

LESC HEARING BRIEF: TEACHER COMPENSATION: SALARY, BENEFITS, AND REGIONAL COMPETITIVENESS

AGENCY: Public Schools

DATE: July 13, 2016

PURPOSE OF HEARING:
Comparing total teacher compensation in New Mexico and surrounding states.

WITNESS:
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PREPARED BY: Joseph W. Simon

EXPECTED OUTCOME:
Develop a better understanding on how teacher compensation compares with other states in order to attract and retain high quality teachers

Teachers and Student MEM (in thousands)

	Teachers	MEM
FY08	21.3	323.7
FY15	21.1*	331.2

Source: PED Statbook

*Estimate

BACKGROUND INFORMATION

Over the past few years, some New Mexico school districts have had trouble filling vacancies before classes start. Despite an increase in state equalization funding, there are fewer teachers in New Mexico's public schools than there were before the recession. While teacher shortages are not unique to New Mexico, declining enrollment in teacher preparation programs has forced New Mexico school districts to compete with other states to both recruit new teachers and retain experienced teachers.

According to data from the Public Education Department (PED), teacher counts reached a high of 21,336 during the 2007-2008 school year. By the 2014-2015 school year there were nearly 7,500 more students — but fewer teachers — in New Mexico's classrooms. Anecdotal evidence suggests that one reason fewer students are pursuing teaching degrees is the perception that teacher pay is low and not keeping up with pay in other fields. Even after a student decides on a career in teaching, he or she may be drawn across state lines if another school district offers a more generous salary or benefits package.

This brief compares estimates of total compensation packages for teachers in seven states: Arizona, Colorado, Nevada, New Mexico, Oklahoma, Texas, and Utah. In addition, it will look at national-level data from the U.S. Census Bureau and the Bureau of Labor Statistics to compare teaching with other professions but comprehensive state-specific data is not readily available. Additionally, there are significant differences within states. This makes it extremely difficult to provide an accurate regional comparison.

Teacher Compensation in Selected States. The table below shows the average salary for classroom teachers in New Mexico and surrounding states, along with information on health insurance, retirement contributions, and retirement payouts after 30 years of service.

State	Avg. Salary	Employer Health Contrib.	Ret. Contrib. (%)		Ret. Benefit % of salary	Soc. Sec.
			Employee	Employer		
Arizona	\$45,477	(1)	11.4	11.4	69%	YES
Colorado	\$50,039	(1)	8.0	19.2	75%	NO
Nevada	\$56,943	(1)	14.5 or 0	14.5 or 28	68%	NO
New Mexico	\$47,163	60% of premium	10.7	13.9	71%	YES
Oklahoma	\$44,921	at least \$527/mo.	7.0	9.5	60%	YES
Texas	\$51,758	at least \$225/mo.	7.2	6.8	69%	NO
Utah	\$46,042	\$13,878/yr.	0	10.0	45%	YES

Source: LESG Analysis

(1) Information not available.

**Top States for Teacher Pay
2015-2016**

New York	\$77,957
Massachusetts	\$76,981
California	\$72,842

**Low States for Teacher Pay
2015-2016**

South Dakota	\$42,025
Mississippi	\$42,744
Oklahoma	\$44,921

Source: National Education Association

**Minimum Teacher Salaries
in New Mexico
2016-2017**

Level 1	\$34,000
Level 2	\$42,000
Level 3	\$52,000

Source: General Appropriation Act of 2016

**Average Teacher Salaries
(in thousands)**

	1970	1980	1990	2000
US	54.0	48.7	58.5	58.4
NM	48.8	45.4	46.1	45.5

Source: National Center for Education Statistics

Constant 2015 dollars, adjusted for inflation based on national CPI.

TEACHER SALARIES

Average Regional Salaries. According to data compiled in the National Education Association’s (NEA) annual *Rankings of States and Estimates of School Statistics*, New Mexico ranks in the middle of the states in the region, behind Nevada, Texas, and Colorado averages, but above averages in Utah, Arizona, and Oklahoma. All of these states were below the estimated national average of \$58,064 for the 2015-2016 school year. The NEA survey reported only statewide averages; within a state there is often considerable differences in average salaries across different school districts, licensure levels, or levels of experience.

According to the Education Commission of the States, 17 states currently have statewide minimum salary schedules for teachers, including two of the surveyed states. Texas has a minimum salary of \$28,080 and Oklahoma has a minimum of \$31,600; but nothing prohibits local school districts from setting starting salaries at a much higher level. New Mexico was not included in the list; however, New Mexico has adopted a statutory minimum salary and the general appropriation acts of 2014, 2015, and 2016 set minimums in excess of statutory minimums.

**Average Teacher Salaries in Select States
FY16 Average and Change from FY15**

	Average Salary	Change from FY15
United States	\$58,064	\$644
Nevada	\$56,943	\$240
Texas	\$51,758	\$1,045
Colorado	\$50,039	\$211
New Mexico	\$47,163	\$538
Utah	\$46,042	\$194
Arizona	\$45,477	\$71
Oklahoma	\$44,921	\$(396)

National Education Association, *Rankings and Estimates* (May 2016)

Long-Term Salary Growth. At the national level, public elementary and secondary school teachers have seen real wage increases since the 1970s but average salaries remain below the 1990 average when adjusted for inflation. Salary growth in Texas and Colorado was similar to the national pattern, but average salaries have gone down in real terms for teachers in Arizona and Utah. In Nevada and New Mexico, average salaries in 2015 were below the inflation-adjusted average from 1970, but real salaries have grown since 2000.

Although, at the national level, average teacher salaries have seen long-term salary growth, so too have other occupations. According to data from the U.S. Census Bureau, median earnings for education professionals with bachelor’s degrees are lower than in many other fields, including construction and maintenance, business and financial services, and sales. Median earning in education surpass only five of the industries listed: production, social services, office support, agriculture, and service.

Earnings Over Time. Using data from the 2010 American Community Survey, the U.S. Census Bureau estimated expected earnings over time by bachelor’s degree field and occupation. According to the estimates,

The U.S. Census Bureau calls these statistics “Synthetic Work-Life Earnings” because they do not represent actual earnings, but estimates of earning over time. They do not account for job history, only the salaries of respondents at different points in their career.

According to the U.S. Census Bureau, synthetic work-life earnings help show how small salary differences can add up over time.

The U.S. Census Bureau did not calculate earnings for occupations with fewer than 10,000 respondents in their survey.

education majors with only a bachelor’s degree had the lowest lifetime earnings of any field — less than half of the top field (engineering), but also below those with degrees in business, social sciences, communication, and the liberal arts. Even within academic majors, teachers tend to have lower lifetime earnings than many other professions and those with education degrees that go into other fields earn more.

**Estimated Lifetime Earnings of Bachelor Degree Holders
by Major and Occupation
(in thousands)**

Major	Occupations		
	Elementary Teacher	Secondary Teacher	All
Biology, Agriculture, and Environmental Sciences	\$1,857	\$2,163	\$2,288
Business	\$1,785	\$2,006	\$2,563
Communications	\$1,943	(1)	\$2,333
Computers, Mathematics and Statistics	\$1,872	\$2,080	\$3,044
Engineering	(1)	(1)	\$3,349
Liberal Arts and History	\$1,963	\$1,824	\$2,046
Literature and Languages	\$1,865	\$1,921	\$2,083
Physical and Related Science	\$1,855	(1)	\$2,527
Psychology	\$1,760	(1)	\$2,001
Science and Engineering-Related Fields	\$1,857	\$1,836	\$2,587
Social Science	\$1,928	(1)	\$2,406
Visual and Performing Arts	\$1,929	\$1,771	\$1,966

Source: U.S. Census Bureau, American Community Survey, 2010.

(1): Insufficient sample size

**Estimated Lifetime Earnings of Education Majors
(in thousands)**

Occupation	Lifetime Earnings		
	Bachelor’s	Master’s	Advanced
Sales Representatives	\$2,601		
Registered Nurses	\$2,276		
Accountants and Auditors	\$1,977		
Education Administrators	\$1,945	\$2,871	
Secondary School Teachers	\$1,921	\$2,300	
Office and Administrative Supervisors	\$1,835		
Elementary and Middle School Teachers	\$1,803	\$2,226	\$2,233
All Occupations	\$1,798	\$2,260	\$2,461
Special Education Teachers	\$1,786	\$2,233	
Retail Sales	\$1,706		
Office Clerks	\$1,235		
Teacher Assistants	\$1,013		

Source: U.S. Census Bureau, American Community Survey, 2010

As the two preceding tables show, teachers tend to earn less than the average of all occupations for all degree fields except education, and even then the difference is negligible. It is important to note that teacher earnings usually increase if the teacher obtains a post-graduate degree and teachers are more likely than other bachelor degree holders to obtain a post-graduate degree.

**NMPSIA Contributions
Monthly, FY16**

	EE	ER
High Plan		
Emp. Only	\$233	\$349
Two Party	\$443	\$665
Family	\$592	\$888
Low Plan		
Emp. Only	\$158	\$237
Two Party	\$332	\$499
Family	\$443	\$665

Source: New Mexico Public Schools Insurance Authority

**Gross Premiums for
Statewide Health Plans
Monthly, 2016**

	Emp.	Family
High Plan		
NM	\$582	\$1,480
OK*	\$527	\$1,601
TX	\$614	\$1,521
Low Plan		
NM	\$396	\$1,108
OK	\$346	\$1,071
TX	\$325	\$1,231

Source: LESC analysis

*Excludes plans available only in certain zip codes. Some of these plans are more expensive.

Albuquerque Public Schools does not participate in the statewide health insurance plan, but the employer share is the same.

HEALTH INSURANCE

For some public employees, the second most valuable form of compensation is employer contributions to a health insurance plan. Generally, health insurance contributions are not a given percent of base salary (unlike retirement contributions), so the relative value will vary based on the employee’s salary and coverage level. In New Mexico, a teacher with a base salary of \$47,000 who receives family health insurance coverage can receive employer health insurance contributions of between 17 and 23 percent of base salary (\$7,976.40 to \$10,652.64).

In most of the surveyed states there was some variation between school districts in the cost of health insurance. Even in two states with statewide insurance plans, districts are free to set employer contributions as long as statutory minimums are met.

Texas. The Texas Teacher Retirement System (TRS) operates a statewide health insurance plan for teachers. Currently, around 90 percent of school districts representing about half of Texas teachers receive benefits from the plan. Texas law requires school districts to contribute \$150 per employee, per month (the state contributes \$75 on behalf of participating school districts). These minimums have not changed since the plan opened in 2003, but gross premiums have increased dramatically. In school districts where employers pay the minimum (about 20 percent of covered employees in FY15), the cost of employee contributions has more than doubled since 2003 — increasing from 29 percent to 59 percent of premiums. Fewer than 1 percent of covered employees receive more than \$475 per month in employer contributions.

Oklahoma. Oklahoma requires employer contributions equal to 100 percent of the employee only premium for the most expensive statewide plan (there are some plans that are only available in certain zip codes, some of these are more expensive). Employees selecting a less expensive plan may use the excess to pay for family health insurance premiums, for dental or vision coverage, or receive a cash refund. Employees not receiving health insurance can receive a cash payment (currently about \$70 per month). Currently, the state appropriates money to cover employer contributions; however, there have been recent proposals to divert some of this money to fund base salary increases.

The tables below show premiums for statewide health insurance plans in effect January 2016.

**Employer Contributions for Statewide Health Insurance Plans
(percent of gross premium)**

	Most Expensive		Least Expensive	
	Emp. Only	Family	Emp. Only	Family
New Mexico	60%	60%	60%	60%
Oklahoma*	100%	33%	100%	49%
Texas	37%	15%	69%	18%

Source: LESC analysis of documents from the responsible agency in each state

*Excludes plans available only in certain zip codes; some are more expensive.

**Employer Contributions
in Texas
TRS-ActiveCare, FY15**

Contribution	Percent of Employees
\$225	19.8%
\$226-\$275	31.1%
\$276-\$325	28.3%
\$326-\$375	11.4%
\$376-\$425	3.1%
\$426-\$475	5.4%
\$476-\$525	0.2%
\$526 and Up	0.7%

Source: Texas Teacher Retirement System

School District Contributions. As noted above, there is considerable variation in employer contributions between school districts in most states. Average school district health insurance costs were available for only one state. The Utah State Board of Education publishes an annual report which includes the average salary and teacher benefits by district. According to the 2015 report, the average cost of health insurance was \$13,878 per employee.

General statewide averages in other states were not readily available. Because of this, LESG staff looked for information on employer and employee health insurance contributions for individual school districts in each of the selected states. It is important to note that these school districts were selected based on available information and are not necessarily representative of the state as a whole.

Share of Health Insurance Premiums in Selected Districts
Least expensive plan in effect January 2016
(percent of gross premium)

State	District	Employee		Employer		Flat Employer Contribution*
		Single	Family	Single	Family	
NM	All	40%	40%	60%	60%	NO
AZ	Mesa	2%	62%	98%	38%	Within Plan
AZ	Flagstaff	0%	58%	100%	42%	YES
AZ	Paradise Valley	0%	33%	100%	67%	YES
CO	Durango	0%	53%	100%	47%	NO
CO	Denver	0%	55%	100%	45%	YES
CO	Archuleta County	17%	48%	83%	52%	YES
TX	Midland	0%	62%	100%	38%	YES
TX	Plano	24%	79%	76%	21%	YES
TX	Most TRS Districts (\$275)	19%	78%	81%	22%	YES

Source: LESG analysis of documents from school districts' websites

*Flat employer contributions: district contributes the same dollar amount, regardless of coverage level.

As the table above shows, most school districts contributed a flat dollar amount, regardless of the level of coverage selected by the employee. It is unclear that this is representative of how most other school districts in these states operate.

Example: El Paso Independent School District (EPSID). Because the above table presents the least expensive plan only, it shows the lowest employee contribution possible for school districts that contribute a flat amount. To show how employee shares can rise quickly in these cases, a detailed look at the plans offered by EPSID follows.

Employee Health Insurance Contributions, EPSID
(percent of gross premium)

	Low Plan	Medium Plan	High Plan
Employee Only	0%	8%	30%
& Children	29%	43%	56%
& Spouse	52%	61%	71%
& Family	65%	67%	71%

Source: El Paso Independent School District benefits website.

Retiree Health Care Contributions, FY16
percent of salary

	Employee	Employer
CO		1.0%
NM	1.0%	2.0%
TX	0.7%	0.6%

Source: LESC analysis

Arizona aggregates contributions for pension and retiree health insurance.

In Nevada, both Clark County Schools (Las Vegas) and Washoe County School District (Reno) offer retirees access to group health insurance.

Retirees in Oklahoma may continue with the statewide teacher group insurance plan. The retirement system subsidizes premiums by about \$100 per month. The Oklahoma plan is funded on a pay-as-you-go basis.

Utah has a Medicare supplement plan for retired employees (including teachers) but no funding source is indicated.

EPISD contributes \$435 per month for each employee, more than most school districts that are covered by the statewide plan in Texas. According to TRS, 51 percent of covered employees were in school districts that contributed less than \$275 per month.

Summary. New Mexico appears to have more expensive health insurance than neighboring states for teachers that need employee only coverage, but New Mexico school districts pay a higher share of premiums for employees who have family coverage. Some employers pay as little as 21 percent of family health insurance premiums. Most school districts that were surveyed offered employees a flat dollar, rather than covering a percentage of health insurance premiums.

RETIREMENT

Contributions. All seven states surveyed had statewide pension plans for public school teachers. Employer and employee contributions are generally set by statute; however, in some cases individual school districts may elect to pay some or all of an employee’s required contributions. The table below lists employer (ER) and employee (EE) retirement contributions. All seven of the states surveyed operated some form of defined benefit plan.

Employee (EE) and Employer (ER) Retirement Contributions
(percent of salary)

	EE	ER	Soc. Sec.	Total	ER Share (%)
Arizona	11.4%	11.4%	YES	35.3%	50%
Colorado*	8.0%	19.2%	NO	27.2%	70%
Nevada (1)	14.5%	14.5%	NO	29.00%	50%
Nevada (2)*	0.0%	28.0%	NO	28.00%	100%
New Mexico	10.7%	13.9%	YES	37.00%	54%
Oklahoma	7.0%	9.5%	YES	28.90%	54%
Texas	7.2%	8.3%	NO	14.00%	49%
Utah	0.0%	10.0%	YES	22.4%	72%

Source: LESC analysis of state pension plan documents

*Employees pay for a portion of employer contributions through salary reductions.

Utah. New employees (Tier 2) in Utah have the option of enrolling in a “hybrid” defined benefit/401(k) or in a defined contribution plan. Employers contribute 10 percent of each employee’s salary, regardless of plan. Employers also contribute an amount equal to 9.94 percent of each Tier 2 employee’s salary to amortize Tier 1 benefits. For members of the hybrid plan, 8.22 percent goes to the defined benefit plan and 1.78 percent to the employee’s 401(k).

Nevada. Nevada gives local school districts two options for paying employee contributions. School districts can either opt to pay an amount equal to 28 percent of each employee’s base salary (half of this amount is to be paid by the employee through a salary reduction) or by deducting and matching 14.5 percent of employee base pay. One important difference between the plans is that members who leave employment before vesting are not eligible to receive any refund if the district is paying all contributions. Although documents from the pension system

indicate the choice belongs to the school districts, in the districts reviewed, the plan was specified in a collective bargaining agreement.

In most of the surveyed states teachers were eligible for Social Security benefits. In these states, employers and employees are each required to pay 6.2 percent in Old Age, Survivors, and Disability Insurance taxes. These employees will see additional income during retirement.

With all sources accounted for, New Mexico teachers have the highest retirement contributions, with just over half of contributions being funded by employers. Colorado has the highest share, which can be partially explained by increases to employer contributions to decrease the pension system's unfunded liability.

Retirement Benefits. In each of the surveyed states, retirement payouts are determined by a statutory formula. To examine the relative differences, LESC staff calculated retirement benefits for a retiree with 30 years of service, assuming the average salary for pension calculations equaled the statewide average salary reported above. The table below shows the results.

Hypothetical Retirement Calculation
Teacher with 30 years of service and average salary

	Salary	Multiplier	Pension	% of Salary	Social Security
Arizona	\$45,477	.0230	\$31,379	69%	YES
Colorado	\$50,039	.0250	\$37,529	75%	NO
Nevada	\$56,943	.0225	\$38,437	68%	NO
New Mexico	\$47,163	.0235	\$33,250	71%	YES
Oklahoma	\$44,921	.0200	\$26,953	60%	YES
Texas	\$51,758	.0230	\$35,713	69%	NO
Utah	\$46,042	.0150	\$20,718	45%	YES

Source: LESC analysis of pension plan materials

Under these assumptions, New Mexico retirees receive a relatively high percent of their salary in pension benefits, and could potentially see more with more than 30 years of service. In addition, the above calculation does not account for Social Security benefits. Those states with higher pension benefits (both in dollars and as a percent of salary) are not covered by Social Security. If an employee in this scenario has a little less than \$5,500 in annual Social Security benefits, the New Mexico employee would have the largest retirement payout, although these calculations do not account for benefits from the 401(k) portion of Utah's hybrid pension plan; benefits from this plan would depend on the performance of the plan's investments.

Summary. New Mexico had the highest level of total retirement contributions in the region. Employers funded just over half of all retirement contributions, which is somewhere in the middle of states in the region. While contributions are a bit higher in New Mexico, it appears benefits, depending on the amount of Social Security, may be higher in New Mexico than in other states.

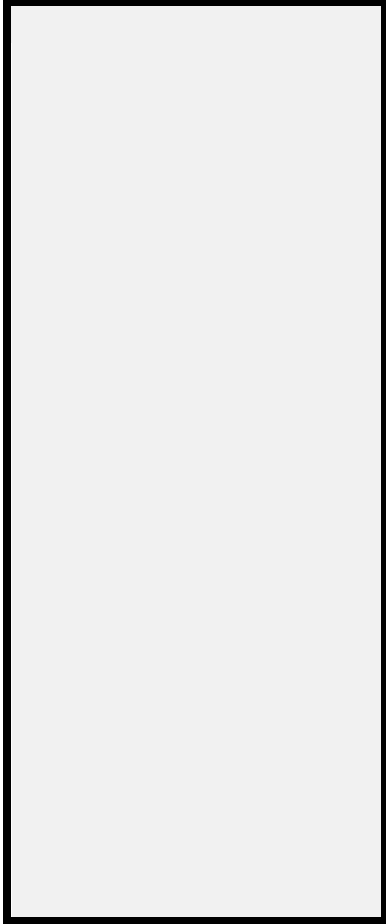
Instructional Staff Salary Spending per Pupil FY14

Texas	\$3,934
Colorado	\$3,620
New Mexico	\$3,595
Nevada	\$3,180
Oklahoma	\$2,883
Arizona	\$2,855
Utah	\$2,562

Instructional Staff Benefit Spending per Pupil FY14

Nevada	\$1,272
New Mexico	\$1,249
Utah	\$1,193
Colorado	\$983
Oklahoma	\$977
Arizona	\$889
Texas	\$626

Source: U.S. Census Bureau, Public Education Finances: 2014



CONCLUSION

Although, at least nationally, the salaries of public school teachers do appear to be keeping pace with inflation, teacher salaries still lag behind similarly educated people in other professions. With increasing focus on high-tech jobs, more students who might otherwise go into teaching could be attracted to the relatively high salaries of these fields.

For those who do decide to pursue a teaching career, average salaries in New Mexico are in the middle when compared with surrounding states. But health insurance benefits appear to be more equalized than in surrounding states, meaning employees with less expensive insurance may end up paying more in New Mexico than they would in surrounding states. This may be particularly important for young employees who are just entering the teaching profession and do not yet have a spouse or family. Teachers in this position may not consider what impact life changes may have on their total compensation and may be attracted by a higher base salary and cheaper “employee only” benefits.

Likewise, total retirement income appears to be higher in New Mexico than in surrounding states, but costs per employee are higher and only about half of these benefits are funded by employer contributions. Teachers looking to enter the profession may be more concerned about the immediate effect on take home pay and less concerned with the delayed benefits those contributions fund.

JWS