

Dear Members of the General Assembly:

In June you passed HB 720- School and Teacher Paperwork Reduction Act (S.L. 2011-379). One of the provisions in that bill-Section 5-was a provision that eliminated prepayment of teachers' salaries beginning in the 2012-13 fiscal year, requested by NCSBA and NCASA. NCAE informed NCSBA and NCASA of their concerns and worked with us to delay the law for one year, so that we could make this transition work going forward.

Prior to 2005, school districts paid teachers at the end of each *full month* of employment. In 2004 the General Assembly created a new requirement, effective July 1, 2005, that school districts pay teachers a full month's salary on August 31. Since passage of that law, school districts have been prepaying teachers in August for over 2 weeks worth of work that is not realized until late May and June. We are not aware of any business or employing entity that uses such a compensation scheme. School districts have been complaining about the teacher prepayment requirement since its enactment. The requirement became particularly problematic in situations where a teacher would leave the employment of the school district, because under state law the school district must attempt to collect these dollars even if the costs of collecting the funds exceed the funds due. In addition, many teachers do not understand why they are not receiving a paycheck in June.

Section 5 of HB 720 strikes some prepayment language that existed in statute (G.S. 115C-302.1) prior to 2004, but inadvertently *does not strike* the specific statutory language that the initial pay date for teachers shall be no later than August 31 and shall include a full monthly payment. Additionally, HB 720 adds statutory language to strictly prohibit prepayment.

NCSBA, NCASA and NCAE are proposing a technical correction that would clean up the remainder of the prepayment language contained in G.S. 115C-302.1 and also strike a reference to prepayment in a separate statute. As part of this technical correction, language will be included to allow year-round schools to continue to prepay, as this is a unique circumstance in the way the work schedule plays out.

Upon adoption of the technical correction LEAs will need to determine how teachers and other 10 month employees will be paid. NCSBA has heard discussion of several options but there may be others that work best for employees in a particular LEA. *Option 1: Change the pay date to the end of the first month of employment* - If a teacher reports to work on **August 16** their first pay date would be on September 15 and on the 15th of each of the following 9 months; if the employee elects to be paid over 12 months, which will still be allowed, the **last** pay date would be **August 15**. *Option 2: Partial Payment at end of August and full payment at the end of September* – Technically, LEAs could keep the pay date at the end of the month and make a partial payment in August and make a full payment in the subsequent month. LEAs have been urged to make this decision as quickly as possible and communicate and assist their employees with this one time transition. *Option 3: Convert to semi-monthly or bi-weekly payment* – This will allow teachers to receive either 2 checks a month or payment every 2 weeks. While some districts have expressed interest in this, many do not have the staffing capacity to do this. This will require further statutory authorization which will be included in the technical correction. *Option 4: Semi-monthly-end of month* – Teachers would receive

semi-monthly payments until the end of September and then receive monthly payments for the rest of the year. This too will require further statutory authorization which will be included in the technical correction.

If the LEA moves to a mid-month pay date for 10 month employees, they will need to determine how to pay 12 month employees. In this situation the LEA will have two choices. The first would be to set the pay date for 12 month employees at the end of the month; this would result in doing two payrolls per month. The second option would be to move 12 month employees to the same pay date as 10 month employees. If LEAs are going to move the pay date for 12 month employees they will need to make that decision in short order so that they can notify employees.

The reason the implementation of the provision was delayed until next year was so that employees could prepare for the one time change. LEAs have been notified that they may need to assist employees in talking with their mortgage lenders and other loan officials. The last thing we want is for someone to not know about this and to not have made the necessary preparations.

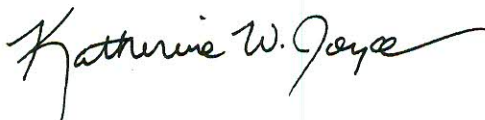
We ask that you promptly pass this piece of legislation so that LEAs can begin the process of transitioning their payment systems. If you have any questions about this proposed technical correction or the teacher prepayment issue please feel free to contact Leanne Winner at NCSBA or Katherine Joyce at NCASA. If you are contacted by teachers who are concerned about this please feel free to refer them to Marge Foreman at NCAE.

Thank you for your consideration.

Sincerely,



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North Carolina School Boards Association



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Assistant Executive Director
North Carolina Association of School Administrators



Sheri Strickland
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LEGAL AMBIGUITY



Section 5(b) of PL 2011-379 contains contradictory language that will need to be clarified.

“...the initial pay date for teachers shall be no later than August 31 and shall include a full monthly payment.”

“Payment for a full month when days employed are less than a full month is prohibited, as this constitutes prepayment.”