AUGUST 2016

POLICY REPORT

The Costs of Instruction in Nevada's K-12 Public Education System

Executive Summary

The Great Economic Recession placed significant downward pressure on the Silver State's budget, prompting a closer look by policy makers at expenditures and cost-saving strategies. One area that warrants attention is personnel costs, which consume a huge portion of school district budgets. Education is one of the biggest expenditures in Nevada's budget. In Fiscal Year 2015, Nevada spent approximately $4.06 billion on education, 80 percent of which was for salaries and benefits.

In 2012-2013, the average inflation-adjusted salary for Nevada's teachers was $55,957, the 18th highest in the country. Historically, teachers have been compensated based on experience and education (skills and knowledge). Education costs in Nevada have been trending upward for a number of reasons. First, the traditional salary schedule generally increases compensation for teachers as they gain more experience and/or additional education, regardless of student achievement.

The second reason is related to Nevada's K-12 funding formula, known as the "Nevada Plan." To prepare a biennial budget for Nevada's K-12 public schools, estimated General Fund expenditures for each of the seventeen school districts (and charter schools) are combined or "rolled up" into a single, statewide budget. The estimated financial "needs" of school districts (and charter schools) are calculated using historical expenditures. In a system unique to Nevada, these historical expenditures inform the budgetary base without taking into account market conditions or the true costs of educating students.

Managing costs and reducing inefficiencies can also be challenging when every school district has its own local collective bargaining unit (union), which manages discussions with the local school district about compensation and benefits. The decisions that school districts and local unions make about salaries and benefits (and increases) get rolled up into the next biennium budget. Finally, around the country, health care costs are increasing and this, too, impacts school district budgets.

Consequently, states and school districts around the country are exploring new models that might help address costs and even address inequities. A number of states have implemented a statewide salary schedule that establishes a minimum salary that districts can pay teachers. One state has also used the statewide salary schedule to reduce salary disparities between districts. Additionally, states and districts are also exploring new salary and career leaders for teachers

This report examines the costs of instruction in Nevada's K-12 education system. In particular, the study discusses instruction expenditures, including salaries and benefits. It also presents information on the drivers of personnel costs. We review standard teacher compensation models and describe some of the new models of salary and career ladders being implemented around the country. We conclude by offering some recommendations –designed to reduce costs and inefficiencies in our K-12 system– that may be taken under advisement by Nevada's leaders. These recommendations are summarized below.

A. Commission a legislative study to explore the appropriate design and fiscal impact of a statewide salary schedule

There is tremendous variation in the salary schedules across the Silver State. For example, Carson City School District pays its first-year teachers $33,408, while Eureka County School District pays its new teaching professionals $51,398, reflecting a 53 percent difference. A number of states have implemented a statewide salary schedule as a tool "to recruit and retain qualified teachers and as a way to ensure some level of equalization of teacher salaries across districts." States have not established statewide salary schedules to dictate what districts can pay teachers. Rather, they identify the *minimum* that teachers can be paid in order to address disparities across the state.

State policymakers and legislators could use this statewide salary schedule to inform the standard pay increases (based on experience and educational attainment) that the Legislature considers each biennium. This statewide salary schedule could be used to address inequities between the rural and urban school districts in Nevada.

<u>The SAGE Commission could recommend that the Nevada Legislature commission a study in 2017 to explore the design and fiscal impact of establishing a statewide salary schedule for licensed educational professionals, as well as staff and administrators.</u> Some of the issues that the study should address are:

- First, what role should the State play in addressing inequities particularly between urban and rural districts?
- What is the minimum salary range for various years of experience and skills ("step and column")?
- How will the State determine the minimum salary? What research and/or data will be used to calculate the salary minimums?
- Should the Legislature require that districts submit an annual report to the Legislature (and State Board of Education) that includes data and calculations used to determine the minimum base salary?
- How will the State finance the statewide salary schedule? How might a statewide salary schedule be used in the Nevada Plan (and basic support guarantee calculation)?
- What goals should the statewide salary schedule identify? In Tennessee, state law requires school districts to adopt and implement differentiated pay plans to aid in staffing hard to staff subject areas and schools and attracting and retaining highly qualified teachers.

B. Conduct an assessment of benefit programs for teaching professionals

Benefit rates vary across school districts. And across the State, health care costs are rising and for many districts, the State-funded group insurance rate per student does not cover the full cost of health care insurance premiums. The cost of health care premiums is driven by a number of factors, including but not limited to provider networks, access, reimbursement rates, and location. Worker's compensation rates are affected by safety programs, network providers, and "return-to-work" policies.

A number of states are exploring creative, innovative ways to reduce costs, particularly health care costs. In Massachusetts, eleven colleges and universities around the state united to create their own self-funded health insurance company.

The SAGE Commission may want to request that the Nevada State Legislature conduct a statewide assessment of the State's health care benefit programs for teaching professionals. In addition, the SAGE Commission may want to request that the Nevada State Legislature conduct a statewide assessment of the State's additional (non-medical) benefit programs for teaching professionals.

The scope of the study could include:

- An assessment of the school district's current programs, current pricing, coverage levels by district, provider network and case management, size of premiums, losses, etc.;
- Identification of opportunities to reduce current costs or contain future costs through alternative health care coverage;
- Identification of possible benefit models (e.g., joining a health insurance consortium, state health insurance plan, etc.) and the fiscal savings of implementing different benefit models;
- Feasibility analysis and potential fiscal benefit of restructuring the K-12 health care benefits system, and/or having rural districts "pool" health care benefit programs.

C. Require that school districts conduct an external third party evaluation of new salary schedules and career ladders and all benefits on teacher retention, teacher quality, and student outcomes

Over the last few years, school districts and the Nevada Legislature have established programs to improve the recruitment and retention of (high-quality) teachers. The Clark County School District and the Clark County Education Association have launched a new salary structure and career ladder, called the Professional Growth System. Departing from the historical salary structure, this Professional Growth System seeks to reward improved educator practice and provide career advancement options for educators who do not want to leave the classroom.

In order to assess the State's return on investment and identify best practices that could be replicated in other school districts around the State, the SAGE Commission may want to recommend that the Legislature (and/or the State Board of Education) require an external third party evaluation of new salary schedules (e.g., Clark County School District's Professional Growth System) on teacher retention, teacher quality, and student outcomes. This information about the impact of a new salary schedule and career can be used to inform decisions and programs that other school districts within Nevada and around the country may want to consider.

About the Kenny C. Guinn Center for Policy Priorities

The Kenny C. Guinn Center for Policy Priorities is a 501(c)(3) nonprofit, bipartisan, independent research center focused on providing fact-based, relevant, and well-reasoned analysis of critical policy issues facing Nevada and the Intermountain West. The Guinn Center engages policy-makers, experts, and the public with innovative, data-driven research and analysis to advance policy solutions, inform the public debate, and expand public engagement.

Contact information:
Kenny Guinn Center for Policy Priorities
c/o inNEVation Center
6795 Edmond Street, Suite 300/Box 10
Las Vegas, Nevada 89118
Phone: (702) 522-2189
Email: info@guinncenter.org

Dr. Nancy E. Brune, Executive Director
Email: nbrune@guinncenter.org

Dr. Erika R. Marquez, Director of Health Policy
emarquez@guinncenter.org

Meredith Levine, Director of Economic Policy
mlevine@guinncenter.org

Megan K. Rauch, Director of Policy Outreach & Public Engagement
mrauch@guinncenter.org