

Teacher Compensation

Teacher compensation is the largest expense for school districts

Teacher compensation is the largest education expense in each school district. Teacher compensation includes salary, health insurance, and retirement benefits, and sometimes other incentives. Health insurance is the single largest cost component of teacher compensation after salary. Teacher compensation generally reflects a ratio of about 70 percent salary to 30 percent health care costs and retirement benefits, although employee health care costs in individual districts can vary. Dental, life, and long-term care insurance are provided in some districts, but are comparatively small costs compared to health insurance.

District salary schedules are based mostly on “steps” and “lanes”

Most school districts base teacher salary schedules on teachers’ educational training (known as “lanes”) and years of experience (known as “steps”). Some districts may partly base teacher compensation on career ladders that pay teachers based on their increasing responsibilities within the school or on pay-for-performance systems that pay teachers based on their contribution toward achieving student outcomes and schools’ educational goals, their teacher performance evaluations, and student test scores.

Teachers receive retirement benefits through the Teachers Retirement Association (TRA)

Licensed public school teachers in Minnesota are members of the state’s Teachers Retirement Association (TRA). TRA is a defined benefit plan where retirement benefits are determined based on the teacher’s retirement age, years of service, and top-five consecutive earning years. Teachers currently contribute 7.5 percent of their salary to TRA and the school district employer contributes a matching amount. Teachers and school districts also make Social Security contributions, based on the teacher’s salary.

Districts may offer incentives to retain skilled teachers

Districts may offer their teachers incentives in addition to salary and insurance. These incentives may include tuition and fee payments, education loan repayments, and salary supplements for teachers with additional preparation, such as national board-certified teachers. Districts often offer these incentives during teachers’ initial preparation period or during an additional training period.

In 2015, the legislature established a statutory loan forgiveness program ([Minn. Stat. § 136A.1791](#)) for public school teachers teaching in a licensure field and economic development region identified by the education commissioner as experiencing a teacher shortage. The annual maximum amount of loan forgiveness is \$1,000 and eligible teachers may apply for loan forgiveness for up to five consecutive school years. The legislature appropriated \$200,000 in fiscal year 2016 and \$200,000 in fiscal year 2017 for this program. Loan forgiveness is not a topic of collective bargaining.

Districts and teacher representatives must negotiate a two-year collective bargaining agreement

The Public Employment Labor Relations Act (PELRA) establishes state collective bargaining laws that govern Minnesota public employers and representatives of unionized public employees ([Minn. Stat. §§ 179A.01-179A.25](#)). PELRA places all teachers in a district in one bargaining unit for purposes of negotiating contracts. In each school district, the school board and the exclusive representative of the teachers negotiate terms and conditions of employment. PELRA requires teachers' collective bargaining agreements to be for a two-year term, beginning July 1 in an odd-numbered year.

Collective bargaining agreements establish teachers' overall compensation

Teachers' collective bargaining agreements establish teachers' overall compensation, including salaries, monetary and nonmonetary incentives, and health insurance coverage, for the entire two-year term. Collective bargaining agreements establish the number of steps and lanes, and the salaries assigned to each. Another significant element of compensation—retirement contributions and benefits—is established by law and cannot be bargained.

Districts participating in Q-Comp, an alternative teacher pay system, receive additional funds

In 2005, the legislature established a statutory alternative teacher pay system called "Q-Comp" ([Minn. Stat. §§ 122A.413-122A.416](#)). This voluntary program allows districts, schools, and teachers to design and collectively bargain a plan that includes career ladder/advancement options, job-embedded professional development, teacher evaluation, performance pay, and an alternative salary schedule. The Q-Comp program pays teachers annual stipends based on school or site-level performance measures, measures of individual teacher performance, and evaluation outcomes. Participating school districts receive up to \$260 per student (\$169 per student in state aid and \$91 per student in a board-approved levy). Participating charter schools, integration districts, intermediate districts, and the Perpich Center for the Arts, which cannot levy local taxes, receive about \$243 per student in state aid. The annual statutory statewide basic aid cap for Q-Comp in fiscal year 2017 is \$88.118 million.

Teacher compensation policies may help recruit and retain talented teachers

Teacher compensation policies may help recruit and retain talented teachers, recruit teachers to teach in subject areas with critical teacher shortages, in low-performing or high-poverty schools or in subject areas that require more preparation or effort, and may affect the retention and retirement of older, retirement-eligible teachers. A salary schedule based on teachers' educational training and years of experience provides predictable, incremental increases in teacher salaries over time and lets administrators readily determine teachers' salary increases. Alternative schedules that combine steps and lanes to establish a minimum salary with additional increases to reward individuals' efforts or to recognize those fields where teacher shortages exist, where nonteaching jobs pay high wages, or where additional preparation or effort is required are more flexible but less predictable than steps and lanes alone.

For more information: Contact legislative analyst Lisa Larson at 651-296-8036.

The Research Department of the Minnesota House of Representatives is a nonpartisan office providing legislative, legal, and information services to the entire House.