

JEFFERSON PARISH SCHOOL TAX, NOVEMBER 18, 2017

INTRODUCTION

On November 18, Jefferson Parish voters will decide whether to authorize a new property tax for their public schools. The proposed 10-year millage would provide additional funds to increase the pay of teachers and other employees.

This report is intended to help voters make an informed choice in the election. It explains the tax proposition and then provides background, current context and an analysis grounded in BGR's mission of promoting the effective use of public resources. The report concludes with BGR's position on the tax.

AN OVERVIEW OF THE NEW SCHOOL TAX

The Jefferson Parish School Board (the School Board) has proposed a new 8.45-mill property tax for 10 years, beginning in 2018. The tax would be levied parishwide.

The School Board estimates the tax would yield approximately \$27.9 million in the initial year for the payment of employee salaries and benefits.¹ As of the release of this report, the School Board had not discussed when any raises would take effect if the millage passes.

When it voted on August 8, 2017, to call the millage election, the School Board committed to raise the salaries of all employees of the Jefferson Parish Public School System (the School System) by the following amounts:²

- A \$4,000 increase in base pay for every certified teacher.

- A \$3,000 increase in base pay for all other employees in positions with an average annual salary of at least \$20,000.
- A 10% increase in base pay for all employees in positions with an average annual salary of less than \$20,000.

According to information provided by the School System, the \$3,000 increase would apply to approximately 40 different positions. Examples include school principals and other administrators, teaching assistants, aides and other para-professional educators, bus drivers, and most central office staff, including the superintendent. The pay raises apply categorically, without adjustment for variables such as current salary, job classification, performance or length of service.

The 10% increase would apply to 12 positions that are mostly part-time. They include: general clerks, bus attendants, child care workers, child nutrition workers, crossing guards, helpers, monitors and para-transportation support personnel.

TABLE I: JEFFERSON PARISH SCHOOL BOARD'S PROPOSED PAY INCREASES

	Proposed Increase in Base Pay	Number of Employees	Initial Annual Cost, with Related Expenditures*
Certified teachers	\$4,000	3,350	\$17,438,358
Other employees in positions with average salaries of \$20,000 or more	\$3,000	2,284	\$8,916,987
Employees in positions with average salaries of less than \$20,000	10%	1,026	\$1,547,316
Totals		6,660	\$27,902,661

* Related expenditures include increased pension contributions, Medicare withholding, unemployment insurance and worker's compensation insurance.

The initial \$27.9 million estimated cost to implement these salary increases includes the cost of related expenditures, i.e., increased employer contributions to Teachers' Retirement System of Louisiana (Teachers) and other pension plans, Medicare taxes, unemployment insurance and worker's compensation insurance. The pay raise for certified teachers accounts for 62% of the total cost. Table 1 summarizes the cost by employee category.

Charter schools are not included in the proposed pay raises or the distribution of the \$27.9 million. However, a local tax increase would eventually trigger an increase in the School System's funding of charter schools under the State of Louisiana's school funding formula.³ The State will determine the increased amount. The boost in charter funding would not occur until 2020-21 because of a lag between actual collections and the adjustment to property tax data in the State's formula. Currently, six of Jefferson Parish's 84 schools are charter schools. They serve slightly more than 5% of the approximately 49,400 public school students in Jefferson.

BACKGROUND

This section presents the impact of the proposed millage on taxpayers in Jefferson Parish, provides an overview of the School System's operating budget and explains how it compensates employees.

Impact on Taxpayers

The new millage would be a 37% increase in the property tax rate for the School System. The total school property tax would increase from 22.91 mills to 31.36 mills.

It also would be a significant increase in overall property taxes in Jefferson Parish. Not all millages are levied parishwide, so the total tax rate varies depending on a property's location. However, the School Board tax would be levied parishwide. For example, assuming other tax rates remain the same, the total property tax rate would increase 8% in both unincorporated Metairie and unincorporated Terrytown.⁴ In the cities of Kenner and Westwego, the tax rates would rise 10% and 9%, respectively.⁵

THE TAXPAYER'S BOTTOM LINE

If voters approve the millage, property owners would see a tax increase of 8.45 mills. A homeowner with a homestead exempt property valued at \$200,000 would pay an additional \$105.63 per year.* Commercial properties would see an increase of \$118.30 per \$100,000 of property value.**

If voters reject the proposition, the overall property tax rate for the School Board would remain at 22.91 mills.

Not all Jefferson Parish property owners would pay the tax. It would not affect owner-occupied residences fully covered by the homestead exemption, government and nonprofit owners of exempt property, and property subject to the industrial tax exemption.

* BGR calculated the homeowner impact using a value of \$200,000 based on data from the New Orleans Metropolitan Association of Realtors, which show the average sale price for a single-family home in Jefferson Parish during the 12 months ending June 2017 was \$210,039. See New Orleans Metropolitan Association of Realtors (NOMAR), "Market Statistics," <http://www.nomar.org/gsrein-mls-public/market-statistics-public.html>.

** For the commercial calculation, BGR assumed that land value accounts for 20% of total value.

The new tax would be subject to the homestead exemption. For estimates of the impact on residential and commercial tax bills, see the sidebar "The Taxpayer's Bottom Line."

The School System's Operating Budget

The new millage would increase the School System's operating budget by approximately 6%.

For fiscal year 2017-18, the School System has adopted a general fund budget of \$470 million.⁶ It derives \$222.4 million, or 47%, from the State. Local revenue makes up 52%, consisting of \$172 million in sales taxes and \$74 million in property taxes. The remaining 1% comes from a small amount of other revenue.

The School Board has historically relied more on sales taxes than property taxes to generate local revenues for operations. Its sales tax rate is 2%, while its total millage is 22.91 mills. Fifteen years ago, sales tax revenue

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provided 80% of local revenues. Today, that figure is 70%. If the new tax is approved, assuming current revenue streams remain constant, sales tax revenue will decline to 62% of local revenues.

Salaries and benefits account for more than three-quarters of the School Board's operating expenditures. In 2017-18, the School Board has budgeted \$231.3 million for the payment of salaries and \$129.5 million for health insurance, contributions to Teachers and other pension plans, retiree health care and other benefits. Combined, these expenditures make up \$360.8 million of the \$472.7 million of budgeted expenditures, or 76%. Other expenditures consist of \$31.4 million in payments to charter schools and \$80.5 million for purchased services, materials, equipment, facility maintenance and other operating costs.

Employee Compensation

The School System employs slightly more than 6,600 people. Approximately half are certified teachers.

For each position, the School System has established a salary schedule. It sets the starting and maximum salaries and the annual step increases that are contingent on the employee's satisfactory performance evaluation. For example, certified teachers with a bachelor's degree start at \$40,949 with 26 possible step increases of \$600 per year to a maximum salary of \$56,549. Those with advanced education receive additional pay. For example, earning a master's degree comes with a \$600 salary increase, and certified special education teachers receive additional compensation. Table 2 summarizes key features of the current salary schedules for teachers and certain other employees.

Recent History of Pay Raises. During the past 15 years, the School Board has increased the pay of teachers and other employees several times.

In 2003, the School Board won voter approval for a nine-mill property tax to increase teachers' salaries. Beginning in the 2004-05 school year, the School System increased pay for teachers at all levels of experience (although by different amounts to correct unfairness in the older salary schedules). It implemented the annual \$600 step increases and the additional \$600 raise per additional degree for certified teachers.⁷

In subsequent years, teachers received additional salary increases.⁸ Teachers' salary schedule increased from 2005 to 2010 as a result of multiple State-funded and School Board-funded raises. Those increases, plus the initial 2004-05 increase, boosted starting pay for a certified teacher with a bachelor's degree from \$28,134 to the current \$40,949.

The current union contract with the Jefferson Federation of Teachers (the Teachers' Union), adopted in 2015 and extended through 2021, did not increase teachers' salary schedule. The current contract does not require the School Board to consider a pay increase.

The School System last increased the salary schedules for other employees prior to 2010. For example, the most recent increase for principals, bus drivers and support workers occurred in the 2007-08 school year and for school system administrators, in 2008-09.

The School Board has funded the additional teacher pay increases – the most costly component – largely by

TABLE 2: SUMMARY OF SALARY SCHEDULES FOR NOTABLE POSITIONS

Position (Number of Employees)	Starting Salary	Annual Step Increase	Step Increases to Maximum	Maximum Salary
Certified Teachers (3,350)				
With Bachelor's	\$40,949	\$600	26	\$56,549
With Master's	41,549	600	26	57,149
With Masters + 30	42,149	600	26	57,749
Specialist	42,749	600	26	58,349
With Ph.D or Ed.D	43,349	600	26	58,949
Principals (80)				
Elementary, with Master's	79,694	500	13	86,194
Middle School, with Master's	82,694	500	13	89,194
High School, with Master's	87,694	500	13	94,194
Para-professional/ Clerical (971)	16,500	500	13	23,000

Source: Jefferson Parish Public School System salary tables

rolling forward the nine-mill tax when parish property assessments increase.⁹ Gross collections of the nine-mill tax approximated \$17 million in 2003; in 2016, they exceeded \$32 million. It has relied on growth in other general fund revenues to support pay increases for other employees.

Development of the New Millage Proposal. In the fall of 2016, Teachers' Union and School System officials discussed smaller pay raise proposals, such as raising the pay of paraprofessional educators and clerical workers. In the months that followed, they continued to meet periodically on salary issues. During the summer of 2017, the School Board discussed a possible four-mill tax to fund an across-the-board pay raise.

The current proposal departs significantly from those terms. School Board member Cedric Floyd brought the 8.45-mill tax proposal to the board shortly before its August 8 meeting, supported only by a brief presentation and a cost estimate prepared by the School System.¹⁰ The board approved the millage proposal by a 7-1 vote and committed to the broad parameters of the future pay increases outlined in the presentation. A few members expressed concern about the quick process and the timing of the election but otherwise supported sending the tax proposal to voters.¹¹

The quick board action on the millage proposal for salary increases contrasts with the board's lengthy and un-concluded deliberations on a smaller property tax proposal for school facilities. That tax would support bonds to be issued to finance \$1 billion investment in facility construction and renovation over a 20-year period. The system's facility staff developed a detailed master plan for construction. Since then, the School Board has repeatedly postponed the call for an election to authorize the bonds. Earlier this year, it retained an outside consultant to review the master plan. The School System does not expect to receive the consultant's report until early 2018, in advance of a possible spring 2018 election.

ANALYSIS

The School Board sought the millage proposal out of concern that its salaries, particularly for teachers, are no longer competitive with salaries paid by other school districts in southeast Louisiana.¹² Several board members and the Teachers' Union have expressed concern about losing early- and mid-career teachers to higher-paying jobs in other school districts or outside the teaching profession. They have also expressed concern about the difficulty recruiting new teachers with low entry pay. Further, other districts such as Plaquemines and St. Tammany have recently implemented pay raises.

In this analysis, BGR examines (1) available evidence of the need for the pay raises, (2) the case for the potential effectiveness of the raises in addressing teacher recruitment and retention problems, (3) the method of funding the pay increases, and (4) the pay raises in the context of other School System priorities.

The Need for the Pay Raises

Analyzing the need for the pay raises is difficult in absence of a comprehensive compensation study. The clearest available data relate to certified teachers, who comprise about half of the School System's work force, and school principals. There is a lack of data on relative compensation for most other employment positions.

Salary Comparison. The School System's current average salary for certified teachers of \$49,923 remains competitive in southeast Louisiana. But its starting pay of \$40,949 lags far behind. In 2016-17, the average teacher compensation among the 26 public school districts in southeast Louisiana was \$49,888 for all teachers and \$44,168 for new teachers.¹³

The peculiarities of Jefferson Parish's salary schedule contribute to the relative disparity in pay for entry-level teachers, but not for teachers as a group. BGR compared its pay scale for certified teachers with a bachelor's degree to those of four major competing school systems in southeast Louisiana: Ascension, East Baton Rouge, Livingston and St. Tammany parishes. The analysis assumes the teachers had no prior experience,

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CHART A: CURRENT PAY – HOW COMPETITIVE IS JEFFERSON TODAY FOR CERTIFIED TEACHERS WITH A BACHELOR’S DEGREE?

JEFFERSON (CURRENT PAY SCALE) VS. FOUR COMPETING PARISH SCHOOL SYSTEMS (CURRENT PAY SCALES)

BGR analysis of current year (2017-18) salary schedules for each school system. Figures assume a typical nine-month work period, no prior experience and an annual step increase. Analysis excludes performance-based awards of additional step increases or stipends.

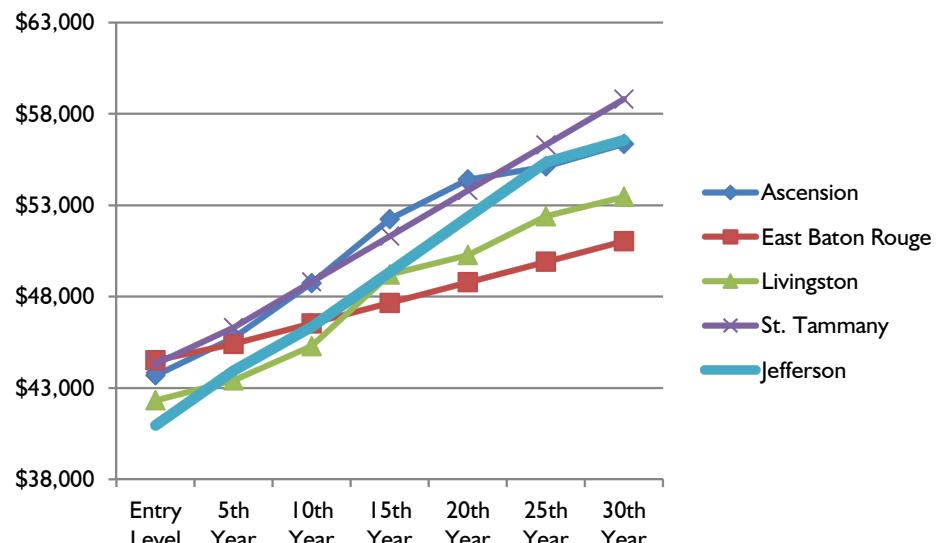
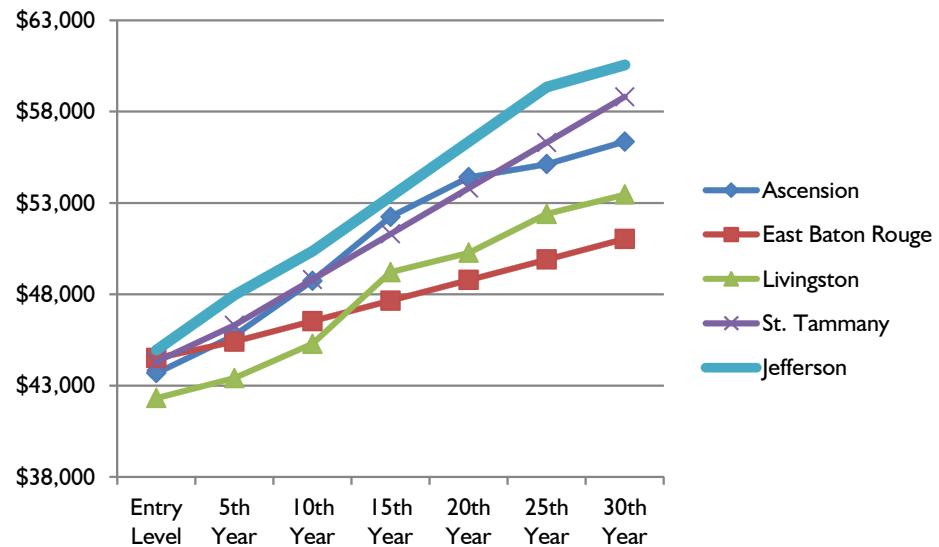


CHART B: PROPOSED PAY – HOW COMPETITIVE WOULD JEFFERSON BECOME FOR CERTIFIED TEACHERS WITH A BACHELOR’S DEGREE?

JEFFERSON (PROPOSED PAY SCALE) VS. FOUR COMPETING PARISH SCHOOL SYSTEMS (CURRENT PAY SCALES)

BGR analysis of current year (2017-18) salary schedules for each school system, plus Jefferson’s proposed \$4,000 pay raise for certified teachers. Figures assume a typical nine-month work period, no prior experience and an annual step increase. Analysis excludes performance-based awards of additional step increases or stipends.



began work during the current school year and received one step increase per year. In the initial year, the teachers would earn \$40,949 in Jefferson, less than they would in the other four parishes. Because of Jefferson’s larger annual step increases, the pay disparity narrows by year 5 and more by year 10. Beyond year 10, Jefferson pays more than East Baton Rouge and Livingston, but generally less than in Ascension and St. Tammany. St. Tammany has approved \$7.7 million for a teacher pay increase and one-time performance stipends in the 2017-18 school year, but its starting salary remains basically unchanged at \$44,300. Chart A illustrates the current pay scales.

However, it should be noted that Jefferson’s salary schedule lacks a pay incentive for performance. Three of the other four systems provide such incentives. Ascension provides annual stipends of \$800 to teachers rated highly effective, \$500 to those rated proficient, and \$300 to those in schools that increase their school performance score by five or more points.¹⁴ East Baton Rouge provides additional step increases for highly effective teachers. East Baton Rouge also may award stipends based on a teacher’s performance. St. Tammany provides one-time stipends of \$500 to teachers rated highly effective.¹⁵ These additional forms of compensation may help these school systems to attract and retain talented teachers.

The proposed \$4,000 pay raise would eliminate the disparity in entry-level pay and maintain the salary progression in the pay scale. As shown in Chart B, the proposal would also thrust Jefferson above the other four parishes in pay for teachers during the first 30 years. But the pay increase does not create an incentive or articulate a vision for staff performance. For example, it would give the same increase to an ineffective teacher as to a highly effective one.

BGR did not include Orleans Parish because charter organizations operate most schools and do not publish their pay scales. However, the School System told BGR that charter schools in Orleans are a major source of competition for talented entry-level teachers. BGR found that the average salaries for full-time equivalent classroom teachers employed by charter organizations with three or more schools in Orleans Parish ranged from \$45,256 to \$52,533.¹⁶ The average salaries can serve as an effective measure of their pay for early-career teachers because, on average, 86% of these organizations' teachers had 10 or fewer years of experience, and 50% had less than four years.¹⁷ By comparison, the average salary for Jefferson Parish certified teachers with 10 or fewer years of experience is currently \$43,570.¹⁸

There is a lack of substantial data to analyze the competitiveness of the School System's pay for most other positions. One exception is the state education department's regional work force analysis that provides comparative figures for school leaders, such as principals, in addition to classroom teachers. Jefferson currently pays its principals an average of \$85,671.¹⁹ This figure exceeds the average compensation in southeast Louisiana of \$75,883 for all school leaders and \$68,557 for new school leaders.²⁰

Challenges with Teacher Retention. Teacher retention is a problem not just in Jefferson Parish, but in many parts of the country. Nationwide, an average 16% of teachers either transfer schools (8%) or leave the profession (8%) each year.²¹ Two-thirds of teachers leave voluntarily for reasons other than retirement.²² The cost of replacing a teacher who leaves an urban school district exceeds \$20,000 on average, and high turnover rates reduce student achievement.²³

Teacher turnover varies by state. A recent analysis of data from 2012-13 shows a low of approximately 8% in Utah to a high of 24% in Arizona.²⁴ Louisiana had the third-highest rate of teacher turnover, at approximately 22% in 2012-13.²⁵ The Southern average was 16.7%. Jefferson Parish's turnover rate in 2012-13 was approximately 19%.

Teacher turnover spiked throughout Louisiana in 2012-13 because of new laws that scaled back teacher tenure and implemented a new performance evaluation process for teachers. The new laws enabled school districts to more easily dismiss ineffective teachers. One study found the spike in teacher turnover most pronounced among tenured teachers with substantial experience, and those working in schools with low standardized test scores.²⁶ Jefferson experienced a spike in departures by teachers with at least three years of experience.

The departures of experienced teachers in Jefferson Parish lessened during 2013-14 and again in 2014-15. However, Jefferson's total turnover rate remains elevated at 16.6% in 2016-17.²⁷ (See Chart C) This results from a rise in the annual turnover rate for short-term teachers, those with fewer than three years of experience, from 7% to 10%.²⁸ Since 2012-13, the School System has seen a near-doubling in annual resignations

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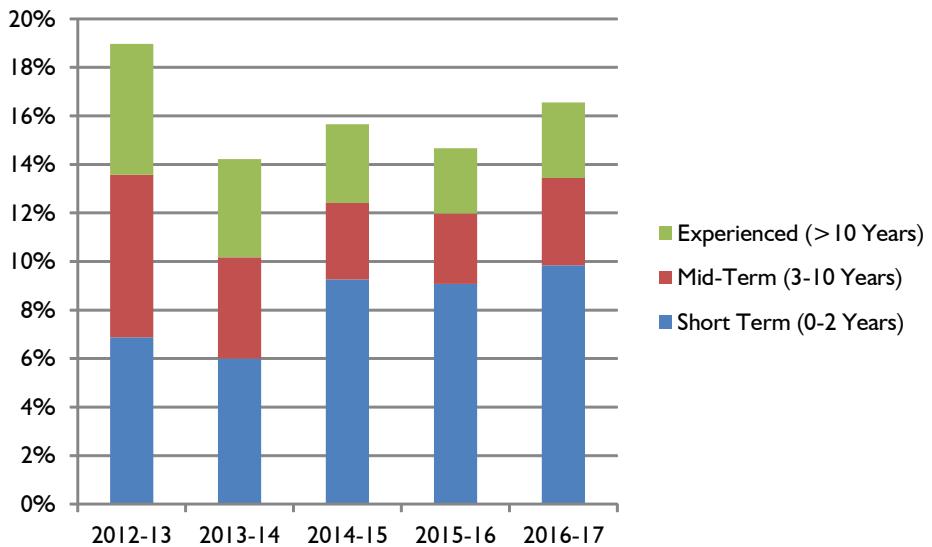
by short-term teachers from 167 to 301. (See Chart D) The School System said this data reflects its difficulty retaining newer hires.

The School System's exit interview data for the past three school years shows the proportion of teachers citing employment in other school districts as their reason for leaving has climbed from 17% to 30%. Those citing retirement have slightly declined in number. A substantial percentage have resigned for "personal reasons" – 35% last year, up from 25% in 2014-15 – so it is difficult to conclude if unsatisfactory pay factored into their decision.

The problem with retaining new teachers has persisted even as the School System has expanded programs to support them. It requires new teacher training and orientation, a course that comes with a stipend. It has also encouraged employees to take advantage of existing programs that provide stipends for coaching and other activities. In addition, the system offers tuition reimbursement for non-certified teachers to obtain their certification, and for certified teachers to expand their training in areas of high need. School administrators also provide new hires with mentoring and professional development during their initial year.

Turnover rates for other employees are lower than the 16.6% rate for teachers. In 2016-17, turnover rates were 8.4% for school administrators, 10.3% for specialists

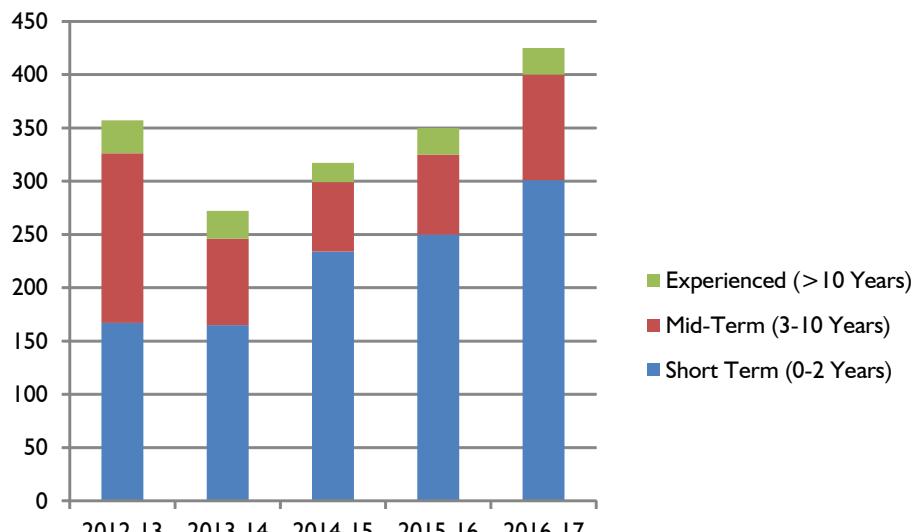
CHART C: TEACHER TURNOVER RATES IN JEFFERSON



Note: The total turnover rate reflects all reasons for separation (i.e., resigned, retired, released or deceased).

Source: Jefferson Parish Public School System

CHART D: TEACHER RESIGNATIONS IN JEFFERSON PARISH



Source: Jefferson Parish Public School System

and 12.3% for support staff. The rates for administrators and support staff have dropped significantly since 2012-13 from 13.4% and 16%, respectively, while the turnover rate for specialists has increased from 8.6%.

Challenges Recruiting New Teachers. The School System has expanded its recruiting efforts during the past three years, but with limited success. It currently spends \$216,000 annually on recruiting, exclusive of costs to train new hires. Its recruiting efforts have spanned from Utah to Virginia. It has nearly tripled the number of interviews from 235 to 600, but actual hires have declined from approximately 50 to 20.²⁹ The School System asserts that its ability to attract new teachers has declined because other districts can offer better pay.

As shown above, the School System has challenges recruiting and retaining new teachers. Its relatively low entry-level pay (\$40,949 vs. \$44,168 on average in southeast Louisiana) may play a role. However, without a comprehensive study of pay disparities, it is difficult to size any increase relative to the need. In addition, the proposed increase does not create an incentive or articulate a vision for staff performance. Furthermore, the School System has shown little evidence of a problem retaining other employees.

Will the Pay Raises Be Effective?

The School System has not studied the potential effectiveness of the pay raise proposal in addressing teacher recruitment and retention problems. It did not commission or undertake its own comprehensive assessment of employee pay to determine the levels of pay increases it needs.

The process that yielded the proposed pay raise did not conform to best practices. According to the International City/County Managers Association's *Guidelines for Compensation*, government employers should generally seek compensation that is "fair, reasonable, transparent, and based on comparable public salaries nationally and regionally."³⁰ They should select comparable agencies as benchmarks for a compensation study.³¹ Based on a national survey of human resource directors in large city and county governments, scholars recommend that a benchmarking study should be done every two to five years or in a time frame based on the collective bargaining cycle.³²

Instead, the School System limited its review to a comparison of starting pay for certified teachers with a bachelor's degree and no experience in Jefferson Parish versus 51 other Louisiana parishes.³³ That comparison

showed Jefferson Parish, at \$40,949, ranked 26th. The School System found that a proposed \$4,000 raise for certified teachers would give Jefferson the fifth-highest starting pay among the 51 parishes reviewed.

Several months prior to the millage proposal, the School System gathered limited comparable data on salaries for para-professional educators and clerical staff. It found pay levels for para-professional educators to rank fourth out of the five school districts reviewed in Southeast Louisiana. It found pay for clerical staff fell significantly below that of similar positions in the St. Tammany and East Baton Rouge school systems.³⁴

Academic research has demonstrated a clear link between teacher pay and retention. In addition, a recent national study indicated that the level of starting pay did not predict teacher turnover, but the highest possible salary did. It found that districts with maximum teacher salaries of less than \$60,000, such as Jefferson's, had turnover of 13.9% in 2012-13, compared with turnover of 9.6% in districts with maximum salaries exceeding \$78,000.³⁵

The pay raise would increase the maximum pay for a certified teacher with a bachelor's degree above \$60,000. This would make the pay more attractive for experienced teachers and possibly encourage new teachers to stay employed. But even then retention is not a certainty. Jefferson would well exceed the maximums in Ascension, East Baton Rouge and Livingston parishes, but still remain well below St. Tammany's maximum of \$66,800.

Other factors also contribute significantly to turnover. These include a lack of administrative support and school size.³⁶ Without further study of Jefferson's employee retention, it is difficult to determine whether pay alone is the driving factor behind the retention rate.

Fundamentally, the across-the-board, fixed-dollar pay raises lack a comprehensive benchmarking analysis to determine whether these pay increases are fair, reasonable and appropriately scaled to the labor market. The School Board did not request such a study from system administrators prior to calling the election. Table 3 shows the percentage increases by position, which range from 1% to 14%. The Superintendent told BGR that he would decline the \$3,000 increase that the School Board proposed for his position.

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TABLE 3: PROPOSED PAY RAISE AS A PERCENTAGE OF AVERAGE SALARY, BY POSITION			
	Current Employees	Current Average Salary	Raise as % of Average Salary
\$4,000 Proposed Pay Raise:			
Certified Teachers	3,350	\$49,923	8%
\$3,000 Proposed Pay Raise:			
Academic Dean	19	\$52,513	6%
Account Clerk	80	\$24,268	12%
Accountant	3	\$52,833	6%
Assistant Custodian/Stadium Keeper	114	\$23,913	13%
Assistant Principal- Elementary	16	\$62,363	5%
Assistant Principal- Mid/High	44	\$73,486	4%
Budget Analyst	4	\$34,105	9%
Bus Driver	195	\$36,357	8%
Central Office Administrative Assistant	16	\$27,327	11%
Central Office Clerical	85	\$27,284	11%
Central Office Coordinator	42	\$59,568	5%
Central Office Director	34	\$73,159	4%
Central Office Executive Director	18	\$97,067	3%
Central Office Specialist	20	\$48,416	6%
Chief	8	\$121,553	2%
Child Nutrition Manager	64	\$22,509	13%
Codofil Teachers	7	\$43,467	7%
Connections Director	2	\$86,144	3%
Counselor	1	\$65,544	5%
Dean of Student Services	32	\$58,521	5%
Executive Assistant	2	\$25,393	12%
Foreman	6	\$41,416	7%
Hearing Officer	3	\$93,573	3%
Internal Auditor	2	\$54,750	5%
Interpreter	10	\$30,595	10%
Non-Certified Teacher	165	\$36,990	8%
Nurse Practitioner	3	\$67,167	4%
Occupational/Physical Therapist	16	\$53,038	6%
Office Manager	7	\$34,005	9%
Paraprofessional Educator (Para)	971	\$21,058	14%
Plant Manager	88	\$28,638	10%
Principal	80	\$85,671	4%
Project Manager	4	\$70,375	4%
School-Based Health Clinic (SBHC) Clerical	5	\$21,548	14%
School-Based Clerical	1	\$34,145	9%
Secretary, School-Based	92	\$24,783	12%
Superintendent	1	\$200,000	1%
Teacher, ROTC	11	\$63,292	5%
Technical Support Technician	8	\$31,967	9%
Van/Truck Driver	5	\$30,538	10%
10% Proposed Pay Raise:			
Bus Attendant	73	\$10,985	10%
Child Care Account Clerk	11	\$4,796	10%
Child Care Assistant	85	\$3,335	10%
Child Care Director	20	\$8,546	10%
Child Care Site Director	19	\$7,004	10%
Child Nutrition Assistant Manager	7	\$17,100	10%
Child Nutrition Worker- 4, 6 or 7 hour	312	\$14,434	10%
Crossing Guard	55	\$4,240	10%
General Clerk	52	\$18,259	10%
Helper	258	\$15,283	10%
Monitor	109	\$4,446	10%
Para-Transportation Support Personnel - Bus	25	\$8,584	10%

Source: Jefferson Parish Public School System

Method of Funding

BGR reviewed the suitability of a new property tax as the funding mechanism for the pay raises. It also reviewed whether the School Board can reallocate other resources to pay raises instead of imposing a new tax.

Generally, property taxes have proven to be more stable revenue sources than sales taxes for the School Board. During the past 10 years, the School Board's sales tax revenues have experienced some years of decline, rather than growth. In addition, they have been fairly stagnant during the past three years. In contrast, its property taxes have grown steadily during the 10-year period. Adding a property tax, instead of a new sales tax, would also reduce the School System's disproportionate reliance on sales tax as a source of local revenue.

A property tax is also more progressive than a sales tax. The tax burden falls more heavily on those with greater ability to pay it.³⁷

However, a property tax has its drawbacks. Louisiana offers significant exemptions for homeowners, non-profit organizations and industrial property. This reduces the base of payers and increases the burden on property that is not exempt.

BGR also found the School Board has limited capacity to reallocate existing resources to fund significant pay raises, given that 76% of its operating budget already goes to salaries and benefits. Cutting the other \$112 million to free up \$27.9 million would be difficult. It may also exacerbate existing challenges operating and maintaining the state's largest school district.

Still, the School Board did not formally review its budget for potential cost savings prior to voting on the proposed millage on August 8. It also did not discuss projected growth in the existing tax revenues. The working group of union and School System officials, which met for nearly a year prior to the August meeting, did iden-

tify projected growth in property tax revenues for the 2017-18 school year as a means of supporting an average \$800 annual raise for para-professional educators.³⁸ But in early 2017, the School Board proceeded with its plan, developed prior to the working group's discussion, to reopen the Ralph J. Bunche elementary school for the 2017-18 school year. According to the School System, reopening the school consumed the new revenue growth, preventing the raises.

Other Priorities

The pay raise proposal has leapfrogged a long-running effort to address the School System's aging school facilities. Most of the School System's buildings are at least 30 years old, with an average age of 52. Many buildings are outmoded and cannot be easily renovated to address new technology and learning environments.

Since 2015, the School Board has periodically discussed, but deferred, asking voters to authorize a property tax to fund a \$1 billion, 20-year facilities master plan. School Board members have disagreed over the specific facility projects. Earlier this year, the board hired an outside consultant to re-evaluate its plan, with the goal of a spring 2018 election. The August 8 vote preceded the consultant's report and targets an earlier election.

At that meeting, some School Board members and the Teachers' Union argued that the School System's ability to recruit and retain well-qualified employees should take precedence over facilities. While they affirmed the need to address the system's facilities, they contended that Jefferson faces a more immediate risk of losing talent to other school districts. As the pay disparity between Jefferson and other districts widens, it could hurt academic performance.

In effect, the November millage election has prioritized employee pay over facilities. The School Board made

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On the whole, the School System is experiencing a problem attracting and retaining new and early-career teachers. Its relatively low pay may contribute to this. And a property tax would be preferable to an additional sales tax for addressing pay. However, the School System has not studied the depth of its employee pay problem, the need for substantial across-the-board pay increases, or the pay raises in the context of competing School System needs. The pay raise proposal takes a broad-brush approach that is not based on identifying and addressing deficiencies in particular positions, for which raises might provide a benefit for the system.

BGR Position

AGAINST. BGR recognizes that attracting and retaining high-quality public school employees is important for Jefferson Parish. However, BGR cannot support the tax because the School Board did not (1) undertake the comprehensive study necessary to justify the proposed pay raises and (2) analyze the pay raises in the context of competing system priorities and revenue demands.

The School Board has rushed into this millage proposition without a comprehensive benchmarking analysis to determine whether the pay increases are fair, reasonable and appropriately scaled to the labor market. Instead, the School Board approved across-the-board, fixed-dollar pay raises that apply categorically, without adjustment for variables such as current salary, job classification, performance or length of service. It has also shown little evidence of a problem retaining employees other than early-career teachers.

Further, the School Board did not carefully consider the pay raise proposal in the context of other system priorities, including facilities. Before the School Board asks voters for a major tax increase, it should comprehensively examine its funding needs and priorities.

ENDNOTES

- 1 The Jefferson Parish Public School System based this estimate on its gross tax collections for fiscal year 2016, minus required deductions for the Jefferson Parish Assessor and certain pension funds, including the Teachers' Retirement System of Louisiana (Teachers). These deductions accounted for approximately 4.4% of gross revenue in 2016. The deduction for the assessor is the School Board's pro-rata share of the assessor's statutory allowance for salaries and expenses from total taxes assessed. La. R.S. 47:1906 and 1908. State law also mandates the deductions for certain state and statewide retirement systems. See also Louisiana Department of Education, *Louisiana Accounting and Uniform Governmental Handbook for Local School Boards*, Bulletin 1929, November 2010, pp. 14-15 and 38.
- 2 See Jefferson Parish School Board, minutes of the August 8, 2017 regularly scheduled meeting, Item 4.01. Jefferson Parish Public School System, "Millage Tax Analysis," presentation to Jefferson Parish School Board, August 8, 2017.
- 3 By law, charter schools receive a per-pupil amount as calculated by the State of Louisiana's Minimum Foundation Program (MFP) formula. La. R.S. 17:3995. The State funds a portion of that per-pupil amount, while the School System funds the rest. The 8.45-mill tax would increase the local portion of the per-pupil amount under the MFP formula. The State portion of the MFP would not change primarily because Jefferson Parish already exceeds the limit on local tax effort that triggers additional State MFP funding. Adding 8.45 mills worth of property tax would not boost those State dollars.
- 4 In 2016, the total millage rate in unincorporated Metairie was 111.20 mills; in unincorporated Terrytown, it was 107.30 mills. Assuming other millage rates remain the same, the new 8.45-mill tax would increase the rate 7.6% in Metairie to 119.65 mills, and 7.9% in Terrytown to 115.75 mills. BGR calculations based on 2016 millage rates compiled by the Jefferson Parish Assessor's Office. See <http://www.jpassessor.com/resources/millages-wards>.
- 5 In 2016, the total millage rate in the City of Kenner was 82.78 mills; in the City of Westwego, it was 93.13 mills. Assuming other millage rates remain the same, the new 8.45-mill tax would increase the rate 10.2% in Kenner to 91.23 mills, and 9.1% in Westwego to 101.58 mills. BGR calculations based on 2016 millage rates compiled by the Jefferson Parish Assessor's Office.
- 6 This total excludes the School System's budgets for capital projects funds, debt service funds, and federal title grant and other special revenue funds.
- 7 BGR, *Issues on the October 4, 2003 Ballot*, September 2003, p. 9; Nelson, Rob, "Jeff schools keep it simple for voters," *The Times-Picayune*, July 3, 2003.
- 8 Figures exclude the payment of one-time stipends by Jefferson Parish or the State of Louisiana.
- 9 Jefferson Parish Public School System, "Millage Tax Analysis," presentation to Jefferson Parish School Board, August 8, 2017.
- 10 BGR has reviewed the presentation and the cost estimate. See also Roberts, Faimon A., III, "Tax hike sought to fund Jefferson teacher raises," *The New Orleans Advocate*, September 5, 2017.
- 11 Jefferson Parish School Board, August 8, 2017 minutes.
- 12 Ibid. See also: Jefferson Parish Public School System, "JPPSS Teacher and Employee Raises Placed on the Nov. 18 Ballot," news release, August 9, 2017.
- 13 The Louisiana Department of Education divides the state into four regions for analyzing the educator work force. The Southeast Region consists of 26 school districts, stretching from the Baton Rouge area south to the Gulf of Mexico and east to the Mississippi state line. Louisiana Department of Education, *2016-17 Educator Workforce Report: Southeast Region*.
- 14 Ascension Parish School Board, *Salary Schedule 2017-2018*, approved March 21, 2017.
- 15 St. Tammany Parish School Board, *Certificated Personnel Guidelines*.
- 16 BGR analysis of data included in Schedule 5 of the 2016 financial audits of the following charter management organizations operating three or more schools: KIPP New Orleans Schools, Algiers Charter School Association, ReNEW Schools, FirstLine Schools, New Beginnings School Foundation, New Orleans College Prep, Choice Foundation, Collegiate Academies, Crescent City Schools and Inspire NOLA.
- 17 BGR analysis of data included in Schedule 4 of the 2016 financial audits of the charter management organizations.
- 18 Information provided by the School System, based on employees' current step level, which for the most part indicates their years of experience. The average for those with more than 10 years of experience is \$53,969.

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- 19 According to the School System's current salary schedules, new principals with a master's degree start at \$79,694 in elementary school, \$82,694 in middle school and \$87,694 in high school.
- 20 Louisiana Department of Education, 2016-17 Educator Workforce Report: Southeast Region.
- 21 Carver-Thomas, Desiree, and Linda Darling-Hammond, *Teacher Turnover: Why It Matters and What We Can Do About It*, prepared for the Learning Policy Institute, August 2017, p. 4. The study analyzed data from 2012 and 2013.
- 22 *Teacher Turnover: Why It Matters* found that 18% left due to retirement, 14% due to involuntary separation, and 67% due to voluntary, preretirement separation. The latter consisted of those who left the teaching profession (30%) and those who moved to other schools (37%). Numbers do not add due to rounding.
- 23 Ibid., p. v.
- 24 Ibid., pp. 10-11.
- 25 Ibid.
- 26 Strunk, Katherine O., Nathan Barrett, and Jane Arnold Lincove, *When Tenure Ends: Teacher Turnover in Response to Policy Changes in Louisiana*, prepared for the Education Research Alliance for New Orleans at Tulane University, February 2017. See <https://educationresearchalliancenola.org/publications/when-tenure-ends-teacher-turnover-in-response-to-policy-changes-in-louisiana>.
- 27 Information provided by the School System.
- 28 During the five-year period, the total number of teachers increased from 3,095 to 3,281.
- 29 The School System hired 20% of the 235 individuals recruited and interviewed during the 2014-15 school year, but only 3% of the 600 interviewed during the 2016-17 school year. Information provided by the School System.
- 30 International City/County Management Association, *Guidelines for Compensation*, October 1, 2010.
- 31 Ibid.
- 32 Thom, Michael, and Thom Reilly, "Compensation Benchmarking Practices in Large U.S. Local Governments: Results of a National Survey," *Public Personnel Management*, Vol. 44, No. 3, pp. 340-355 at 350.
- 33 Information provided by the School System.
- 34 Ibid.
- 35 *Teacher Turnover: Why It Matters*, p. 28.
- 36 Ibid., p. 31.
- 37 Institute on Taxation & Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, 5th ed., January 2015, p. 6.
- 38 The raises would have varied between \$500 and \$1,500, depending on education.

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1055 St. Charles Ave., Suite 200
New Orleans, LA 70130
Phone 504-525-4152
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