

Raising Teacher Pay: Things to Consider and Do

Byron Schlomach and Baylee Butler

As was shown in the 1889 Institute's recent publication, *Teacher Pay: Facts to Consider*, Oklahoma has seen a decline in the statewide average teacher salary, both adjusted for inflation, and in nominal terms, since 2010. That year saw an extraordinary high in Oklahoma's inflation-adjusted average teacher salary. Oklahoma's average teacher salary, adjusted for cost of living, was 14th in the nation and on a par with Texas, which provides teachers with far less in benefits than Oklahoma. Thus, the drop in Oklahoma's average cost-of-living-adjusted teacher salary ranking from 14th to 30th has seemed all the more painful.

Though how to finance a pay raise is foremost in everyone's mind, there are other issues to consider. It is taken as a given that there will be an across-the-board raise, but that is not the most effective use of taxpayer money. As legislators grapple with finances to at least provide a minimal raise, they should also seriously consider what they wish to achieve. A teacher pay raise cannot and should not be forthcoming just to relieve politicians of the drumbeat for an increase in teacher pay. Cries for higher pay will never end. Even when teacher pay reached its inflation-adjusted maximum, there were still calls for higher pay. Legislators should ask themselves how their current decisions might perpetuate or create good or bad precedents for the future.

What Increasing Average Teacher Pay Will Cost

Various amounts for across-the-board teacher pay raises have been suggested. State Question 779 proposed \$5,000 per teacher. One lawmaker suggested \$10,000. The House of Representatives passed a plan that would increase teacher pay immediately by \$1,000 and then increase in further steps to total a \$6,000 raise.

The costs of a teacher pay raise do not stop with an increase in the base salaries of teachers. There will be additional costs in payroll taxes for social security and Medicare, and unemployment taxes, all of which are computed as a percentage of one's pay. These amount to about \$80 per \$1,000 in salary. In addition, retirement pension contributions are computed as a percentage of salary, so school districts will have to increase contributions to teacher retirement at a rate of \$95 per \$1,000 in salary. Therefore, if the state is to fully fund all costs of a \$1,000 teacher salary increase, across the board, the actual cost is about \$1,175 per teacher. A fully-funded \$5,000 raise would amount to about \$5,875.

Table 1 shows five possible scenarios for increasing average teacher pay in Oklahoma, from \$1,000, which would cost a total of \$48 million to \$10,000, which would cost \$482 million. Oklahoma's average teacher salary currently ranks 30th among the states, adjusted for cost of living. A \$1,000 raise in average pay would move Oklahoma's ranking to 28th for all teachers. A \$5,000

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Table 1
Oklahoma Teacher-Pay-Raise Scenarios, Including Impacts on Total Cost and Ranking Among States

Increase in Average Teacher Salary	Total Cost of Increase for 41,003 Teachers	Cost-of-Living-Adjusted Ranking - All OK Teachers	Cost-of-Living-Adjusted Ranking - Beginning OK Teachers
\$10,000	\$481,785,250	5	1
\$6,000	\$289,071,150	9	2
\$5,000	\$240,892,625	15	4
\$3,000	\$144,535,575	20	8
\$1,000	\$48,178,525	28	14

Note: Oklahoma’s average teacher salary currently ranks 30th among states on a cost-of-living-basis; 19th for beginning teachers. This assumes other states are not changing their average salaries in the meantime.¹

Sources: National Center for Education Statistics, Missouri Economic Research and Information Center, Oklahoma Department of Education, author calculations

increase would move Oklahoma to 15th in the nation. Beginning teachers in Oklahoma already do relatively well, with a cost-of-living-adjusted average salary that ranks 19th among states. If beginning teachers received a \$1,000 raise, their average salary would rank 14th. A \$5,000 raise would see them rise to 4th in the nation.

Why An Across-the-board Teacher Pay Increase is Inappropriate

Table 1 should be enough, in itself, to persuade policy makers that an across-the-board, equal-dollar teacher pay raise is inappropriate. Beginning teachers in Oklahoma do relatively well, compared to other states’ beginning teachers. While a \$3,000 average pay increase would lift Oklahoma’s average cost-of-living-adjusted teacher salary from 30th to 20th among the states, that same increase for beginning teachers would lift their average to 8th from an already good 1. A teacher pay raise should at least differentially reward experienced teachers compared to those just starting their careers, all-else held equal.

The current “single-salary schedule” pay structure for teachers, wherein teacher salary differentials within a district only occur on the basis of teachers’ years of service and highest degree earned, dates from the early 1900s. In a reaction to political machine-style pay practices, regulations dictated that teachers similarly qualified on the basis of purely objective measures be paid the same amount, regardless of effectiveness, subject area, or grade level taught. This is to ensure impartiality, but it fails to reward each person according to his or her skills or abilities. At best, the single-salary schedule is a relic of the past, “appropriate for the bureaucratic, hierarchically organized school of the first half of [the 20th] century.”²

While many teachers put in a great deal of time, and are highly productive, many are not. Yet, the near-universal practice in public education is to pay all teachers the same, based only on years of service in public education and the highest degree earned. This is regardless of subject matter taught and the availability of teachers to teach it, or relative productivity of individual teachers. The outcry for an across-the-board teacher pay-raise tosses these facts aside and perpetuates a practice that, if anything, pushes many away from teaching. The call for increasing taxes to provide a universal pay increase ignores not only the fact that most Oklahomans earn less than teachers, but must also prove their worth in a competitive way that many teachers do not.

While the state institutes a minimum single-salary schedule system, and the teacher experience weight in the funding formula reinforces it, school districts are not required to use a single-salary schedule under state law. School districts can legally differentially pay teachers based on criteria other than years of service and degree level as long as each teacher is at least paid the state’s minimum salary. Instead, most districts choose to pay according to a “minimum-plus” scheme, where the state’s minimum salary schedule is followed and the district adds a fixed amount on top of it.

Under a single-salary schedule system, administrators are not allowed to perform a basic managerial role that managers are generally expected to fulfill, which is to identify and appropriately reward high-performing employees. Under this system, a highly effective teacher who puts in extra hours contacting parents, tutoring students, and preparing sound lessons, will be paid the same as a teacher who puts in the very minimum of time and effort, and just gets by.

Suppose there is a hard-working teacher with only

a bachelor's degree and a few years' experience, but is enthusiastic, and very effective, with a salary of \$34,000. Including benefits, this teacher's total compensation package amounts to about \$49,980. Suppose this teacher puts in an average of 50 hours a week, and does not take personal or sick days. Assuming this teacher puts in an extra 50-hour week of preparation outside of the contracted school year, the hourly pay rate amounts to \$26.87.

Now by contrast, suppose a well-tenured teacher with a doctorate puts in the bare minimum of time each week, averaging 37.5 hours, but tenure rules mean the teacher cannot be fired unless there is gross dereliction of duty. Years of service and a high degree have pushed this teacher's salary to \$50,000 so that total compensation with benefits amounts to \$73,500. This teacher also takes off for all 13 sick and personal days, but still has no choice but to put in an extra three days of preparation work outside of the contracted school year. Adding in an extra \$1,105 to include the cost of compensating substitutes during teacher absences, this teacher actually costs \$74,605. This results in an hourly compensation rate of \$57.16, almost \$30 per hour more than the hard-working, highly-effective teacher.

These examples illustrate that paying on a single-salary-schedule basis can produce perverse incentives, rewarding the lazy and inattentive just when they should be their most productive. Not only is this patently unjust for the teachers involved, it also negatively impacts students both in their academic preparation and as a life lesson. Instead, administrators need to have the courage, integrity, and authority to make decisions on differential pay, and buck the political expediency of the single-salary system instead of accommodating it. Like the vast majority in the private sector, educators should be paid based on their competency and performance. Paying educators differently based on performance will not only encourage excellent teachers to continue their superior practices but it also incentivizes low-performing teachers to improve.³

How to Structure a State-Financed Teacher Pay Raise

The legislature must determine how much state money is available and what amount will be devoted to increasing teacher. However, the legislature should *not* dictate an across-the-board equal salary increase for all teachers, and should not modify the state's

minimum salary schedule, except to abolish it. Instead, additional funds earmarked for teacher salaries should be proportionally distributed to the districts based on student counts. The legislature can dictate its intent that the funds be used to increase teachers' pay, but it should otherwise grant the money without direction with regard which teachers receive it.

Equal-dollar, across-the-board salary increases are likely one reason that Oklahoma's beginning teachers are relatively well-paid, as opposed to Oklahoma's teachers

The legislature should require that funds earmarked for teacher salary increases be distributed transparently.

in general, compared to other states. A \$1,000 raise for someone making \$30,000 represents a 3.3 percent increase while a \$1,000 raise for someone making \$45,000 is only a 2.2 percent increase. Past across-the-board, equal-dollar increases for beginning teachers have represented bigger relative increases and have added up to be relatively more significant over time.

School administrations, rather than state legislators, should determine how much to increase the compensation of individual classroom teachers. However, the legislature should require that funds earmarked for teacher salary increases be distributed transparently. Every school district should be required to post the following on the internet:

1. The names of all classroom teachers,
2. The base salary of each teacher prior to the pay increase,
3. The amount of each teacher's pay increase, and
4. A justification or reason for each teacher's pay increase.

Some might object to posting individual salaries, but most public employee salaries, including public university faculty are already easily-accessed public records. Others might object to the expense of posting this information, but since government is not subject to automatic mechanisms that encourage efficiency like those in the private sector, transparency is a matter of utmost importance, so the minimal expense is worthwhile.

Transparency would provide a check on

administrators' decisions. It would more likely result in those who are in a position to know whistleblowing when funds are misspent on pay raises for lazy or incompetent teachers, and outcries on behalf of effective teachers who receive small raises. This provides an incentive, and political cover, for administrators to make the kinds of decisions they are paid to make.⁴

Teacher collective bargaining contracts present a problem for the recommendation to allow districts to selectively determine individual teacher pay raises. These contracts specify the single-salary schedule system and do not allow for selective teacher pay based on merit. Therefore, the legislature should pass a law similar to that of Wisconsin Governor Scott Walker's "Act 10." Act 10 prohibits government employers from bargaining with a public employee union except for base wages that keep up with inflation. Since its passage school superintendents have used their new powers under Act 10 to: 1) provide for merit pay for teachers, 2) exercise greater flexibility in hiring, firing, and management decisions, and 3) achieve greater collaboration with teachers.⁵

Funding Teacher Salary Increases

There are many ideas for how the state might find the money within its own finances to provide for a teacher pay raise. For example, perhaps the voters should decide whether to redirect Oklahoma's yearly tobacco settlement payment to teacher pay. At \$57.6 million, the latest payment to TSET could more than fund a \$1,000 salary increase to teachers.⁶ The Oklahoma Council of Public Affairs (OCPA) has suggested using Medicaid enrollment audits to create savings of \$85 million. They also suggest repealing various tax exemptions and credits, such as the film income tax incentive and the sales tax exemption for professional sporting events, worth \$57.7 million. OCPA suggests that HealthChoice enrollment and provider reforms would save \$71 million. OCPA's estimates their suggestions, all totaled, would amount to \$413 million.⁷

Tax increases, efficiencies, and other spending cuts have been suggested for making state funds available for a substantial pay increase for teachers. However, considering that total state and local spending on public education in Oklahoma is \$6.7 billion, at 2.2 percent of the total, even the \$145 million that a substantial average raise of \$3,000 per teacher, seems a pittance. Local districts could and should re-order their own priorities to provide pay raises for teachers. Any funding the legislature might provide for teacher raises would then be

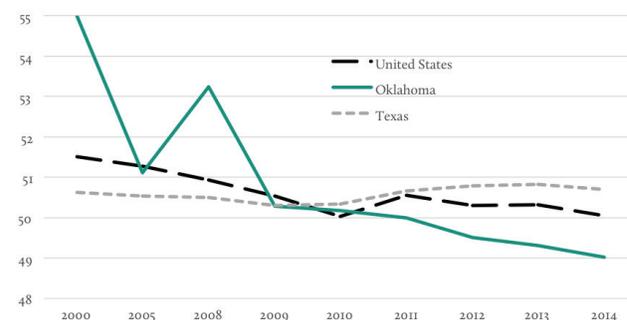
icing on the cake.

Consider that Oklahoma's student/teacher ratio in 1975 was 19.8. Today, it is about 16.3. If Oklahoma moved to Indiana's current student/teacher ratio of 17.5, \$127 million would be freed to redistribute within public education for pay raises for remaining teachers. Lest anyone is concerned that this would lower educational quality in the state, many studies have concluded that small class sizes make little or no difference in academic achievement. According to the Brookings Institution, low student/teacher ratios are expensive, but do not benefit students.⁸

Even though Oklahoma's student/teacher ratio is lower than in 1975, that ratio has trended upward in very recent years, but only slightly. Even so, when total teacher salaries and benefits are combined, teacher salaries plus benefits per student are less than \$3,500, only a little over a third of per-student total education spending in the state.⁹ This indicates an under-allocation of resources toward education practitioners – teachers – who most impact the quality of education.

Consider Figure 1 as even more evidence that public education resources have been redirected from the classroom. It shows that the percentage of all staff in Oklahoma's public schools who are teachers has been shrinking. In 2000, 55 percent of Oklahoma's public school staff was teachers. In 2014, this percentage was only 49 percent. If 9,339 full-time-equivalent (FTE) non-teaching staff were eliminated in 2014 to return the teacher/staff ratio to 55 percent, \$467 million could have been redirected to the classroom, assuming each FTE cost a mere \$50,000 per year (including payroll taxes and benefits).¹⁰

Figure 1
Teachers as a Percentage of Total Staff in Public Schools; Oklahoma vs. U.S. and Texas



Source: National Center for Education Statistics

This trend toward more and more non-teaching personnel is older than that illustrated in Figure 1 and, in fact even more savings could be found if the clock were turned back a little further. As has been pointed out by the Oklahoma Council of Public Affairs, “From 1992-93 school year through 2013-14 school year, statewide student enrollment in Oklahoma increased 14% and teaching personnel increased by 13%, while non-teaching, administrative personnel increased by 34%. Had non-teaching, administrative personnel grown merely at same rate as student enrollment, annual savings would exceed \$294 million.”¹¹

None of this is to say that the legislature should

mandate personnel changes at the school district level. In fact, the recommendation here is to leave such decisions to districts while simultaneously requiring districts to be transparent with their decisions. The legislature could insist that the district be transparent about more than which teachers get a raise, and require a simple posting of the mix of personnel in the district, looking at the ratio of teachers to all personnel. However, given how districts have been spending their money, the legislature would be justified in mandating a teacher pay raise out of existing public education resources.

Conclusion

Proposals for increasing teacher salaries range in cost from \$48 million to \$482 million, depending on how much of a raise teacher receive. However, an across-the-board, equal-dollar pay increase is inappropriate for a variety of reasons. Instead, if the legislature funds a raise with state money, it should grant districts funds earmarked for teachers but without specifying who will receive raises, requiring districts, instead to be highly transparent in how they allocate the money among individual teachers. At the same time, the legislature should pass a law similar to Wisconsin’s Act 10, and prohibit collective bargaining by school districts. Regardless, districts, by virtue of their decisions to hire so many non-teachers, actually have the wherewithal to provide teacher pay raises now, without additional state funds.

End Notes

¹Schlomach, Byron, *Oklahoma's Teacher Pay: 30th, Not 48th* (Oklahoma City, OK: 1889 Institute, August 2016), <http://nebula.wsimg.com/39fac99aa2149b53f35a3140dd30a888?AccessKeyId=CB55D82B5028ABD8BF94&disposition=0&alloworigin=1>.

²"History of Teacher Pay," website, Consortium For Policy Research in Education, <http://cpre.wceruw.org/tcomp/general/teacher-pay.php>

³Ibid.

⁴For more information on government financial transparency, see Byron Schlomach, *Piercing the Fog: A Call for Greater Transparency in State and Local Government* (Phoenix, AZ: Goldwater Institute Policy Report No. 226, July 29, 2008), <https://www.amazon.com/Piercing-Fog-Greater-Transparency-Government-ebook/dp/B0032FOIK8>.

⁵Czafir, CJ, Will Flanders, and Alexandra Hudson, *Undertold Stories of Act 10: How Superintendents Have Used Act 10 to Reform Public Schools* (Milwaukee, WI: Wisconsin for Law & Libert, April 2016), <http://www.will-law.org/wp-content/uploads/2016/03/Untold-Act-10-apple-cover-FINAL.pdf>.

⁶Schlomach, Byron, *Oklahoma's Billion-Dollar Tobacco Settlement Endowment Trust* (Oklahoma City, OK: 1889 Institute, November 2015), <http://nebula.wsimg.com/bbedd70cb1bf31186f30efacf51554b?AccessKeyId=CB55D82B5028ABD8BF94&disposition=0&alloworigin=1>.

⁷Oklahoma Council of Public Affairs, *FIRST STEPS on the Road to Balancing Oklahoma's State Budget without Increasing Taxes on Working Oklahomans* (Oklahoma City, OK: OCPA, 2017).

⁸Butler, Baylee and Byron Schlomach, *Oklahoma's Teacher Supply, Shortage or Surplus?* (Oklahoma City, OK: 1889 Institute, October 2016), <http://nebula.wsimg.com/c4f098f15d5a09fd66e96d2172ecofc9?AccessKeyId=CB55D82B5028ABD8BF94&disposition=0&alloworigin=1>.

⁹Author calculations using Oklahoma Cost Accounting System data, *100 and 200 series object code figures under the 1000 function code, 2015-2016*, https://sdeweb01.sde.ok.gov/OCAS_Reporting/StateByFunctionAndObjectCode.aspx?FunctionCode=1000.

¹⁰Author calculations using Table 213.40, "Digest of Education Statistics," website, National Center for Education Statistics, https://nces.ed.gov/programs/digest/d16/tables/dt16_213.40.asp?current=yes.

¹¹"Stop Higher Taxes in Oklahoma," website, OCPA Impact, <http://www.ocpaimpact.com/stop-higher-taxes-oklahoma>.