

Date of Hearing: April 26, 2023

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 938 (Muratsuchi) – As Amended April 7, 2023

SUBJECT: Education finance: local control funding formula: base grants: classified and certificated staff salaries.

SUMMARY: Establishes Local Control Funding Formula (LCFF) funding target levels for the 2030-31 fiscal year with the purpose of increasing school site employee salaries by 50% by that year. Specifically, **this bill:**

- 1) Establishes new LCFF base grant targets for Fiscal Year (FY) 2030-31 and states that it is the intent of the Legislature to fully fund the LCFF target base grants in the years preceding the 2030–31 fiscal year and to spend those funds to increase school site staff salaries by 50% at school districts, county offices of education (COEs) and charter schools, as follows:
 - a) \$13,749 for average daily attendance (ADA) in kindergarten and grades 1 to 3, inclusive;
 - b) \$13,956 for ADA in grades 4 to 6, inclusive;
 - c) \$14,370 for ADA in grades 7 and 8; and
 - d) \$16,653 for ADA in grades 9 to 12, inclusive.
- 2) Requires the California Department of Education (CDE) to, by July 1, 2024, update the Salary and Benefits Schedule for the Certificated Bargaining Unit (Form J–90) to include salary data collection for classified school staff assigned to a schoolsite or sites, in the same manner as collected for certificated staff assigned to a schoolsite or sites; and rename the form as the Salary and Benefit Schedule for the Bargaining Units (Form J–90).
- 3) Requires, on or before September 1, 2024, and annually thereafter, school districts, COE, and charter schools to complete the Salary and Benefit Schedule for the Bargaining Units (Form J–90) for classified and certificated staff assigned to a schoolsite or sites and report the Form J–90 to the CDE.
- 4) Requires, on or before November 1, 2024, and annually thereafter, the CDE to report to the Legislature on the progress of school districts, COEs, and charter schools in increasing salaries for classified staff assigned to a schoolsite or sites and certificated staff assigned to a schoolsite or sites. Requires this report to include the following:
 - a) The change in salary rates for certificated staff as compared to the 2020–21 fiscal year or the 2023–24 fiscal year, whichever year the Form J–90 was filed for first;
 - b) The change in salary rates for classified staff as compared to the 2023–24 fiscal year;
 - c) The salary rate changes year over year; and

- d) The rate of salary change compared to the rate of yearly inflation as measured by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year.
- 5) States that it is the intent of the Legislature to establish new LCFF target grade span-adjusted base grant funding levels for school districts, charter schools, and COEs to raise wages by 50%, in recognition that the LCFF funding targets established in AB 97 (Committee on Budget), Chapter 47, Statutes of 2013, that were met in the 2018–19 fiscal year did not provide the funding necessary to close the pay gap for educators and schoolsite staff. These aspirational funding levels will continue to support local educational agencies' efforts to improve recruitment and retention of schoolsite staff and improve educational opportunities for pupils.
- 6) States that it is the intent of the Legislature to fully fund the LCFF target base grants over seven years, with full implementation in the 2030–31 fiscal year. States the intent of the Legislature to use the funds in order to increase salaries for classified and certificated staff working at schoolsites in school districts, COEs, and charter schools by 50% by the 2030–31 fiscal year, as compared to the 2020–21 fiscal year or the 2023–24 fiscal year for certificated staff, whichever year the Form J–90 was filed for first, and as compared to the 2023–24 fiscal year for classified staff.
- 7) Makes findings and declarations regarding the 2023 findings from the Economic Policy Institute (EPI), that the teacher wage penalty, when comparing wages of teachers to other professions with similar educational and certification requirements, grew to a record high in 2021 at 23.5% nationally and 17.6% in California, up from 6.1% in 1996; and, that the relative teacher wage penalty pushes educator jobs to the bottom of the market since graduates are able to obtain higher wage jobs virtually anywhere else, leaving pupils with fewer veteran educators and larger class sizes, which are the two largest factors that increase pupil performance, according to the Learning Policy Institute (LPI).

EXISTING LAW establishes the LCFF, which, for school districts and charter schools, is comprised of the following components:

- 1) A base grant of the following amounts per average daily attendance (ADA) in 2021-22:
 - a) \$8,935 for grades K-3, which includes a 10.4% grade span adjustment for class size reduction;
 - b) \$8,215 for grades 4-6;
 - c) \$8,458 for grades 7-8; and
 - d) \$10,057 for grades 9-12, which includes a 2.6% grade span adjustment for college and career readiness.
- 2) A supplemental grant equal to 20% of the base grant for each pupil identified as either low income, an English learner, or in foster care (unduplicated pupils).

- 3) A concentration grant based on the number of unduplicated pupils in excess of 65% of the district or charter school total enrollment.
- 4) Requires, upon full implementation of the LCFF, as a condition of receiving funds, school districts to maintain an average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, of not more than 24 pupils, unless a collectively bargained alternative ratio is agreed to by the district. (Education Code 42238.02)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. According to the author, “California is experiencing a severe school workforce crisis among both certificated and classified employees. This workforce crisis is exacerbated by the lack of interest in college students pursuing a career in teaching. AB 938 will raise school staff salaries to close the existing wage gap that exists between teachers and similarly educated college graduates in other fields. This wage gap has widened in the past decade and raising school employee salaries will correct a long standing inequity.

In countries such as Finland, Australia, Canada, and Singapore teaching is a competitive field. Teacher salaries are commensurate with other fields like engineering, law and business. In Finland, teaching is the most desired profession, and competition for slots is intense, with only 1 in 4 applicants to teacher training accepted overall, including only 1 in 10 for primary school teacher preparation. AB 938 will achieve equitable school site staff salaries by closing the wage gap, and help California recruit and retain qualified school site staff, both certificated and classified.”

What does this bill do? This bill creates new LCFF funding targets to increase both classified and certificated school site staff salaries by 50% by 2030-31 at school districts and charter schools. The author intends to add in the same LCFF targets for COEs. Further, the bill requires school districts, charter schools and COEs to submit both classified and certificated salary data on the Form J-90 annually. Additionally, the bill requires CDE to report changes in salary data to the Legislature annually.

The wage gap. Research indicates that teachers earn 23.5% less than comparable college graduates. This percentage represents the wage gap between teachers and similarly educated peers. Over time this wage gap has increased, and as a result, teacher salaries are falling further and further behind. This bill is intended to close the school employee wage gap. Below are key findings from research conducted by Sylvia Allegretto and published by the Economic Policy Institute in 2022:

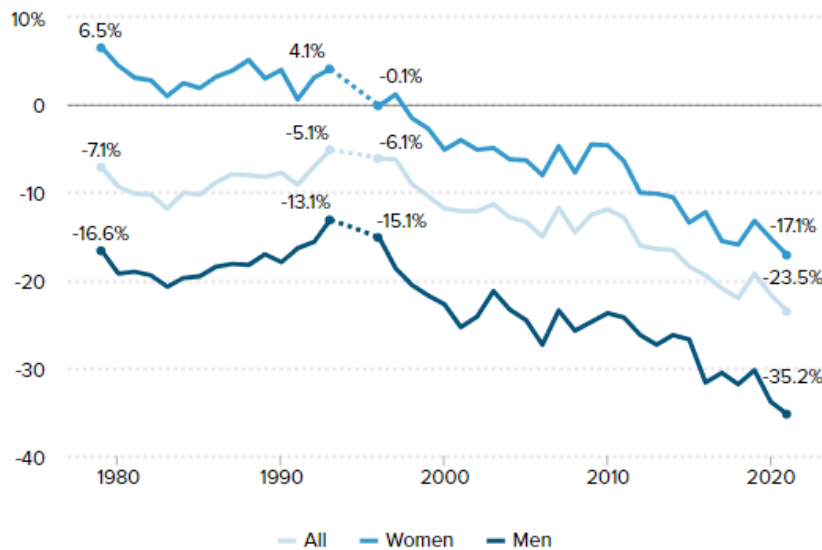
- *Inflation-adjusted average weekly wages of teachers have been relatively flat since 1996.* The average weekly wages of public school teachers (adjusted only for inflation) increased just \$29 from 1996 to 2021, from \$1,319 to \$1,348 (in 2021 dollars). In contrast, inflation-adjusted weekly wages of other college graduates rose from \$1,564 to \$2,009 over the same period—a \$445 increase.
- *The relative teacher wage penalty grew to a record high in 2021.* It was 23.5% in 2021, up from 6.1% in 1996. The penalty for men rose from 15.1% to 35.2% over that period.

Women had a negligible wage penalty of 0.1% in 1996 but faced a wage penalty of 17.1% in 2021.

- *The benefits advantage for teachers has not been enough to offset the growing wage penalty.* The teacher total compensation penalty was 14.2% in 2021 (a 23.5% wage penalty offset by a 9.3% benefits advantage).

Teachers earn 23.5% less than comparable college graduates

Public school teacher weekly wage penalty (or premium) for all teachers and by gender, 1979–2021



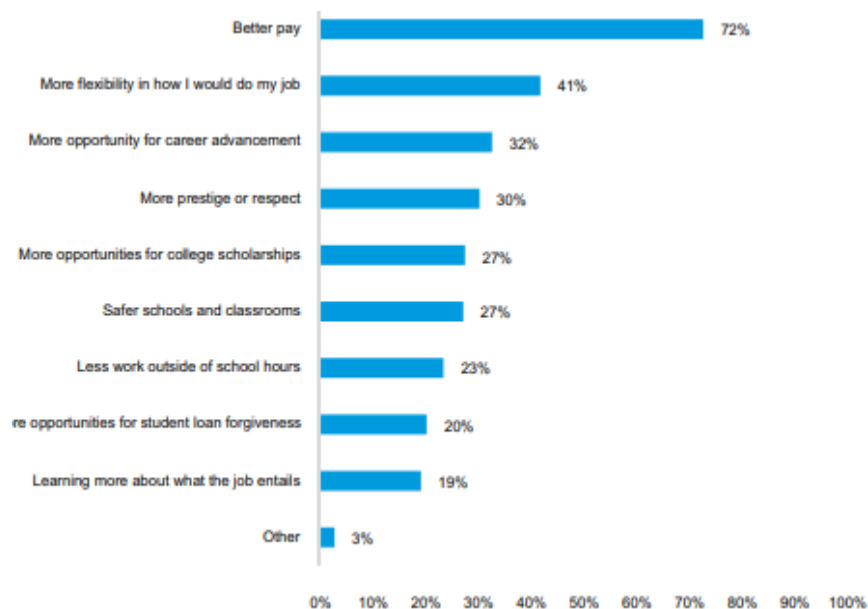
(Source: Allegretto, 2022)

The bottom line is that the teacher total compensation penalty grew by 11.5 percentage points from 1993 to 2021.

- *The relative teacher wage penalty exceeds 20% in 28 states.* Teacher weekly wage penalties estimated for each state range from 3.4% in Rhode Island to 35.9% in Colorado. In 28 states, teachers are paid less than 80 cents on the dollar earned by similar college-educated workers in those states.

Lack of interest in entering the teaching profession. Research indicates that the most significant reason that students are not interested in teaching is salary. Nearly two-thirds (63%) of those not interested in teaching cited pay as one of the top three reasons they were not interested in teaching. Other frequently cited reasons included limited opportunity for career advancement (43%) and concern that they would not be good at teaching (40%). The concern about salary was also expressed by those “potentially” interested in teaching. When asked what would increase their interest, 72% of this group cited better pay as one of their top three reasons. (Croft, Guffy and Vitale 2018)

Top three reasons cited by survey respondents for reporting a lack of interest in becoming a K–12 teacher.



Teacher salary has long been a focus of debate in the U.S. In 1996, the National Commission on Teaching and America's Future (NCTAF) recommended reforming the teacher compensation system to reward them for their knowledge and skills demonstrated

through a National Board certificate or licenses in multiple subject areas (NCTAF, 1996). In 2003, the NCTAF further pointed out the low salary level of teachers compared with that of the other professions with similar education and training levels and recommended a flexible compensation system that rewards teachers for improved practice, for teaching in shortage subject areas and hard-to-staff schools, and for taking on additional roles and responsibilities (NCTAF, 2003).

In the U.S., empirical studies found that higher salary is associated with lower attrition rates in Wisconsin (Imazeki, 2005), New York State (Brewer, 1996), Texas (Kirby et al., 1999), and across the country based on national data (Kelly, 2004; Stockard & Lehman, 2004). Using data from the 1990-1991 Schools and Staffing Survey (SASS) and the 1992 Teacher Followup Survey (TFS), Kelly (2004) found that increasing teacher salary by \$4,000 leads to a 3.8% increase in the probability of staying in the same school for at least 10 years. These studies conducted both in the U.S. and abroad support the importance of teacher salary for teaching effectiveness and retention. If low teacher salary affects their motivation and teaching quality and increases teacher attrition, it also is likely that low teacher salary eventually affects student learning opportunities. (Akiba, Chiu, Shimizu, Liang, 2012)

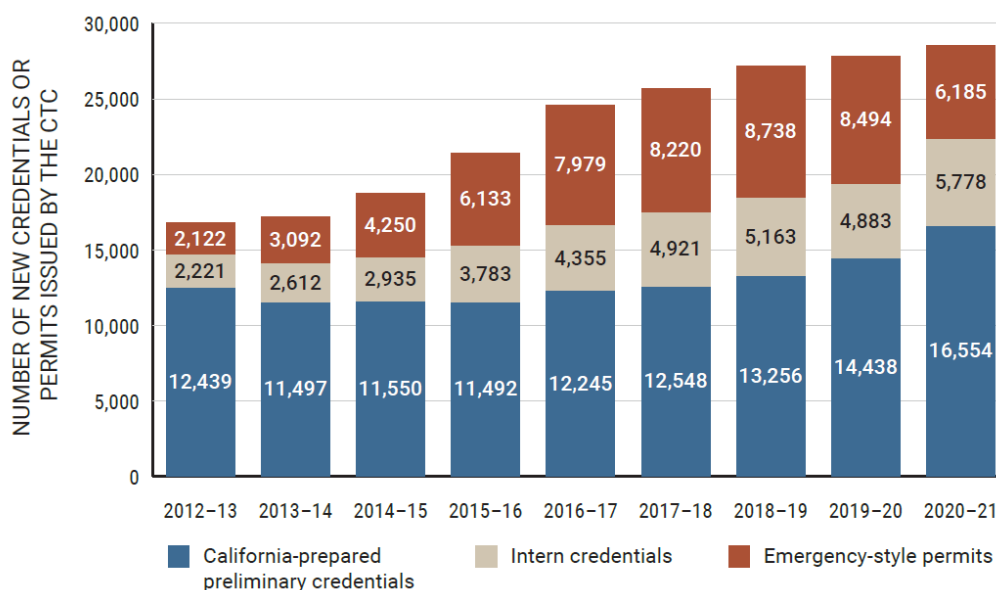
What are other countries doing regarding teacher salaries? In Finland, preparation is fully funded by the government, and candidates earn a living stipend or a salary while they are in training. All candidates receive uniformly high-quality preparation. Among young Finns, teaching is the most desired profession, and competition for slots is intense, with only 1 in 4 applicants to teacher training accepted overall, including only 1 in 10 for primary school teacher preparation.

Similarly, in Singapore, generous support for teaching candidates (the equivalent of \$30,000–\$50,000 per year in salary, plus tuition, books, and laptop computers) is part of an agreement with the government to teach for 3–5 years, depending on the kind of program completed. If the service requirement is not fulfilled, this funding must be repaid. This structure, along with the

supportive induction program, enhances retention as well as recruitment. Salaries are commensurate with other fields like engineering, law, and business.

In Australia and Canada, a major portion of candidates’ cost of teacher preparation is underwritten by the government. Canadian applicant numbers are so high that there is a strong demand for places in teacher education programs and this has enabled teacher education institutions to maintain high admission requirements. Virtually all require high grade point averages, and some also require interviews, portfolios and volunteer work in the schools. (Darling-Hammond, 2017)

Most recent data on the status of the teacher workforce. A March 2023 LPI report shows, “In the two years following 2018–19, when many of the new state investments were beginning to be implemented, the number of fully prepared new entrants increased by about 3,300, while the number of emergency-style permits decreased by about 2,500. This increase represents a break from prior trends, in which the number of newly credentialed teachers had been dropping for over 10 years. Nationally, the number of individuals completing teacher preparation programs decreased by 22% between 2012–13 and 2018–19, and California was one of only eight states with increases during that period. The chart below illustrates these data.



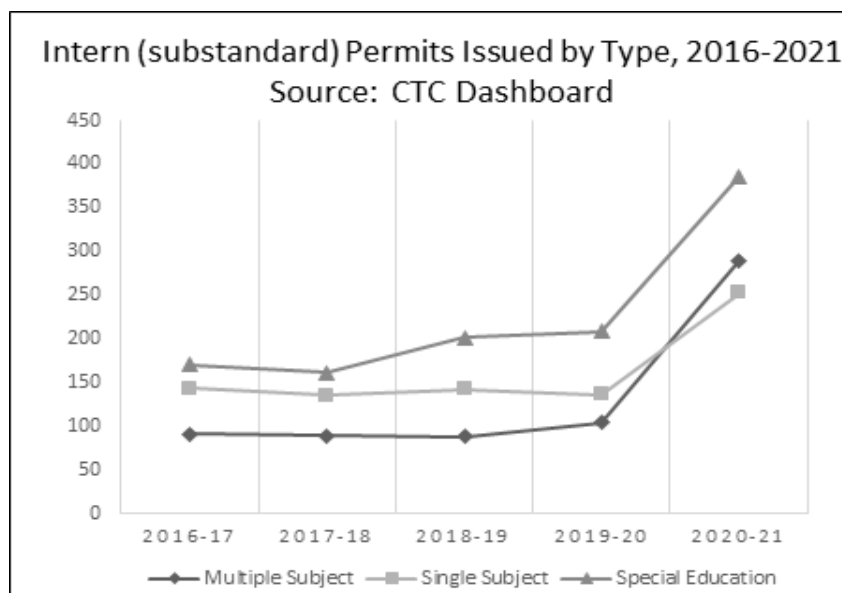
Note: This figure includes all preliminary credentials for California-prepared teachers, intern credentials, and emergency-style permits issued annually by the Commission on Teacher Credentialing. Emergency-style permits include short-term staff permits, provisional intern permits, limited assignment teaching permits, and waivers.

Source: California Commission on Teacher Credentialing. (2022). *California Educator Supply*.

Teacher shortage further worsened by COVID-19 pandemic. In the years following the Great Recession, California experienced a dramatic teacher shortage. According to the LPI, the number of substandard credentials and permits issued in California nearly tripled from 2012–13 to 2019–20, numbering more than 13,000

annually. Enrollment in teacher preparation programs had begun to increase modestly in the years immediately preceding the COVID-19 pandemic. The pandemic, however, has exacerbated the shortage, due to several factors:

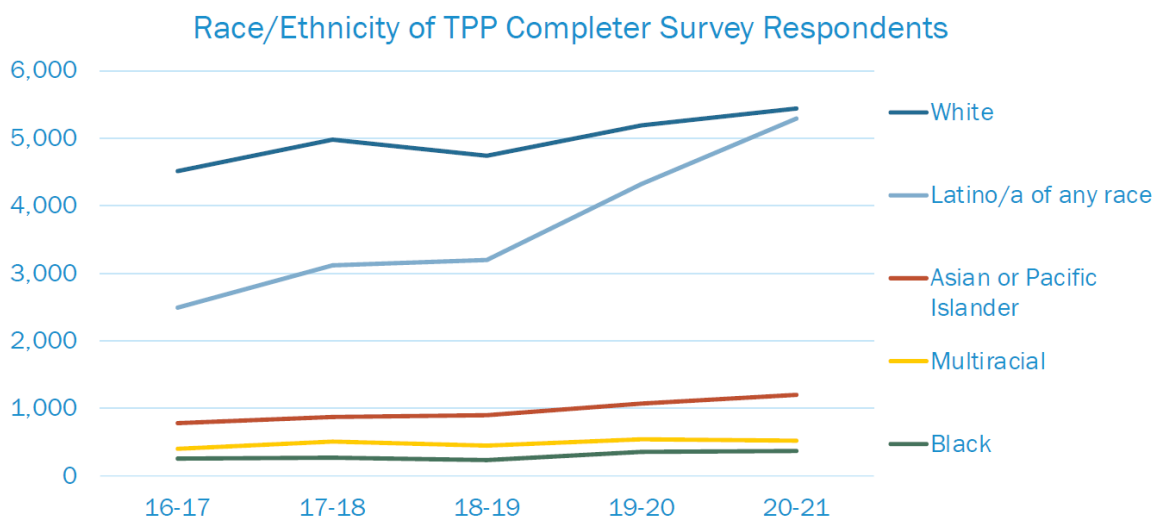
- Teacher shortages remain a critical problem.* Most districts have found teachers to be in short supply, especially for math, science, special education, and bilingual education. Most districts are filling hiring needs with teachers on substandard credentials and permits, reflecting a statewide trend of increasing reliance on underprepared teachers.
- New positions from federal and state funding.* According to the LPI, a further contributing factor was the creation of additional positions enabled by federal recovery funds. These funds were appropriated to address needs associated with the pandemic, but they had to be used at least in part to support learning recovery, which in turn increased staffing needs. LPI cited as an example the Los Angeles Unified School District, which used these funds to offer 4x4 block schedules for the 2021–22 school year, a model which requires about 25% more teachers than the traditional 6-period schedule. Other districts used funds to create intervention positions which then needed to be filled by qualified staff. The expansion of transitional kindergarten in upcoming years will also increase the demand for credentialed teachers.
- Enrollment in teacher preparation.* According to the American Association of Colleges of Teacher Education, in both fall 2020 and 2021, the majority of educator preparation programs reported the pandemic had either no impact or a minimal impact on enrollment (defined as a decline of less than 10%). However, for a sizable minority of institutions, COVID-19 had a significant effect on undergraduate enrollment in educator preparation programs. In both fall 2020 and fall 2021, 20% of institutions reported that the pandemic resulted in a decline in new undergraduate enrollment of 11% or more. The impact on graduate student enrollment is somewhat less dramatic, with 13% of respondents reporting significant declines in the number of new graduate students due to the pandemic.
- Staffing crisis fueling attrition.* While it is unclear how widespread and temporary this factor may be, there is suggestion that in some areas with severe shortages, staff shortages are becoming a cause of staff shortages in and of themselves. As noted in the



NEA survey of reasons for teacher resignations, 80% of respondents reported “unfilled job openings leading to more work for remaining staff” as a serious problem. The shortage of substitute teachers presents a particular workload challenge to current teachers.

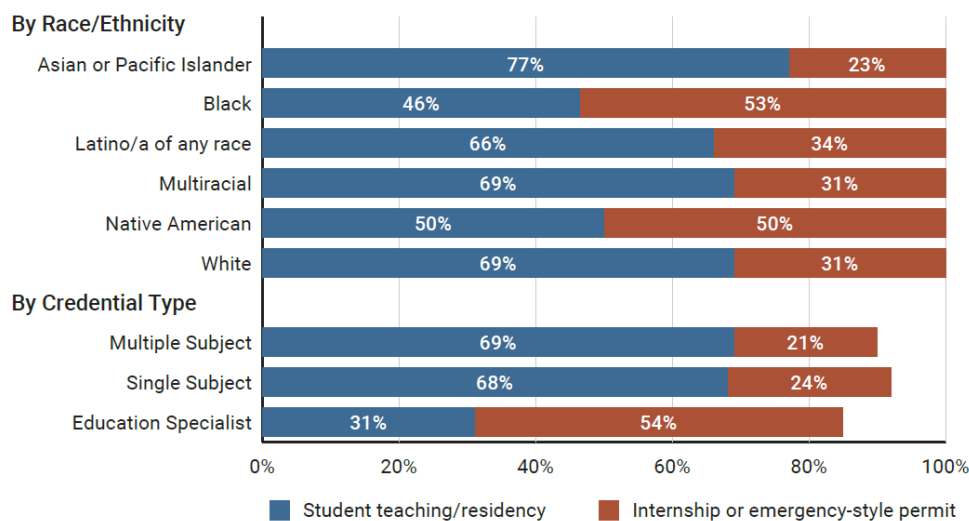
- Growing retirements and resignations.* In a 2022 report of survey data from large and small school districts serving a total of 20% of California students, the LPI found that the pandemic caused an increase in teacher resignations. In one large district, resignations increased by about two-thirds, and leaves of absence increased by about 50%. This is consistent with a nationally representative survey of 3,600 teachers published by the National Education Association (NEA) in 2022, which found that, among school employees (including classified employees), 55% of educators were considering leaving the profession earlier than they had planned, an increase from 37% from 2021, with higher rates for African American and Latino employees. 86% of respondents said that they have seen more educators leaving the profession or retiring early since the start of the pandemic in 2020. Among the most commonly cited reasons for leaving the profession or retiring early were burnout and general stress from the pandemic.

Statewide data on the diversity of teacher preparation programs (TPPs). According to the LPI’s March 2023 report *Educating Teachers in California*, which analyzed teacher credentialing program completer surveys, the number of Latino/a candidates has more than doubled between 2016–17 and 2020–21, as shown in the table below. As of 2020–21, 53% of survey respondents were teachers of color, compared to 39% in 2016–17. Nationally, just 27% of recent completers identified as people of color.



Source: Learning Policy Institute analysis of Commission on Teacher Credentialing Program Completer Survey data (2023).

Clinical Pathway by Credential Type and Race/Ethnicity



Source: Learning Policy Institute analysis of Commission on Teacher Credentialing Program Completer Survey data (2023).

The LPI report further noted, “not all completers reported equal access to the preparation experiences associated with higher ratings of program effectiveness and more positive perceptions of preparedness. Notably, access to preservice clinical experiences (i.e., student teaching or

residency programs) varied considerably by race/ethnicity and credential type. As shown in Figure 3, only 46% of Black and 50% of Native American completers reported participating in student teaching or residencies, compared to at least two thirds of all other racial/ethnic groups. Fewer than one third of education specialists (i.e., special education teachers) participated in student teaching or residencies, as compared to about 7 in 10 multiple subject completers (i.e., elementary teachers) and single subject completers (i.e., secondary teachers). Education specialists were also more likely to report limited student teaching hours or low levels of clinical support from their TPPs.”

School district employee compensation information collected by the California Department of Education (CDE). Current law requires the Superintendent of Public Instruction (SPI) to provide annually to each school district, for use in the School Accountability Report Card (SARC), the statewide salary averages for teachers and administrators and the statewide percentage of expenditures spent on personnel in the following categories:

- Beginning, midrange, and highest salary paid to teachers;
- Salaries of school-site principals;
- Salaries of district superintendents;
- Percentage of expenditures allocated to teacher salaries; and
- Percentage of expenditures allocated to administrative personnel salaries.

Each spring, California school districts and COEs are given the opportunity to complete an optional form entitled, “2021–22 Salary and Benefit Schedule for the Certificated Bargaining Unit (Form J-90).” This form requests salary schedule information, employee placement on the salary schedules by full-time equivalents, bargaining unit bonuses paid for selected services, salaries and days of service for school principals and superintendents, and health and welfare

benefits by carrier with amounts paid by the district or county office per employee. The CDE annually compiles this information and provides it to the public on their website.

Although participation in the survey is voluntary, each school district with an ADA of greater than 500 which did not originally respond to the request was telephoned a minimum of two times and encouraged to complete the survey. The 2021-22 report includes 831 district and COE responses, and includes information from 76.41% of school districts and COEs, representing 96% of the state's non-charter ADA. The information collected through Form J-90 is aggregated and not specific to individual employees, and only pertains to certificated staff.

According to the Form J-90 filings, the following was reported for beginning teacher salaries in 2021-22.

Statewide Averages	Small ADA <1,000	Medium ADA 1,000 to 4,999	Large ADA ≥5,000
Beginning Teacher Annual Salary	\$46,844	\$51,591	\$52,641

(Source: CDE)

Local Control Funding Formula. This bill increases the LCFF base grants by 50% by 2030-31. The LCFF was established in the 2013-14 fiscal year to address the achievement gap by providing more equitable funding among LEAs by providing a higher level of funding to LEAs that enroll larger numbers of unduplicated pupils so they could provide those pupils with additional services and support. The LCFF consists of a base grant for school districts and charter schools of the following amounts in 2021-22:

- \$8,935 for grades K-3, which includes a 10.4% grade span adjustment for class size reduction;
- \$8,215 for grades 4-6;
- \$8,458 for grades 7-8; and
- \$10,057 for grades 9-12, which includes a 2.6% grade span adjustment for college and career readiness.

The base grant for each school district and charter school, including the grade span adjustment, is multiplied by units of ADA. For school districts, funded ADA is equal to the greater of current or prior year ADA.

In addition to the base grant, school districts and charter schools also receive funding for each enrolled pupil who is either an English learner, low income (as determined by eligibility for free- or reduced-price meals), or in foster care. These are referred to as "unduplicated" pupils, because pupils who fall into more than one of these categories are counted only once for LCFF

purposes. Districts and charter schools receive an additional 20% of the base grant amount for each unduplicated pupil.

The concentration grant is provided to districts and charter schools that have a significant concentration of unduplicated pupils. The concentration grant is provided whenever the enrollment of unduplicated pupils exceeds 55% of total enrollment. For each grade span, the grant is calculated by multiplying the base grant per ADA, times the total funded ADA, times the portion (if any) of unduplicated pupil percentage that exceeds 55%, times 65%. Note that AB 130 (Chapter 44, Statutes of 2021) increased the concentration grant factor to 65%.

Where California ranks in per pupil funding. The publication *EdWeek* issues an annual ranking of per-pupil spending that adjusts for regional differences in cost-of-living. In the 2021 report, California's regionally adjusted per pupil ranking was 21st of all states and Washington, D.C., up from 44th in the 2018 report. Due to lags in data, and the COVID-19 pandemic, the 2021 report is based on data from 2018. In that year, California's regionally-adjusted per pupil spending was \$11,269, which was \$2,410 below the national average of \$13,679. For 2022, this figure rose, given the increases to K-12 public school spending during the COVID-19 pandemic.

What is the funding goal for public education? Although most advocates for public education believe additional funding is needed to support schools, there is little consensus regarding the ultimate goal. Is the goal for California to be one of the top 10 states in K-12 education funding? Is the goal for California to provide funding for K-12 at the national average? Is the funding goal related to adequacy? According to the technical report, *Getting Down to Facts II: Adequacy and State Funding Formulas: What Can California Learn From the Research and National Context?* "The cost of an adequate education is...the minimum cost to achieve a targeted outcome that has been deemed "adequate" by analysts, policymakers or, in some cases, a state constitution." ***The Committee may wish to consider*** these policy questions.

Total school funding is determined by Proposition 98, not by the LCFF. Increasing the LCFF funding targets does not increase school funding. Rather, school funding is determined by Proposition 98, which requires a minimum level of funding, but has also, in practice, served as a funding ceiling. Accordingly, the increased targets established by this bill are aspirational, just as the original LCFF targets were.

Competing demands for ongoing funding. One objective of increasing the LCFF targets is to help ensure that funding increases generated by Proposition 98 that are in excess of what is needed to fully fund the statutory cost-of-living adjustments will be applied to the formula. However, there are other demands for increased funding, such as for pensions, special education and home-to-school transportation programs. Competing demands for on-going K-12 funding will continue to be determined through the annual budget process.

Recommended Committee Amendments. *Staff recommends* the bill be amended to:

- 1) Specify that COEs and necessary small schools shall receive the same 50% LCFF funding increase.
- 2) Require schools to report the total compensation (salary & benefits) on the form J-90.
- 3) Clarify that the intent language does not apply to community funded school districts.

- 4) Require classified salary reporting on the Form J-90 for the following classifications:
 - a) Custodian
 - b) Nutrition services worker
 - c) Instructional aide
 - d) Secretary/administrative assistant
 - e) Bus driver

- 5) Delete the intent language regarding raising school site staff salaries by 50% and instead specify that it is the intent of the Legislature to close the wage gap for classified and certificated school site staff in order to recruit and retain school site staff.

Related legislation. AB 1607 (Muratsuchi) of the 2021-22 Session would have, commencing with the 2022-23 school year, required any calculation of ADA for school districts, COE and charter schools to be based on the quotient of the sum of the ADA for the current fiscal year and each of the previous two fiscal years, divided by three. This bill was held in the Assembly Education Committee.

AB 1609 (Muratsuchi) of the 2021-22 Session would have required for the 2022-23 school year, the CDE to use the greater of the ADA from fiscal years 2019-20, 2020-21, 2021-22, or 2022-23 for purposes of apportionment under the LCFF for school districts, COEs, and charter schools.

AB 1614 (Muratsuchi) of the 2021-22 Session would have increased the LCFF base grant amounts, as specified, commencing with the 2022-23 fiscal year. This bill was held in the Assembly Education Committee.

AB 1948 (Ting) of the 2021-22 Session would require, commencing with the 2022-23 fiscal year, numerous changes to the calculation of the LCFF. This bill was held in the Senate Education Committee.

AB 39 (Muratsuchi) of the 2019-20 Session would have increased the school district and charter school LCFF base grant funding targets, and would have created a new grant-add on. This bill was held on the Senate Floor.

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers Afl-cio
California School Employees Association
California Teachers Association
Children Now

Opposition

None on file

Analysis Prepared by: Chelsea Kelley / ED. / (916) 319-2087