

Montgomery County Public Schools Employee Compensation

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Employee Compensation Montgomery County Public Schools

Introduction

Montgomery County Public Schools (MCPS) employed a diverse workforce of more than 21,000 people after growing at an annual rate of 4.94% or a total of 24% over the five year period ending June 30, 2002. (In contrast, the county's population grew at an average annual rate of 1.36% or a total 14.5% over the 1990s.) Recruiting was underway as of July 1, 2002 to fill 1,027 additional positions for school year 2002-2003. Employee turnover experience of the past five years suggests replacement of employees leaving during the school year could require recruiting a further 1,300 - 1,500 employees.

Employee compensation plays a key role in attracting and retaining qualified personnel in any enterprise. Existing compensation agreements between Montgomery County Public Schools (MCPS) and two employee bargaining units are now in their final year. These bargaining units - the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) and the Montgomery County Council of Supporting Service Employees (MCCSSE) - represent roughly 45% of the MCPS workforce. One frame of reference influencing negotiation of new agreements with the MCPS employee bargaining units negotiating this year is the pay increases for teachers negotiated in FY 2001 by the Montgomery County Education Association (MCEA). Perceived competitiveness of MCPS compensation relative to that offered by alternative employers provides another. Both of these perspectives, however, focus on the asking price of labor. Willingness and ability of taxpayers to pay for current and prospective levels of MCPS employment and employee compensation is another relevant perspective.

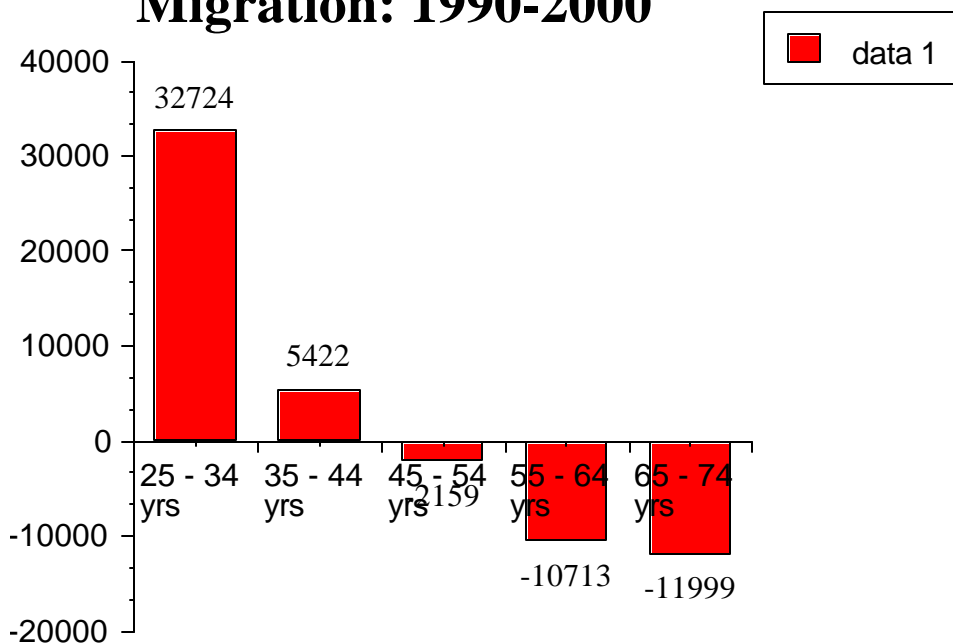
This paper first addresses some taxpayer willingness and ability to pay implications of recent fundamental demographic trends and developments which bear on demand for, and supply of, public education services. That discussion is followed by a general overview of MCPS employee compensation and the strengths and weaknesses thereof suggested by employee turnover rates, employment applications and job offer acceptance rates. MCPS employee wage levels and growth rates are then compared with offerings by alternative employers of the different MCPS employee groups. The relative competitiveness of total MCPS employee compensation (including benefits as well as wages) is then addressed before conclusions are presented in a final section.

Taxpayer Willingness and Ability to Pay

MCPS now directly serves less than 40% of Montgomery County households. The services provided primarily benefit minors between the ages of 5 and 19 years of age (roughly 20% of the population) and their parents. These services, though, are public goods which indirectly benefit other households by substantially forming the intellectual capital foundations of those attending MCPS. These foundations will directly bear on future productivity of MCPS graduates with critical effect on their ability to support families, maintain public service delivery systems such as MCPS and the Social Security System supporting disabled individuals and older generations. But, these prospective, indirect benefits to households not using the schools are far less immediate and less certain than the well defined income and property tax bills they confront each year. Some individuals choose to move elsewhere to take advantage of lower local tax payments once their own children no longer consume MCPS services.

Data from the decennial censuses show some economic and demographic developments over the past decade which point to rising need for greater weight of ability to pay issues in making decisions on issues affecting MCPS employment levels and compensation rates. While county population grew 14.5% over the 1990s, household income held constant in real terms as initiatives to reduce class sizes and implement all day kindergarten increased the size of the MCPS workforce. These developments were accompanied by net in-migration of people in their child bearing years (25 - 45 years) and out-migration or death of individuals in the typically higher income older age groups (45 years and older). Census 2000 data show, for instance, that the median household income of householders 55-64 years of age exceeded that of 25-34 year old householders by 53% and that of 35-44 year olds by 20%.

Montgomery County Population Migration: 1990-2000



Source: Decennial censuses by U. S. Bureau of the Census.

Note: Out-migration pattern illustrated includes deaths as well as relocation of individuals.

Information on employee compensation presented to the Montgomery County Council for deliberations on allocating taxpayer resources among competing local government agencies further raise willingness and ability to pay considerations. The share of budgeted MCPS operating expenses (primarily employee compensation) in overall county government operating costs has risen from 37% in FY 1999 to more than 41% in FY 2002 and FY 2003 with the share of MCPS employee compensation accounting for 58% of all county employee compensation.

The MCPS operating budget funded by the county government, however, does not fully reflect the magnitude of either MCPS employment or of employee compensation, current or deferred. Some MCPS positions are funded through other budgets such as the Capital Improvements Budget and the MCPS Retirement and Insurance Fund. And the State of Maryland funds the employer share of teacher retirement annuities as well as some current compensation.

It is notable that recent MCPS operating budgetary requests have consistently included significant current expenditures for benefits to retired former employees. MCPS could have voluntarily increased the compensation of these employees retroactively. Another possible explanation is that compensation commitments made to these former employees were not fully recognized or funded when made. This second explanation has strong implications for continuing taxpayer willingness and ability to pay as the number of MCPS retirees rises, particularly if population migration patterns of the past decade continue. More than 400 MCPS employees have retired in each of the past two years. 923 employees 60 years old or more remain on the payroll; 3,023 are 55 years old or older.

Work Force/ Compensation	County Funded Operating Budget					5 Year Growth
	FY99 Approved	FY00 Approved	FY01 Approved	FY02 Approved	FY03 Request	
	(\$, thousands except where indicated otherwise)					
Total compensation	892,003	954,143	1,072,029	1,174,350	1,249,657	40.1%
of which:						
Salaries and wages	737,509	792,731	878,635	956,343	1,009,056	36.8%
FICA/FICA Medicare	55,499	60,002	66,237	72,803	77,302	39.3%
Retirement	19,014	16,157	21,582	22,561	23,665	24.5%
Insurance						
Active employees	69,898	70,070	88,561	110,409	122,898	75.8%
Retired Employees	10,083	15,183	17,013	12,234	16,736	66.0%
FTE work force		16946.3	17756.1	18624.8	18809.2	
Growth rates						
Total compensation		7.0%	12.4%	9.5%	6.4%	
FTE employment			4.8%	4.9%	1.0%	
Compensation/FTE			7.6%	4.7%	5.4%	
Inflation@		3.7%	2.2%	2.3%	2.5%	
Real income change			5.4%	2.4%	2.9%	

Source: Stephen B. Farber memorandum of April 18, 2002 to Management and Fiscal Policy Committee, Montgomery County Council. Subject: Compensation and Benefits for All Agencies

@ Inflation as measured by the Bureau of Labor Statistics CPI-W price index for urban wage and salary workers in the Washington-Baltimore metropolitan area. Value shown for FY 2003 is estimated.

MCPS Employee Compensation

The MCPS compensation system is complex and robust. 21,216 full- and part-time MCPS employees held positions with assigned work schedules as of June, 2002. They included 11,563 teachers (54.5%) working one of eight different "work years," 609 Administrators and Supervisors (2.9%), and 9,044 other supporting services personnel (42.6%) working one of nine "work years." About 5,000 of these employees (roughly 23%) work more than 20 hours per week but less than forty hours. A further 100 - 150 employees work regular schedules of less than 20 hours per week. Including substitute teachers (not counted in employee total), MCPS uses 681 different job classifications together with 32 salary ladders and 11 fixed salary scales (excluding stipends for compensated extracurricular activities).

Substitute teachers and employees on work schedules of less than 20 hours per week are limited to wage income. Other employees are compensated with a mix of wages or salaries and benefits with general wage levels adjusted annually and longevity increases awarded as specified in salary ladders. Wage adjustments and salary ladders vary between employee groups according to the agreements negotiated by their respective bargaining units. These salary adjustment schemes are atypical relative to the economy at large and are addressed in greater depth later in this paper.

Employee Turnover, Employment Application, and Offer Acceptance Rates

MCPS employee turnover and separation rates in FY 1997 through FY 2001 indicate that 5.5% - 6.8% of the work force left their positions each school year. (Comparable data are not readily available for FY 2002.) Temporary leaves of absence played a large role in that turnover, however. Permanent separations amounted to 3.8% - 4.8% of all employees. This rate is somewhat higher than the 3.5% nationwide employee separation rate reported for all industries in a new U.S. Labor Department survey (JOLTS) conducted throughout FY 2002. The MCPS turnover rate compares very unfavorably with the reported turnover rate of 1.2% for state and local government employees nationwide.

However, deaths and retirements by an aging work force explain a large proportion of turnover by administrators and supervisors and by teachers. *Separations by supporting service employees remain at 4.0% or above, a strong indicator that compensation for these employees may be uncompetitive with that offered by alternative employers.* Observed separations by teachers on 12-month appointments are also sometimes above the national average for state and local government workers. Other measures suggest, though, that the general level of compensation for 12-month professional educator positions is likely not a strong contributing factor in these separations.

Comparison of employment levels at the 32 MCPS pay schedules in use as of June 30, 2001 and 2002 shows strong, consistent growth in the Supervisory and Administrative grade levels (Grades M - Q) and in educational professional pay grades (Grades A - D). Growth in the number of these personnel supports the premise that existing and prospective compensation levels and structure for these positions under agreements existing as of June 2002 was generally competitive. In contrast, the number of supporting services employees (grades 4 - 27) on payroll declined.

Further, 27 of 32 Administrative and Supervisory positions vacant as of July 1, 2002 were reported filled by August 30 on acceptance of 98% of job offers extended. High acceptance rates of 85% or more are also reported on job offers for teaching positions with exceptions in particular teaching areas. 15% - 100% of job offers extended for positions in special education, physical sciences, mathematics, music, health education, ESOL instruction and plumbing (vocational) are declined, indicating probable need for improved compensation in those particular areas. But, receipt of multiple applications for teaching positions filled overall is a strong indicator that compensation for most positions is *competitive or better*.

7,472 qualified teacher applicants were recorded over FY 2002 (July 1, 2001 - June 30, 2002) with 3,071 of the applicants reporting possession of Master's degrees or better. 1,275 teachers were hired during the period, most of whom were likely hired based on applications received prior to the start of FY 2002 (July 1, 2001) with 380 - 420 additional teaching positions were filled by September this school year. At most, 1,687 teachers were hired out of the 7,472 applications submitted in FY 2002 indicating

4.4 applications on average for each position filled. Assuming applications submitted in FY 2002 were used only for selection of people hired since June 30, 2002, receipt of 17.7 applications per position filled is indicated. Further, widespread anecdotal reports by teacher applicants for MCPS positions are consistent with a personnel department that is either overwhelmed with applications, poorly organized, and/or inefficient.

MCPS Personnel Turnover					
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
All MCPS Personnel	17,135	17,750	18,680	19,783	20,217
Turnover - all groups	985	984	1,195	1,251	1,371
Separations	713	678	868	920	980
Turnover rate	5.7%	5.5%	6.4%	6.3%	6.8%
Separation rate	4.2%	3.8%	4.6%	4.7%	4.8%
Admin & Supervisory Pers.	477	501	518	541	581
Turnover	32	17	39	38	49
Separations	30	15	34	35	38
Turnover rate	6.7%	3.4%	7.5%	7.0%	8.4%
Separation rate	6.3%	3.0%	6.6%	6.5%	6.5%
Death, Retirement **	5.9%	2.8%	6.2%	5.2%	5.2%
Net separation rate	0.4%	0.2%	0.4%	1.3%	1.4%
12-Month MCEA Personnel	243	246	264	287	327
Turnover	12	14	21	12	22
Separations	10	10	16	11	15
Turnover rate	4.9%	5.7%	8.0%	4.2%	6.7%
Separation rate	4.1%	4.1%	6.1%	3.8%	4.6%
Death, Retirement **	2.5%	4.1%	3.8%	2.8%	2.4%
Net separation rate	1.6%	0.0%	2.3%	1.0%	2.1%
10-Month MCEA Personnel	8,428	8,677	9,263	9,921	10,115
Turnover	361	372	542	524	563
Separations	177	170	314	277	301
Turnover rate	4.3%	4.3%	5.9%	5.3%	5.6%
Separation rate	2.1%	2.0%	3.4%	2.8%	3.0%
Death, Retirement **	1.4%	1.3%	1.8%	1.6%	1.8%
Net separation rate	0.7%	0.6%	1.6%	1.1%	1.2%
Supporting Service Personnel	7,987	8,326	8,635	9,034	9,194
Turnover	580	581	593	677	737
Separations	496	483	504	597	626
Turnover rate	7.3%	7.0%	6.9%	7.5%	8.0%
Separation rate	6.2%	5.8%	5.8%	6.6%	6.8%
Death, Retirement **	1.9%	1.8%	1.8%	2.0%	2.1%
Net separation rate	4.3%	4.0%	4.0%	4.6%	4.7%

Source: April 22, 2002 Farber memorandum and Appendix.

- * Employee turnover rate is the number of people leaving positions divided by the total number of employees in the group. Separations are employee turnover less number on leaves of absence.
- ** Deaths and retirements as a percent of total employees in the group. Rates for 10-month MCEA and supporting service personnel are estimates and not comparable with rates shown for other groups.

Personnel turnover for supporting services employees (MCCSSE members) in FY 2000 and FY 2001 totaled 677 and 737, respectively, and clearly exceeded 733 (the number of new hires) in FY 2002. Considering a decline of 169 in the number of such personnel over FY 2002 and the presence of 578 vacant positions as of July 1, between 902 and 1,142 employees may have vacated their positions. Some turnover in this group may stem from hiring more teachers to reduce class sizes and other organizational changes prompting a relative reduction in demand for instructional assistants, teacher aides and other supporting services staff.

Change in Number of Personnel by Pay Grade

Pay Grade	Change	Number as of 06/30/02	Number as of 06/30/01	Percent Change
Q	2	43	41	4.9%
P	5	95	90	5.6%
O	17	190	173	9.8%
N	16	130	114	14.0%
M	7	151	144	4.9%
D	160	1143	983	16.3%
C	177	3004	2827	6.3%
B	449	5048	4599	9.8%
A	335	2368	2033	16.5%
27	11	34	23	47.8%
26	4	8	4	100.0%
25	6	34	28	21.4%
24	-12	5	17	-70.6%
23	2	86	84	2.4%
22	9	40	31	29.0%
21	-4	30	34	-11.8%
20	20	123	103	19.4%
19	2	30	28	7.1%
18	8	58	50	16.0%
17	12	101	89	13.5%
16	-1	56	57	-1.8%
15	51	557	506	10.1%
14	80	372	292	27.4%
13	-47	213	260	-18.1%
12	269	641	372	72.3%
11	72	1873	1801	4.0%
10	-507	1218	1725	-29.4%
9	253	1476	1223	20.7%
8	-13	204	217	-6.0%

7	-591	59	650	-90.9%
6	127	894	767	16.6%
4	80	913	833	9.6%
TOTAL	999	21197	20198	4.9%

Source: Montgomery County Public Schools

Delayed hiring to fill some MCCSSE vacancies over the Summer break between school years could have been intentional to hold down costs (but it not clear why that would be more true this year than for prior years). Most of the FY 2002 decline in MCCSSE personnel occurred in pay grades dominated by nine and ten month duty assignments. Many (400+) vacancies as of July 1 also existed in the same pay grades. This poses the possibility that compensation for some MCSSE employees could be slightly uncompetitive, particularly for seasonal nine and ten month work assignments. Many nine and ten month positions, however, are low skill, entry level positions that exhibit high turnover rates in all industries with people moving to better paying jobs after establishing a work history and more marketable skills.

Comparative Wage Levels and Growth Rates

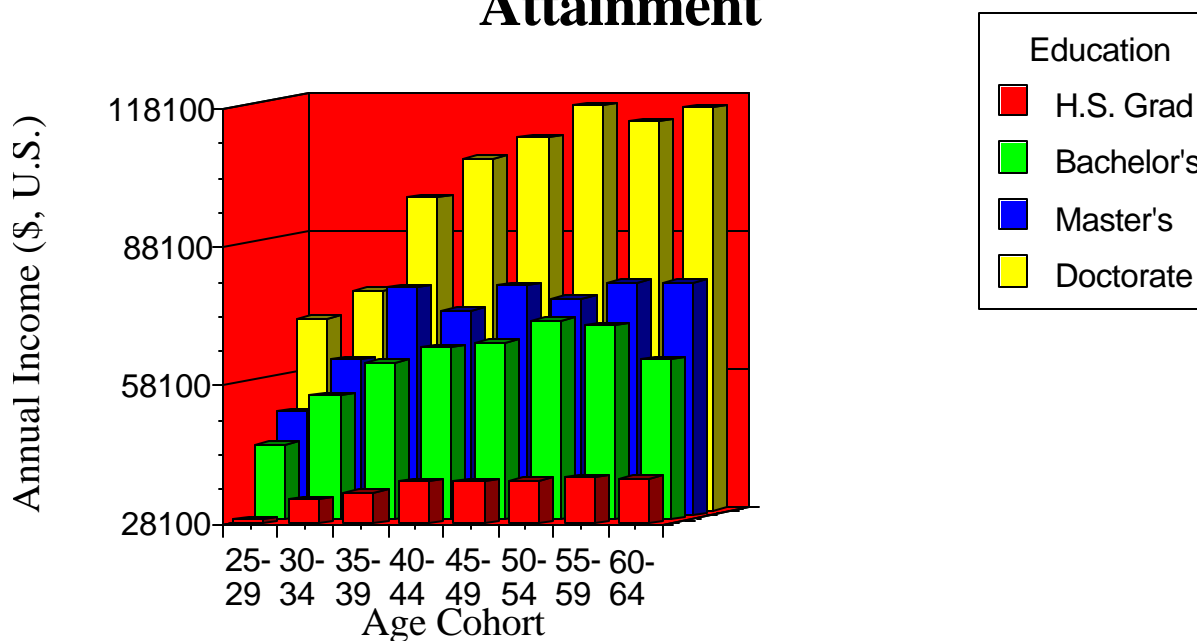
In common with pay ladders for teachers and administrators, supporting service personnel wage ladders provide significant annual longevity increases in addition to general wage adjustments. The top of each of the 30 hourly wage ladders (23 in use) is reached after nine years. This is half the 18 years anticipated for the average worker to reach the top step on any of the 15 ten step General Schedule salary ladders used by the federal government. Further, *within grade pay increases on federal General Schedule pay ladders is uniformly limited to 30% while MCSSE pay ladders provide within grade increases ranging from 34.4 - 54.9% with the greatest growth in pay grades dominated by year round employees.*

These short, steep wage ladder structures may be advantageous in attracting and retaining staff for nine and ten month positions. The competitive need for such wage escalation is far from apparent when used in conjunction with 12-month non-wage compensation like health insurance which can increase compensation for some positions by 50% or more. But, *application of numerous short, steep pay ladders to year-round positions poses significant risks of excessive pay where pay ladders (schedules) start at levels aligned with prevailing wages in labor markets.* Further, the combination of limited promotion horizons and steep salary ladders can also quickly position the most capable staff for positions elsewhere after a few years with greater prospects of advancement.

Raising initial salaries on at least some supporting service employee pay schedules is likely warranted given a high probability of an as yet undefined 3.1% - 4.1% general wage adjustment of federal local area pay schedules at the first of the year. However, existing pay schedules that award substantially equal annual percentage increases in pay in the same job for nine years on all work schedules are prone to generation of above market compensation levels if the initial pay step is market competitive. Pay increases consistent with the probable rates of job specific intellectual capital formation, productivity increases, and decline in supervision requirements are needed. Estimated earnings progressions over working lifetimes for different levels of educational attainment are illustrated below.

Professional salary surveys performed by the Maryland and Virginia Departments of Education for school year 2001-2002 provide comparative references for evaluation of the competitiveness of MCPS compensation of education professionals. (These studies are freely available at <http://www.msde.state.me.us/AboutMSDE/DIVISIONS/prim2000/ppubsl.htm> for Maryland and Virginia's at <http://www.pen.k12.va.us/VDOE/Finance/Budget/reports.html>) The Virginia survey only provides average salary figures for school systems and select program schools. This shows, however, that the average salary of MCPS teachers exceeded that of every school system in the State of Virginia by 5% or more. The \$55,490 MCPS average salary was exceeded at one school, however (Thomas Jefferson High in Fairfax County) where classroom teacher salaries averaged \$70,887. The Maryland study shows complete pay schedules for teachers but present only minimum and maximum salaries for most administrators and supervisors. (Data on salaries of supporting services personnel are not presented in either study.)

Worklife Earnings by Educational Attainment



Note: Earnings by age profiles reflect nationwide earnings experiences in 1997-1999 indexed to 2002 wage levels using average wage index values for 1997-2001 developed by the U.S. Social Security Administration.

The Maryland data show that minimum salaries for principals were higher in Baltimore, Calvert, and Charles counties than those paid by MCPS. Minimum salaries for Supervisors in Baltimore and Calvert counties were also higher than those paid by MCPS. But, the MCPS schedules for these positions rose higher, faster than those elsewhere, a characteristic that was common to other MCPS salary schedules with two exceptions. First, the top pay for Howard County's "Instructional Coordinator" position(s) exceeded MCPS's by 2.7%. Second, while MCPS's pay schedule for teachers with a Bachelor's degree started 4.6% higher than its closest competitor (Prince George's), Calvert County's schedule for these teachers started 4.6% lower and rose farther and faster than the MCPS schedule. The Calvert schedule provided for a 46.2% increase in pay over ten years compared with 34% on the MCPS schedule. (Earnings by educational attainment data suggest that young holders of Bachelor's degrees will typically experience roughly 24% income growth over their first 5 years of work experience 40% income growth

in ten years. In sharp contrast, the MCPS pay schedule for teachers with a bachelor's degree provides pay increases of 11% by their fifth year of employment and 15.2% after five years.)

Regionally, then, MCPS pay schedules for its education professionals in general were *competitive or better* in FY 2002 and remain so in FY 2003 with general wage adjustments provided by existing contracts. However, compensation levels remain uncompetitive with those offered by alternative employers in a limited number of areas. Compensation for teachers fully qualified in math and physical science subject matter areas is well below private sector and federal government offerings to people with these skills. April 2001 data from the Bureau of Labor Statistics' National Compensation Survey of wages in the Washington-Baltimore standard metropolitan statistical area indicate that annual earnings for natural scientists, mathematical and computer scientists, engineers, architects, and other groups with strong math and science skills exceeded those of non-college teachers by \$6,147 - \$24,630 annually (13 - 53%).

Total Compensation

Consideration of the value, and relative share, of benefits in total compensation must be addressed in evaluating overall competitiveness of compensation. As noted earlier, employer provided health insurance can increase effective compensation substantially. (One recent study suggests that simple access to a group health insurance plan as opposed to individual health insurance policies is equivalent on average to a five percent pay raise on an income of twice the government's poverty standard when the individual is among the top 25 percent of health care users.) Other benefits include retirement pensions and health insurance subsidies, education subsidies, sick leave, personal or vacation leave, tax sheltered savings plans, and tax sheltering of health insurance premiums, uninsured medical expenses, and child care expenses. The complexity of valuing non-wage compensation components, the large number of job classifications and diverse work schedules make full evaluation of market competitiveness of MCPS compensation packages from an employee perspective beyond the scope of this study.

Relative market competitiveness from a labor demand perspective (employer) can be gauged from data showing employer costs of employee compensation per hour worked. Nationwide estimates of these values are regularly generated from statistical sample surveys taken in March of each year by the U.S. Department of Labor's Bureau of Labor Statistics (BLS).

U.S. Employer Costs of Employee Compensation, March 2002

	Private Industry		State & local government			
	Share	\$/hour	All Functions Share	All Functions \$/hour	Elem. & Secondary Ed Share	Elem. & Secondary Ed \$/hour
Total		21.71		31.29		33.29
Wages and salaries	72.8%	15.80	70.8%	22.14	74.3%	24.73
Benefits	27.2%	5.90	29.2%	9.15	25.7%	8.55
Paid Leave	6.6%	1.44	7.8%	2.43	5.7%	1.89
Supplemental pay	2.9%	0.62	0.8%	0.26	0.2%	0.08
Insurance	6.4%	1.40	9.0%	2.82	9.1%	3.04
Health benefits	5.9%		8.6%			
Retirement/savings	2.9%	0.63	5.6%	1.74	5.1%	1.69

Defined benefit	1.1%	0.23	4.8%			
Defined contribution	1.8%	0.40	0.7%			
Legally required	8.3%	1.80	5.9%	1.84	5.3%	1.76
Other benefits	0.1%	0.03	0.2%	0.06	0.3%	0.10

For State and local governments generally, wages account for roughly 70% of costs and benefits about 30%. In the private sector, wages accounted for 72.8% of total compensation while benefits accounted for 27.2% in the BLS survey. Public sector compensation in the form of non-wage benefits is higher in every category of benefits (particularly in paid leave and retirement benefits) except for supplemental pay for overtime, shift differentials, etc.

Employer costs of employee compensation paid to State and Local government workers amounted to an estimated \$31.29 per hour in contrast to private sector costs of \$21.71 per hour. BLS suggests that the standard errors of these estimates are such that one can be 90-percent confident the range of \$16.75 - \$26.67 contains the "true" cost of private sector compensation per hour of work. Reflecting smaller differentials between State and local government units in levels of compensation, the comparable 90-percent confidence interval for government units was \$29.21 - \$33.37. Employee compensation costs per hour for elementary and secondary schools nationwide were reported as \$33.29, for instance. Compensation per hour for MCPS employees in the same time frame, however, is estimated *to exceed \$35.90 per hour. At that level MCPS employee compensation per hour worked exceeds the BLS estimate of average nationwide State and Local government costs of employee compensation per hour worked by more than three-and-a-half times that means' standard error (\$1.30) and more than twice that relative error higher than the estimated mean for elementary and secondary schools.*

One can conclude that MCPS employee compensation costs per hour worked is definitely above average for State and local government employees generally and for public elementary and secondary education institutions. Although perceived high living costs in the county might be cited by some as an explanation of that finding, living costs and salary levels are actually comparable or higher in much of the rest of the country. Federal government locality area pay scale differentials indicate that federal employees in 17 highly populous metropolitan areas around the nation are paid at levels comparable to or higher than those in the Washington-Baltimore metropolitan statistical area.

Federal Government Locality Area Pay Differentials Above Washington - Baltimore Pay Levels

Boston-Worcester-Lawrence	1.9%
Chicago-Gary-Kenosha	2.8%
Denver-Boulder-Greeley, Co	1.7%
Detroit-Ann Arbor-Flint, MI	2.9%
Hartford, CT	2.4%
Houston-Galveston-Brazoria, TX	6.4%
Los Angeles-Riverside-Orange	4.1%
New York-N.Jersey-Long Island	3.4%
San Francisco-Oakland-San Jose	6.8%
Cincinnati-Hamilton	0.5%
Miami-Fort Lauderdale, FL	0.9%

Minneapolis-St.Paul, MN-WI	0.1%
Philadelphia-Wilmington-Atlantic C	0.6%
Portland-Salem, OR-WA	0.1%
Sacramento-Yolo, CA	0.5%
San Diego, CA	1.1%
Seattle-Tacoma-Bremerton, WA	0.3%

In addition to providing a comparative measure of relative market competitiveness of MCPS compensation, development of an estimate of MCPS employee compensation costs per hour captures expenses that are not reflected in the County's operating budget appropriations. It also facilitates evaluation of the competitiveness of MCPS compensation relative to that offered by the federal government (which is not included in the BLS estimates).

For full-time, year round employees, MCPS paid leave benefits (vacation and sick leave, paid holidays) are comparable to federal benefits while MCPS provides more generous educational benefits and health insurance with greater coverage at less cost to employees. MCPS costs for employer contributions to health and life insurance alone topped \$10,600 for some employees subscribing to family coverage health plans in FY 2002 with costs for a single individual as low as \$1,947. Additional insurance coverages were available for prescription drugs, dental procedures, and vision care. (Employee cost for health insurance ranges from 5% to 20% of the total premium.) These health insurance benefits exceed those of the federal government which contributes 72% of the average premium for plans offered but not more than 75% of the total premium for any plan. Federal government retirement benefits may exceed those offered by MCPS for employees earning somewhat above \$72,000 due to the government's 401(k) equivalent defined contribution savings plan which provides 1% of salary plus matching of employee contributions up to 4% of salary. However, MCPS defined benefit annual retirement annuities exceed those of these federal employees by 30 - 40% depending on retirement age.

Conclusion

The MCPS workforce has grown rapidly in recent years, partly due to large inflows of people of childbearing ages over the 1990s and partly due to implementation of all day kindergarten and smaller class size policies. Although MCPS educational services are broadly recognized as valuable public goods, population migration patterns over the past decade suggest that willingness to pay for these services can attenuate following conclusion of a household's direct of consumption of the service. The observed out-migration of people over the age of 45 from Montgomery County suggests that demand for public services, including those provided by MCPS, has exceeded some people's willingness to pay. To assure that those using MCPS services pay their share of the related public costs, it is critical that deferred compensation costs (retirement benefits) are fully funded at the time the obligations are incurred.

Efficient use of public resources is likely essential for continuing strong support of MCPS. Employee turnover rates, employment application rates, and job offer acceptance rates indicate that the level of compensation for teachers in general and most, if not all, supervisors and administrators is competitive or better. Turnover among supporting services staff in nine and ten month positions is higher than national average rates for government employees, but at least some of the positions involved are types that exhibit high turnover in all industries. Consideration of the robust non-wage compensation

accompanying wages paid to employees on regular work weeks of 20 hours or more suggests that lack of compensation competitiveness is not a general problem for supporting services staff.

Comparison of MCPS employee compensation agreements with those of other school systems in Maryland, the federal government, and the private sector indicates that MCPS compensation is *competitive or better* in most cases. This arises from compensation agreements providing both fixed, multi-year "general wage adjustments" unrelated to price inflation or productivity gains as well as annual longevity increases that are more a function of seniority than efficiency or productivity.

Higher starting salaries are likely needed to continue attracting qualified personnel for some supporting services positions and for fully qualified teachers in math, science, and a few other education areas. The resources needed to finance pay increases in these areas should be readily obtainable by stretching out and reducing percentage pay increases due to longevity as well as salary ladder base pay levels where the number of applicants per open position indicates excess supply of personnel with those skills.

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