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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Office

H.B. 411
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Rep. J. Miller

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill increases the base salary for beginning teachers with a bachelor's degree from \$35,000 to \$50,000 and proportionally increases the minimum salaries for teachers with different levels of education and experience.
- Local salary and benefits costs to increase teacher salaries to the proposed minimums total to \$541.1 million for the 53,877 teachers in school districts, educational service centers, and state-operated schools whose salaries were below the proposed minimums in FY 2023. Rural and small town school districts bear nearly two-thirds of this cost due to relatively lower average salaries than other district types. Most (56%) of the overall cost is attributable to raising salaries for teachers with master's degrees or higher.
- The estimate above is a snapshot comparison of FY 2023 actual salaries to the proposed minimums. Actual costs are likely to be less, as existing collective bargaining agreements will prevail over the bill until they expire. Salary increases due to the bill will occur as new agreements are reached. In the meantime, teacher salaries presumably will increase to some degree from year to year.

Detailed Analysis

Minimum salary schedule

Current law prohibits traditional school districts, joint vocational school districts (JVSDs), and educational service centers (ESCs) from paying a teacher less than a certain minimum salary based on the teacher's years of teaching service and level of education. These amounts are set

in statute.¹ The statutory minimums do not apply to the Cleveland Municipal School District; community and science, technology, engineering, and mathematics (STEM) schools; and state-operated schools (the state schools for the blind and deaf and the Buckeye United School District, which serves youth incarcerated in facilities operated by the Department of Youth Services).²

The statutory minimum salary schedule sets a base annual amount of \$35,000 (increased from \$30,000 by H.B. 33 of the 135th General Assembly, effective October 3, 2023) for a teacher with a bachelor's degree and zero years of teaching service. Different levels of education and teaching experience have their own minimum annual salary amounts based on a prescribed percentage of the base amount. The salary schedule takes into consideration four levels of education and a range of zero to 11 or more years of service.³ The four levels of education are: (1) less than a bachelor's degree, (2) a bachelor's degree, (3) a bachelor's degree with five years of training, but not a master's degree, and (4) a master's degree or higher. The percentages of the base amount range from 86.5% for teachers with less than a bachelor's degree and zero years of experience to 162.3% for a teacher with at least a master's degree and 11 or more years of experience. The bill increases the base salary amount to \$50,000 and proportionally increases the minimums across the spectrum of teacher education and experience levels by keeping the percentages of the base amount constant. For reference, tables 1 and 2 of the "**Appendix**" list the current and proposed salary schedules, respectively.

Cost estimate methodology and caveats

We estimated the cost of the bill using Ohio Department of Education and Workforce (DEW)-supplied teacher salary data for FY 2023, the most recent available. We included teachers employed by all traditional districts, JVSs, ESCs, and state-operated schools. The data set includes teachers in the Cleveland Municipal School District and state-operated schools, even though they are not subject to the statutory minimums, given that a substantial increase in the statutory minimums may apply some upward pressure on salaries for those entities. We limited the data set to teachers reported as active employees who were directly employed by their reporting entity. We excluded teachers with reported yearly salary data less than the current legal minimums on the assumption that these employees are part time or otherwise not eligible for the statutory minimum.

It is important to note that the cost estimates presented below represent a snapshot comparison of FY 2023 actual salaries to the minimums proposed by the bill. Actual costs are likely to be less than estimated for several reasons. Most notably, the salary provisions of a collective bargaining agreement will prevail over conflicting provisions of state law while an existing agreement is in effect. Actual salary increases as a result of the bill will occur as existing

¹ [R.C. 3317.13](#).

² Under current law, the Cleveland Municipal School District's board of education must adopt a salary schedule for teachers based on performance (see [R.C. 3311.78](#)). The Superintendent of Ohio Deaf and Blind Education Services, who oversees the state schools for the blind and deaf, establishes an annual schedule of hourly rates for compensation that depend in part on the teacher salaries of certain school districts in Franklin County (see [R.C. 124.15](#)).

³ Years of service includes teaching in traditional school districts, ESCs, chartered nonpublic schools, and active military service.

agreements expire and new agreements are reached. While existing agreements remain in effect, teacher salaries presumably will increase to some degree from year to year. In addition, FY 2023 salary data does not reflect the minimum salary increases enacted in H.B. 33, which became effective in the fall of FY 2024.

Effects of increasing minimum base salary

Direct effects

Overall, 53,877 teachers were paid below the proposed minimums for their experience and education level in FY 2023, representing 54.7% of the 98,473 teachers included in our dataset. In the LBO model, the cost to bring the salaries of these teachers to the bill's proposed minimums totals \$468.7 million statewide. The bill will also lead to increased employer retirement and Medicare contributions, since these benefit costs are calculated according to certain percentages of an employee's salary. Employers contribute 14% of a teacher's salary for retirement and 1.45% for Medicare, for a total that equals 15.45% of their salary. School districts, ESCs, and state-operated schools would contribute an additional \$72.4 million to teacher retirement and Medicare, bringing the total cost to \$541.1 million. Table 1 below breaks out these costs as well as the number and share of teachers affected by school type and, within traditional districts, by district type. As can be seen in the table, school districts in rural and small town areas, which have lower average salaries than other types of districts due in part to lower costs of living, would bear most (64%) of the total marginal cost of the bill.

Table 1. Annual Teacher Salary and Benefits Cost to Increase Base Minimum Teacher Salary to \$50,000 (\$ in millions) by School Type, FY 2023

School Type	Teachers Below Proposed Minimums	Total Teachers	Share of Total Below Proposed Minimum	Marginal Salary Cost	Marginal Benefit Cost	Total Marginal Cost
Traditional districts	51,652	93,721	55.1%	\$447.2	\$69.0	\$516.2
<i>Rural</i>	13,556	15,021	90.2%	\$145.1	\$22.4	\$167.5
<i>Small town</i>	15,775	20,298	77.7%	\$153.0	\$23.6	\$176.6
<i>Suburban</i>	12,307	33,549	36.7%	\$78.8	\$12.2	\$91.0
<i>Urban</i>	10,008	24,839	40.3%	\$70.2	\$10.8	\$81.0
ESCs	1,288	1,525	84.5%	\$14.2	\$2.2	\$16.4
JVSDs	855	3,144	27.2%	\$6.0	\$0.9	\$7.0
State-operated schools	82	83	98.8%	\$1.3	\$0.2	\$1.5
Total	53,877	98,473	54.7%	\$468.7	\$72.4	\$541.1

Another way to look at the estimated cost is by teacher education level, which appears in Table 2. Most of the estimated cost goes toward raising salaries for teachers with a master’s degree or higher, who comprise the largest share of teachers. Of the \$541.1 million estimated cost, \$304.6 million (56%) pays the salary and benefit costs associated with raising the salaries of such teachers to the proposed minimums.

Table 2. Annual Teacher Salary and Benefits Cost to Increase Base Minimum Teacher Salary to \$50,000 (\$ in millions) by Education Level, FY 2023

Education Level	Teachers Below Proposed Minimums	Total Teachers	Share of Total Below Proposed Minimum	Marginal Salary Cost	Marginal Benefit Cost	Total Marginal Cost
Less than bachelor’s	242	1,257	19.3%	\$1.2	\$0.2	\$1.4
Bachelor’s	10,805	14,704	73.5%	\$89.9	\$13.9	\$103.8
Five years of training but no master’s	12,130	17,164	70.7%	\$113.7	\$17.6	\$131.3
Master’s or higher	30,700	65,348	47.0%	\$263.8	\$40.8	\$304.6
Total	53,877	98,473	54.7%	\$468.7	\$72.4	\$541.1

Indirect effects

Salary compression

The estimated \$541.1 million cost described above reflects only the direct cost of raising the salaries of teachers who earned less than the proposed minimums in FY 2023 up to those minimums. In addition, the bill likely will lead to indirect costs to raise the salaries of teachers currently earning substantially more than the minimums who, as a result of the bill, will be much closer to them. In other words, the bill likely will lead to “salary compression” for the remaining teachers that exceed the proposed minimums unless the situation is addressed by districts, ESCs, and the state (for state-operated schools). In order to retain teachers and remain competitive in the labor market, districts, ESCs, and state-operated schools may find it necessary to raise salaries for these teachers, even if they are not legally obligated to, to maintain existing salary differentials. Any costs incurred to address salary compression or labor market competition would also impact employer-paid retirement and Medicare contributions and depend largely on teacher compensation decisions made through the collective bargaining process.

School funding formula

The bill also may have an indirect fiscal effect on state aid to school districts and other public schools through the school funding formula. The calculation of the base cost in the current formula relies in part on the average salary of teachers earning between \$30,000 and \$95,000. However, it does not affect the current formula, which requires base cost inputs from FY 2022 to be used and is effective only through FY 2025. The General Assembly has yet to determine a

formula for FY 2026 and beyond. For the bill to have any effect on state aid, the General Assembly must update the formula's base cost inputs in the future to a fiscal year in which the new minimums apply. If the General Assembly does so, a higher average teacher salary due to the bill will lead to an increase in state aid. Any increase in average teacher salaries due to the bill will be mitigated to some extent by existing collective bargaining agreements, as described above.

There will be a lag between when the new minimums go into effect and when the data becomes available to use in the formula. School districts report staff information to DEW for a given fiscal year within certain data reporting windows. The staff data collection window for a fiscal year closes sometime in August after the fiscal year concludes. If the bill starts to affect teacher salaries in FY 2026 for example, the average teacher salary for that year would not be available until sometime in the fall of FY 2027. It appears, therefore, that the earliest that FY 2026 average salaries could begin to be used in the formula would be in FY 2028, assuming the formula continues as presently constructed.

Appendix

Table 1. Current Law Statutory Minimum Salary Schedule (Base Amount of \$35,000)				
Years of Service	Less than Bachelor's Degree	Bachelor's Degree	Five Years of Training, but no Master's Degree	Master's Degree or Higher
0	\$30,275	\$35,000	\$36,330	\$38,325
1	\$31,500	\$36,330	\$37,835	\$40,005
2	\$32,725	\$37,660	\$39,340	\$41,685
3	\$33,950	\$38,990	\$40,845	\$43,365
4	\$35,175	\$40,320	\$42,350	\$45,045
5	\$36,400	\$41,650	\$43,855	\$46,725
6	\$36,400	\$42,980	\$45,360	\$48,405
7	\$36,400	\$44,310	\$46,865	\$50,085
8	\$36,400	\$45,640	\$48,370	\$51,765
9	\$36,400	\$46,970	\$49,875	\$53,445
10	\$36,400	\$48,300	\$51,380	\$55,125
11+	\$36,400	\$49,630	\$52,885	\$56,805

Table 2. Proposed Minimum Salary Schedule (Base Amount of \$50,000)				
Years of Service	Less than Bachelor's Degree	Bachelor's Degree	Five Years of Training, but no Master's Degree	Master's Degree or Higher
0	\$43,250	\$50,000	\$51,900	\$54,750
1	\$45,000	\$51,900	\$54,050	\$57,150
2	\$46,750	\$53,800	\$56,200	\$59,550
3	\$48,500	\$55,700	\$58,350	\$61,950
4	\$50,250	\$57,600	\$60,500	\$64,350

Table 2. Proposed Minimum Salary Schedule (Base Amount of \$50,000)

Years of Service	Less than Bachelor's Degree	Bachelor's Degree	Five Years of Training, but no Master's Degree	Master's Degree or Higher
5	\$52,000	\$59,500	\$62,650	\$66,750
6	\$52,000	\$61,400	\$64,800	\$69,150
7	\$52,000	\$63,300	\$66,950	\$71,550
8	\$52,000	\$65,200	\$69,100	\$73,950
9	\$52,000	\$67,100	\$71,250	\$76,350
10	\$52,000	\$69,000	\$73,400	\$78,750
11+	\$52,000	\$70,900	\$75,550	\$81,150