

TEACHER PAY PLAN
Governor Michael F. Easley
Senate President Pro Tempore Basnight and House Speaker Black

Executive Summary

The 2005-06 enacted state budget directs the Governor, in consultation with the Speaker of the House and the Senate President Pro Tempore, to address pay disparity between teachers in North Carolina and the rest of the nation. A four-year plan has been developed that will place North Carolina average teacher salary above the national average by the 2008-09 school year and make North Carolina's beginning salary much more competitive in the region and across the nation. Teachers will receive an annualized permanent \$750 salary increase this year beginning in the November paycheck. This increase is in addition to the 2.24 percent raise included in the budget. In each of the following three years, they will receive an average 5 percent increase resulting in an average salary of \$52,266 in 2008-09. The enacted budget provided \$85 million that supports the \$750 increase.

TEACHER PAY PLAN
Governor Michael F. Easley
Senate President Pro Tempore Basnight and House Speaker Black

Background

North Carolina's vitality in the global, knowledge-based economy of the twenty-first century requires a superior system of K-12 public schools. To ensure high quality educational opportunities for all children, North Carolina has implemented a strategic approach of high standards, targeted investments, and accountability for resources and results.

Since the early 1990s, North Carolina has been acknowledged as having one of the strongest systems of standards and accountability in the nation. Over that time, the state has seen significant gains in achievement on both state and national assessments. The recent National Assessment of Educational Progress results showed that North Carolina made the greatest increases in mathematics since the inception of the NAEP exams in the early 1990s.

Despite difficult budget times since 2001, the state refused to accept the status quo or to slow its commitment to investing in public education. Instead, North Carolina embarked on a new wave of research-based investments and new accountability for state funding to spur further gains in academic achievement for all students. This has led to, among other things, the following efforts:

- Launching and expanding the *More at Four* Prekindergarten Program for at-risk four year-olds
- Reducing class size ratios in grades K-3
- Investing significant funds in the Low Wealth and Disadvantaged Students Supplemental Funds to provide resources to improve student performance and teacher recruitment and retention
- Imposing new levels of accountability with greater requirements on existing funds for at-risk students and with "turnaround teams" for low-performing high schools
- Developing one of the nation's most aggressive high school reform strategies and committing to creating by 2008-09 seventy-five *Learn and Earn* high schools on community college and university campuses, in addition to 100 new economic development-themed high schools with support from the Gates Foundation
- Establishing a new revenue stream for public education with the NC Education Lottery and directing its proceeds to support prekindergarten for at-risk four year-olds, smaller classes in grades K-3, school construction needs, and need-based college scholarships
- Expanding the "2+2" teacher education partnerships between university and community colleges and teacher scholarships for shortage areas
- Creating the first-in-the-nation Teacher Working Conditions Survey to identify areas of focus to improve teacher effectiveness and retention

Teacher Pay Makes a Difference

As North Carolina continues its efforts to improve education, it must keep in the forefront its commitment to providing every child with a high quality, effective teacher. The recruitment and retention of effective teachers is one of the most important strategies for any state to ensure strong schools and increased academic achievement. Authoritative analysis by noted researchers such as Sanders, Ferguson, and Hanushek have demonstrated the link between teacher quality and student achievement.

To attract and retain the teachers we need and want in our classrooms, improving teacher pay and working conditions must be our top priorities. North Carolina has already put in place a teacher working conditions initiative that has become a national model for states. Further, we took steps in the last legislative session to ensure that effort continues and we receive information from teachers about what they need to improve their effectiveness in the classroom.

The state has also taken steps to provide pay incentives for teachers and increase overall compensation for teachers in low-wealth school districts and hard-to-staff schools. In the last legislative session, the state provided \$20 million for 80 low wealth counties and \$22.5 million for 16 districts through the Disadvantaged Students Supplemental Fund (DSSF) with the intent of providing additional resources for attracting and retaining teachers in these schools and school districts.

North Carolina has made tremendous progress since 1996 when the state ranked 43rd in the nation in teacher pay. Georgia and North Carolina led the nation, respectively, in growth in average annual salary between 1994 and 2004.¹ Today, the state ranks 23rd in pay according to the American Federation of Teachers and 27th according to the National Education Association.

Beginning teacher salary plays a crucial role in recruiting quality teachers to this state. North Carolina is less competitive in this area than in overall teacher pay. The \$750 increase in the first year of this plan helps beginning teacher salary as \$750 is a greater percentage of beginning salaries than of those of more experienced teachers. North Carolina's beginning teachers earned \$27,572 in 2004, a ranking of 38th compared to other states.² The national average was \$31,704. When adjusted for North Carolina's lower cost of living, North Carolina's beginning teacher average salary increases to \$29,489. Furthermore, raising beginning teacher salaries is important for recruitment and retention in school districts such as Hoke, Halifax, Charlotte-Mecklenburg and other counties with large numbers of disadvantaged children because of their high percentage of teachers with fewer than three years of experience.

Fifteen states ranked above North Carolina in beginning teacher salary, yet reported lower overall average teacher salaries. North Carolina must become more competitive in beginning salary in order to recruit the most qualified teaching candidates from out-of-state and to prevent newly licensed graduates of in-state institutions from moving to other states.

¹ *Survey and Analysis of Teacher Salary Trends 2004*, American Federation of Teachers.

² *Ibid.*

Beginning and All Teacher Salaries 2004

	United States	North Carolina	Rank
Beginning Teachers	\$31,704	\$27,572	38
All Teachers Average	\$46,597	\$43,211	23

Source: Survey and Analysis of Teacher Salary Trends 2004, American Federation of Teachers.

The Plan to Increase Teacher Pay

The 2005-06 enacted state budget directs the Governor to develop a plan, in consultation with the Speaker of the House and Senate President Pro Tempore, for addressing pay disparity between North Carolina and the rest of the nation. The four-year plan presented here will move North Carolina beyond the national average and dramatically improve the competitiveness of our starting teacher salary.

Under this plan, North Carolina's teachers will earn an average salary of \$52,266, placing them above the average salary across the nation by 2008-09.³ To achieve this goal, teachers will receive an average 4.24 percent salary increase this year. In addition to the average 2.24 percent increase already provided in the 2005-06 enacted budget, teachers and school-based administrators will receive an annualized \$750 permanent salary increase at an annual cost of \$85 million, provided in the 2005-06 enacted budget. The raise will begin in teachers' November paychecks. The flat dollar approach ensures all teachers receive a significant pay increase, while investing more in teachers at the beginning of North Carolina's salary schedule than an across-the-board percentage increase would do. This provides an initial necessary step to increase dramatically the competitiveness of our starting teacher salary.

Moving North Carolina Above the National Average Teacher Salary in Four Years

Year	US Average Teacher Salary	NC Average Teacher Salary
1995-96	\$37,642	\$30,411
1996-97	\$38,477	\$31,167
1997-98	\$39,351	\$33,129
1998-99	\$40,544	\$36,883
1999-2000	\$41,807	\$39,404
2000-01	\$43,395	\$41,496
2001-02	\$44,660	\$42,680
2002-03	\$45,776	\$42,411
2003-04	\$46,752	\$43,211
2004-05	\$47,750	\$43,313
2005-06	\$48,963	\$45,149
2006-07	\$50,020	\$47,406
2007-08	\$51,115	\$49,777
2008-09	\$52,206	\$52,266

Source: NC historical and US historical and projected figures provided by NCAE and based upon NEA figures.

³ The North Carolina Association of Educators (NCAE) projects that the average national teacher salary will be \$52,206 in 2008-09.

An additional increase of 5 percent on average for all teachers will be needed in each of the following three years to exceed the projected national average. The table on the previous page shows the projected average U.S. and state earnings for each of the four years of the plan.

When adjusted for the lower cost of living (COL) in North Carolina than the nation as a whole, North Carolina average teacher salaries will be above the national average by 2006-07 and almost \$4,000 above the national average adjusted by cost of living by 2008-09, as shown below.

Projected Teacher Salaries 2009

	United States	North Carolina	Rank
All Teachers Average	\$52,206	\$52,266	TBD
Adjusted for Cost of Living	\$52,206	\$56,200	TBD

Note: 93% factor used to adjust for cost of living

Guiding Principles for the Four-Year Plan

Three principles will guide the implementation of the 5 percent average increases in teacher salary over the next three budget years. The Office of the Governor, General Assembly, and State Board of Education will continue to work on specific details to administer each year's increase in a way that most effectively achieves the state's goals.

1. The average teacher salary in North Carolina will move beyond the national average.
2. The starting teacher salary in North Carolina will become competitive regionally and nationally.
3. The state's salary schedule will continue to be based on standards and incentives for knowledge and skills.

Funding Teacher Salaries

Governor Easley's four-year plan to exceed the national average teacher salary requires an average annual increase of \$150 million in state funds over that time period, in addition to support for step increases. The enacted 2005-06 budget provides \$85 million in recurring funds to address pay disparity beginning in 2005-06. The enacted 2006-07 budget has over \$530 million in availability. Major expenses that grow quickly, including K-12 enrollment growth, Medicaid, and debt service, have already been funded. This availability provides enough room for funding for the traditional step increase and the \$150 million needed to support progress toward the national average.

In 2007-08 and 2008-09, the best estimate of economic growth is between 5.2 percent and 5.4 percent. State revenues generally grow about the same rate as the economy. This level of support is sufficient to fund average historic levels of spending growth and the teacher pay initiative.