

# A ROADMAP FOR IMPROVING INDIANA TEACHER COMPENSATION

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Final Report of the Next Level Teacher Compensation  
Commission  
December 2020

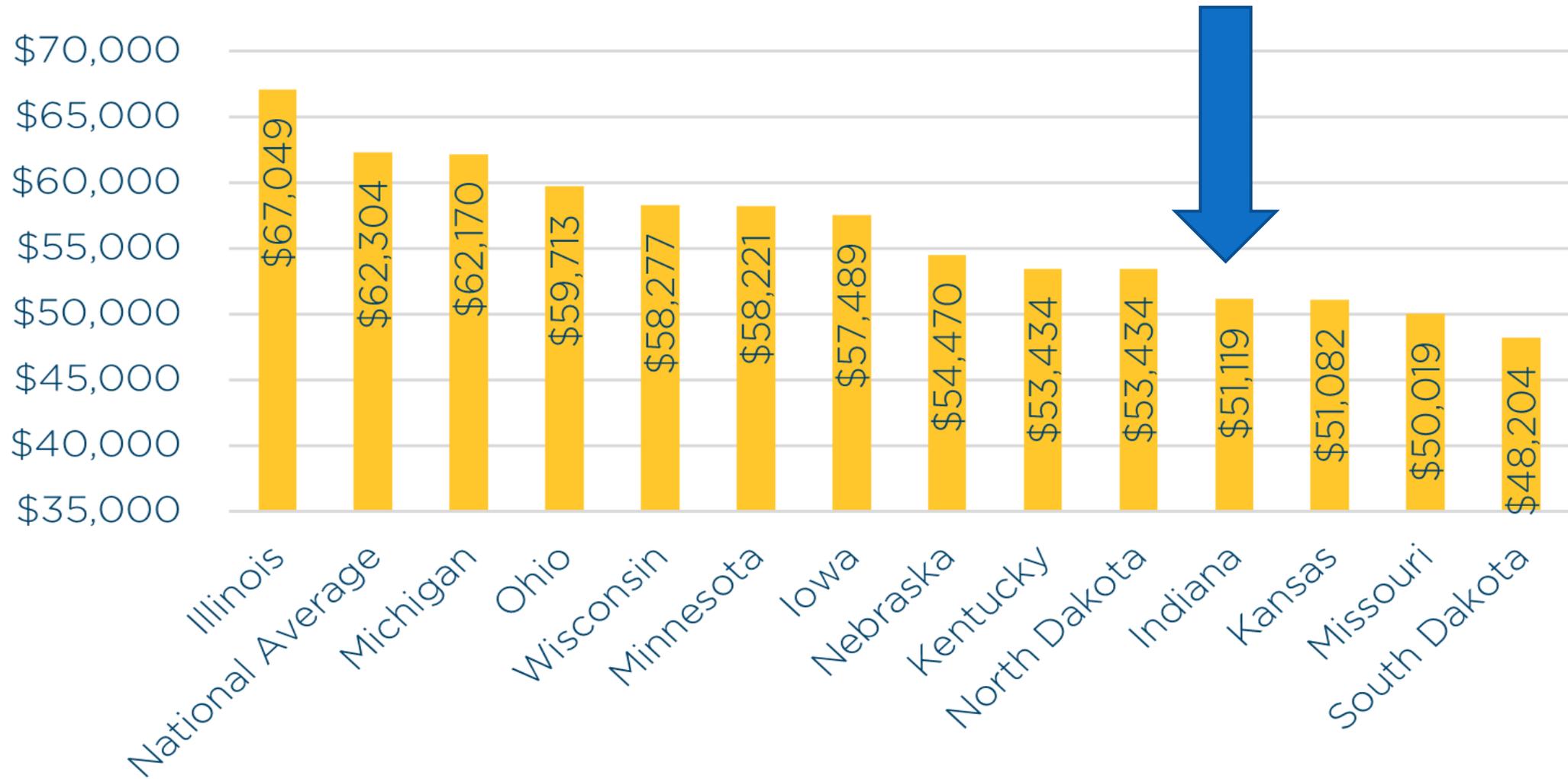
## Origin of committee and mission

- Commissioned by Gov. Holcomb in Feb. 2019.
  - 13 members and 18-month study
  - 164 page summary document published Dec. 2020
- Two-part mission-
  1. Determine what constitutes competitive teacher compensation in Indiana and
  2. Provide recommendations for how to achieve it.

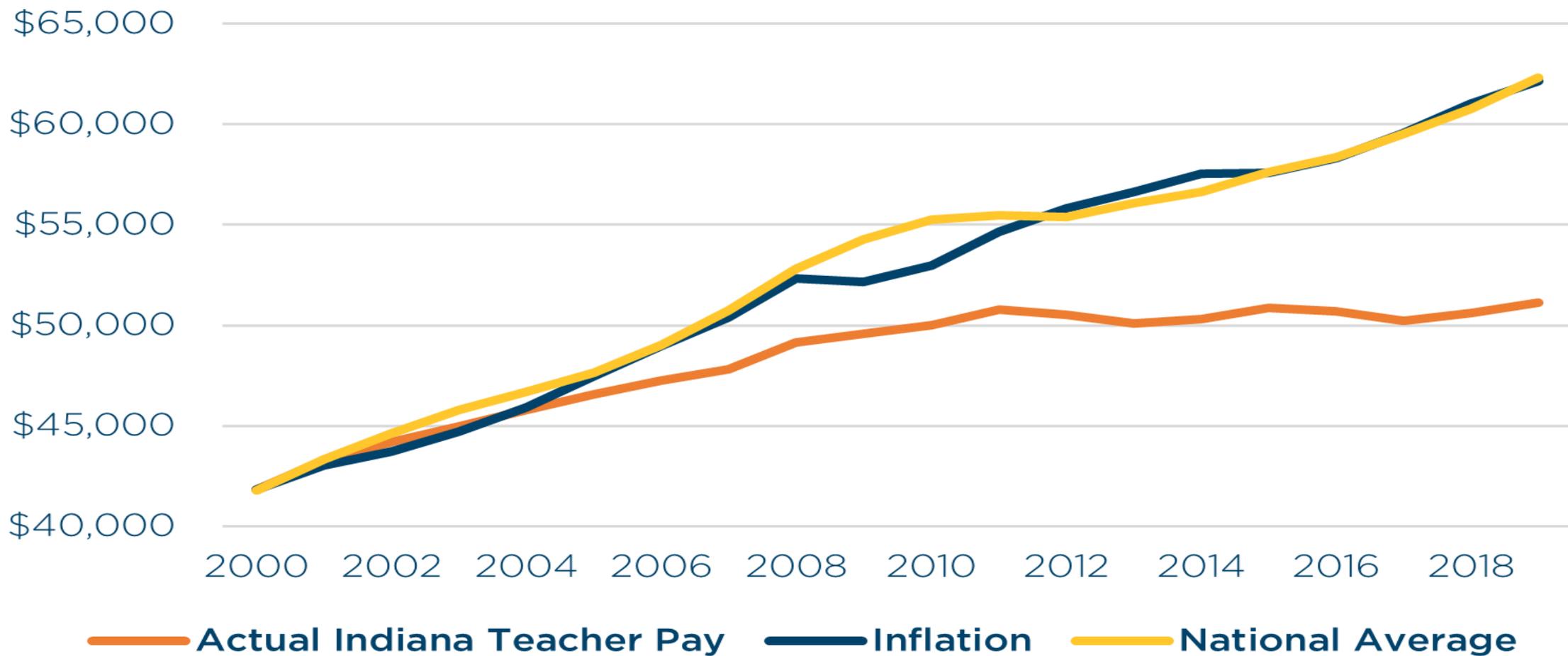
# Findings

- States that pay their teachers well get better student outcomes.
- Indiana's average teacher pay is 9<sup>th</sup> best out of 13 midwestern states.
- Teaching pays less than occupations that require similar levels of education and the gap increases the longer a teacher is in the profession.
- It is estimated that it will cost \$600 million annually to get Indiana average teacher pay to 3<sup>rd</sup>/13 in the Midwest.

# Average Teacher Salary of Midwestern and Neighboring States (2018-19)



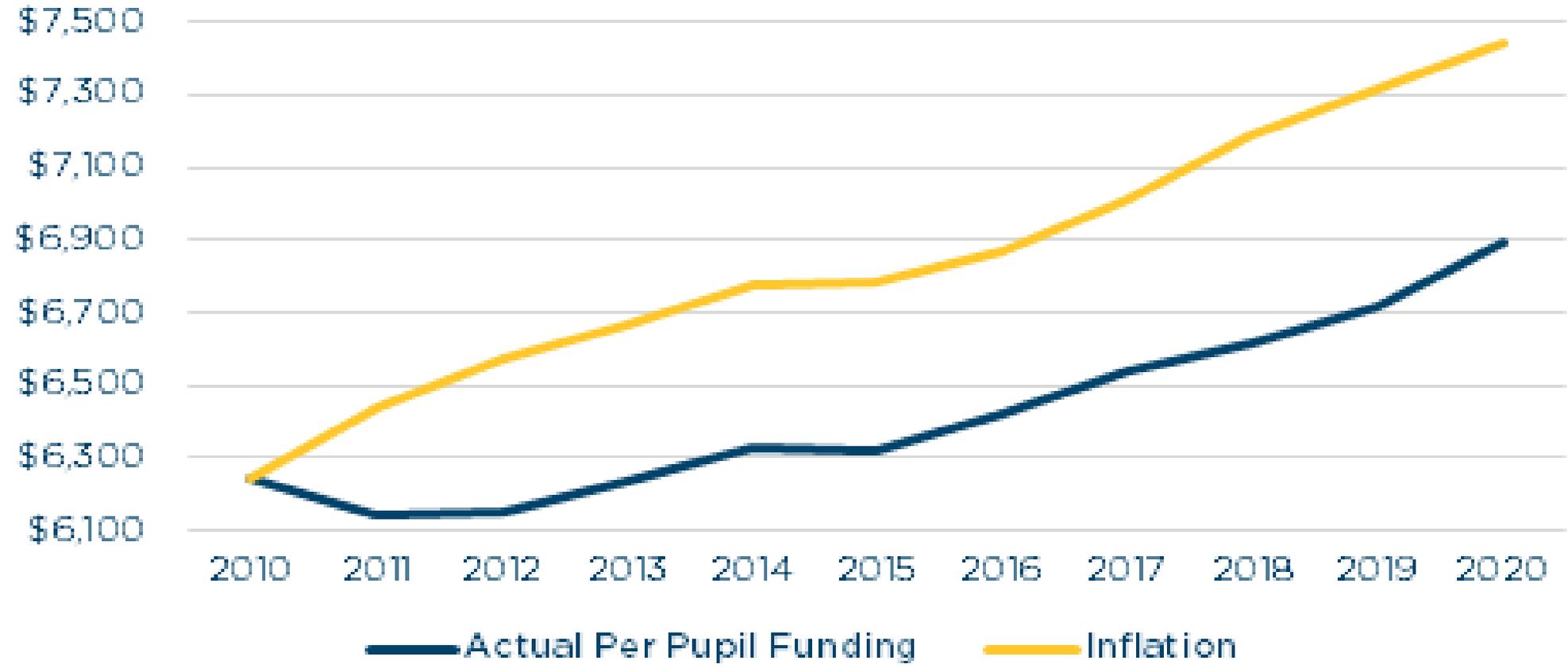
# Indiana Average Teacher Salaries Compared to Inflation and the National Average



## Findings

- Since 2010, Indiana per-pupil funding from the state has not kept pace with inflation.  $-7\% = \$580$  million
- Indiana per-pupil funding has increased much slower than neighboring states and the rest of the country.
- Constitutional limits on property tax rates and statutory limits on property tax increases have created an obstacle to increasing local funding of education.

## State Education Funding Per Pupil, Compared to Inflation



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“In 2000, Indiana spent hundreds of dollars per student more than the national average to educate its students. Less than two decades later, Indiana spends thousands of dollars less per student than the national average. We have had the lowest rate of growth in education spending since 2000 of all 50 states.

In 2006, Indiana spent 3.62 percent of its gross domestic product on elementary and secondary education—ranking fourth in the Midwest and higher than the national average of 3.26 percent. Ten years later, Indiana’s education spending percentage was 3.00 percent—tenth in the Midwest and 35th nationally. This marks one of the steepest drops in the nation.”

## **“Three Essential Steps”-**

37 Recommendations-13 to local school corporations and 24 to the state government

1. Encouraging and implementing expense reallocation measures, so more dollars currently spent on other needs can be redirected to teacher salaries.
2. Increasing sources of revenue available for teacher pay, and
3. Improving teacher compensation-related policies

# Expense Reallocations

Recommendation #1- Join the state's pharmacy benefit plan (estimated \$25 million in annual savings to school corporations):

- Join the Indiana Aggregate Prescription Purchasing Program (IAPPP)—the state's pharmacy benefit plan that enables flexible plan design for individual school corporations.

#2 Limit working spouses' participation in district health care plans (estimated \$50 million in annual savings for school corporations):

- Join the 54 school corporations that restrict spouses of teachers with access to health insurance through their own employers from joining the district's healthcare plan and offer an employee-plus-children healthcare plan option. Repurpose all savings into increasing teacher compensation.

- #3 Exclude Medicare-eligible retirees from healthcare plans:
- Many school corporations allow retired teachers to participate in school sponsored health care plans, even if they are eligible for Medicare. This reduces funds available to active teachers.

#### #4 Increase utilization of centralized procurement:

- Take advantage of pre-negotiated cost-savings by making purchases through the K12 Indiana procurement program and help build the Indiana Department of Administration's strategic sourcing purchasing program by sharing procurement data.
- Utilize existing flexibility to make categorical rather than line-item purchases. Districts can save money by purchasing a variety of goods and services through a single, competitively sourced or negotiated vendor or contract, rather than purchasing different items through separate vendors or contracts.

## #5 Join a liability risk pool:

- Dozens of school corporations have saved millions of dollars combined through pooled purchasing of property, casualty, and third-party liability insurance.

#6 Right-size district teacher and staff ratios where appropriate:

- Strategically reduce employee counts where possible and use savings to raise teacher salaries.

## #7 Share services with other districts and external organizations:

- Reduce the need for additional employees and overhead expenses by fulfilling service needs through sharing staff with other school corporations, higher education institutions, private organizations, and governmental entities such as libraries, police forces, and health centers. Potential applications include:
  - a. Partnering with other school corporations and higher education institutions to provide specialized coursework, including Career and Technical Education and early college credit,
  - b. Streamlining busing operations through inter-district partnerships that optimize 50 routes, limit bus idling, and stagger school start times,
  - c. Utilizing onsite health clinics or reciprocity agreements for access to one, and taking advantage of telehealth services, and
  - d. Purchasing natural gas through a cooperative purchasing arrangement.

#8 Implement additional best practices: Many other potential cost-saving steps and ideas have been shared with the Commission throughout our work. Below are some of these additional best practices or ideas that school corporations should utilize wherever possible to operate more efficiently.

- Purchase the best value health insurance available and utilize health savings accounts, wellness programs, and tobacco-free discounts. Incentivize higher deductible consumer- driven health plans by providing financial incentives to teachers who select these lower cost plans.

## #8 Additional Best Practices(continued)

- As many districts have done, privatize or form competitive employment practices for services such as food preparation or custodial maintenance when appropriate.
- Reduce legal costs by increased utilization of arbitration and other alternative dispute resolution processes. School expenditures on “professional services,” which includes attorneys’ fees, has been one of the fastest growing costs on school corporations.
- Divest vacant real estate or unused property to reduce and avoid ownership costs.
- Utilize regional Education Service Centers to save costs on trainings, professional development, large purchases, human resource management systems, and other services.

# Additional Revenue

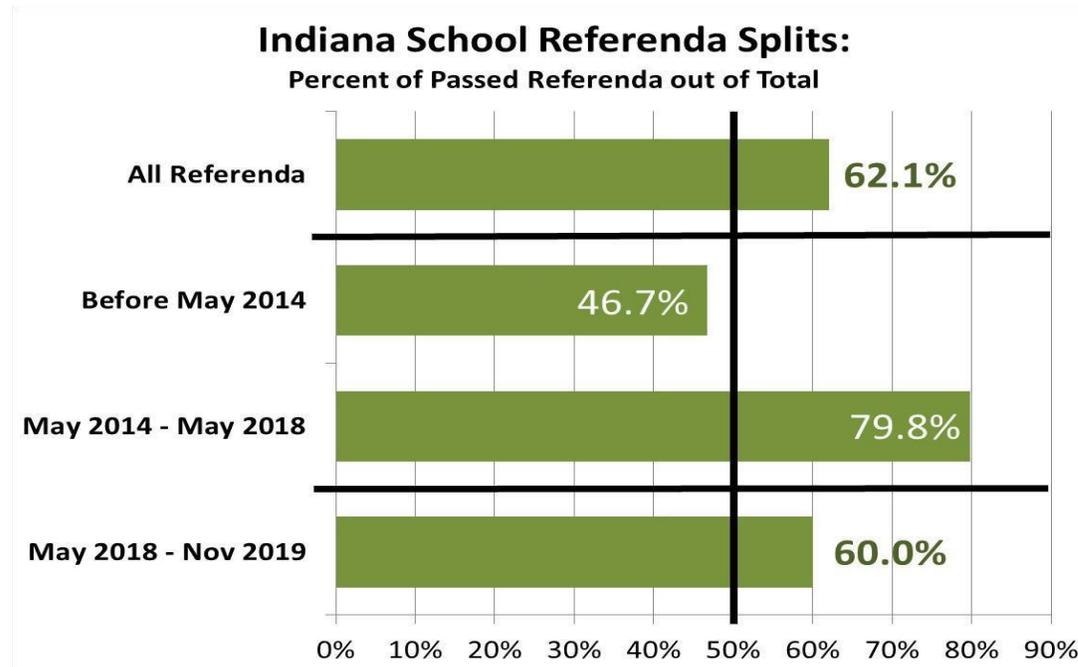
Recommendation #9 Pass an operating referendum (estimated \$80 million in additional annual funding statewide):

- Work with community stakeholders to increase teacher base salaries through a voter approved operating referendum. If school corporations educating just 10 percent of Indiana's students pass an operating referendum of the same scale as other referenda currently in place, they would receive an additional \$80 million in revenue annually.

A referendum is a public question placed on a ballot by a local unit. Referenda may request additional funding for construction projects, operating expenses and safety needs for schools.

Property tax increases that are approved by voters in a referendum are not subject to the property tax caps.

Therefore, any successful referendum may result in a property tax bill that exceeds the caps (1% of assessed value for homesteads [owner-occupied residence], 2% for other residential properties and farmland, and 3% for all other property).



## #10. Increase Medicaid reimbursement claims:

- Many districts forfeit potential funding by not filing for Medicaid reimbursement.

## #11 Increase private contributions through foundations:

- Most districts do not have an education foundation, which could provide a simple way for private individuals or corporate donors to make tax-advantaged contributions to a school corporation. These districts should set up, and promote, such a foundation.
- School corporations should partner with local community foundations to identify methods for increasing teacher pay at the local level. Tax deductible donations to community foundations can be passed through to designated school corporations.

# Policy Change Recommendations

#12 Award higher salaries to teachers with high-need students and in teacher shortage subject areas:

- Take advantage of the ability to implement differentiated pay by paying higher salaries to teachers of high-need students and teacher shortage subject areas.

#13 Improve flexibility for teachers to control their individual compensation through career ladder systems:

- Implement local teacher career ladder systems as a mechanism for schools to highlight and utilize the instructional and leadership capacity of current school corporation educators to improve teaching and student learning. The career ladder system should allow teacher participants to achieve higher salaries.