



**GOVERNING BOARD AGENDA ITEM
AMPHITHEATER UNIFIED SCHOOL DISTRICT NO. 10**

DATE OF MEETING: **December 7, 2021**

TITLE: **Approval to Increase Pay Rates for Classified Employees Effective January 1, 2022 for Compliance with Arizona’s Minimum Wage Laws and to Address Wage Compression**

BACKGROUND:

Arizona’s Minimum Wage Law

In 2016, Arizona voters approved Proposition 206, which created Arizona’s Fair Wages and Healthy Families Act (codified at A.R.S. § 23-362 *et seq.*) and raised Arizona’s minimum wage to \$10.00 per hour effective January 1, 2017. Section 23-363 of the Act requires subsequent annual increases to Arizona’s minimum wage pursuant to the below schedule:

- \$10.50 per hour on January 1, 2018
- \$11.00 per hour on January 1, 2019
- \$12.00 per hour on January 1, 2020
- Inflationary increases on January 1, 2021 and annually thereafter.

Amphitheater’s Response to Arizona’s Minimum Wage Law

Since then, Amphitheater Public Schools has annually increased its minimum wage to meet the mandatory minimum wage adjustments. Yet, because the State of Arizona did not give school districts additional funding to cover the mandatory wage increases, the District has only been able to implement wage increases in a manner that ultimately caused “compression” among existing classified pay level differentials. The limitations of the District’s state funding did not allow wage increases at lower levels to “trickle up” to higher wage levels, bringing both ends of the support salary schedules closer together, *i.e.*, “compressing” them. For example, the current minimum wage in Arizona is \$12.15 per hour. New employees hired into positions paid on the Classified Placement Schedule at Levels A - F all currently start at \$12.15 per hour. Similarly, employees who earn below the new minimum wage also receive a pay rate increase to the new minimum wage each year to comply with the minimum wage law regardless of how many years of experience they have in the position. Both situations have created wage compression in the District.

The below table demonstrates how classified employee starting pay levels have been compressed since January 1, 2017, due to annual mandatory minimum wage increases:

Classified Placement Schedule Pay Level	Starting Pay July 1, 2016	Starting Pay July 1, 2021
A	\$8.68	\$12.15
B	\$8.96	\$12.15
C	\$9.55	\$12.15
D	\$10.15	\$12.15



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E	\$10.62	\$12.15
F	\$11.52	\$12.15
G	\$12.04	\$12.59
H	\$12.53	\$13.13
I	\$13.07	\$13.68
J	\$13.55	\$14.12
K	\$14.12	\$14.70
L	\$15.02	\$15.61
M	\$16.03	\$16.50
N	\$17.28	\$17.76
O	\$18.88	\$19.38
P	\$20.77	\$21.31

Consequence of Wage Compression

As demonstrated above, the starting pay for Levels A – F is the same regardless of the different hiring prerequisites or job duties for the specific jobs assigned to each pay level. The hiring prerequisites and job duties for a Crossing Guard (Level A) differ greatly from those of a Library Assistant (Level F), but they both start at \$12.15 per hour. A Library Assistant requires an Associate’s Degree or a passing paraprofessional test score and a minimum of two (2) years of library experience, whereas the highest level of education required for a position paid on Level A (such as a Crossing Guard) is a high school diploma or GED. Offering the same wage to qualified candidates for both positions devalues the additional years of education and experience required of positions placed at higher pay levels and diminishes the District’s ability to attract and hire qualified candidates.

A significant number of continuing employees have also had their hourly wages “compressed” to starting pay levels through the annual minimum wage increase. This is because the District had to increase the pay rate for any employee earning below minimum wage, regardless of the number of years of experience or length of service in the position, when the minimum wage exceeded their hourly wage. Therefore, a Crossing Guard who has served the District continuously for five (5) years and started earning \$8.68 per hour in 2016, may conceivably earn the same hourly pay as a crossing guard hired this year with no experience. This causes disharmony among employees and makes it more difficult to retain employees in pay ranges near the minimum wage.

New Option to Address Wage Compression

On October 5, 2021, the Governing Board approved the District’s 2020-2021 Annual Financial Report. The presentation for that item included information about a significant one-time savings from Fiscal Year (FY) 2020-2021 in the maintenance and operations fund. The savings was largely the result of operating in remote mode,



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which enabled expenditures for some classified (hourly) positions to be transferred to COVID-19 funding sources since they were temporarily reassigned to serve in roles required by the COVID-19 school closures, such as on-campus supervision and pandemic mitigation and safety cleaning measures. It also resulted from the reduced need to fill paraprofessional, custodial and substitute vacancies, as well as reduced gas usage, during the 2020 and 2021 school closures.

The District has not been in the position of having a one-time savings like this in a long time. Arizona state laws governing school districts give the Governing Board absolute authority to decide how to use those one-time savings.

Recommendation to Re-Establish a Classified Employee Wage Differential

The Administration proposes that the subject funds accrued through the educational support services flowing from the pandemic circumstances and conditions be used to benefit those same support services and the personnel who provide them. This could be done by immediately re-building wage differentials on the classified employee placement schedule, thereby addressing wage compression for classified (hourly) employees. Not only does this make pragmatic sense, it is also consistent with a recommendation from the April 2020 Meet and Confer Recommendation. Paragraph 8 of the Joint Recommendation of the Meet and Confer Teams for Compensation Matters approved by the Governing Board on April 14, 2020 said:

“8. *In the event that the District receives new and undesignated funding in the current fiscal year that can be used for salaries, it is recommended that additional consideration be given to further critical classification wage adjustments needed to address wage compression.*”

While the accrued savings are not “new and undesignated”, their use to address support staff wage compression is consistent with this provision given that the funds were accumulated through internal financial planning associated with operational/support functions of the District. The spirit of that recommendation can still be achieved by using those savings to “further critical classification wage adjustments needed to address wage compression” as recommended.

It is important to note that classified employees have seen the average teacher salary increase by 20% since 2018 for compliance with Arizona Governor Ducey’s “20 by 2020” plan – those increases funding by new state funding targeted for that specific purpose. They have also witnessed other professional staff salary adjustments made to address market conditions. And, it is also noteworthy that most classified employees cannot participate in the District’s 301 Plan which, if approved on December 7, will also provide teachers, counselors, nurses and other educational staff an option to increase their annual earning through performance pay.

Process for Identifying the Proposed Wage Differentials

While the one-time savings are not high enough to re-establish pre-Prop 206 wage differentials, they are significant enough to create new wage differential between many classified pay levels. As demonstrated in the below table, the starting wage for Levels A – F have increased substantially since 2016 while other classified employees did not receive anywhere near that amount through the annual meet and confer committee recommendations:



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Classified Placement Schedule Pay Level	Starting Pay July 1, 2016	Current Wage	Percent Difference
A	\$8.68	\$12.15	39.98%
B	\$8.96	\$12.15	35.60%
C	\$9.55	\$12.15	27.23%
D	\$10.15	\$12.15	19.70%
E	\$10.62	\$12.15	14.41%
F	\$11.52	\$12.15	5.47%

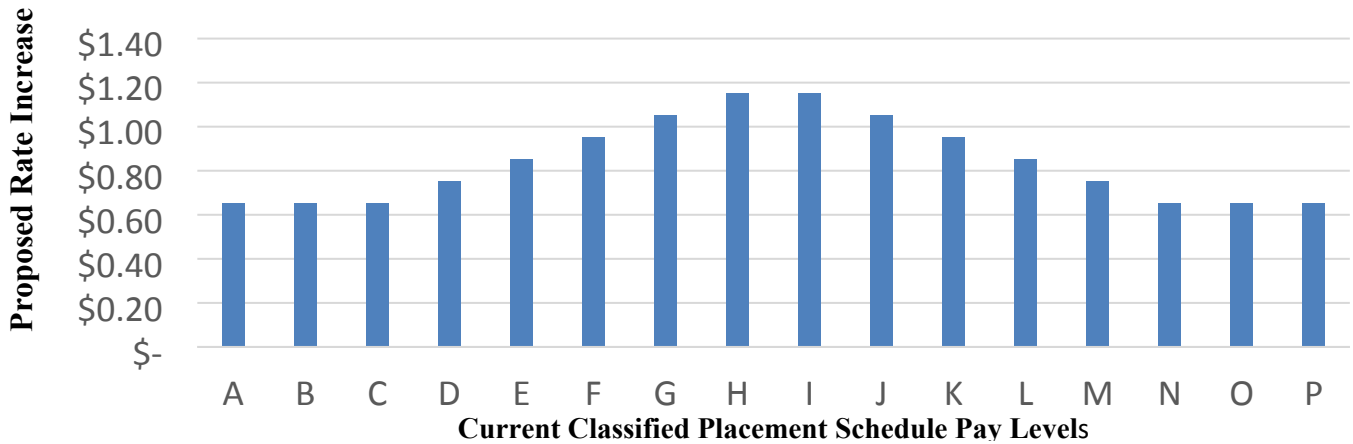
In addition, the Industrial Commission of Arizona has already adopted a resolution to increase Arizona’s minimum wage from \$12.15 to \$12.80 per hour effective January 1, 2022, for compliance with A.R.S. § 23-363. Therefore, any employee earning below \$12.80 must receive a wage increase to \$12.80 per hour for compliance with the law.

Simply put, the District cannot continue to defer addressing compression for classified staff. Even a small pay differential between pay levels will enable the District to attract employees into all pay levels and create a sense of pride for employees who meet the minimum qualifications for a pay rate above minimum wage. Because Pay Levels A - C have already received significant wage increases for several years, and they are set to receive another 65 cent in January 2022, Administration recommends that Pay Levels A - C be combined into a single pay level entitled “Pay Level 1” paid at minimum wage. The District has already budgeted for this minimum wage increase to \$12.80 so it does not factor into depletion of the one-time savings.

This will enable the full one-time savings to be used to differentiate pay for the remaining classified pay levels. Administration further recommends that the hourly pay rates for Levels D through P also be increased in the shape of a “Bell Curve”, with the largest increase applied to those pay levels most affected by the wage compression, to enable the savings to be used most effectively to create wage differentials while still ensuring every classified employee a wage increase effective January 1, 2022. The below chart demonstrates how the savings can be applied to current pay levels using a Bell Curve to create a pay differential for classified employees:



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Anticipated Benefits for the District

The proposed increases will enable Amphitheater Public Schools to offer more attractive starting wages to help with competitive recruitment. It will also improve employee retention by creating a differentiation between salary/wage levels and providing necessary adjustments for the pay levels most affected by compression. Pandemic conditions and government subsidies have made hiring more difficult nationwide, and Amphitheater is not immune. It is important that the District remain competitive to be able to hire and retain highly qualified employees, and immediate adjustments to the classified pay schedule are needed for the District to be able to do so.

Recommended Wage Increase and Placement Schedule Change

Therefore, Administration recommends that effective January 1, 2022, the classified placement schedule be adjusted, and the hourly pay wage of all classified employees be increased, as follows:

Current Pay Level	Current Minimum	Proposed Hourly Wage Increase (1/1/22)	New Min.	Proposed New Pay Level	Number of Positions Affected
A	\$12.15	0.65*	\$12.80	1	166
B	\$12.15	0.65*	\$12.80	1	35
C	\$12.15	0.65*	\$12.80	1	62
D	\$12.15	0.75*	\$12.90	2	206
E	\$12.15	0.85*	\$13.00	3	255



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F	12.15*	0.95	\$13.10	4	56
G	12.59*	1.05	\$13.64	5	47
H	\$13.13	1.15	\$14.28	6	53
I	\$13.68	1.15	\$14.83	7	7
J	\$14.12	1.05	\$15.17	8	57
K	\$14.70	0.95	\$15.65	9	14
L	\$15.61	0.85	\$16.46	10	16
M	\$16.50	0.75	\$17.25	11	82
N	\$17.76	0.65	\$18.41	12	12
O	\$19.38	0.65	\$20.03	13	12
P	\$21.31	0.65	\$21.96	14	2

*This starting wage must increase by \$0.65 cents per hour effective January 1, 2022 for compliance with Arizona's Minimum Wage law.

RECOMMENDATION:

Administration recommends that the Governing Board approve the proposed increase to base wages for eligible classified (hourly) employees to become effective on and after January 1, 2022.

INITIATED BY:

Michelle H. Tong *Scott Little*

Michelle H. Tong, J.D.
Associate to the Superintendent and General Counsel
and
Scott Little
Chief Financial Officer

Date: December 1, 2021

Todd A. Jaeger

Todd A. Jaeger, J.D., Superintendent