

THE TRUTH ABOUT TEACHER PAY IN ARIZONA

How Arizona School Districts Have
Held Down Teacher Salaries, Blamed
Lawmakers, and Continually
Captured Public Sympathy

Policy Report
May 12, 2021

by Matt Beienburg

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“Teachers matter more to student achievement than any other aspect of schooling.

Many factors contribute to a student’s academic performance, including individual characteristics and family and neighborhood experiences. But research suggests that, among school-related factors, teachers matter most. When it comes to student performance on reading and math tests, teachers are estimated to have two to three times the effect of any other school factor, including services, facilities, and even leadership.”

— RAND Corporation, 2019¹

Introduction and Executive Summary

In the spring of 2018, “RedforEd” strikes temporarily paralyzed Arizona’s K-12 education system by shutting down classroom learning for students while political organizers led marches on the state capitol, demanding first and foremost that lawmakers fund a 20% increase in average teacher pay.² To the surprise even of many calling for action, Arizona’s governor proposed fully meeting that demand via the “20x2020” teacher pay raise plan, which state legislators approved alongside hundreds of millions of other dollars for general aid to schools.³ But despite the high-profile politics and public assumption that state lawmakers deserve the credit or blame for the salary levels of public school teachers, the impact of lawmaker actions like 20x2020 ultimately depends on the cooperation and commit-

ment of school district officials to actually allocate those dollars as intended.

Unfortunately, despite the spirit of the 20x2020 legislation, Arizona school districts are quietly diverting hundreds of millions of state dollars that were intended to provide higher teacher salaries away from these educators. And it’s not the first time.

This report builds on a prior Goldwater Institute release, *A History of Increase, K-12 Funding in Arizona*, which identified that **Arizona school districts have enjoyed an increase in per-pupil funding of more than 40% (even adjusting for inflation) over the past four decades, even as teacher salaries have remained largely flat** over the same period.⁴ This report dives deeper into the

repeated, system-wide failure of school districts to translate additional funding from state taxpayers into higher salaries for classroom teachers. In particular, this report finds:

- **Arizona school districts are redirecting more than \$170 million dollars of the 20x2020 teacher pay raise funding away from classroom teachers each year.**
- **Districts used the new dollars from 20x2020 to provide an additional real increase in teacher salaries of just 6% out of an interim 15% target through the 2019-2020 school year.** This equates to a mere \$3,000 increase in funding for teacher salaries from 20x2020, compared to a \$7,000 target. The remainder of districts' reported 13.3% cumulative average increase in teacher pay through fiscal year 2020 was achieved by using 20x2020 dollars to supplant automatic state funding increases (and vice versa) that districts received from state taxpayers for the purpose of increasing teacher pay anyway.
- **Districts' current budgeting maneuvers continue a long-term pattern of shifting state funds away from their intended target.** As identified by the state Auditor General over a decade ago, *"Many districts are likely using [state Classroom Site Fund] monies to supplant other district monies, which is a violation of Arizona Revised Statutes" that has cost teachers statewide an average of "about \$7,500" in forgone salary.*
- **Contrary to the intent of voters and lawmakers alike, districts have repeatedly failed to use their annual inflation funding adjustments to sustain the real value of teacher salary increases even during prior years of economic boom.** From the implementation of Proposition 301 in fiscal year 2002 through the pre-Great Recession funding boom ending in fiscal year 2008, district revenues per pupil increased 11.8% adjusted for inflation, while districts sustained teacher salary increases of just 0.5% over the same period once similarly adjusted for inflation.
- **Contributing to the downward pressure on teacher salaries, Arizona school districts have added almost 2,000 managers, supervisors, and directors since the 1983-1984 school year.** The growth rate of these administrative positions is over 30% higher than that of students and teachers during the same period.
- **Districts increased operational spending (adjusted for inflation) in all major expenditure categories between fiscal years 2001 and 2020, yet teacher salaries failed to rise.** District spending on administration, for instance, rose by nearly \$2,000 in inflation-adjusted terms per class of 20 students, even as teacher salaries were no higher through fiscal year 2020.
- **Arizona school districts have significantly reduced spending on teacher salaries as a proportion of their overall expenditures.** From 1980 to 2020, district spending on teacher salaries has fallen from 37% to 28% of district budgets, meaning schools now spend roughly one-quarter less on teacher salaries compared to other expenditures than they did in 1980.
- **Despite an unprecedented \$4 billion in federal COVID-19 stimulus revenues given to Arizona's K-12 system and leftover district M&O fund balances**

that surged nearly \$500 million between the end of fiscal years 2017 and 2020, Arizona school districts have elected to respond by terminating educators, while the Arizona Department of Education has declined to release up to \$85 million dollars as requested by members of the state legislature.

Districts Fail to Meet 20x2020 Teacher-Raise Targets

Arizona's 20x2020 teacher pay raise has led to significant increases in teacher salaries. Unfortunately, the impact of these increases has been dramatically undermined by school district budgeting decisions that are now shifting hundreds of millions of dollars each year that were intended for classroom teachers to other uses.

In May 2018, the Arizona state legislature passed Governor Doug Ducey's proposed "20x2020" teacher pay raise package, which infused an extra \$648 million per year into public school budgets in order to boost average teacher pay 10% by fiscal year 2019, 15% by fiscal year 2020, and 20% by fiscal year 2021.⁵

Rather than involving themselves directly in district payroll processes to implement these increases, however, state lawmakers chose to entrust these funds to school districts via a uniform increase in per-pupil funding.⁶

Yet as reported by the state Auditor General's most recent district spending report, so far **school districts provided only 8.4% of the 10% target for salary increases in fiscal year 2019 and just 13.3% of the 15% target for increases in fiscal year 2020.⁷ This equates to an approximately \$50 million gap in teacher pay annually.⁸**

To some district advocates, the responsibility for

such a gap lies not with districts, but with the state. *The Arizona Republic* complained back in 2018, for example, that the plan "would not deliver on its underlying promise: providing every teacher in the state a 20 percent raise" because "some districts that pay their teachers higher than the state average will receive less funding than needed to give 20 percent raises to all teachers. ... Conversely, some districts that pay their teachers lower than the state average would receive enough money to give more than 20 percent raises."⁹

Of course, while this critique may explain some *individual* districts delivering smaller than targeted raises, it does not explain the failure of school districts to reach the targeted increase *collectively*, since any individual disparities should still have evened out in the statewide average. Moreover, had lawmakers taken their cues from these critics and doled out a customized amount to each district (rather than giving a uniform increase), it would have simply exacerbated inequalities in teacher pay and rewarded wealthier districts at the expense of their peers. (For example, under the *Republic's* apparently preferred methodology, a district that was already paying teachers \$60,000 would have received a \$12,000 (20%) increase per teacher, while a district paying teachers \$40,000 would have received only an \$8,000 (20%) increase per teacher, thus *widening* the gap in teacher pay between the districts by \$4,000. Under the state's methodology, in contrast, each district would have received enough funding for nearly a \$10,000 increase per teacher.)

Districts Filter Hundreds of Millions of Dollars from 20x2020 Away from Classroom Teachers

In any case, the modest shortfall in districts' overall teacher pay raises is far less concerning than the more than \$170 million of 20x2020 dollars that appear to have supplanted (or been supplanted by) other funding intended for teacher salaries each year.

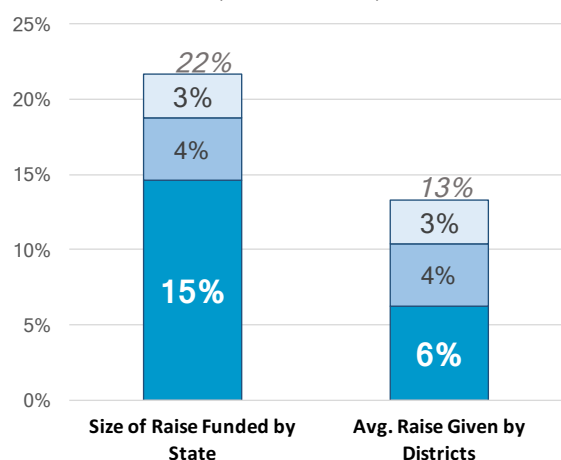
Arizona lawmakers gave schools enough new funding via 20x2020 to provide an approximately 15% (\$7,050) average salary raise to every classroom teacher by fiscal year 2020 (and even more by fiscal year 2021).¹⁰ **Yet school districts used less than half (an estimated \$3,016 per teacher) of the amount given to them by 20x2020 to increase classroom teacher salaries through fiscal year 2020.**

How could this be? After all, according to the state Auditor General, Arizona school districts increased average teacher salaries by \$6,442 (13.3%) between fiscal year 2017 and fiscal year 2020.¹¹

The answer is that most of this \$6,442 was already paid for by the automatic state funding increases for inflation and teacher pay that districts receive from taxpayers every year anyway, *apart from 20x2020*. But state lawmakers explicitly crafted the 20x2020 package to *supplement, not replace*, these dollars. Yet as shown in Figure 1 and described in more detail in the following two sections, districts overwhelmingly disregarded this intent, giving teachers less than two-thirds of the overall raises they received state funding for, and ensuring that *less than half* of the new 20x2020 dollars went to increasing classroom teacher pay.

Figure 1

Size of Teacher Salary Increases Funded by the State vs. Actual Amount Districts Gave to Teachers
(FY 2018 - FY 2020)



Additional funding per teacher for salary raises through FY 2020, as a % of baseline FY 2017 average teacher salary

■ 20x2020 dollars ■ Inflation Adjustment ■ Classroom Site Fund

Source: Author's calculations based on districts' teacher salary increases as reported in the FY 2020 Auditor General District Spending Report, compared to the overall increase in funding that districts received for teacher compensation via 1) the 20x2020 plan, 2) a proportional share of the automatic state funding increases for base level inflation adjustments in FY 2018, 2019, and 2020, and 3) the portion of increased revenues from the Classroom Site Fund that districts applied toward increased teacher salaries in FY 2020 above FY 2017 levels.¹²

Districts Demand Real Increases from Lawmakers, Then Give Only Nominal Increases to Teachers

Prior to settling on the 20x2020 package in the spring of 2018, state lawmakers had first proposed partially funding teacher pay raises using the annual inflation adjustment that the state already gives to schools each year. (These increases fund nominal rather than real inflation-adjusted increases in pay.) This original proposal would have counted over \$100 million dollars of schools' automatic inflation adjustment funding through fiscal year 2020 toward the targeted teacher pay raises, but this approach was adamantly rejected by public school advocates like the president of the Arizona Education Association as a "shell game."¹³

Yet in the years since, school districts have done exactly what such advocates previously condemned: counting (nominal) increases in funding (intended to offset the impacts of inflation) toward their reported pay raises. This despite the fact that when lawmakers settled on the 20x2020 plan, they greenlit funding for *real increases in pay, in addition* to the inflation funding districts were already slated to receive from the state.

Indeed, as reported by the Arizona Joint Legislative Budget Committee (JLBC), Arizona’s public schools received base level inflation adjustments of 1.31% in FY 2018, 1.8% in FY 2019, and 2% in FY 2020, for a cumulative funding increase of approximately 5.2%.¹⁴ Together, these extra dollars total more than \$200 million in annual funding for school districts *solely for the purpose of offsetting inflation*.

As JLBC has noted, for instance, the increased K-12 funding for teacher pay from 20x2020 in FY 2019 “is in addition to the 1.8% (\$66.30) base level increase provided for inflation for FY 2019.”¹⁵ Likewise, JLBC noted explicitly that the state’s FY 2020 per-pupil base amount “is increasing by \$70.20 (2%) for inflation and by an additional \$111.16 for teacher pay raises in FY 2020.”¹⁶

Similarly, as Governor Doug Ducey explained of the pay raise plan at the time of its passage, “This year’s budget will result in a 10-percent increase in teacher pay in the base, ongoing, inflated. [emphasis added]. Next year’s budget will include another 5-percent increase. The year after that will include another 5 percent ... [for] a cumulative raise of 20 percent.”¹⁷

In short, the 20x2020 teacher pay raise target of 15% by fiscal year 2020 was intended to be *in addition* to inflationary cost of living adjustments. That means that with the funding from both sources together (the new 20x2020 dollars and a proportional share of inflation funding), teachers would have been slated to receive a *real* increase of 15%, with an additional nominal raise of more than 4% beyond that.¹⁸ (In the subsequent and final year of the 20x2020 plan—fiscal year 2021—teachers would receive an even higher nominal increase to achieve the 20% real increase in pay relative to their fiscal year 2017 levels.)

But as reported by the Auditor General and shown

in Figure 1 above, districts gave teachers just a 13.3% *total* increase in salaries through FY 2020. That means districts not only came up short against the 15% target, but also that a major portion of the salary increase they did provide was nothing more than the routine adjustment to keep salaries simply even with inflation. In fact, on a per-teacher basis, these inflation adjustments made up an estimated \$2,011 (*nearly one-third*) of the \$6,442 salary increase districts gave their teachers on average. Combined, that accounts for more than \$100 million of annual inflation funding that lawmakers would have expected to see given to teachers *in addition* to their 20x2020 raises, *not instead of it*.¹⁹

Districts Use Rising Sales Tax Revenues to Reduce 20x2020 Dollars Spent on Classroom Teachers

In addition to applying over \$2,000 of mere inflation hold-harmless funding toward their reported average teacher raises, districts appear to have also successfully reduced the amount of 20x2020 dollars going to classroom teachers by over \$1,400 per teacher by dipping into yet another source of state dollars: the “Classroom Site Fund.” This pot of (primarily) state sales tax revenue is dedicated to providing additional teacher pay and automatically grows each year when tax receipts increase.²⁰

According to the Auditor General, Arizona district teachers received an average of \$5,840 in salary from the Classroom Site Fund in FY 2017 and \$7,255 in FY 2020, for a net increase over this period of \$1,415. But like the inflation adjustments above, districts counted this increase *toward* their targeted 20x2020 pay raises, even though the districts received these additional Classroom Site Fund revenues *on top* of the extra 20x2020 dollars.²¹

With over 50,000 district teachers statewide, this

translates to more than \$70 million of funding that districts used to displace rather than complement the 20x2020 dollars given for teachers. (Notably, this \$70 million is only a *portion* of the approximately \$120 million in additional annual funding that districts received during this time from the Classroom Site Fund.²²)

Legislative Intent of Teacher Pay Raises Crowded Out

Between the two sources of state funding that already provided support for baseline increases in teacher pay (\$2,011 per teacher from annual inflation adjustments and \$1,415 per teacher from higher Classroom Site Fund revenues), *over half* of districts' average \$6,442 teacher pay raises through fiscal year 2020 are accounted for. This means that districts used the 20x2020 dollars given to them (for the express purpose of increasing teacher pay) to provide an average salary boost of just \$3,016—that is a 6.2% increase, or less than half of the 15% target that lawmakers worked to fund by fiscal year 2020. Indeed, as summarized in Figure 2 (next page), just over 40% of the targeted 20x2020 funds were used to supplement classroom teacher pay.

Observers might wonder why such a finding is even significant. Indeed, on one hand, it might seem that schools deserve applause for finding ways of meeting their pay raise targets by leveraging existing fund sources in order to free up a portion of the new dollars for other educational uses. On the other hand, however, districts' decisions to use their funds this way will likely further relegate Arizona to an endless cycle, which has gone—and continues to go—essentially as follows:

1. School district and union advocates warn of low teacher salaries.
2. Arizonans respond with a massive infusion of new state funding aimed specifically at

the problem (and in the case of 20x2020, sufficient new dollars to bring Arizona teacher pay to the national median).²³

3. Schools use a significant portion of the new funds to simply displace rather than complement existing funding for teacher pay raises and allow inflation to erode the real value of the salaries over time.
4. Process repeats.

Districts Have Shortchanged Teachers Before, Are Poised to Again

Unfortunately, this cycle is more than mere abstract conjecture. Rather, it reflects the documented behavior of school districts in the past—via Proposition 301—and is already playing out again in the present.

In 2000, Arizona voters approved Proposition 301, which enacted an additional 0.6 cent sales tax rate to fund teacher pay raises and other instructional uses via the newly established Classroom Site Fund.²⁴

This measure provided an immediate and significant increase in teacher salaries, with the state Auditor General reporting that school districts successfully boosted teacher pay from \$37,176 to \$39,973 from fiscal year 2001 to fiscal year 2002 (the first year of its implementation), an 8.8% increase.²⁵

Yet districts promptly though quietly reversed those gains. Between fiscal year 2002 and fiscal year 2008 (typically revered by public school advocacy groups as the golden age of Arizona's K-12 funding), districts' annual revenues and expenditures further increased by over \$500 per pupil (adjusted for inflation),²⁶ but average teacher salaries *declined by more than \$2,000* in inflation-adjusted

Figure 2

FY 17 - FY 20 Increases in Teacher Pay Show that Districts Used Less than Half of 20x2020 \$ for Classroom Teachers	
Total Reported Increase in Average Teacher Salaries ⁱ	\$6,442
Less amounts already funded from automatic state funding increases	
Classroom Site Fund ⁱⁱ	\$1,415
Annual inflation adjustments ⁱⁱⁱ	\$2,011
Actual increase attributable to 20x2020 dollars	\$3,016
vs.	
Funding districts received per teacher for salaries from 20x2020 ^{iv}	\$ 7,053
% of 20x2020 dollars actually used for classroom teacher salaries	43%

- i. Total increase in teacher salaries as reported by Arizona Auditor General FY 2020 District Spending Report.
- ii. Auditor General reported \$5,840 of funding per teacher in Arizona from the Classroom Site Fund in FY 2017 and \$7,255 in FY 2020, for a net increase of \$1,415. This amount does not even include the additional automatic increases schools received from the Classroom Site Fund that were used for non-classroom teacher expenditures.
- iii. The Arizona Joint Legislative Budget Committee FY 18 - FY 20 Appropriations Reports record that public schools received base level inflation adjustments of 1.31% in FY 2018, 1.8% in FY 2019, and 2.0% in FY 2020, for a cumulative increase of approximately 5.2%. Based on JLBC data, approximately 80% of teacher salaries are supported by the base level, with the remainder funded by the Classroom Site Fund, federal funds, and other sources. Therefore, approximately 80% of the \$48,372 FY 2017 average teacher salary was subject to the 5.2% inflation funding allowance, resulting in an average increase in inflation funding for teacher salaries during this period of \$2,011. Under an alternative calculation method: the FY 2018 - FY 2020 Appropriations Reports record total inflation adjustment funding for Arizona public schools of \$312 million, of which approximately \$250 million supports district rather than charter schools. JLBC has estimated in the Fiscal Year 2019 Appropriations Report that “only about 48% of base level monies fund teacher salaries and ERE costs,” which translates to an estimated \$120 million of the \$250 million in inflation funding that would typically go to support teacher salaries and benefits. Utilizing the JLBC assumption that benefits add an 18.4% increase in the costs of teacher salaries, this suggests that approximately \$101 million of the funding increase would correspond to district teacher salary increases, with the remainder covering the increased benefit costs. As with the prior calculation, this translates to a nearly \$2,000 increase per teacher.
- iv. Based on a \$9,674 (20%) cumulative increase above FY 2017 salary level (\$48,372) by FY 2021—adjusted slightly per JLBC for a lower cost of charter school teachers. Also adjusted to the interim 15% target by FY 2020. The increase in funding that districts received for teacher salary increases is in addition to extra funding from 20x2020 necessary to cover the costs associated with the corresponding increase in Employee Related Expenditures (such as retirement benefit costs), as reported by the JLBC “Background on Teacher Pay Raise Calculations” legislative report.

terms. This means that **over the same years that school districts received and spent an extra \$10,000 per classroom of 20 students annually, districts subtly reduced teacher pay by more than \$2,000.**

Specifically, state Auditor General records show that school districts increased average teacher salaries to \$44,967 by 2008,²⁷ representing an additional 12.5% increase in pay between fiscal year 2002 and fiscal year 2008 in *nominal* terms. But inflation over this period exceeded 17%, meaning that in *real terms*, teacher salaries fell by nearly 5%, even as overall district spending outpaced inflation.²⁸ In today's dollars, that overall erosion in teacher pay equated to a \$2,300 decrease in real salaries—all during the historic boom years of K-12 funding in Arizona.

Figure 3 shows these trajectories clearly. Districts' per-pupil revenues and average teacher salaries both jumped significantly in the first two years of Proposition 301's implementation relative to their fiscal year 2001 levels. Yet **even as districts sustained an 11.8% increase in inflation-adjusted revenues by fiscal year 2008 (the last year**

of the pre-recession funding boom), districts allowed *real* teacher salaries to languish, ending the pre-recession boom just 0.5% higher than they had been before Proposition 301 was even implemented.²⁹

This is particularly troubling because it reveals that **even during the years when districts were more flush with funding than any other point in state history, they used virtually none of this increase to raise classroom teacher salaries in real terms.** Indeed, only when state tax revenues subsequently cratered and K-12 funding cuts were made during the Great Recession did teacher salaries begin to move in real terms: downward.

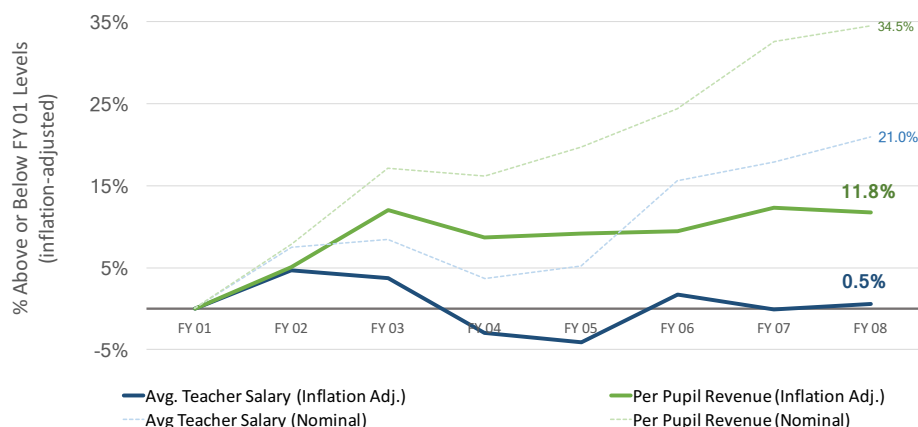
The Auditor General noted this troubling asymmetry back in 2011, pointing out that districts put a comparatively small share of their increasing K-12 expenditures toward actual instruction during the boom years, while then disproportionately *cutting* from instruction during the recession:

The percentage [districts] spent on instruction also decreased between fiscal years 2004 and 2009, when overall spending

Figure 3

Teachers Received Minimal Sustained Salary Increases Even During Funding Boom Years between Prop 301 and the Great Recession (FY 2001-FY 2008):

AZ District revenues increased 11.8% in inflation-adjusted terms, while the initial increase in average teacher salaries eroded to just 0.5%



Source: Author's calculations based on districts' average teacher salaries as reported in the Arizona Auditor General FY 2001 – FY 2009 Public School Districts Dollars Spent in the Classroom reports and Joint Legislative Budget Committee All Funding FY 2001 – FY 2021, adjusted for inflation using Bureau of Labor Statistics CPI figures, in constant 2020 dollars.

per-pupil increased nearly 20 percent. In fact, **between 2001 and 2009, only 55 percent of increased spending went to instruction, while 80 percent of the 2010 spending decrease came from instruction.**³⁰

District Violations of Voter Will and State Law

Unfortunately, districts' de-prioritization of teacher salaries represents more than a mere failure to keep salaries up with inflation. Rather, it represents a sustained practice of redirecting state funds away from their intended beneficiaries. Indeed, the Auditor General raised the red flag over a decade ago warning that districts were simply substituting new dollars for old rather than combining them together to genuinely improve pay for teachers.

As shown in Figure 4, for example (excerpted from the 2009 Auditor General District Spending Report), districts responded to the new Proposition 301 (Classroom Site Fund) dollars by *reducing* the share of their spending that made it into the classroom over the entirety of the following decade.

Perhaps even more strikingly, however, the agency reported in 2008 and 2009:

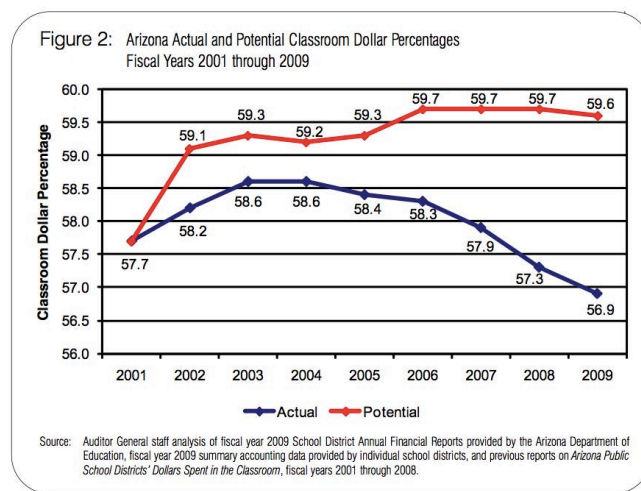
One reason the declining classroom dollar percentage merits attention is that **it is the opposite result of what was expected when voters authorized Proposition 301, which was intended to increase classroom spending.** The CSF monies provided by Proposition 301 beginning in fiscal year 2002 were largely restricted for classroom purposes, primarily for increasing teacher pay. ... Arizona's declining classroom dollar percentage indicates that many **districts are likely using these CSF monies to supplant other district mon-**

ies, which is a violation of Arizona Revised Statutes §15-977(A). Supplanting means that districts have used the CSF monies to replace, rather than add to, monies being spent in the classroom. ... [T]he state-wide classroom dollar percentage is, for a second year, lower than it was prior to receipt of the first CSF monies. ... After an initial 2-year increase, the classroom dollar percentage has steadily decreased each of the last 5 years.³¹

With the infusion of these CSF monies largely directed to the classroom, the State's classroom dollar percentage and teachers' salaries could have been higher. ... **If districts had continued spending their non-CSF monies in the classroom at the same rate they did prior to receiving CSF monies ... teacher salaries would have been about \$7,500 higher, on average.**³²

In other words, the official watchdog agency of Arizona state government concluded over a decade ago that districts had disregarded the will of voters, likely violated state statute, and were delivering \$7,500 less per year to each teacher than they could have

Figure 4



Source: Arizona Auditor General, Arizona Public School Districts' Dollars Spent in the Classroom Fiscal Year 2009

with the extra funding given to them by taxpayers.

Districts Keep Teachers Running in Place while Advocates Mislead Voters

Districts' behavior in the wake of Proposition 301 offers both a striking parallel and warning regarding their response to 20x2020: In both cases, districts did increase teacher pay. But in both cases also, districts then redirected a significant share of their prior funding *away* from classroom teachers, setting in motion a longer-term stagnation and *decline* in real salaries.

Indeed, in the same way that teachers found their salary increases already beginning to unwind even before the Great Recession hit, lawmakers may find that their most recently authorized investment of taxpayer dollars for teacher pay is rapidly being diluted. In fact, we seem to be hearing about it already.

Consider that in 2018—shortly after the 20x2020 legislation was passed—the Arizona Tax Research Association (ATRA) calculated that the package would give enough funding to boost Arizona's average teacher pay to the 26th highest in the country—the *16th highest when adjusting for differences in the cost of living* across the states.³³

Yet as recently as February 2021, various Arizona news outlets reported that “Arizona has the lowest wages for teachers in the nation,”³⁴ while advocacy organizations such as Expect More Arizona continue to prominently display (as of April 2021) that “Arizona ranks 50th” in teacher pay, citing average salaries of roughly \$48,000.³⁵

How can this vast disparity be reconciled? On one hand, such continued dire pronouncements (based on badly outdated figures) reflect a troubling unawareness of the dramatic increases in Arizona teacher pay over the past three years—or else an

opportunistic willingness to simply ignore those increases for the sake of sustaining the narrative that Arizona lawmakers chronically underfund our teachers.

But to the extent that there *is* truth to teacher salaries coming up short of their 20x2020 potential—the subtle yet significant leakage of funding away from teachers' wallets and into districts' broader budgets should greatly concern lawmakers as a likely major contributing factor.

Indeed, legislators' expectations and ATRA's calculations hinged upon schools committing themselves (and their new dollars) to increasing teacher salaries. But if, as shown in the Auditor General data and this report, districts have already been quietly shifting hundreds of millions of dollars of annual funding away from classroom teachers, they may indeed have blunted the impact of 20x2020 after all, much as they did with Proposition 301.

Explanations Fall Short

Several factors have been offered to explain the discrepancy between what the state has funded and what districts have paid to their teachers when it comes to the 20x2020 salary increases, and these proposed explanations are worth addressing.

First, school officials note that districts cannot simply pass on, dollar for dollar, the entirety of their funding increase for teacher salaries without taking a hit to their budgets, since higher teacher salaries automatically increase districts' employee benefit costs for things like teacher pensions. As Chuck Essigs of the Arizona Association of School Business Officials noted of the fiscal year 2020 teacher salary raise shortfall, “Districts have to make sure that they're including funds in their budget, not only to fund the salaries of teachers but also to

make sure that they fund the benefits that go along with those salaries.”³⁶

As Essigs’s comments suggest, mathematically, districts *cannot* meet their targeted salary increases (without creating a shortfall elsewhere) unless given *extra funding* specifically to account for benefit costs. Yet this is precisely what lawmakers did with 20x2020, as the total funding given to districts was explicitly calculated to include an “additional percentage increase [18.4%] needed to cover higher Employee Related Expenditure (ERE) costs” for the schools.³⁷

Second, as noted earlier in this report, all districts received an equal per-pupil increase in funding from 20x2020, meaning that some districts may have received a somewhat higher or lower amount of new funding than would correspond to the targeted increases in teacher pay.³⁸ Yet as explained above, this dynamic fails to explain the *aggregate* shortfall in salary increases (especially in light of the extra funding from inflation adjustments and the Classroom Site Fund that would have more than made up for any district specific disparities). Notably, even among the 138 districts whose average teacher salaries were *lower* than average in 2017 (meaning their costs to increase salaries to target levels under 20x2020 would have been more than fully covered), hardly better than *half* (77) even met the nominal 15% fiscal year 2020 pay raise target, *even after accounting for their extra Classroom Site Fund and inflation dollars*.³⁹ Some historically lower-paying districts, such as Yuma Elementary, distinguished themselves by using the new state funding to help dramatically increase average teacher salaries by over \$12,000 through fiscal year 2020, but such aggressive prioritization of the new dollars toward teacher salaries appears to have been an outlier.⁴⁰

Third, the Auditor General’s office itself noted that changes in teacher population may have had a

significant impact on the actual salary levels for a number of districts:

We identified many districts whose average teacher salary *decreased* [emphasis added] between fiscal years 2019 and 2020 and spoke with district officials to understand why this occurred. The most common reason given for the decreases were changes in the teacher population at the district including “retirement of tenured teachers, generally with higher experience levels than newer teachers and who are often paid higher salaries ... hiring of new teachers with little or no teaching experience who are often paid lower salaries than more tenured teachers,” and “hiring of teachers new to the district who may have prior teaching experience but are placed lower on the salary scale because they are new to the district.”⁴¹

While such changes in personnel may explain the lackluster salary increases at certain districts, the Auditor General notes that this dynamic was most relevant at “small and very small districts where a change in 1 or 2 teachers’ salaries can have a larger effect on the districts’ teacher salaries than at a larger district.” In other words, at medium and larger-sized districts, districtwide salary averages would be far less likely to fluctuate due to a small handful of teachers entering or exiting the payroll system. Moreover, teacher turnover seems to offer a weak explanation for the *overall* shortfall in salary raises, as Auditor General data shows that across districts statewide, the “average years of teacher experience” *rose* from 2017 to 2020 (from 11.3 to 11.7 years), while the “percentage of teachers in first 3 years” *fell* slightly from 19% to 18%.⁴² Together, these trends suggest that districts’ pay raises were not stunted by paying for younger, lower-salaried teachers.

Lastly, various advocates have argued that the

state's 20x2020 package failed to provide extra funding for a broad enough swath of educators, leaving districts forced to spread some of the dollars away from those who are more strictly identified as teachers. Yet even for those believing that 20x2020 funding should have been based on a looser definition of "teacher," as noted above, districts received approximately \$120 million more in annual funding via the state's Classroom Site Fund from fiscal year 2017 to 2020 (*on top of what they received from the 20x2020 funding package*). As the executive director of the Arizona School Administrators noted of the pay raises in 2018, such dollars would have been available for a wider swath of instructional staff than those targeted by 20x2020: "If you use the classroom site fund definition, you essentially could give salary increases to ... a more inclusive, broader category" of educators, including those who might fall outside the narrower definition of teacher.⁴³ This means that districts could have given the remaining \$50 million increase in Classroom Site Fund dollars to these other educators, *in addition to* whatever portion of the \$70 million increase that went to "teachers" that displaced 20x2020 dollars.

District Staffing Priorities and Stagnant Teacher Pay

One additional potential factor remains: Arizona's student-teacher ratio did tick down slightly from fiscal year 2017 to 2020—which would require spreading some of the new dollars over a larger number of teachers rather than increasing individual teachers' pay by as much. Yet this too seems a poor explanation for the magnitude of the salary shortfalls. (Statewide, district enrollment counts and student-teacher ratios were virtually unchanged between fiscal year 2019 and fiscal year 2020, for example, and yet districts still gave teachers less than two-thirds of the incremental increase they were funded for that year.⁴⁴)

More broadly, however, school district staffing patterns and expenditure priorities do offer some potential insight into the disconnect between long-term increases in district expenditures on one hand and static average teacher salaries on the other. Arizona's student-teacher ratio, like inflation-adjusted teacher salaries—has remained essentially flat over the past 40 years, declining slightly from 18.8 students per teacher in fiscal year 1981 to 18.1 as of 2020.⁴⁵

Yet over a similar period, the ratio of district "supervisors, managers, and directors" per student has ballooned by nearly a third, from one for every 392 students in 1984, to one manager for every 281 students in 2020.⁴⁶ Similarly, in financial terms between fiscal years 2001 and 2020, school districts increased their average spending on administration per class of 20 students by \$1,940 in inflation-adjusted terms, while teacher salaries failed to increase at all during that period.⁴⁷ In fact, as Figure 5 shows (next page), districts have increased spending in every operational area over the past two decades in inflation-adjusted terms, while teacher salaries have languished.

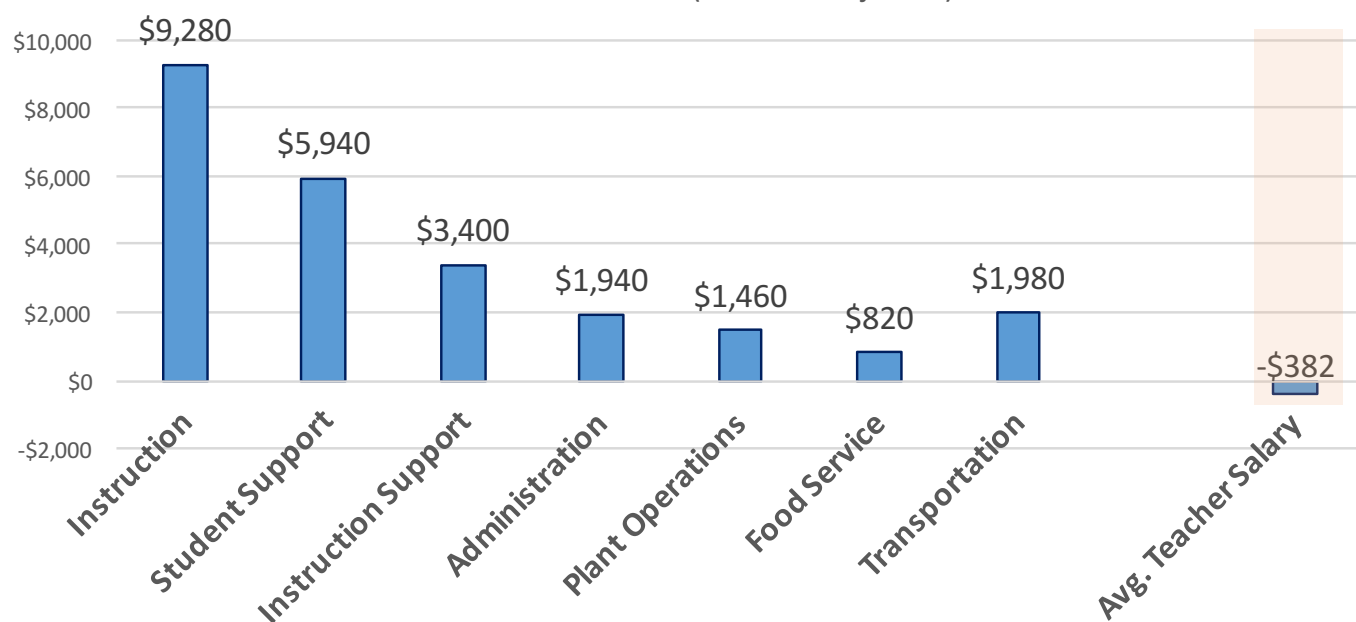
As a result of such patterns, it is perhaps no surprise that districts have reduced the share of their spending on teacher salaries from 37% to 28% over the past four decades.⁴⁸

Taken together, these trends reflect the same troubling pattern of poorly prioritized higher spending and increased staffing seen throughout America's school systems—one specifically identified in 2020 by Eric Hanushek of Stanford University:

Expansion of personnel and stagnant wages are not independent of each other, both competing for the same bites at the apple. With limited budgets, the **broad increases in both teachers and staff have undoubtedly worked to hold down any salary**

Figure 5

**District Operational Spending Increases
per Class of 20 students vs. Change in Average Teacher Salary
FY 2001 - FY 2020 (inflation adjusted)**



Operational spending increases based on per-pupil, inflation-adjusted increases as reported by the Auditor General FY 2020 District Spending Report. Change in Average Teacher Salary based on reported 2001 and 2020 average teacher salaries reported in the Auditor General Fiscal Year 2003 and 2020 District Spending Reports, adjusted for inflation using Bureau of Labor Statistics CPI for All Urban Consumers, All Items, 1980-2020. <https://www.bls.gov/data/>.

increases, while the substantial increases in budgets over the past half century have gone to increases in numbers of teachers and staff. Existing research indicates that this is not the best way to use the funds available. While the effect of class size on achievement has been a contentious area of research, the debate has largely focused on whether smaller class size produces a consistent boost in achievement—not over whether this is the best use of funds. Small increases in the pupil-teacher ratio or the pupil-staff ratio can release substantial funds that might go toward ... compensation enhancements.⁴⁹

Teachers Lose as District Budgets Swell

Finally, Arizona school districts experienced a decline of approximately 50,000 students in fiscal

year 2021 as a result of the COVID-19 pandemic and the campus closures (even as charter schools in the state *grew by 11,000*).⁵⁰ Yet budget uncertainty and enrollment pressures from COVID-19 offer a similarly poor explanation for any shortfalls in teacher pay raises described in this report through fiscal year 2020. As noted by the Auditor General:

It may not be evident that the COVID-19 pandemic impacted fiscal year 2020 spending because per pupil spending in most operational areas remained similar to fiscal year 2019 amounts. This is likely because only the final 3.5 months of fiscal year 2020 were impacted by the pandemic, school districts were required to continue paying salaries and benefits for employees over the duration of the school closure.⁵¹

In other words, teacher pay for fiscal year 2020 was already locked in prior to the surge of COVID-19

and the resulting school closures.

While the COVID era may explain little of the shortfall in salary increases, it does offer one final revealing example of the chronic de-prioritization of teachers among large sectors of the traditional public school system. As described by the staff of the Governor's Office of Strategic Planning and Budgeting, "despite formula losses" associated with enrollment declines in fiscal year 2021, Arizona's public schools are in the "strongest cash position ever"⁵² with over *\$4 billion* in new federal funding for K-12 in Arizona, including \$2.5 billion from the third wave of federal stimulus funds alone.⁵³ These funds, which schools are allowed to stretch into their budgets for several years are *on top* of a significant accumulation of fund balances districts had already stockpiled during the pre-pandemic years. Indeed, as recorded in the Arizona Department of Education's annual reports, districts' leftover balances of general "maintenance and operation" (M&O) funds surged nearly \$500 million from the end of fiscal year 2017 to the end of fiscal year 2020, (that is, even before the majority of the federal stimulus funds were added to the pile).⁵⁴

Yet despite these record infusions of funding and swelling district budget balances, educators have found themselves on the chopping block. In March 2021, for example, Gilbert Unified School District announced the layoffs of 152 educators due to dropping enrollment⁵⁵ even as the leadership of Gilbert's neighbor, Mesa Unified School District, confessed that with the avalanche of federal funding, "It's exciting but also terrifying to know we have so much to spend. ... Our enrollment has been down about 6 percent but we have not laid off any teachers."⁵⁶

Moreover, even higher levels of Arizona's education bureaucracy have again shown less willingness to prioritize putting available K-12 dollars into the classroom than in manufacturing outrage at state

lawmakers.

In response to the Gilbert Unified educator layoffs, for instance, State Superintendent of Public Instruction Kathy Hoffman shifted blame away from public education officials: "Our lawmakers are sitting on a \$1 billion rainy day fund and \$2 billion budget surplus. ... There is no excuse for our state to not be fully funding our schools in the sense of making up the difference of these enrollment declines, and also fully funding distance learning."⁵⁷ Yet at the same time the superintendent was blaming lawmakers, the state Department of Education (under her leadership) declined to release up to \$85 million of federal relief funding from its administration to public schools as expressly requested by the chairwoman of the Arizona House of Representatives Education Committee.⁵⁸

Such patterns of behavior mirror all too closely the trends of the past 20 years, which have consistently favored expansion of the educational leviathan over the streamlined focus on actual pupil instruction.

Conclusion

There is no doubt that various forces *are* pressing down on teacher pay, such as broken and increasingly costly public pension systems that penalize younger teachers—the vast majority of whom will help subsidize the system without ever realizing a significant benefit from it.⁵⁹ But leaders of the education establishment cannot continue to have it both ways: insisting on the status quo against necessary reforms of costly benefit programs and the like, while constantly messaging to prospective and current teachers and voters there is not enough money available to adequately pay for teacher salaries.

Rather, public school officials should ensure that certain wasteful trends and behaviors of the past

are no longer repeated. As the Auditor General has identified, for example, Arizona’s school districts built new facilities at three times the rate of student growth over the past two decades, including “districts that rebuilt existing schools with much larger facilities when no substantial student growth was expected.” Other districts, meanwhile, have spent millions of dollars “employing more non-instructional staff than peers, paying unnecessary overtime, and paying employees for hours not worked.”⁶⁰

If school systems wish to steadily increase spending on other staff and uses besides classroom teacher salaries, they should of course remain free to do so—identifying and pursuing academically valuable investments and programs as they see fit. But schools should be making the case for *these* uses, not perpetually using teacher pay to win public sympathy, only to turn around and direct the new funds they are given elsewhere, as has occurred under Proposition 301 and 20x2020, and would almost certainly happen under the recently voted on Proposition 208 state income tax increase if enacted.⁶¹

To that end, Arizona lawmakers might consider ways to strengthen the link between taxpayers’ investments in K-12 education and the effective use of those dollars, including:

- Requiring the disclosure of *total* compensation paid to teachers, regardless of whether via salary, performance pay, pension contributions, or otherwise, alongside school-level spending data.
- Reevaluating the investments of taxpayer money going to public schools under the guise of one purpose (such as teacher pay or academic enrichment) that are ultimately being used for others (such as racially and politically divisive professional development programs and class-

room curricula).

- Promoting student-centered learning opportunities and per-pupil funding approaches that can channel up to 100% of a child’s formula funding directly to teachers and tutors or other uses such as special education therapies as needed for each individual child.

For too long, the education establishment has decried Arizona’s commitment to K-12 education while channeling taxpayer investments away from students and teachers. For too long, the establishment has denied the extraordinary academic gains made by our students amid a culture of school choice while seeking to restrict educational access and opportunity.⁶² It is time that policymakers on behalf of their constituents recognize the magnitude of taxpayer spending on education and ensure that students, families, and teachers—not bureaucrats and union bosses—are empowered to thrive.

ENDNOTES

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- 12 The 22% potential teacher raise funded by the state through fiscal year 2020 includes only the \$70 million of additional Classroom Site Fund dollars that districts actually put toward classroom teacher pay (based on the \$1,415 average increase in teacher pay funded by the Classroom Site Fund, as reported by the Auditor General). Technically, districts received a further \$50 million annual increase from the Classroom Site Fund during this period that also could have been used for classroom teachers to increase their overall compensation even further. Also, the 20x2020 funds and annual inflation dollars are comingled together in districts’ operating budgets and thus cannot be strictly differentiated. Amounts shown thus display the equivalent dollars put toward teacher pay assuming district’s proportionally used their annual inflation adjustments for teacher pay raises, while making up the balance of the non-Classroom Site Fund increase using the new 20x2020 dollars.
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salary increase calculations.

20 Only a small portion of Classroom Site Fund monies was intended by legislators to be used toward the 20x2020 goals, and not until fiscal year 2021. As stated by Dr. Chuck Essigs of the Arizona School Business Officials: “Fiscal year 2021 was the first year where a portion of the Classroom Site Fund, which is the money from the sales tax from Prop. 301, actually went into the teacher salary increase. The prior years, the state picked up the full cost of increasing teachers’ salaries, but for fiscal year 2021 and future years going forward, a portion of that money will come out of the Classroom Site Fund.” Despite this legislative intent, however, school districts counted Classroom Site Fund increases through fiscal year 2020 toward their 20x2020 targets, rather than using them to increase teacher pay further. See: Lisa Irish. “Where Efforts to Increase Teachers’ Pay Stand.” AZEdNews. December 1, 2020. <https://azednews.com/where-efforts-to-increase-teachers-pay-stand/>

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