MATRIX SALARIES WRITTEN TESTIMONY

Joint Meeting of the House and Senate Interim Committees on Education

October 27, 2014

Arkansas Advocates for Children and Families

ARKANSAS
ADVOCATES
FOR CHILDREN & FAMILIES

From: Jerri Derlikowski, Arkansas Advocates for Children and Families

To: Senator Joyce Elliott and Representative James McLean

Date: October 20, 2014

Re: Personnel Costs in the Matrix

Arkansas Advocates for Children and Families (AACF) understands that many legislators are concerned about providing for increases of 2 percent for teacher salaries only to find that teachers in all districts are not seeing increases in the minimum salary schedule. Several issues which are partially listed below complicate the discussion of providing increased funding for teacher salaries.

- Foundation funding is unrestricted. To date the matrix has served only as a funding model not an expenditure requirement.
- Teachers in most districts receive step or annual service increases for each year served based on the salary schedule for the district.
- These increases are currently considered separate from increases to the salary schedule itself.
- If both types of increases are provided by a district, a teacher receives both an annual service increase (about $500 per year or around 1 percent depending on the teacher's actual salary) and whatever increase in the schedule itself is made by the district (possibly another 2 percent).

AACF has identified some key principles that could be used to guide the decision.

- Any proposal should insure that additional funding is used as intended.
- Any proposal should move toward reducing the disparity in teacher salaries between districts.
- Any proposal should not supplant existing teacher salaries.
- Any proposal should insure that additional funding is used to increase the teacher salary base rather than being provided as one-time bonuses.
- Any proposal should work to create a disincentive for providing teacher salary increases or benefits from NSLA funding.

Without attempting to weigh-in on the merits of having both pay increase measures in place, AACF makes the following proposal for a 2 percent funding increase for all salaries in the School Level Salaries section of the matrix. This section includes 35.665 positions per 500 students.

An amount equivalent to two percent for all Arkansas students (for FY 16 this would be $4,528.90 x 2% or $90.58 per student) shall be set-aside in a separate fund for teacher salary equity and teacher support grants. All districts would be eligible to apply. The grants would be awarded 1) to districts wishing to increase their minimum salary schedule and 2) to districts wishing to propose innovative teacher support programs such as stipends for teacher child-care expenses.

These are some initial thoughts on the grant fund program. They would need further refinement and adjustment prior to finalizing legislation to establish the fund.

- To receive a grant for increasing its minimum salary schedule, a district would be required to certify that it was maintaining its current level of salary expenditures and increasing that level by the amount of the grant through increasing its minimum salary schedule. Another way of looking at the grant funding is that it cannot supplant current salary expenditures for the district.
- Districts may choose to provide other teacher support in the form of stipends as approved through the grant application process. It is anticipated that such applications would be submitted by districts with salary schedules significantly above the minimum. The amount above the minimum would be a factor in the proposal rating.
- A measure should be put in place so that any grant funds not expended by the end of the fiscal year should be returned to the Arkansas Department of Education to offset costs of the program in future years. Timing for receipt and review of grant applications and for distribution of the grant funds would be established through rules proposed by ADE. No district should receive more than 2 percent of the foundation amount per-student for the 35.665 positions delineated in the top section of the matrix.

Thank you for the opportunity to share these views.

Arkansas Association of Educational Administrators

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October 21, 2014

Mark Hudson and Senator Elliott,

As requested, AAEA is providing input on issues related to personnel costs in the Matrix. As you are aware, approximately 75% to 80% of a district's budget is made up of personnel cost. There appears to be two issues related to personnel cost being discussed at this time. The first issue is whether or not to apply a COLA to the matrix for personnel, and the second being raising the minimum teacher salary schedule to $31,000. We will address both of these.

Before these two issues are addressed, we need to address a much larger issue. The legislature has been very wise in making sure schools are adequately funded while realizing that every district has different needs. This is exactly why the matrix is a funding model and not an expenditure model. We have seen the erosion of this philosophy over the last few months and years. When the legislature starts mandating certain expenditures in the matrix it creates problems where none may have existed earlier such as eliminating expenditures from other restricted sources of funds. As state mandates are added then it limits a district's ability to use restricted dollars. All good leaders try to spend restricted funds first before they use the unrestricted dollars. An example of this would be school nurses. Many districts hire more school nurses than required and funded in the matrix, but they pay for those nurses with other restricted dollars. Another example of the erosion of previous legislator's decisions is restricting FICA dollars use. Districts had those dollars budgeting in other areas that had to be cut or additional funds moved around. If the matrix continues to erode then the legislative body should be very careful as it may be headed down a path that would not meet the needs of all districts.

Arkansas Code 6-17-2403 requires school districts to develop and maintain a minimum certified salary schedule including $450 steps for experience with bachelor's degree and $500 steps for master's degree. The required difference on the minimum salary schedule between a bachelor's degreed person and a master's degreed person ranges from $4,386 to $5,136. Those required steps are built into district policy and are a legal obligation for district expenditures. We asked a few districts to calculate what it takes for them to meet their salary schedule steps and we have those listed in the chart below.

Cost of Experience & Education Steps				
			15/16 Proposed	
District	Cost (incl fringes)	13/14 ADM	Per Student Inc ($26.88)	Diff b/t Cost and Inc
Conway	$ 653,202	9714.62	$ 261,129	$ (392,073)
Rogers	$ 1,500,000	14723.12	$ 395,757	$ (1,104,243)
Gravette	$ 88,000	1839.84	$ 49,455	$ (38,545)
Greenbrier	$ 210,095	3302.14	$ 88,762	$ (121,333)
Springdale	$ 1,950,000	20452.14	$ 549,754	$ (1,400,246)
Bentonville	$ 857,613	15039.81	$ 404,270	$ (453,343)
Bryant	$ 518,469	8824.42	$ 237,200	$ (281,268)
Ft. Smith	$ 930,623	14218.80	$ 382,201	$ (548,421)
Cabot	$ 767,003	10177.00	$ 273,558	$ (493,445)
Mulberry/Pleasant View	$ 66,479	339.50	$ 9,126	$ (57,354)
Strong-Huttig	$ 69,039	387.70	$ 10,421	$ (58,617)
Blevins	$ 31,021	501.00	$ 13,467	$ (17,554)
Total	$ 7,641,543		$ 2,675,100	$ (4,966,443)

Arkansas Code 6-17-2203 requires school districts to apply an annual COLA for classified personnel as a minimum salary. This COLA is calculated every year by Arkansas Department of Education and has always been higher than any COLA that the legislature has been applied to the matrix. The current minimum classified salary is $8.26 per hour according to Commissioner Memo FIN-14-072.

Other sources of funding that has personnel tied to it, and where a COLA should be applied, includes carry-forward and categorical funding. The Carry-Forward portion of the matrix has personnel cost (certified and classified) associated with those funds. Those personnel are also required to be on the district required salary schedule excluding the superintendent. Therefore, steps apply for both experience and educational attainment. The same can be said about NSL dollars and to a more limited degree, PD dollars.

The second issue is the fact that the minimum teacher salary should be raised to at least $31,000. We certainly support paying quality teachers as much as you can financially afford. The bigger question is how do you distribute the money to cover the expense? Are schools just given an unfunded mandate to cover this new requirement? Should there be some accountability for districts to make sure money is being budgeted in appropriate areas? As we mentioned earlier, there should be a separate categorical fund established for this purpose.

The Legislature has historically applied a COLA to school funding in order to simply maintain the educational opportunities provided by previous legislators. If the state determines that schools should not receive funding to keep pace with inflation then decisions will have to be made to cut various services to kids. The COLA process has worked extremely well as the results will show. Before the COLA process is scrapped, be sure the new process is based on educational needs as identified by research. If it is determined that schools and employees should not receive a COLA then there will be research to back that decision up. Again, another caution would be the matrix is a funding model vs. an expenditure model. However, schools spent $6,249.35 of the $6,267.00 or 99.72% of the foundation dollars to meet state mandates and to take care of their particular student's needs. We hope everyone understands that school districts spend much more than the foundation dollars on meeting various needs. However, the only captured dollars being considered is the fund codes tied to foundation funding of only the matrix.

School funding is not an exact science as there is a lot of discretion on coding at the local level. BLR estimated the matrix expenditures of districts based off of how revenue (local property tax and foundation funding) was coded in APSCN at the local level. This may be the best method available at this time; however, it does leave room for misinterpretation by policy makers. The Resource Allocation Report says, "Precisely measuring districts' foundation fund expenditures has always been hindered by the fact that there is no single expenditure code that identifies expenditures of foundation funding." This methodology would indicate that districts spend less then they actually do spend. Again, this is probably the best method at this time, but it is still an estimate and decisions to dramatically change the process should be carefully considered before implementing.

According to the BLR Resource Allocation Report, districts spend 99.72% of what the state provides in foundation dollars. The report also indicates that districts spend more money on kids then the state provides through the matrix. Until recently, the state has maintained that the matrix is a funding model and not an expenditure model. A COLA of approximately 2% has traditionally been added to meet various district needs. The testimony regarding the COLA would indicate that the average would have COLA of 2% for FY 16 and 2.3% for FY 17. This process has worked well in the past and strong consideration should be considered to continue that process.

Thank you for allowing AAEA to submit information on these two very important issues. If we can be of additional assistance then please let us know.

Arkansas Education Association

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BRENDA ROBINSON, *President*
RICH NAGEL, *Interim Executive Director*

Memorandum

To: Senator Joyce Elliott, Vice Chair, Senate Committee on Education
Representative James McLean, Chair, House Committee on Education

From: Brenda Robinson, President
Rich Nagel, Interim Executive Director

Re: Continued Discussion of Fiscal Issues Related to the 2014 Adequacy Report: Specifically, Teacher Salary Increase Proposals

Date: October 24, 2014

Thank you for the opportunity for the Arkansas Education Association (AEA) to present its views to the Committee. Moreover, we thank all committee members for looking deeper into the serious problem of teacher salaries during this year's adequacy study.

According to the June 9, 2014 report from the Bureau of Legislative Research, the Arkansas average teacher salary has been "stagnant" from 2010 to 2013. For these four years, it has yet to increase by even one whole per cent. It has grown by a meager $345 from $46,601 to $46,946 over this same time period. Additionally, the same report shows that the salary paid to the average teacher is in fiscal year 2013 is more than $1,000 below the amount that the Arkansas General Assembly sends to each district for each teacher in the funding matrix. This means that nearly $30 M has been spent in other areas. We share your belief that a significant improvement is necessary. In its June 10, 2014 report, the Bureau has also found that competitive teacher salaries are a barrier to recruiting and retaining high quality teachers in a significant number of districts.

The Bureau's June 9, 2014 report to the Education Committees sets forth three proposals for teacher salary increases. Proposal #1 provides for a $1,756 across the board increase to all BA minimum salaries. This results in a six per cent (6%) increase in the beginning salary and a four and nine-tenths per cent (4.9%) increase in the highest BA scheduled salary. This proposal also provides for $2,020 across the board increase to all MA minimum salaries. This results in a six per cent (6%) increase in the base MA salary and a four and nine-tenths per cent (4.9%) increase in the highest MA scheduled salary.

Proposal # 2 increases the minimum salary schedule by one per cent (1%), and proposal # 3 increases the minimum salary schedule by 2 per cent (2%).

The AEA encourages the committee to seriously consider and approve proposal # 1, while it also looks at several additional provisions for its implementation. The AEA recognizes that

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it is easier to establish a new and improved minimum salary schedule than it is to provide every district with sufficient funds to meet the new requirement in one year using the current equalization funding formula and matrix. Decreases in student enrollment may prove to be problematic for some districts to meet the new requirement. For this reason the AEA proposes that the Committee consider adding cost of living adjustments to the certified personnel amounts in the funding matrix of at least two per cent (2%) and at least a two and three-tenths per cent (2.3%) for fiscal years '16 and '17 respectively. In addition, the AEA encourages the Committee to consider giving school districts two fiscal years to meet the new minimum salary schedule, provided that any school district unable to pay in accordance with the new schedule may apply for an additional one fiscal year non-renewable show cause waiver from the Arkansas Department of Education (ADE). Finally, any waiver approved by the ADE is subject to review by the House and Senate Committees on Education.

In closing the AEA believes that this complete proposal is both necessary and proper. This same approach has been successfully used in past years. We look forward to further discussion with members of the Committee, and we are happy to answer any questions that you may have for us.

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Arkansas School Boards Association

The Arkansas School Boards Association appreciates the opportunity to offer testimony on the issue of how to adequately fund public school teachers' salaries. We offer the following comments with an awareness of the tall task before the House and Senate Education Committees and a deep appreciation for the work the General Assembly has done to move education forward in Arkansas.

ARKANSAS SCHOOL BOARDS ASSOCIATION

ASBA

Student Focused Leadership

The Oct. 14th meeting began with the Committee's adoption of Richard Wilson's recommendation that 2% was an appropriate forecast of inflation over the next biennium. The Committee's subsequent discussion of adjustments to the matrix left the ASBA staff feeling the Committee was failing to heed the number one requirement of the Supreme Court's Lake View ruling: K-12 public education spending must be based on what was necessary to offer an adequate and equitable education rather than how much funding was available. To take such an approach would recreate the very situation that resulted in the Court's ruling.

For several years, ASBA has consistently submitted testimony stating our belief that the matrix needed to be recalibrated and we were pleased when the General Assembly hired Drs. Picus and Odden this summer to do a review of our funding model. When presenting their Desk Audit, Dr. Odden testified that if the legislature was satisfied with the achievement level of Arkansas's students, it did not need to adopt the recalibration suggestions recommended in their report. While there is wide agreement that achievement has substantially improved, that improvement has not occurred in a vacuum. The NAEP scores show that our students' gains when compared nationally are less than where they need to be. We, therefore, believe that the necessary approach to addressing Act 57 would have been to recalibrate the matrix by carefully reviewing the Picus and Odden Desk Audit.

We realize that the November first deadline effectively eliminates the possibility of a thorough recalibration based on the Desk Audit. Without such a recalibration, the next best thing would be for an across the board increase to the minimum teacher salary schedule. In 2006, Arkansas was only $544 below the top average salary in comparison to surrounding states (*Final Report and Recommendations of the Adequacy Study Oversight Subcommittee,* page 81); according to this year's Oct. 14th draft of *The Interim Study of Educational Adequacy,* Arkansas is now $4,750 below the top average salary in comparison to surrounding states. We have lost similar ground in relation to SREB states, moving from 8th to 12th from the top with a corresponding difference of $12,393 compared to $18,624.

To help address this decline, we recommend raising the teacher minimum salary schedule. A 2% COLA adjustment to the matrix equates to roughly $60,000,000. The adjustments made by the Committee on Oct. 14th amount to about $20,000,000. We suggest raising the mandated minimum salary schedule (A.C.A. § 6-17-2403) by the amount necessary to meet the inflationary factor adopted by the Committee on Oct. 14th; this would equate to an infusion of roughly $40,000,000 for teachers' salaries. It's worth noting that due to the requirement contained in A.C.A. § 6-17-1117(a)(2), this salary increase would benefit the PSE insurance program by also increasing district contributions to public school employees' insurance. Without a COLA to the "salary and benefit component of the per-student foundation funding amount...", there would be no such increase.

An alternative suggestion is to adopt Rep. Gossage's proposal to give first year teachers funding equivalent to the Premium Insurance Plan's rate that would be phased out over a three to five year period for each new teacher. Additionally, to meet the recommended COLA increase, the salary schedule steps could be increased and extended to 20 years. This would help address the decline in Arkansas's average teacher salaries while also serving to attract and retain teachers.

We do NOT support the proposal of raising the salary schedule for only those districts who are currently paying less than $31,000. We believe this is not a good solution for several reasons: 1) It can serve as a future disincentive to districts because they will be rewarded for not having raised teacher salaries in the past. 2) Because it rewards districts without regard to why they are currently paying a low salary, we don't believe it could be successfully defended in court as having been based on research when the eligibility trigger is based solely on a district having previously paid teachers a low salary. There are potentially too many other factors, such as transportation costs, that might be better addressed as a solution that could enable districts to put their funding into salaries. 3) There has been no adjustment to the salary schedule since FY 2009; more than just the bottom tier of teachers deserve a raise.