impact, positive or negative.

Considerable care should be taken in determining whether or not a contract provision has cost impact. . Similarly, items for which the contract language remains unchanged may also have cost impact. For example, if the language of a contract regarding advancement of employees on a pay scale remains unchanged, any change in the cost of moving the existing workforce within that pay scale should be captured in the analysis. Finally, in the case of items which increase or decrease according to an index (e.g., the Consumer Price Index) even if the contract language remains the same, applying the long-term change in the index to the existing workforce would be expected to generate additional cost under a new contract that should be identified and quantified as part of fiscal impact assessment. Elements classified as unchanged should be mirror images of the same passage in previous agreements; no elements in new collective bargaining agreements should be classified as unchanged. No-cost items include those where there is not a cost component. Articles providing definitions or the term of the agreement are common examples of items often classified as no cost.[2] That said, heightened scrutiny should be given to any article or element that is identified as no cost, as the vast majority of articles contained within a collectively bargained agreement are designed to provide for some benefits to employees or responsibilities of employers, all of which have direct costs associated with them. Even a change in definition could have fiscal consequences. For example, a change in the definition of “work day” would likely have a material cost impact.

Upon review of a number of existing southern Nevada collectively bargained agreements, we note that revisions to articles or sections dealing with at least the following 32 contract provisions should always

[2] Note, however, that a change in a definition that impacts one or more cost items could have a material impact. If this is the case, a notation should be made in the definitions section, but the impact should be calculated and reported at the article or section level.

be identified as cost items. To the extent they are not, a footnote should be added detailing any revisions to the contract language and explaining why the provision is being classified as a no-cost item.

List of Common Cost Items

1) Required hours of work	2) Retiree health insurance
3) Number of steps in pay scale	4) Life Insurance
5) Change in differential between steps	6) Worker's compensation
7) Non-standard shift pay	8) Unemployment compensation
9) Remote area pay	10) Disability insurance
11) Longevity pay	12) Other disability payments or benefits
13) Callback pay	14) Uniform allowances
14) Overtime pay	16) Equipment allowances
17) Special assignment pay	18) Supply allowance
19) Extra duty pay	20) Payments or benefits upon separation
21) Temporary assignment pay	22) Vacation or sick leave incentives
23) Certification or licensure pay	24) Tuition or training allowances
25) Holiday pay	26) Vacation (annual leave)
27) Hazardous duty pay	28) Sick leave
29) Retirement contributions	30) Mileage payments
31) Active employee health insurance	32) Career incentive pay
33) Bilingual pay	34) Education pay

Summary of Fiscal Impacts

An important consideration in preparing a fiscal impact assessment is that of the analysis timeframe, or what is commonly referred to as the study period. The minimum timeframe for the fiscal impact analysis should be the life of the collective bargaining agreement being considered; this would be an appropriate time for the majority of contract provisions. The primary exceptions to this general rule are certain retirement provisions, as special consideration is required for Public Employees Retirement System (PERS) contributions and other costs of postretirement benefits (discussed further below).

A fiscal impact assessment is a comparative analysis, meaning it requires the evaluation of two alternative courses of action. In the majority of cases, the comparison will be between the existing contract and a new contract. Thus, the analysis should compare the fiscal implications if the existing contract were merely extended with the fiscal implication of the new agreement. Both the expected total cost and the difference between the two should be reported; however, the impact of each cost item should be shown separately (and annually) where possible. Where annual assessments are not possible, a footnote should be added explaining the reasons why. At a minimum, a total estimate for each cost item should be included. Exhibit B provides a hypothetical example of how these data might be summarized.

As noted above, it is also important to analyze collectively bargained agreements from an aggregate and incremental cost point of view. Combining salaries, health benefits, retirement benefits and other agreement provisions may very well cost the jurisdiction $1 billion or more during the life of the contract, which may be 10 percent higher or lower than the combined cost under the current contract or in absence of a contract. Having both these total values and the net change answers two key fiscal questions: 1) what is the cost of the new contract and 2) how much of an increase or decrease does that contract represent versus the status quo.

Detailed Estimates for Specific Provisions

Back-up calculation summaries should be provided for each cost item. Of course, each provision will be unique as will each jurisdiction's analysis of any given provision. That said, the objective is the same in all cases: to provide a clear summary of the aggregate and incremental fiscal impacts of a new or altered collective bargaining agreement. Exhibits C though G, at the end of this document, offer sample calculations for common provisions. As previously stated, no two contracts are exactly alike, and considerable care should be taken to isolate and report all costs including those unique to each jurisdiction. That said, some common principles should be applied; below, we briefly review issues frequently underlying these fiscal impact analyses.

Fiscal Impacts Should Be Based on the Existing Workforce

Estimating increases or decreases in the number or breakdown of employees into the future is a difficult calculation that requires any number of assumptions. From an ease of analysis standpoint, the current base of employees, active and retired, should be used assuming no change during the contract period. Increases in items such as salaries, merit pay, longevity and cost-of-living adjustments should be applied to the appropriate employee groups as they currently exist.

If, for example, a contract calls for a longevity payment of 3 percent of salary up to a base of $30,000 for employees who are employed for 10 years or more, the analysis should be based on the current employee base with 10 years of experience or more, unless special circumstances exist. Current payroll systems should be more than adequate to extract this type of information. A similar analysis could be provided relative to shift differential payments from $0.25 to $0.35 per hour. To estimate the cost of this proposal, the government should base the hours worked within each shift on historical experience -- the increase in cost is then $0.10 times that number of hours.

Fiscal Impacts Should also Consider the Additive Impact on Retirement Benefits and Other Factors

It would be an oversimplification to view a one percent increase in pay (either through merit, cost of living, longevity or other means) as simply an annual increase in wages and salaries paid each year. Although this is an important part of the equation, that same increase may also have significant impact on employee retirements and/or public employee retirement account payments.

Employer contributions to Nevada PERS are based on a percentage of "compensation" as defined in state law. Importantly, changes in compensation and resulting retirement costs are affected by more than just changes in negotiated base salary, with other changes such as shift differential, longevity, hazardous duty, holiday pay, call-back pay and extra duty assignment pay all important elements of the calculation. A complete assessment of the direct fiscal impacts of these changes requires consideration of both the cost of the compensation itself as well as any resulting impact on employees' benefits.

It is recognized that future PERS pension payments will inure to retirees long after the contract period in question. The PERS contribution rate is established based on actuarial studies that reflect the future cost of pension benefits and are designed to retire any unfunded liability within 30 years. Further, the Legislature establishes the pension benefit, and once the employee retires, PERS pension payments are made by the state, not local governments. Therefore, separate actuarial treatment is not necessary for employer contributions to Nevada PERS based on covered compensation. Increased outlays for PERS benefits based on covered compensation can be estimated by simply applying the PERS contribution rates to the PERS-eligible payroll estimated based on the a new contract for the current workforce.

By contrast, if a contract provides (1) for any PERS contributions, which are not based on a percentage of compensation, such as those which permit employer contributions toward purchase of retirement service credit under any circumstance; (2) for any mechanism, which may accelerate the eligibility of an employee to qualify for a PERS pension or to increase the amount of such pension; (3) for an increase in compensation payable to the employee during the period of employment on which the amount of pension is based; or (4) for the local government paying the employees' share of the PERS contributions in absence of a corresponding reduction in pay or other offset, those costs should be separately estimated and detailed in the fiscal impact analysis. Special attention should be given to such contract provisions, as their true cost may sometimes be overlooked, either by the assumptions underlying the calculations (as in the case of some early retirement incentive programs) or by the lag in time between significant increases in senior employees' compensation and when the impact of such increases is later captured in the PERS contribution rates. The latter circumstance is of particular concern. For example, a significant increase in an employee's compensation in the only the last three years of employment is perpetuated in his retirement pension over a lifetime, even though the employer made PERS contributions based on the higher compensation for only three years, potentially contributing to an actuarial imbalance later requiring adjustment in contribution rates affecting all Nevada governments.[3]

At the other end of the spectrum, the cost of non-PERS postretirement health, disability and other payments for which the public employer makes disbursements to or on behalf of a retired employee after retirement by the public employer will be required should be captured in the fiscal impact analysis on an actuarial basis for the term of the contract in the amount of the annual required contribution (ARC) necessary to fund each year's portion of the cost, even if the government employer opts not to

[3] PERS benefits are calculated based on the highest three years of compensation, subject to limitations for those hired on or after January 1, 2010. The highest three years of compensation are typically the last three years of employment. After January 1, 2010, benefits will be based on the highest five years of compensation.

make the required contribution. In other words, the public employer should not be permitted to escape disclosure of such cost by not funding it in actuarially-sound fashion, by choice or necessity. Even if a postretirement benefit is newly established, such that there is no specific history of actuarial studies on which to rely, the local government should, at a minimum, provide a supplemental calculation of the potential impact of the changes for retirees, assuming the same percentage of people retire annually during the contract period as did during a period of equal length immediately preceding the contract period. The impact would then be calculated by multiplying the number of retirees times the estimated increase in benefits times the average years of retirement. For these purposes, the average years of retirement can also be sourced to the last available actuarial analysis from PERS.

Along these same lines, changes in base salary may also impact other salary calculations such as shift differential pay or longevity payment calculations. A complete assessment of the direct fiscal impacts of such a change requires that any change that is linked to another modification also be fully addressed in the analysis.

Fiscal Impact Analysis Should Include Consideration of Productive Hours

Productive hours are those hours spent delivering services to the public. Where productive hours are increased at no cost, a net benefit should be assessed; where they are decreased, a net cost assessed. Consider, for example, a modification to a collective bargaining agreement providing that all employees will receive an additional 30-minute break during the day. The cost outlay to the government employer is unchanged as it still pays all employees for eight hours of work, five days per week. This, however, cannot be classified as a no-cost item because productivity would be reduced by 6.25 percent annually (i.e., 30 minutes divided by 8 hours equals 6.25 percent). This factor would need to be multiplied by the total cost of labor (e.g., wages, salaries and benefits) to determine the net cost of the provision.

Frequently these hours will also need to be made up, often at a higher cost. Adding an additional holiday into a collective bargaining agreement would fall into this category, even though the government essentially closes down for the day. Any service that is intended to be provided 24 hours a day, 7 days a week, such as police and fire services, will presumably have some people working for the holiday at holiday rates, which are typically higher than regular-day rates. These factors should also be considered in evaluating the fiscal impact of the change.

A related line of analysis is sourced to provisions requiring minimum staffing, the requirements that personnel not fall below a certain minimum standard at certain points in time. This is commonly linked with overtime requirements due to the fact that staffing may fall below the minimum manning thresholds for any number of reasons, including, without limitation, additional employee downtime or time off. Thus, any change in staffing hours must also consider how minimum staffing requirements will be made up.

Uniform, Supply and Equipment Allowances

Uniform, supply and equipment allowances should be estimated based on direct cost. Thus, the calculation would be the number of employees receiving the allowance times the direct cost of the allowance times the number of years the allowance will be provided under the contract.

The allowance may also take the form of services. For example, the government employer can provide laundry or dry cleaning services for the employee. To the extent this benefit is added to an existing contract or included in a new contract, the cost of providing that service to the current employee base should be estimated at cost as part of the fiscal impact assessment.

Changes in the Standard Work Week

Many governments have gone from a five-day schedule (with eight-hour shifts) to a four-day schedule (with ten-hour shifts). Since the same number of hours will be worked each week, it is easy to think that this can be handled as a no-cost item or even a cost savings item where energy costs will be reduce because facilities will be shutdown during the closed periods. One of the realities that can upset this approach is the challenge created by 10-hour shifts that do not fill out a 24-hour day as conveniently as 8-hour shifts do. If services are being provided 24 hours per day, 7 day per week (e.g., police and fire services), government employers are either forced to increase the number of people providing a service for several hours a day or the number of service providers. Either choice has financial and service impacts.

If the service is not intended to be provided every hour of every day then it might be possible to have a zero salary impact provided that acceptable decisions about how the service will be delivered on the fifth day of the workweek. Key questions include:

- Will the service simply not be provided?
- Is this acceptable to the service audience?
- Is it possible to stagger work days so that a five day week can be maintained without added cost due to gaps or overlaps in the staffing hours required to deliver the service?
- Can facilities actually be shutdown?

Some entities have reported cost savings by shifting to a four-day workweek; others have reported cost increases. Nevada has a number of examples, including the City of Henderson, the Las Vegas Valley Water District and the City of North Las Vegas, all of which have different variations of the four-day work schedule. Depending on the approach considered, the experience at these comparable, local governments should be considered.

Calculations of Accrued Liabilities

There are some benefits that are not obtained immediately but accrue over time and then paid out in a lump sum. One common example of this is the cost of sick-leave buybacks, where unused sick days may be converted to cash upon retirement (usually at employees' final rate of pay as opposed to the rate of pay that existed in the year the sick time was earned). Others include heart and lung benefits, where specific ailments such as cancer, emphysema or heart disease are deemed work-related at any point in an employee's life.

Impacts on these types of accrued liabilities should be shown separately from the balance of the fiscal impact assessment. Each will require a separate type of analysis. Sick-leave buybacks, for example, will require an estimate of the average leave accrued by retiring employees during the preceding period equal to the length of the contract in question times the average increase in salary times the total number of employees. The equation would simply be reversed in the event sick days were being given up by employees. For provisions such as heart and lung benefit, actuarial analysis will almost certainly be required.

Exhibit A

Sample Fiscal Impact Assessment Summary

		No Change	No-Cost Item	Cost Item
Article 1	Definitions		✓	
Article 2	Recognition		✓	
Article 3	Impass Proceedings	✓		
Article 4	Grievance And Arbitration Procedures	✓		
Article 5	Association President		✓	
Article 6	Mileage Payments			✓
Article 7	Dues Deduction		✓	
Article 8	Pay Scale		✓(1)	
Article 9	Shift Differential			✓
Article 10	Longevity Pay			✓
Article 11	Overtime Pay		✓(2)	
Article 12	Special Assignment Pay			✓
Article 13	Extra Duty Pay			✓
Article 14	Certification or Licensure Pay			✓
Article 15	Life Insurance			✓
Article 16	Disability Payments			✓
Article 17	Request for Information	✓		
Article 18	Advisory Counsel	✓		
Article 19	Vacation Leave Incentives	✓		
Article 20	Use of Facilities	✓		
Article 21	Protection from Assaults and/or Battery	✓		
Article 22	Employee Qualifications	✓		
Article 23	Employee Personnel Files		✓	
Article 24	Medical Services			✓
Article 25	Extended Leaves of Absence			✓
Article 26	Temporary Leaves of Absence			✓
Article 27	Sick Leave		✓(1)	
Article 28	Bereavement Leave			✓
Article 29	Personal Leave			✓
Article 30	Work Year			✓
Article 31	Hours of Work		✓(2)	
Article 32	No Strikes/Work Stoppages	✓		
Article 33	General Savings Clause		✓	
Article 34	Employees Contract of Employment		✓	
Article 35	Employee Health Trust			✓
Article 36	Employee Retirement			✓
Article 37	Reduction in Force	✓		
Article 38	Employee Training			✓
Article 39	Other Disability Payments and Benefits			✓
Article 40	Safety	✓		
Article 41	Equitable Treatment		✓	
Article 42	Employee Discretion		✓	
Article 43	Employee Transfers			✓
Article 44	Disciplinary Procedures			✓
Article 45	Term of Agreement	✓		

Notes

(1) Articles revised to reflect the date of the new agreement. There is no resulting cost impact.

(2) Revision reflect clarifications to article text; no resulting cost impact.

Exhibit B

Sample Fiscal Impact Assessment Summary
(figures expressed in thousands)

Cost Items	(Article and Description)	New Benefit or Change in Benefit	Summary of New Benefit or Change in Benefit	Can the Benefit be Reduced at the End of the Contract?	Does the Change Impact Retirement Benefits?	Cost During the Term of the Contract (5 Years) Year 1	Year 2	Year 3	Year 4	Year 5	Total	Change vs. Status Quo	Percentage Inc./Dec.	Estimated Value Of Life-Time Benefit	Notes	Calculation Reference
Article 9	Mileage Payments	Change	Payments per mile increased from $0.30 to $0.36; escalate by $0.01 each year	Yes	No	$ 30	$ 30	$ 30	$ 30	$ 30	$ 150	$ 23	15.0%	$ -		Exhibit 1
Article 10	Shift Differential	Change	Night shift differential increased from $0.50 per hour to $1.00 per hour	Yes	Yes	$ 1,100	$ 1,133	$ 1,167	$ 1,202	$ 1,238	$ 5,840	$ 292	5.0%	$ -		Exhibit 2
Article 12	Longevity Pay	Change	Longevity rate increased from 1 percent after 5 years to 1.5 percent after 7 years	Yes	Yes	$ 750	$ 773	$ 796	$ 820	$ 844	$ 3,982	$ 119	3.0%	$ -		Exhibit 3
Article 13	Special Assignment Pay	Change	Special assignment pay rates added for three (3) job functions	Yes	Yes	$ 1,000	$ 1,030	$ 1,061	$ 1,093	$ 1,126	$ 5,309	$ 53	1.0%	$ -		Exhibit 3
Article 14	Extra Duty Pay	Change	Extra duty pay rates increased from time and a half to time and three quarters	Yes	Yes	$ 100	$ 103	$ 106	$ 109	$ 113	$ 531	$ 80	15.0%	$ -		Exhibit 4
Article 15	Certification or Licensure Pay	New	Pay at standard hourly rates, benefit did not previously exist	Yes	Yes	$ 500	$ 515	$ 530	$ 546	$ 563	$ 2,655	$ 13	0.5%	$ -		Exhibit 4
Article 16	Life Insurance	Change	Requires a single additional payment of $300,000 at some point during the contract period	Yes	No	$ -	$ -	$ -	$ -	$ -	$ 300	$ 45	15.0%	$ -	(1)	Exhibit 5
Article 24	Disability Payments	Change	Disability payment increased from $250 per day to $350 per day	Yes	No	$ 150	$ 155	$ 159	$ 164	$ 169	$ 796	$ 40	5.0%	$ -		Exhibit 5
Article 25	Medical Services	Change	Emergency medical transport services to be paid 100 percent by employer	Yes	No	$ 150	$ 155	$ 159	$ 164	$ 169	$ 796	$ 24	3.0%	$ -		Exhibit 7
Article 26	Extended Leaves of Absence	Change	Extended leave of absence increased from a maximum of one year to a maximum of two years	Yes	No	$ 500	$ 515	$ 530	$ 546	$ 563	$ 2,655	$ 27	1.0%	$ -		Exhibit 7
Article 28	Temporary Leaves of Absence	Change	Temporary leave of absence reduced from a maximum of 90 days to a maximum of 60 days	Yes	No	$ 50	$ 52	$ 53	$ 55	$ 56	$ 265	$ (40)	-15.1%	$ -		Exhibit 8
Article 29	Bereavement Leave	Change	Bereavement leave to be extended to include aunts, uncles and immediate family in-laws	Yes	Yes	$ -	$ -	$ -	$ -	$ -	$ 500	$ 3	0.5%	$ -	(2)	Exhibit 8
Article 30	Personal Leave	Change	Employee personal paid days off reduced from 5 to 4 from Years 1 - 4; put back to 5 in Year 5	Yes	Yes	$ 1,500	$ 1,538	$ 1,577	$ 1,618	$ -	$ 6,233	$ (538)	-8.6%	$ -		Exhibit 9
Article 35	Work Year	Change	Work year to be extended by one day in Year 3 of the contract	Yes	Yes	$ -	$ -	$ 1,100	$ 1,133	$ 1,167	$ 3,400	$ 170	5.0%	$ -		Exhibit 9
Article 36	Employee Health Trust	Change	Employer contributions to employee health trust to increase from 18% of payroll to 20% of payroll	Yes	No	$ 2,100	$ 2,163	$ 2,228	$ 2,295	$ 2,364	$ 11,149	$ 334	3.0%	$ -		Exhibit 10
Article 38	Employee Retirement	Change	Employer contributions to PERS to increase from 21% of payroll to 23% of payroll; retirement without reduction in benefits changed from 30 years to 29 years of service	No	Yes	$ 5,100	$ 5,253	$ 5,411	$ 5,573	$ 5,740	$ 27,077	$ 271	1.0%	$ 55,000		Exhibit 10
Article 39	Employee Training	New	Employees provided one paid day for training each year at standard pay rates	Yes	Yes	$ 500	$ 515	$ 530	$ 546	$ 563	$ 2,655	$ 398	15.0%	$ -		Exhibit 11
Article 43	Other Disability Payments and Ben	New	Any settlements on -the-job injuries to be paid immediately in lump sum with no discounting or other adjustments	No	No	$ -	$ -	$ -	$ -	$ -	$ 1,000	$ 5	0.5%	$ 38,000	(2)	Exhibit 11
Article 44	Employee Transfers	Change	Executive review board to be established to hear grievances relating to denied employee transfers	Yes	No	$ 25	$ 28	$ 30	$ 33	$ 37	$ 153	$ 1	0.5%	$ -		Exhibit 12
Article 45	Disciplinary Procedures	Change	Employer to bear 100 percent of costs for all arbitrations resulting from disciplinary actions against employees; if it is determined that employee was wrongly disciplined, back pay to be paid a time and half	Yes	No	$ 550	$ 550	$ 550	$ 550	$ 550	$ 2,750	$ 14	0.5%	$ -		Exhibit 12
Total						**$ 14,105**	**$ 14,506**	**$ 16,019**	**$ 16,477**	**$ 15,290**	**$ 78,196**	**$ 1,333**	**1.7%**	**$ 93,000**		

Notes
(1) Benefit did not exist under existing agreement.
(2) Historical information not available to provide annual estimate of benefit cost.

Exhibit C

Sample Fiscal Analysis of Change in Salary Scale

Existing Salary Schedule (Status Quo Based on Existing Contract)

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Step 1	$ 30,000	$ 36,000	$ 43,200	$ 51,840	$ 62,208	$ 74,650	$ 89,580
Step 2	$ 31,050	$ 37,260	$ 44,712	$ 53,654	$ 64,385	$ 77,262	$ 92,715
Step 3	$ 32,137	$ 38,564	$ 46,277	$ 55,532	$ 66,639	$ 79,967	$ 95,960
Step 4	$ 33,262	$ 39,914	$ 47,897	$ 57,476	$ 68,971	$ 82,765	$ 99,318
Step 5		$ 41,311	$ 49,573	$ 59,488	$ 71,385	$ 85,662	$ 102,795
Step 6		$ 42,757	$ 51,308	$ 61,570	$ 73,884	$ 88,660	$ 106,392
Step 7		$ 44,253	$ 53,104	$ 63,725	$ 76,470	$ 91,763	$ 110,116
Step 8			$ 54,962	$ 65,955	$ 79,146	$ 94,975	$ 113,970
Step 9				$ 68,263	$ 81,916	$ 98,299	$ 117,959
Step 10					$ 84,783	$ 101,740	$ 122,088

Modified Salary Schedule (Based on Proposed Contract)

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Step 1	$ 30,300	$ 36,360	$ 43,632	$ 52,358	$ 62,830	$ 75,396	$ 90,475
Step 2	$ 31,361	$ 37,633	$ 45,159	$ 54,191	$ 65,029	$ 78,035	$ 93,642
Step 3	$ 32,458	$ 38,950	$ 46,740	$ 56,088	$ 67,305	$ 80,766	$ 96,919
Step 4	$ 33,594	$ 40,313	$ 48,376	$ 58,051	$ 69,661	$ 83,593	$ 100,312
Step 5		$ 41,724	$ 50,069	$ 60,082	$ 72,099	$ 86,519	$ 103,823
Step 6		$ 43,184	$ 51,821	$ 62,185	$ 74,622	$ 89,547	$ 107,456
Step 7		$ 44,696	$ 53,635	$ 64,362	$ 77,234	$ 92,681	$ 111,217
Step 8			$ 55,512	$ 66,615	$ 79,937	$ 95,925	$ 115,110
Step 9				$ 68,946	$ 82,735	$ 99,282	$ 119,139
Step 10					$ 85,631	$ 102,757	$ 123,309

Current Employee Distribution (Current Employment Distribution)

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Step 1	200	300	210	147	103	72	22
Step 2	300	309	212	153	107	75	23
Step 3	400	318	214	158	111	78	24
Step 4	700	328	222	164	115	80	25
Step 5		500	231	170	119	83	25
Step 6		550	239	177	124	87	26
Step 7		800	248	183	128	90	30
Step 8			258	190	133	93	40
Step 9				197	138	97	50
Step 10					143	100	60

Exhibit C

Sample Fiscal Analysis of Change in Salary Scale

Wage and Salary Payment Under the Status Quo (expressed in thousands)

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Step 1	$ 6,000	$ 10,800	$ 9,072	$ 7,620	$ 6,401	$ 5,377	$ 1,971
Step 2	$ 9,315	$ 11,513	$ 9,483	$ 8,183	$ 6,874	$ 5,774	$ 2,116
Step 3	$ 12,855	$ 12,274	$ 9,913	$ 8,787	$ 7,381	$ 6,200	$ 2,272
Step 4	$ 23,283	$ 13,084	$ 10,645	$ 9,436	$ 7,926	$ 6,658	$ 2,440
Step 5	$ -	$ 20,655	$ 11,431	$ 10,132	$ 8,511	$ 7,149	$ 2,620
Step 6	$ -	$ 23,516	$ 12,275	$ 10,880	$ 9,139	$ 7,677	$ 2,814
Step 7	$ -	$ 35,403	$ 13,181	$ 11,683	$ 9,814	$ 8,243	$ 3,303
Step 8	$ -	$ -	$ 14,154	$ 12,545	$ 10,538	$ 8,852	$ 4,559
Step 9	$ -	$ -	$ -	$ 13,471	$ 11,316	$ 9,505	$ 5,898
Step 10	$ -	$ -	$ -	$ -	$ 12,151	$ 10,207	$ 7,325
Annual Tota	**$ 562,602**						

Wage and Salary Payment Under the Modified Salary Schedule (expressed in thousands)

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Step 1	$ 6,060	$ 10,908	$ 9,163	$ 7,697	$ 6,465	$ 5,431	$ 1,990
Step 2	$ 9,408	$ 11,628	$ 9,578	$ 8,265	$ 6,942	$ 5,832	$ 2,137
Step 3	$ 12,983	$ 12,397	$ 10,013	$ 8,875	$ 7,455	$ 6,262	$ 2,295
Step 4	$ 23,516	$ 13,215	$ 10,752	$ 9,530	$ 8,005	$ 6,724	$ 2,465
Step 5	$ -	$ 20,862	$ 11,545	$ 10,233	$ 8,596	$ 7,221	$ 2,646
Step 6	$ -	$ 23,751	$ 12,397	$ 10,989	$ 9,231	$ 7,754	$ 2,842
Step 7	$ -	$ 35,757	$ 13,313	$ 11,800	$ 9,912	$ 8,326	$ 3,337
Step 8	$ -	$ -	$ 14,295	$ 12,671	$ 10,643	$ 8,940	$ 4,604
Step 9	$ -	$ -	$ -	$ 13,606	$ 11,429	$ 9,600	$ 5,957
Step 10	$ -	$ -	$ -	$ -	$ 12,273	$ 10,309	$ 7,399
Annual Tota	**$ 568,228**						

Total Number of Years in the Agreement	5
Estimated Cost of Salaries (Annual)	$ 568,228
Estimated Total Cost of Salaries (Total)	$ 2,841,142
Estimated Incremental Increase in Salaries (Annual)	$ 5,626
Estimated Incremental Increase in Salaries (Total)	$ 28,130

Note

Each “class” refers to pay grade based on either position classification or, in the case of teachers, on level of academic training. In any event, the employer should provide enough matrices with steps and pay grades to accommodate all employees covered by the contract.

Exhibit D

Sample Fiscal Analysis of Additional Vacation Day

Cost of Lost Productivity		
Total Number of Employees		500
Total Wages and Salaries Paid	$	25,000,000
Total Number of Days Worked Per Year (Current)		238
Total Number of Hours Per Work Day (Current)		8
Total Number of Work Hours Per Year (Current)		952,000
Wages and Salaries Paid Per Work Day (Current)	$	105,042
Wages and Salaries Paid Per Work Hour (Current)	$	26.26
Total Number of Vacation Days Available (Current)		16.2
Average Number of Vacation Days Taken Per Year (Current)		8.1
Expected Increase in Vacation Day Taken Per Year		0.5
Total Resulting Decrease in Productive Work Hours Anticipated		2,000
Gross Cost of Loss in Productivity	$	52,521
Share of Shift Hours that Must Be "Covered"		20%
Rate of Holiday Pay		1.5x
Regained Productivity Due to Covered Shifts	$	10,504
Additional Cost Due to Holiday Pay Requirements	$	15,756
Net Cost of Loss in Productivity (Annual)	$	57,773
Net Cost of Productivity Loss Over the Life of the Agreement (5-Years)	$	288,866
Cost of Additional Vacation Time Buybacks		
Additional Vacation Time Unused (Days Banked)		0.5
Additional Vacation Time Unused (Banked)		2,000
Differential Between Average Salary and Salary During the Last Five Years of Employment		180% (1)
Average Buy Out Cost of Unused Vacation Days (Hours)	$	47.27
Cost of Additional Vacation Time Buybacks (Annual)	$	94,538
Cost of Additional Vacation Time Buybacks Over the Life of the Agreement (5-Years)	$	472,689
Combined Cost of Additional Vacation Day Over the Life of the Agreement (5-Years)	$	761,555

Note
(1) Average based on the differential between the average and final salaries of workers who retired during the past five years.

Exhibit G

Sample Fiscal Analysis for Reduction in Longevity Payments

Current Longevity Payment Schedule (Status Quo)

Employee Tenure	Employee Count	Wages Paid	Longevity Schedule (Annual Increments)	Longevity Schedule (Annual Payments)
Year 1	30	$ 900,000	$ -	$ -
Year 2	33	$ 1,039,500	$ -	$ -
Year 3	50	$ 1,653,750	$ -	$ -
Year 4	55	$ 1,910,081	$ -	$ -
Year 5	61	$ 2,206,144	$ -	$ -
Year 6	67	$ 2,548,096	$ -	$ -
Year 7	73	$ 2,943,051	$ -	$ -
Year 8	74	$ 3,121,106	$ -	$ -
Year 9	50	$ 2,216,183	$ -	$ -
Year 10	51	$ 2,305,495	$ -	$ -
Year 11	51	$ 2,398,407	$ 250	$ 12,751
Year 12	52	$ 2,495,063	$ 250	$ 12,879
Year 13	60	$ 2,993,200	$ 250	$ 15,000
Year 14	61	$ 3,113,826	$ 250	$ 15,150
Year 15	61	$ 3,239,314	$ 250	$ 15,302
Year 16	62	$ 3,369,858	$ 500	$ 30,909
Year 17	62	$ 3,505,663	$ 500	$ 31,218
Year 18	35	$ 2,024,131	$ 500	$ 17,500
Year 19	35	$ 2,105,704	$ 500	$ 17,675
Year 20	42	$ 2,576,881	$ 500	$ 21,000
Year 21	42	$ 2,680,730	$ 750	$ 31,815
Year 22	43	$ 2,788,763	$ 750	$ 32,133
Year 23	43	$ 2,901,150	$ 750	$ 32,454
Year 24	44	$ 3,018,066	$ 750	$ 32,779
Year 25	29	$ 2,062,668	$ 1,000	$ 29,000
Year 26	26	$ 1,912,093	$ 1,000	$ 26,100
Year 27	23	$ 1,772,510	$ 1,000	$ 23,490
Year 28	21	$ 1,643,117	$ 1,000	$ 21,141
Year 29	19	$ 1,523,169	$ 1,000	$ 19,027
Year 30	17	$ 1,411,978	$ 1,500	$ 25,686
Year 31	15	$ 1,273,931	$ 1,500	$ 22,500
Year 32	14	$ 1,180,934	$ 1,500	$ 20,250
Year 33	12	$ 1,094,726	$ 1,500	$ 18,225
Year 34	11	$ 1,014,811	$ 1,500	$ 16,403
Year 35	10	$ 940,730	$ 1,500	$ 14,762
Year 36	9	$ 872,056	$ 1,500	$ 13,286
Year 37	8	$ 808,396	$ 1,500	$ 11,957
Year 38	7	$ 749,383	$ 1,500	$ 10,762
Year 39	6	$ 694,678	$ 1,500	$ 9,686
Year 40	6	$ 643,967	$ 1,500	$ 8,717
Total/Average	**1,469**	**$ 79,653,309**	**$ 415**	**609,557**

Exhibit G

Sample Fiscal Analysis for Reduction in Longevity Payments

Proposed Longevity Payment Schedule

Employee Tenure	Employee Count	Wages Paid	Longevity Schedule (Annual Increments)	Longevity Schedule (Annual Payments)
Year 1	30	$ 900,000	$ -	$ -
Year 2	33	$ 1,039,500	$ -	$ -
Year 3	50	$ 1,653,750	$ -	$ -
Year 4	55	$ 1,910,081	$ -	$ -
Year 5	61	$ 2,206,144	$ -	$ -
Year 6	67	$ 2,548,096	$ -	$ -
Year 7	73	$ 2,943,051	$ -	$ -
Year 8	74	$ 3,121,106	$ -	$ -
Year 9	50	$ 2,216,183	$ -	$ -
Year 10	51	$ 2,305,495	$ -	$ -
Year 11	51	$ 2,398,407	$ 125	$ 6,376
Year 12	52	$ 2,495,063	$ 125	$ 6,439
Year 13	60	$ 2,993,200	$ 125	$ 7,500
Year 14	61	$ 3,113,826	$ 125	$ 7,575
Year 15	61	$ 3,239,314	$ 125	$ 7,651
Year 16	62	$ 3,369,858	$ 250	$ 15,455
Year 17	62	$ 3,505,663	$ 250	$ 15,609
Year 18	35	$ 2,024,131	$ 250	$ 8,750
Year 19	35	$ 2,105,704	$ 250	$ 8,838
Year 20	42	$ 2,576,881	$ 250	$ 10,500
Year 21	42	$ 2,680,730	$ 357	$ 15,150
Year 22	43	$ 2,788,763	$ 357	$ 15,302
Year 23	43	$ 2,901,150	$ 357	$ 15,455
Year 24	44	$ 3,018,066	$ 357	$ 15,609
Year 25	29	$ 2,062,668	$ 476	$ 13,810
Year 26	26	$ 1,912,093	$ 476	$ 12,429
Year 27	23	$ 1,772,510	$ 476	$ 11,186
Year 28	21	$ 1,643,117	$ 476	$ 10,067
Year 29	19	$ 1,523,169	$ 476	$ 9,060
Year 30	17	$ 1,411,978	$ 500	$ 8,562
Year 31	15	$ 1,273,931	$ 500	$ 7,500
Year 32	14	$ 1,180,934	$ 500	$ 6,750
Year 33	12	$ 1,094,726	$ 500	$ 6,075
Year 34	11	$ 1,014,811	$ 500	$ 5,468
Year 35	10	$ 940,730	$ 500	$ 4,921
Year 36	9	$ 872,056	$ 500	$ 4,429
Year 37	8	$ 808,396	$ 500	$ 3,986
Year 38	7	$ 749,383	$ 500	$ 3,587
Year 39	6	$ 694,678	$ 500	$ 3,229
Year 40	6	$ 643,967	$ 500	$ 2,906
Total/Average	**1,469**	**$ 79,653,309**	**$ 184**	**270,170**

Total Number of Years in the Collective Bargaining Agreement:	5
Estimated Cost of Longevity Payments, Status Quo:	$ 3,047,784
Estimated Cost of Longevity Payments, New Contract:	$ 1,350,848
Estimated Impact of Reduction in Longevity Payments:	$ (1,696,937)

Exhibit E

Sample Fiscal Analysis of Uniform Allowance Provision

Total Number of Employees		1,000
Total Number of Employees Receiving Uniform Allowance (Current)		350
Total Amount of the Uniform Allowance (Annual)	$	250
Specified Annual Escalation Factor in Uniform Allowance		3.0%
Unit Cost in Year 1	$	250
Unit Cost in Year 2	$	258
Unit Cost in Year 3	$	265
Unit Cost in Year 4	$	273
Unit Cost in Year 5	$	281
Estimated Fiscal Impact of Benefit		
Year 1	$	87,500
Year 2	$	90,125
Year 3	$	92,829
Year 4	$	95,614
Year 5	$	98,482
Total	**$**	**464,549**

Exhibit F

Sample Fiscal Analysis For Changes in Mileage Payments

Total Number of Billable Miles Traveled by Employees During the Past 5 Years		212,500
	Rate	**Cost**
Current Mileage Rate	$ 0.25	$ 53,125
Proposed Mileage Rate	$ 0.35	$ 74,375
Mileage Rate Differential	$ 0.10	$ 21,250