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As you requested, I am enclosing a copy of an August 2010 Legislative Fiscal Office review and analysis of "An Economic Analysis of Early School Start Date in Alabama," by Dr. Keivan Deravi, which concludes that the "total economic cost" of Alabama's "shortened summer" is \$26 million per day. Even if Dr. Deravi's assumptions are correct (the report's lack of detail makes this unverifiable), shifting the school start date will not have such an impact on Education Trust Fund (ETF) receipts.

For instance, the largest of his estimate's four components is the \$18.5 million attributed to "Tourism Loss." Since this component consists of revenue "lost" by all sources rather than by the state only, receipts to the ETF would increase by only \$740,000 per day if *the entire amount* was spent on items subject to the 4% state sales tax. The next-largest component of his estimate, "Earnings Foregone," concludes that \$3.4 million in earnings are passed up by teachers and students who give up a summer job upon returning to school. Applying a 5% state income tax on these earnings and levying the state's 4% sales tax on the remainder generates a total of approximately \$300,000 for the ETF. As for the two remaining components, the \$2.6 million estimate for the "Higher Operations Cost" category is realized only by cutting the salaries of support workers while the \$1.4 million estimate for the "Utility Costs" category fails to consider that some portions of a school are used year-round. Plus, these two estimates show increased cost savings, not increased ETF revenue.

Please let me know if you need additional information.

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Enclosure

## An Analysis of "An Economic Analysis of Early School Start Date in Alabama"

Nothing in this fourteen-page document, which was published on February 24, 2009, discloses who commissioned the study or whether anyone other than Dr. Deravi participated in reaching its conclusions. I obtained the attached copy of the study from [www.savealabamasummers.org](http://www.savealabamasummers.org), a website operated by a coalition of parents, students, and school educators/administrators concerned about the impact of an early to mid-August school start date. According to the study, almost 96% of all Alabama schools had already started classes as of August 11, 2008. While this study offers no opinion on what exact date schools *should* begin, it generally proposes that the summer season be extended by a minimum of two weeks (i.e., ten school days). Dr. Deravi concludes that the "total economic cost" of Alabama's "shortened summer" is approximately \$26 million per day. While I am certain that significant analysis took place "behind the scenes," the published report includes little detail about the source of his data or the justifications used in making certain assumptions.

Dr. Deravi's conclusions have been interpreted to mean that pushing the school start date back two weeks will increase receipts to the Education Trust Fund by over \$260 million. The study examines the four categories of economic costs/losses Dr. Deravi believes are impacted by an early school start date: (1) earnings foregone (\$3.4 million of the \$26 million estimate); (2) higher operations costs (\$2.6 million); (3) utility costs (\$1.4 million); and (4) tourism loss (\$18.5 million).

### Earnings Foregone

As one effect of a compressed summer is the reduction of seasonal employment opportunities for students, teachers, and staff, Dr. Deravi estimates that a total of \$3.4 million in earnings are foregone each day school starts back early. In essence, he believes that students, teachers, and staff would be able to work their summer jobs an additional two weeks if the school start date was pushed back. Based on his assumptions, however, this estimate is accurate only if half of all high school juniors and seniors, as well as one-third of all teachers and staff, hold summer jobs where they work six hours per day for five days per week and are paid \$7.25 and \$10.00 per hour, respectively. As a result, Dr. Deravi's conclusions require the assumption that over 69,000 summer-only jobs are held by these students and teachers.

For these funds to be truly "foregone" from the state's perspective, these 69,000 jobs would have to remain unfilled after school started back, meaning they were truly temporary, summer-only jobs. If that were the case, then such a drop-off would be reflected in data showing the number of people in Alabama's total work force. Yet according to the Alabama Department of Industrial Relations and the University of Alabama's Center for Business and Economic Research, at no point did Alabama's labor force decline by 69,000 jobs from one month to the next in 2009. In fact, the total workforce difference between August and September 2009 (i.e., when these summer jobs would end) was less than 13,000 employees. Finally, and perhaps most importantly, Dr. Deravi's \$3.4 million estimate for this category is the amount of *total* earnings foregone and

not the amount of revenue that would be lost by state coffers. Thus, the amount of foregone state income tax revenue or state sales tax revenue, etc., would be much, much smaller. For example, applying a 5% state income tax to these earnings generates only \$170,000 for the Education Trust Fund (ETF). Similarly, assuming the remainder is spent on items subject to the state's 4% sales tax, the ETF receives an additional \$129,200.

### Higher School Operation Costs

For this category, Dr. Deravi states that school systems would save a total of \$2.6 million per day if they all opted to "compress" their school year (rather than merely push it back two weeks) and avoid the salary expenses of those employees who are paid at a daily, rather than annual, rate. Those impacted would include non-professional employees as well as support and auxiliary staff.

The report fails to detail where the personnel data was obtained from (he estimates that there are 32,470 support personnel who work less than 240 days per year), where the salary data was obtained from (he estimates that each of these employees earns \$80.00 per day), and what days of the school year should be compressed (eliminating fall break or spring break, for example). Regardless, revenue generated from this category is obtained from reducing the number of days these employees work, and thus reducing their salaries. If you further assume that the average school system has 180 instructional days and seven non-instructional days, then "compressing" two weeks out of the school calendar would reduce the number of *instructional* days by a minimum of three days, a decision that would require a reduction in salaries paid to teachers. Finally, note that this estimate is not offset by the loss of state tax revenue that would result from reducing the salaries of these employees.

### Utility Costs

The concept behind this category's conclusion is simple to understand: since the last few weeks of August are hotter than the first few weeks of June, pushing back the school start date would lower a school's heating and cooling costs. Quantifying this concept, however, is more difficult. Dr. Deravi analyzed a matrix showing "cooling degree days" for the City of Huntsville. Based on his analysis, shifting the start date would reduce a school's energy demand by approximately 6%. Assuming, as Dr. Deravi did, that 50% of total operations and maintenance expenses of a school system are related to utility expenses, school systems would save a combined total of approximately \$1.4 million per shifted day in utility costs.

It should be noted that this category does not account for the fact that some parts of every school building – rooms with pieces of technology such as computer servers or rooms housing summer school activities, for example – will be constantly heated or cooled, regardless of the school's calendar. Additionally, in reaching his 6% cost shifting estimate, Dr. Deravi compared the current calendar with his "adjusted" calendar. The current calendar recognized a dip in energy usage for the months when school was out (June and July). The