MN HOUSE RESEARCH

Teacher Compensation

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Teacher compensation includes salary, benefits, and pensions. Salary and benefits are determined locally, while pensions are determined at the state level.

State Funding for Teacher Salaries and Benefits

General Education Revenue

Minnesota's school finance system provides funding to school districts and charter schools to operate public elementary and secondary schools. Most of the money appropriated by the legislature is distributed on a per pupil basis. The bulk of that money goes to the general education revenue program, and other appropriations are distributed through several categorical aids. Districts can also raise money through a property tax levy, subject to statutory limits on the amounts and types of levies. If a levy is "equalized," a district with a smaller tax base receives more state aid. For more information about school finance, see the House Research publication, *Minnesota School Finance: A Guide for Legislators*, September 2023.

A district or charter school's general education revenue funds the district or school's operating expenses, including employee salaries, employee benefits, and supply costs. Each school board decides how to allocate a district's general education revenue among sites and programs.

Q-Comp

An alternative teacher pay system known as "Q-Comp" allows districts, schools, and teachers to design and collectively bargain a plan that includes the following components: career ladder/advancement options; job-embedded professional development; teacher evaluation; performance pay; and an alternative salary schedule. Statewide aid for the program is capped at $89 million. If a district's plan is approved by the commissioner of education, the district is eligible to receive revenue of $169 per enrolled student; an equalized aid and levy provides an additional $91 per enrolled student. As of April 2024, 109 school districts and 73 charter schools had implemented Q-Comp programs, while 27 school districts and charter schools had applied and were on the waiting list.

Locally Determined Compensation

Collective Bargaining

The Public Employment Labor Relations Act (PELRA) governs collective bargaining for state and local government employees. Generally, teachers in a district are in the same bargaining unit, meaning the contract negotiated between the district's school board and the exclusive representative of the teachers provides the terms and conditions of employment for all teachers in the district. PELRA requires teachers' collective bargaining agreements to be for a two-year term, beginning July 1 in an odd-numbered year.

The agreements establish teachers' overall compensation, including salaries, monetary and nonmonetary incentives, and health insurance coverage, for the two-year term. A school board must approve the collective bargaining agreement before it goes into effect. PELRA also applies to charter schools, though most charter school employees are not unionized. If they are not unionized, salaries and benefits are approved by the charter school board without going through the bargaining process.

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Salary

Most 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.

Health Insurance and Other Benefits

Teacher compensation includes salary, health insurance, and sometimes other incentives. Health insurance is the single largest cost component of teacher compensation after salary. Dental, life, and long-term care insurance are provided in some districts, but are comparatively smaller costs.

Districts may offer their teachers incentives in addition to salary and insurance. These incentives may include hiring bonuses, tuition and fee payments, education loan repayments, and salary supplements for teachers with additional preparation, such as national board-certified teachers.

Pensions

Licensed public school teachers in Minnesota (other than those who teach in the St. Paul school district) 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. In 2023 and 2024, the legislature made the following changes to TRA:

- Lowered the age at which a TRA member can begin receiving an unreduced pension benefit. Previously, members hired before July 1, 1989, could receive the full benefit at age 65, and those hired after June 30, 1989, could receive it at age 66. Beginning July 1, 2024, all TRA members can receive the full benefit at age 65.
- Increased contribution rates. The current contribution rate for employees is 7.75 percent and for employers 8.75 percent. Effective July 1, 2025, the employee rate will be 8 percent and the employer rate 9.5 percent.

Teachers in the St. Paul school district belong to the St. Paul Teachers' Retirement Fund Association, not TRA. In 2023, the legislature lowered the retirement age for St. Paul teachers to allow teachers with at least 30 years of service to receive a full benefit at age 62. In 2023 and 2024, the legislature modified employer and employee contributions. Employees currently contribute 7.75 percent of pay and St. Paul Public Schools contributes 9 percent. Employees will contribute 7.5 percent starting July 1, 2024, 8.75 percent starting July 1, 2025, and 9 percent starting July 1, 2026. St. Paul Public Schools will contribute 9.75 percent starting July 1, 2025, in addition to a supplemental rate of 3.84 percent.

Working Group

In 2024, the legislature established the Teacher and Paraprofessional Compensation Working Group to advise the legislature on strategies and recommendations to provide compensation to teachers and paraprofessionals. The group must report to the legislature by February 14, 2025.

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