FAQ: Teacher Salaries
Webinar: April 11, 2018
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Today’s Webinar

- What goes into (and out of) a teacher paycheck?
- Sources of Money for Teacher Compensation
- #RedforEd: How did we get here?
- What will it take to get out?
  - Estimates of a 20% raise
  - Cost of keeping up with inflation
Technical Note

This webinar and the data presented reflect information about **district schools only**, unless specifically noted as including charter schools.
Look look look my first pay check! Its got my name.. Hi mee!!

I earned this. I wiped tables for this. I steamed milk for this. And it was totally...

...NOT worth it. Who's FICA why is he getting all my money?? [Federal Insurance Contributions Act tax]

Teacher Compensation

What goes into (and out of) a paycheck?
What goes into (and out of) a teacher paycheck?

**What Teachers See**
- + Teacher Salary (e.g., $45,000)
- - Deductions (e.g., 25%)
  - Federal and State Income Taxes
  - Social Security, Medicare (FICA)
  - Arizona State Retirement System*
  - Health Insurance Costs
  - Other deductions

= $33,750 Take home pay

*ASRS employee contributions belong to the employee.

**What Districts See**
- + Teacher Salary (e.g., $45,000)
- + Employee Related Exp. (e.g., 20%)
  - FICA, Workers Comp, unemployment
  - Arizona State Retirement System
- + Health/Dental/Life Ins. (e.g., $6,300)

= $60,300 Total cost of position
Sources of Money for Teacher Compensation

- State Funding Formula
- Classroom Site Fund (Proposition 301) and Instructional Improvement Fund
- Voter-Approved Maintenance and Operation Overrides
- Other (e.g., Teacher Incentive Funds grants)
State Funding Formula

Operations (incl TEI*) + Transportation + District Additional Assistance

Operations (incl TEI*)
$5,300

Transportation
$280

District Additional Assistance
$67-$75

Restoring $95M (of the $352M cuts) to DAA may make money available for teacher salaries, depending on capital needs of the district.

*Teacher Experience Index
Base vs. Bonus

• The base amount (FY18 = $3,683.27) in the state funding formula is subject to a required inflation adjustment each year and cannot be reduced in future years.

• If a teacher salary increase is not included in the base amount, it is not subject to a required inflation adjustment and may or may not be available in future years.

• The 1.06% increase given to teachers in FY18 was not incorporated into the base; therefore it was provided to teachers as a bonus.

• Discussions are ongoing about including it in the base in future years.
Classroom Site Fund (Proposition 301)

• 0.6% statewide sales tax generates $400M in FY18 for districts and charters. State Trust Lands adds another $100M.

• Districts spend 99.3% of CSF funds on teacher salary and benefits. The remaining 0.7% goes to supplies and purchased services.

• In FY17, CSF provided an average of $5,840 in teacher salary pay for district teachers, or approximately 12%.

• Extension of CSF sales tax is a HUGE win for teachers, as state avoids teacher pay cuts of 10% or more.

• Classroom Site Fund does fluctuate with the economy.
Classroom Site Fund Per Pupil
2002 to 2019 (est.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$272</td>
</tr>
<tr>
<td>2003</td>
<td>$239</td>
</tr>
<tr>
<td>2004</td>
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<td>2005</td>
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<td>2006</td>
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<td>2007</td>
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<td>2008</td>
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<td>2017</td>
<td>$332</td>
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<tr>
<td>2018</td>
<td>$386</td>
</tr>
<tr>
<td>2019</td>
<td>$423</td>
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</table>
Instructional Improvement Fund (Indian Gaming)

- State collects a share of earnings from gaming to fund the IIF
- Up to 50% can be used for teacher salaries and benefits
- Remainder has to be used on educational programs
- $45.8M in FY2017 for districts and charters
  - About $41 per district student
<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of Districts</strong></td>
<td>110</td>
</tr>
<tr>
<td><strong>Average Salary</strong></td>
<td>$ 43,447</td>
</tr>
<tr>
<td><strong>No M&amp;O Override</strong></td>
<td>110</td>
</tr>
<tr>
<td><strong>With M&amp;O Override</strong></td>
<td>96</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>$ 4,392</td>
</tr>
</tbody>
</table>

- Districts can ask local voters to approve a Maintenance & Operations budget override of up to 15% of the district budget.
- In 2018, 96 districts have an override, 85% of override money is generated in Maricopa County.
- On average, the difference in average salary for districts with and without an override is almost $4,400.
Other (usually temporary) sources

• Prop 123 Additional State Aid
  • $50M for FY16-FY20 (~$45 pp district)
  • $75M for FY21-FY25 (~$68 pp district)

• Results-Based Funding
• Career Ladder
• Teacher Incentive Fund
• Grants
Another Technical Note

- State Rankings and averages/medians can vary for a number of reasons
  - Different years—most government sources have a time lag
  - Inclusion/exclusion—what is the definition of teacher?
  - Sample vs. census –quality depends on the sample
  - Survey vs. archival data
  - Adjustment for cost of living and which adjustment index is used
    - Historical data may or may not be adjusted for inflation
- Read the fine print and determine for yourself if the source is credible and appropriate for your use.
How did we get here?
Major Cuts to Arizona Education Funding

• Lack of inflation adjustment led districts to file a lawsuit in 2010 and resulted in Proposition 123 in 2016.
  • “$3.5 Billion in 10 Years”

• District Additional Assistance part of the state formula has been cut $2.4 Billion since 2009 and led districts to file a lawsuit in 2017.
  • Governor’s proposed budget includes restoration of $95M out of the $352M annual cut to District Additional Assistance.
Changes to State Funding Formula Since 2015

+ Proposition 123 ($3.5 billion over 10 years)
- Cut to District Additional Assistance from $-239M to $-352M* = ($-113M)
- Cut to Charter Additional Assistance from $-15.9M to $-18.9M
- Cut to Charter Small School Weight $-29M
- Current Year Funding for Districts $-30M*

Additional K-12 formula cuts reduced the potential impact of Proposition 123 by at least $175M*; $143M for districts alone

*Does not include additional loss in budget capacity for non-state aid districts.

Governor’s budget proposal includes restoration of $95M out of the $352M annual cut to District Additional Assistance.
Funding Dashboard

http://azsba.org/resource-center/
What will it take to attract and retain teachers?
<table>
<thead>
<tr>
<th>Year</th>
<th>Perc Incr Teachers (Student Growth)</th>
<th>Total Teachers</th>
<th>Salary Increase</th>
<th>Inflation Increase (Required by Prop 301 and Prop 123)</th>
<th>Avg Salary</th>
<th>Added to Prior Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>0</td>
<td>59,111</td>
<td>0%</td>
<td>0%</td>
<td>$46,949</td>
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<tr>
<td>FY19</td>
<td>1</td>
<td>59,702</td>
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<td>FY20</td>
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<td>FY21</td>
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<td>$</td>
</tr>
<tr>
<td>FY22</td>
<td>4</td>
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<tr>
<td>FY23</td>
<td>5</td>
<td>60,902</td>
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<td>0.0%</td>
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</tr>
<tr>
<td>FY24</td>
<td>6</td>
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<tr>
<td>FY25</td>
<td>7</td>
<td>60,902</td>
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<tr>
<td>FY26</td>
<td>8</td>
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<tr>
<td>FY27</td>
<td>9</td>
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<tr>
<td>FY28</td>
<td>10</td>
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</tr>
<tr>
<td>CHANGE</td>
<td></td>
<td>1,791</td>
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<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Salary Percent Increase from Year 0 0.0% $
Total cost of 20% salary increases will depend on:

- Growth in the number of teachers
- Student growth
- Balance salaries with class sizes
- Above and beyond inflation?
- Changes in employee related expenses (e.g., ASRS contribution rates)
The following will be posted on azsba.org

• Webinar recording
• PowerPoint presentation
• Link to funding dashboard

Questions?
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