

## Background on Teacher Pay Raise Calculations

The FY 2019 budget included funding to raise average teacher pay by 20% over 3 years.

### How Was the State Cost of the Pay Raise Calculated?

The Governor's Office of Strategic Planning and Budgeting (OSPB) estimated that the proposed 20% teacher pay raise would require \$645 million in total state funding upon full phase in by FY 2021. This estimate was based on a reported cost of \$32.5 million for the 1.06% teacher pay raise from FY 2018 according to the Arizona Department of Education (ADE). OSPB translated that cost into what it would have been for a 1.0% rather than 1.06% pay raise ( $\$32.5 \text{ million} \div 1.06 = \$30.7 \text{ million}$ ) and then increased the latter amount by 3.1% annually for more teachers and inflation. This resulted in an average cost of \$32.25 million per 1% raise by FY 2021, or \$645 million for a 20% raise ( $\$32.25 \text{ million} \times 20 = \$645 \text{ million}$ ).

As a crosscheck to OSPB's calculations, our office computed an alternative estimate based on the following factors:

- 1) The average teacher salary reported by the Auditor General for school districts for FY 2017 (\$48,372).
- 2) The cost to increase the Auditor General average by 20% (\$9,674).
- 3) The estimated number of teachers in the state in FY 2021 (62,240 based on the 59,576 "Year End Teacher FTEs" reported for FY 2017 by ADE, but increased by approximately 1.1% annually for more teachers).
- 4) The additional percentage increase needed to cover higher Employee Related Expenditure (ERE) costs for school districts and charter schools under the proposal (18.4% based on costs observed for the 1.06% pay raise in FY 2018).
- 5) The percent of pay raise costs that would be paid locally by "non-state aid" districts (decreases state cost by approximately 7%).
- 6) An adjustment to reflect lower average teacher salaries for charter schools that are not reflected in the Auditor General's \$48,372 figure for school districts (decreases state cost by approximately 2.8%). (The Auditor General does not publish a corresponding figure for districts and charters combined.)

Under this approach, we estimated a state cost of \$648 million for the proposed teacher pay raises by FY 2021, which essentially matched OSPB's \$645 million cost estimate.

### How Was the Base Level Increase of \$210.50 (5.72%) for FY 2019 Computed?

Having determined the statewide dollar amount needed for the proposed teacher pay raise, we then used computer modeling to translate the FY 2019 portion of that total \$(306 million) into a dollar amount per student, since Arizona's funding formula for public schools allocates funding on a per pupil basis. Our modeling was based on student counts and other formula funding factors currently reported by ADE. Based upon the modeling, we determined that a base level increase of \$210.50 would be needed to increase K-12 formula allocations by \$306 million statewide for FY 2019, including funding for the 1.06% teacher salary increase provided for FY 2018. The \$210.50 figure represents a 5.72% base level increase above the FY 2018 base level of \$3,683.27 ( $\$210.50 \div 3,683.27 = 5.72\%$ ). It is in addition

to a 1.8% base level increase provided for inflation for FY 2019. Both OSPB and JLBC Staff confirmed the reasonableness of the \$210.50 computer-generated amount using manual calculations.

A 5.72% base level increase is sufficient to fund a 10% average teacher pay raise for FY 2019 (including the 1.06% provided for FY 2018) because only about 48% of base level monies fund teacher salaries and ERE costs. (The Auditor General reports that school districts spent 53.8% of their total operational budgets on "Instruction" for FY 2017, but this figure includes not only teacher salaries and benefits, but also monies spent on classroom supplies, instructional aids, field trips and athletics.) The other 52% is spent on items other than teacher salaries. As a result, a base level increase of only 48% of 10% (4.8%) is needed to fund a 10% increase in base level funding for teacher salaries and benefits.

The FY 2019 state budget provides a 5.72% rather than 4.8% base level increase for teacher salaries because the state also is providing funding to increase by 20% the portion of teacher salaries not funded by the state through the base level. The latter includes teacher salaries funded with Federal Funds, budget overrides, desegregation monies, and the Classroom Site Fund. The Auditor General's reported average teacher salary of \$48,372 for FY 2017, which our cost calculations were based on, included funding from all sources.

In addition, Laws 2018, Chapter 276, Sections 136 and 137, appropriate \$164,700,000 in FY 2020 and \$289,200,000 in FY 2021 from the state General Fund for additional teacher pay raises in those years to reach a cumulative 20% increase in average teacher salaries by FY 2021. The base level increases required for those years to allocate the appropriated amounts will be calculated during the spring of 2019 and 2020, respectively, based on student counts and other formula funding factors available at that time using the same methods used to compute the \$210.50 base level increase for teacher pay raises for FY 2019.

The required base level increase for FY 2021 also will factor in a \$50,000,000 one-time increase in funding from the Classroom Site Fund established by A.R.S. § 15-977 that will be available to fund increases in teacher salaries for FY 2021, as noted in Section 137 of Chapter 276. The additional base level increase for teacher pay raises for FY 2021 therefore will allocate a total increase of \$339,200,000 for teacher pay raises for that year (\$289,200,000 + \$50,000,000).

### **What Definition of "Teacher" Is Assumed in the FY 2019 State Budget?**

The budget does not define "teacher," but our estimated state cost for the 20% teacher pay raise assumes that there will be approximately 62,240 teachers in public schools statewide by FY 2021, as described above. This is based on the definitions of "Year End Teacher FTE" for school districts and charter schools in the Annual Report of the Superintendent of Public Instruction for FY 2017 (*see Attachment 1*).



Arizona Department of Education

# Annual Report

**Of the Arizona Superintendent of Public Instruction**

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**Volume II**

Fiscal Year 2016-2017

- ◆ Annual Financial Reports by District
- ◆ Annual Financial Reports by Charter

Diane M. Douglas, Superintendent  
January 2018  
In compliance with ARS §15-255

Arizona School District Financial and Statistical Data - Definitions  
District, County and State Summaries

**Other Statistical Information:**

Tax Rates

The total tax rate levied against taxable property in the district on primary and secondary assessed valuation. In Sierra Vista Unified District, the tax rate is the combined elementary and high school rate. For joint school districts, the tax rate in the county of jurisdiction is reported.

Assessed Valuation

The assessed valuation for primary, secondary, Salt River Project (SRP), and Government Property Lease Excise Tax (GPLET) property are included. The high school assessed valuation is used for Sierra Vista Unified District. The assessed valuations for joint school districts include the valuation in all applicable counties.

Staffing Summary

The number of Full-Time Equivalent (FTE) employees as reported on the School District Employee Report (SDER) to reflect those employees employed as of October 1, 2016. This FTE includes purchased service teachers filling a position in the school district. Full-Time Equivalent represents the portion of a contract day an employee is working.

Students per Staff

Fall Enrollment 2016 divided by the number of FTE employees as defined above.

Year End Teacher FTE

The number of Full-Time Equivalent (FTE) teaching positions as of the last day of school reported on the district's Annual Financial Report (AFR). This FTE includes purchased service teacher contract amounts but EXCLUDES substitute teachers.

Year-End Total Teacher Salaries

Total amount of salaries – excluding benefits - paid to teachers for all of FY 2017 as reported by the district on the district's Annual Financial Report (AFR). This dollar amount includes purchased service teacher contract amounts but EXCLUDES substitute teacher payments.

Fall Enrollment and Number of Schools

Fall Enrollment is the number of students enrolled on October 1, 2016. This is an unduplicated count of students with each student included in only one district. The number of schools are those district schools active in FY 2017. The number of schools for Joint Technological Education Districts (JTEDs) includes satellite courses operated on member district facilities.

Superintendent's Salary

The total salary paid to the school district superintendent as reported by the district on the district's School District Employee Report (SDER).

Arizona Charter Schools Financial and Statistical Data - Definitions  
Charter Holder and State Summaries

**Other Statistical Information:**

Fall Enrollment

Fall Enrollment is the number of students enrolled on October 1, 2016. This is an unduplicated count of students. Each student is included in only one charter.

Number of Schools

The total number of schools are those active charters in FY 2017.

Year End Teacher FTE

The number of Full-Time Equivalent (FTE) teaching positions as of the last day of school reported on the charter's Annual Financial Report (AFR). This FTE includes purchased service teachers as well as non-certified teachers, but EXCLUDES substitute teachers.

Year End Teacher Salaries

The total amount of salaries – excluding benefits - paid to teachers for all of FY 2017 as reported by the charter on the charter's Annual Financial Report (AFR). This dollar amount includes the dollar amounts associated with purchased service teachers and non-certified teachers but EXCLUDES amounts paid to substitute teachers.