



Public Affairs Research Council of Louisiana, Inc.

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December 29, 1999

The Honorable M. J. "Mike" Foster, Jr.
State of Louisiana
Post Office Box 94004
Baton Rouge, LA 70804-9004

Dear Governor Foster:

Thank you for requesting PAR's input on the important issue of funding teacher salaries. We share your concern regarding the need to properly compensate teachers and faculty. PAR recognized in a recent study that Louisiana teachers are underpaid. We appreciate your political leadership in seeking improvement in this area. However, we are equally concerned about the total funding requirements of education, the projected revenue shortfall in the upcoming state budget and the prospects of achieving meaningful tax reform.

We have been closely following the deliberations of the School Finance Commission and plan to publish a detailed analysis of the teacher pay issue with our recommendations in February. However, based on our work to date, we have come to the following preliminary conclusions.

(1) The issue of teacher pay raises should be taken up in the regular fiscal session as part of the normal budget process. It should not be dealt with in a special session before the budget shortfall problem has been addressed and resolved.

The state faces a potential \$450 million revenue shortfall in planning the 2000-2001 budget. The appropriate time to consider adding another \$150 million to \$250 million in education spending is in conjunction with all the other demands for state spending. Resolving the state's overall budget problems should be the primary concern. Education funding issues should be examined in depth prior to the regular session, but the final decisions should be made in the context of the total state budget.

The only reason to consider teacher pay in a special session would be if non-fiscal legislation were required. We feel such legislation is unnecessary, but if enacted, it should not be done prior to resolving the larger budget issues.

(2) Legislatively mandating pay raises for K-12 teachers, for example, by revising the minimum pay schedule, could have a number of negative consequences.

Raising teacher pay by raising the minimum salary schedule could have serious drawbacks. Legislative micromanaging of this type would:

- Require the Legislature to redraw the salary schedule each year if the Southern Regional Education Board (SREB) states' average was to be maintained
- Encourage the teacher unions to bypass the school boards and go directly to the Legislature for raises in the future
- Tend to encourage across-the-board raises (which legislators often favor) while compressing the salary schedule to benefit less experienced teachers
- Tend to increase statewide salary uniformity, possibly ignoring geographical differences in cost of living and other factors
- Diminish local control, skew local spending priorities and possibly ignore other education spending needs
- Reduce the possibility of ever establishing differential pay for teachers (to recruit specialties, fill hard-to-fill positions or reward superior performance)
- Cause support worker unions to increase pressure on legislators for raises

(3) The state's funding role should be to assure an appropriate funding level for education and not to make specific spending decisions for school boards.

The state should be concerned with how its total commitment to education compares to the SREB average not just to one portion of the spending. Louisiana lags the SREB average for teacher pay by roughly **\$170 million** (using a simple definition of the target) but for total current operating expenditures, Louisiana falls **\$366 million** short of the SREB average. Louisiana currently spends the same percentage on instruction as the SREB and U.S. averages. Can the non-salary education spending needs be ignored and teacher pay alone produce SREB average results? Is teacher pay the appropriate target for education spending increases?

As demonstrated by the School Finance Commission proceedings, the most sophisticated method of setting teacher salary targets would still be quite arbitrary. Selecting, defining and forecasting teacher pay targets; developing salary schedules to produce the targeted statewide average teacher pay and devising an equitable method of distributing state funds to the districts to pay teachers the target salary greatly over-complicates the state's process of funding education. Further complicating the process would be the need to go through much of the process again each year. Also, with a moving target and slow data reporting, it would be several years later before the state would know if it had actually hit its target in a given year. Even then we still would not know what the appropriate pay would be to attract good teachers to Louisiana schools.

(4) Any tax changes designed to support increased state funding for education should be adequate to maintain a long-term commitment and should complement the objectives of fiscal reform.

In tapping additional state funding sources for education, the state should avoid overused taxes (particularly sales taxes), slow or non-growth revenues and sources that might create economic development barriers. The dedication of revenues to this purpose should be avoided. For example, it would be unwise to tie teacher pay to a non-growth revenue such as a tax on gambling.

The only major state tax that is underused in Louisiana, by national standards, is the individual income tax. A small increase in this tax can be quite revenue productive, would not impact lower incomes and would be paid primarily by those who have benefitted most from education. The tax is responsive to growth in the economy and would not conflict with the aims of fiscal reform.

If Louisiana's better-paid citizens could be convinced to make a commitment to improving education funding, the individual income tax would be a logical and viable revenue source to accomplish it.

Considering the relatively low level of total education funding in Louisiana, efforts to improve education by squeezing teacher pay raises from the existing MFP would appear to be self-defeating. Also, efforts to require increased local support would be unrealistic without a strong commitment from you and members of the Legislature to removing the homestead exemption on school property taxes. For most of the state, local sales taxes offer little potential for added support.

The Honorable M. J. "Mike" Foster, Jr.
December 29, 1999
Page 4

The pledge to "raise teacher pay to the SREB average" is an idea the voter can easily understand, and is one that might help create acceptance for a tax increase. However, the SREB pay target may leave the misleading impression that a pay raise alone will result in the desired improvement in education. It also obscures the fact that even if we hit the pay target, Louisiana education would still be significantly underfunded compared to the SREB average.

We look forward to working with your administration, members of the Legislature and the public in addressing these issues. Again, thank you for requesting PAR's input.

Sincerely

James C. Brandt
President

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cc: PAR Executive Committee