

Defining the Employee vs. Independent Contractor Relationship

Community education contracts with a number of individuals and organizations to provide enrichment and athletic opportunities. For some years, the department has been working under a set of guidelines or understandings that may not be aligned with current district or employment best practices. There are two ways in which community education is able to do business. Either we employ an individual to deliver programming or we contract with an independent contractor (business or individual) to provide a program.

When we enter into an employer/employee relationship, the individual is considered an integral part of the district and therefore receives all of the administrative and legal support afforded our employees at no cost to the individual. District responsibilities include but are not limited to the following:

- District assumes the human resource responsibility. Hiring, background checks, payroll, liabilities and risks associated with employment of staff.
- District establishes and ensures a rate of pay for all employees
- Employee salaries are paid including FICA, PERA, etc.
- Tax-exempt status applies and purchases can be made on behalf of the employee. Applicable out of pocket expenses can be reimbursed.
- Employees have access to school district equipment.
- District carries liability insurance

As a public entity, the school district has a fiduciary responsibility to establish rates of pay for their employees based on the work they are assigned. Employees of the district are hired to complete their work in an agreed upon amount of time for an established rate of pay therefore, their earning potential is limited to the total sum of their worked hours. Furthermore, their income is fully ensured by the district so that they are paid in full for their time and not held financially responsible for any over expenditures as a result of their work.

When we enter into a contract for service with an independent contractor they are viewed as a separate business and therefore bear the previously mentioned responsibilities for themselves and anyone under their employment, at their expense. Our relationship becomes one of a financial exchange. We retain the funds necessary to cover our expenses and all other revenue is dispersed to the independent contractor. The benefit of this relationship for the independent contractor is that they have decision making power over their earning potential. They control their financial revenue and expenditures and can conduct themselves as a profit-making entity.

In a review of our current athletic/enrichment program relationships, we became aware of a small group of individuals (approximately 9-11 people) who are considered employees yet have been paid based on the amount of funds left after paying all other camp expenses rather than an established rate of pay. The individuals hired to run the camps receive the total revenue remaining after expenses. Although they are all considered summer camp coaches/instructors, their hourly wages have varied from year-to-year and from one individual to the next based on the net income of their program.

As the district is prohibited from subsidizing the work of another revenue generating entity, we believe it is in the best interest of the district to define our relationship with these individuals and apply the appropriate terms as outlined above.

In recent conversations the affected individuals were given an opportunity to identify themselves as either employees or independent contractors. Community education will base its future relationship with each individual on this decision.