

# The Optional Sick Leave Cashout Program

PPOB Presentation  
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# **Innovative Sick Leave Management: 26 RS BR 1151**

**A Win-Win for Student Outcomes, the State Budget,  
District Budgets, and Educator Retention**

# The Problem:

## The High Cost of Absence

- **Substitute Teacher Shortage:** High teacher absence rates force districts to rely on substitutes, which can negatively impact student outcomes.
- **Financial Liability:** Accrued sick leave creates a long-term financial "balloon payment" for districts and the state retirement system
- **Current Inefficiency:** Districts currently pay both the teacher's salary AND the sub cost (\$115–\$160/day) when a teacher is out.

# The Proposal:

## 26 RS BR 1151

- The Mechanism: Amends KRS 161.155 to provide local boards of education the option to create a voluntary annual sick leave cashout program.
- Eligibility: Employees must have a minimum of 15 days accumulated (aligned with sick leave bank standards) to protect against future unforeseen illness.
- The "Cashout": Employees may elect to cash out any number of leave days in excess of 15 days at a rate of 30% of their current daily rate.

# Awareness:

## 26 RS BR 1151

- This bill would permit districts to allow individuals to cash out as many days as they have beyond 15.
- This could be a heavy budgetary expenditure if not planned for by districts.
- Example: If this idea were to be implemented, SCS would likely permit only a cashout of perhaps 13-26 days (the maximum days earned in a 1-2 year timeframe).

# Financial Case Study Using Scott County Schools (SCS) Data

- Based on an average teacher salary of \$60,200 in SCS (\$325.41/day):

Scenario	Total Daily Cost to District
1. Teacher Out + Cheapest Sub	\$440.00
2. Teacher Out + Most Expensive Sub	\$485.00
3. Teacher Present + Payout at Retirement	\$449.86
4. PROPOSAL: Teacher Present + Annual Cashout	\$422.50

# Benefits to the District and the State

- **Reduced Retirement Liability:** Payments are made at current salary rates rather than higher end-of-career rates.
- **Retirement System Protection:** These payments are not considered "creditable compensation" and do not factor into the pension formula
- **No State Cost:** This is a district-funded option; it does not require additional state appropriation and, should TRS members in Tiers 1-3 choose to participate, could reduce the TRS funding liability.

# Benefits to Educators

- Immediate Financial Incentive: Provides a "summer check" (approx. \$1,269 for an average teacher) for home improvements, vacations, or savings.
- Professional Recognition: Rewards high attendance and commitment to the classroom.
- Flexibility: Entirely voluntary; those nearing retirement can still choose to hold days if they prefer the traditional payout.



# Stakeholder Support and Feasibility

- The idea has been vetted.
- Concept discussed with:
  - KDE Commissioner & KDE Legal Team
  - Teachers' Retirement System (TRS) Leadership
  - Local Scott County KEA Chapter and UniServ Director

Zero Negative Impact Identified: No identified stakeholders are negatively impacted by making this an option for districts and have not expressed opposition to this proposal.

# Request for Your Support

- Prioritizes Students: Keeps the best-qualified teachers in front of students more often.
- Supports Teachers: The less need there is for subs, the less likely sub shortages exist and the less often teachers that do show up have to cover for those that are unable to do so.
- Empowers Local Districts: Gives boards a tool to manage their own workforce and budget.
- Fiscal Responsibility: Reduces long-term debt by settling liabilities at today's prices.
- Recommendation: Support the passage of 26 RS BR 1151.

# Questions