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Evaluating the governor's plan to mandate higher wages for teachers

Summary: The governor's proposed budget for the upcoming fiscal year includes a mandate to set the minimum wage for Pennsylvania public school teachers at \$45,000 per year. This proposal will not only increase the wage for those earning less than the mandate but have ripple effects on the pay scale, driving up salary and salary-based costs such as pensions. This will, of course, increase a school district's expenditures which they will pass along to local and state taxpayers.

When Gov. Wolf released his proposed budget for the next fiscal year, a lot of attention was placed on his desire for a higher minimum wage, a severance tax and other items on his wish list. But one proposal has received little or no attention, viz., raising the minimum wage for Pennsylvania teachers and other education professionals from the current mandatory level by 140 percent.

In the summary of the proposed budget from the Office of the Budget—under “Building the Nation’s Strongest Workforce, Attracting and Retaining the Best Teachers for Our Kids”—it is noted that in the 1980s legislation was passed that “arbitrarily sets compensation for Pennsylvania teachers and other education professionals, including counselors and school nurses at a minimum \$18,500 per year, or \$8.90 per hour assuming a 40-hour workweek.” The governor wishes to raise that minimum to \$45,000 per year.

What would be the impact on local school districts if the minimum were raised to \$45,000 for classroom teachers and other professional personnel? This question can be answered in large part by looking at current average classroom teacher salaries paid by public school districts across Pennsylvania. Data for the 2017-2018 school year are available on the Pennsylvania Department of Education web site.

Average classroom teacher salaries by district range from \$37,444 to \$99,707 per year. For professional personnel, the range is \$40,184 to \$101,864. It is important to bear in mind that the statewide average teacher salary is \$67,535. In an earlier *Policy Brief* (Vol. 17, No. 44) it was noted that for the year 2016-2017 there were 316 of the state's 499 districts with average pay below the state average with 56 districts having average pay that was 20 to 40 percent lower. One year later, that number did not change much, 312, with 49 districts 20 to 40 percent below the state average. This means there are likely to be a fairly high number of teachers making under \$45,000 or not much above.

Obviously, some teachers earn more than the average and some less. Still, average pay provides the best (if not perfect) measure for showing how teacher compensation varies across districts. Note, too, that Pennsylvania public school teachers are represented by public-sector unions and labor contracts are negotiated at the district level.

Moreover, districts have individual budgetary constraints dictated by the ability to garner tax dollars, whether they come from local property or earned income taxes or from state appropriations (a small percentage comes from the federal government or other sources including borrowing). For the 2016-2017 school year (the most recent available), total revenue for *all* Pennsylvania school districts was \$30.75 billion, of which \$16.84 billion (54.9 percent) came from local sources with \$11.3 billion (36.8 percent) coming from state sources and the rest from federal sources.

But as the *Policy Brief* mentioned earlier pointed out, the amount of state support depends in large part (but not solely) on how much a district can raise locally. For example, in the Turkeyfoot Valley Area School District (Somerset County), which has the lowest average classroom teacher salary, just 31.6 percent of its total revenues come from local sources while 64.9 percent comes from the state. The most extreme example is the Duquesne School District, which receives just 9.9 percent of its revenues from local sources but 77.7 percent from the state. Meanwhile, in Council Rock School District (Bucks County), which had the highest average classroom teacher salary in the state, 76.7 percent of its revenue was derived locally and only 22.6 percent from the state.

So, if the governor gets his wish and the minimum salary for classroom teachers and other school professionals is raised to \$45,000 per year, it will mean an immediate or near-term increase for all classroom teachers and professional personnel earning less than the new minimum. And it will mean increased pension payments as well and for other benefits tied contractually to salary.

And that increase could set off demands for higher pay by those already earning \$45,000 or higher, based on the argument that education levels and experience should be appropriately recognized and rewarded. The aggregate impact of such demands cannot be predicted *a priori* but it will almost certainly be sizable for many districts and for the state. The mandate will affect many districts with average pay above \$45,000 in addition to those with below \$45,000 average pay. This, of course, means higher costs for school districts that will have to be borne by local and state taxpayers. And this burden will fall hardest on those poorer districts whose current average is below \$45,000.

In Turkeyfoot, with an average pay of \$37,444, some of the teachers are earning less than the average, say \$32,000. That means they will receive a \$13,000 raise while a teacher earning \$43,000 will only get a \$2,000 raise—unless the district tries to make raises somewhat equitable.

In either case where does the money come from? In total, the mandate will immediately force Turkeyfoot teacher-related expenses up by 20 percent (not just salaries but also other salary-related costs) and likely much higher as salary adjustments are made for those teachers with salaries already over \$45,000. Note total instruction costs are over \$3 million. Thus, in light of the limited tax capacity of the district, such a large expenditure increase will be close to impossible. As a result, it will fall to the state to fund much, or most, of the salary mandate's added cost.

According to the salary data, there are five districts in the state (of the 499 districts or 1 percent) whose average salaries are below \$45,000 per year. (Three of those districts are in Somerset

County with the other two in Cambria County.) What we do not know is how many teachers and professionals across the state have salaries below \$45,000. As noted above, many districts other than those with average pay less than \$45,000 could have a significant number of teachers and other professional staff under \$45,000. They, too, will be significantly impacted.

And, of course, the surface was just scratched as higher salaries will spur much higher total personnel costs including higher pension payments, unemployment compensation costs, Social Security taxes and any other perks tied to the employee's salary.

These higher costs will be borne by the taxpayers, whether local or state level or some combination. This, at a time when the need to pour money into pensions due to the enormous unfunded pension liability is hamstringing the ability of districts and the state to take on any additional expenses.

This mandate is just the state's attempt to narrow its embarrassing teacher pay gap while failing to address the underlying cause—the vast differences in local tax capacity per students across Pennsylvania districts. It is an attempt to appease unions while ignoring fundamental issues. The teacher pay gap and broader school district funding issues will not and cannot be effectively resolved given the state's school funding method of using two funding sources (local and state taxes). And what will this mandate do to the state's recently enacted funding formula?

Interestingly, teachers in rich districts do not seem concerned about their huge pay compared to the teachers in less-well-off districts. Obviously, what the proposed mandate will do is require more state funding to cover the higher expenses resulting from the mandate mainly in poorer districts but maybe some significant additional expenditures in other districts as well.

In light of the state's pension funding problems, that will require massive payments each year for a long time to come. As a result, the state will not be able to afford this teacher pay generosity without economically ill-advised tax hikes or spending cuts elsewhere. Perhaps the state will be willing to cut its funding to rich school districts with their \$20,000 and higher per student expenditures to help cover the extra costs the mandate will create. If no offsets can be found, this proposal will face a very difficult time in the Legislature.

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