

Estimated Growth in Annual Public Teachers' Compensation in Kentucky

Paul Coomes, Ph.D., Emeritus Professor of Economics, University of Louisville

John Garen, Ph.D., Emeritus Professor of Economics, University of Kentucky

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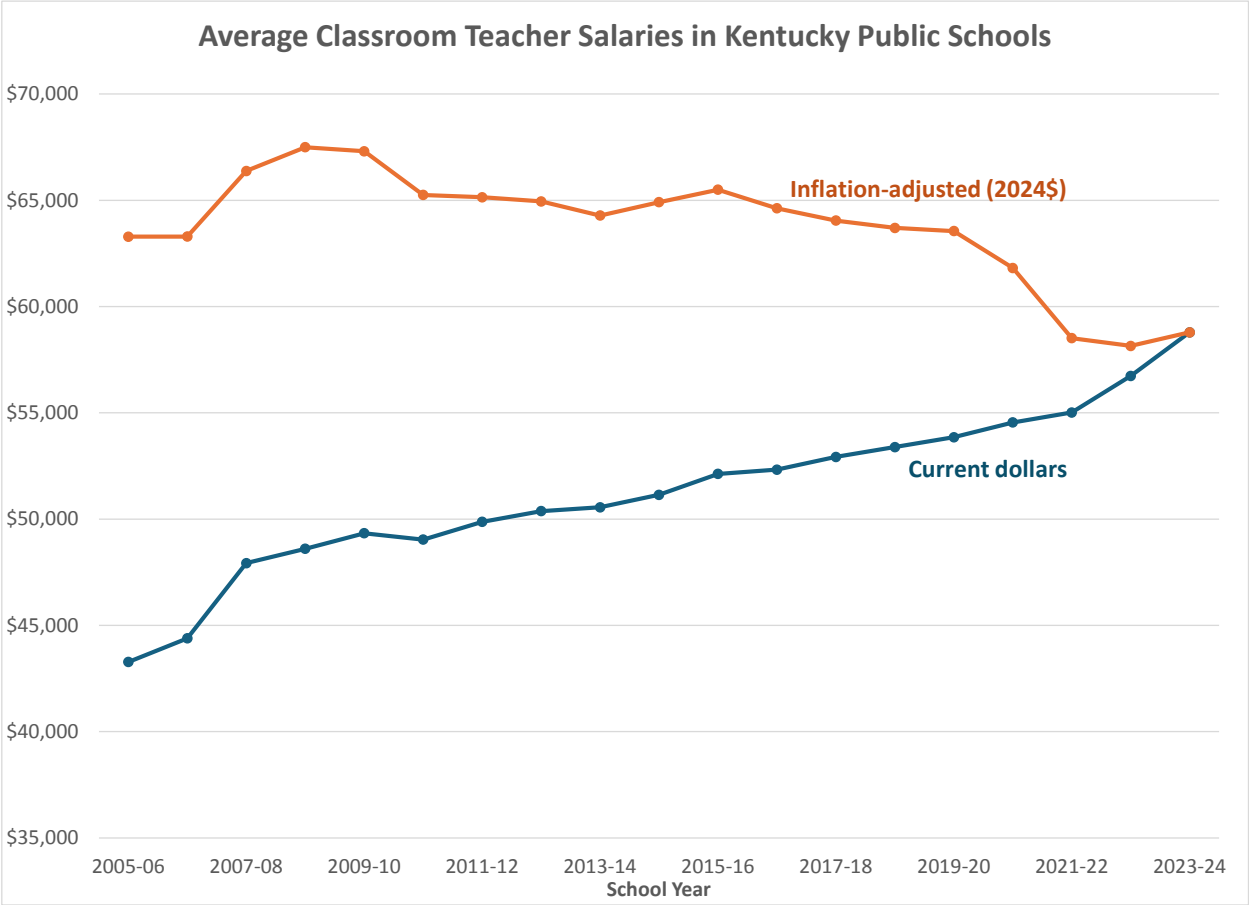
This policy brief provides estimates of average annual compensation for teachers in public K-12 schools in Kentucky. Almost all discussion of teachers' pay is focused on salaries, ignoring the very substantial fringe benefits provided to teachers. These include pension contributions, health insurance for teachers and their households, and life insurance. We have gathered publicly available data on salaries and benefits for the years 2006 through 2024, and calculated annual average total compensation for each school district in Kentucky. We adjust the historical data for inflation and present the results.

We find that:

1. Kentucky state government subsidizes all public school districts in the state through two primary mechanisms. The SEEK program provides annual state payments to each district based on a complicated formula, largely driven by the property tax base in each district; the lower the assessed value of property, the greater the subsidy. In fiscal year 2024, the state spent **\$2.39 billion on SEEK** payments to districts. The second subsidy is through the "on-behalf" payments that the state makes for pensions, health insurance, life insurance, technology support and debt service on construction projects. **On-behalf payments related to compensation amounted to \$1.93 billion** in fiscal year 2024.
2. The average annual teacher's salary in FY24 was \$58,788 (and rose to \$61,107 in FY25). However, we estimate that average fringe benefits per teacher were \$35,406, resulting in a total average compensation of \$94,194.
3. Adjusted for inflation, average teachers' salaries fell by 7.1 % between 2006 (the earliest year for which consistent data are available) and 2024. But because of large increases in fringe benefits, especially contributions to the Kentucky Teachers' Retirement System (TRS), average inflation-adjusted compensation per teacher rose 10.5 %.
4. Though average inflation-adjusted teacher compensation rose by 10.5 % during this time period, the increase was far outstripped by the 40.5 % increase in inflation-adjusted per-pupil funding received by Kentucky's K-12 schools.

Average Teachers' Salaries

The number of FTE (Full-Time Equivalent) teachers in Kentucky remained relatively flat during the period studied, rising from 42,146 in 2006 to 43,103 in 2024. The average teacher's salary rose by 35.8 % – from \$43,275 to \$58,788 – over this period. However, inflation as measured by the price index for personal consumption (PCE Price Index) expenditures rose by 46.2%. Adjusting for inflation, average teachers' salaries actually fell by over 7 %. Much of this decline has occurred since 2020, though there was a slight improvement in 2024.



The average classroom teachers' salaries data by district are from the Kentucky Department of Education (KDE): www.education.ky.gov/districts/FinRept/Pages/School%20District%20Personnel%20Information.aspx . KDE reports an unweighted average of salaries by district. We have computed a weighted average, which is a more accurate measure statewide.¹

¹The Bluegrass Institute also developed an index of teacher pay by school district from 1990 to 2023. See KY Public School District Facts & Trends Summary | Tableau Public.

Fringe Benefits

Teachers in Kentucky are not part of the federal Social Security system. Their retirement benefits are financed by (a) payroll withholding of 12.855 % of their salary, and (b) state “on-behalf” payments to the TRS. The table below lists all on-behalf payments made by the state for K-12 in 2023-2024. As can be seen, over half of these payments (52.4 %) are for the TRS.

State On Behalf Payments, 2023-2024		
Program	Amount	Share of Total
Teachers Retirement System, incl medical and life insurance fund	\$1,083,988,123	52.4%
Health Insurance, plus dental and vision, current employees	\$916,159,107	44.3%
Life Insurance, current employees	\$1,165,379	0.1%
Administrative Fee	\$9,331,193	0.5%
Federal Reimbursement for health benefits for federally funded workers	-\$81,617,427	-3.9%
Subtotal: Payroll-related	\$1,929,026,376	93.2%
Kentucky Education Network	\$13,006,491	0.6%
ATT Firewall	\$1,820,850	0.1%
MUNIS Financial Management Software	\$2,026,969	0.1%
McAfee Virus Protection Software	\$405,296	0.0%
Subtotal: Technology-related	\$17,259,607	0.8%
School Facilities Construction Commission (SFCC) Debt Service	\$124,080,067	6.0%
Total On Behalf Payments	\$2,070,366,049	100.0%

The second largest component of on-behalf payments – comprising 44.3% – is for teachers’ health insurance. Teachers pay a premium to receive health insurance coverage in the form of a premium plan available to their entire households. Teachers and other certified staff do pay the small Medicare payroll tax in order to receive Medicare benefits after age 65 and not be a drain on the TRS. However, people retiring before 65 (basically all teachers) get to stay in the health-care program with small premiums until they are eligible for Medicare. Retirees after age 65 get TRS to provide Medigap supplemental, with no premiums.

There are other, smaller fringe-benefit payments made on behalf of teachers (shown in the table), making the total of these payments \$1.929 billion. We compute the payment per teacher by dividing this figure by the number of eligible TRS employees.

Teachers and other certified staff are covered by TRS, including many substitute teachers, administrators, principals, superintendents, librarians and guidance counselors. Most other school staff are covered by the Kentucky Employees Retirement System. However, some noncertified central office staff are also members of TRS. They must have a four-year college degree, and the membership varies by district. For TRS membership rules, see <https://trs.ky.gov/active-members/membership/pt-or-substitute-teaching/>.

The KDE and the TRS don't offer a district-level breakout for other certified staff. So, we estimated the number of TRS members using a federal database of staffing by state that breaks out employment by type of assignment.² School district administrative support staff as a percentage of apparent certified staff varied between 3.6% and 5.0 % during the past 15 years. To estimate the fringe benefits per teacher, we use those federal data to adjust upwards the certified staff data published by the KDE.

The state on-behalf payments include some dollars for technology and debt service on construction projects. The payments for fiscal year 2023-24 are shown in the table above. One can see that the payroll-related portion is over 93 % of the total. Note the federal reimbursement for federally funded employees such as special ed teachers and support personnel for at-risk (poverty) students. The federal government covers health insurance, but the state covers pensions.

Historical data for on-behalf payments to districts are available from the KDE website. We have used only the payroll-related portion of the payments, excluding those for technology and debt service, to compute fringe benefit payments per teacher from 2006 to 2024.

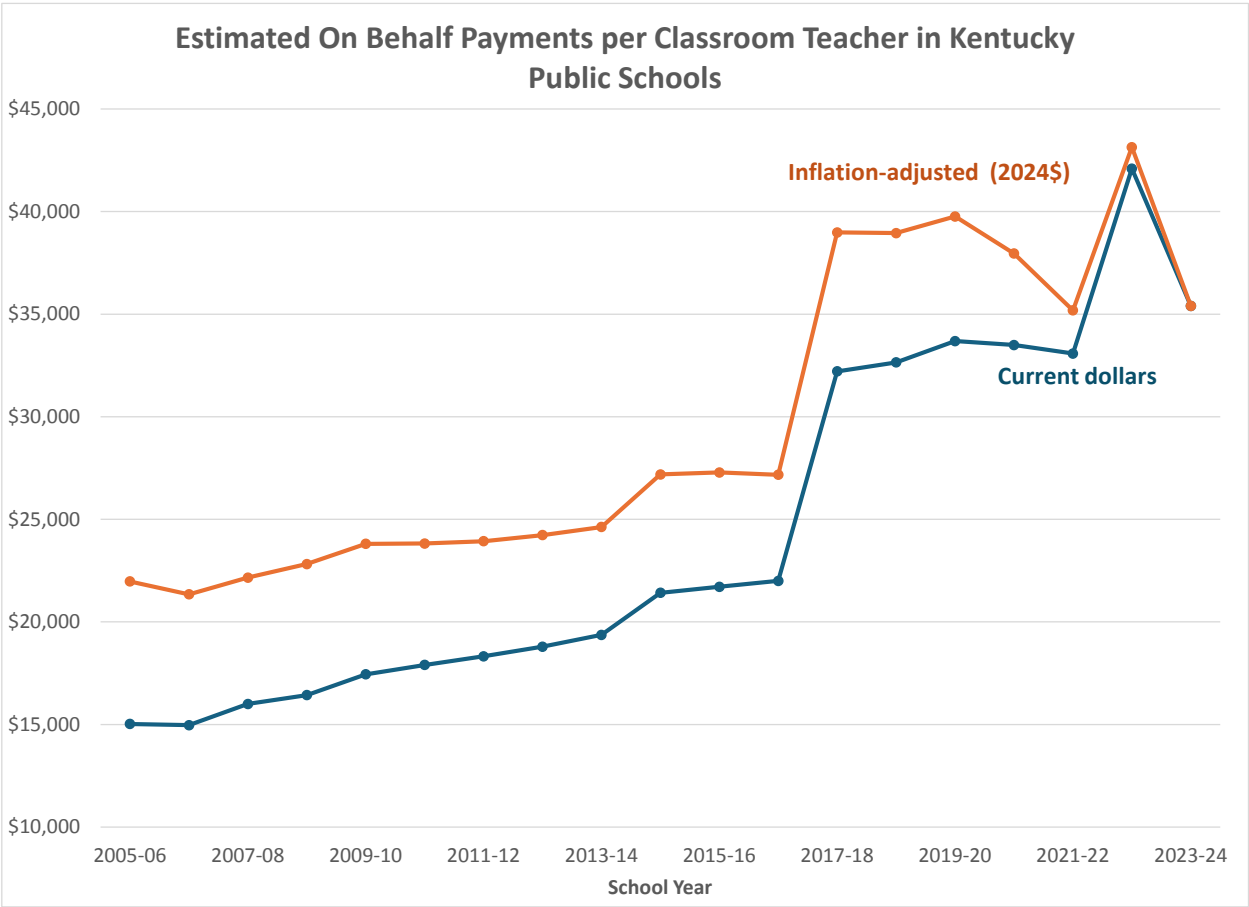
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²See National Center for Education Statistics for the latest published data: https://nces.ed.gov/programs/digest/d23/tables/dt23_213.20.asp for the latest published data.

State On-behalf Payments for Teachers

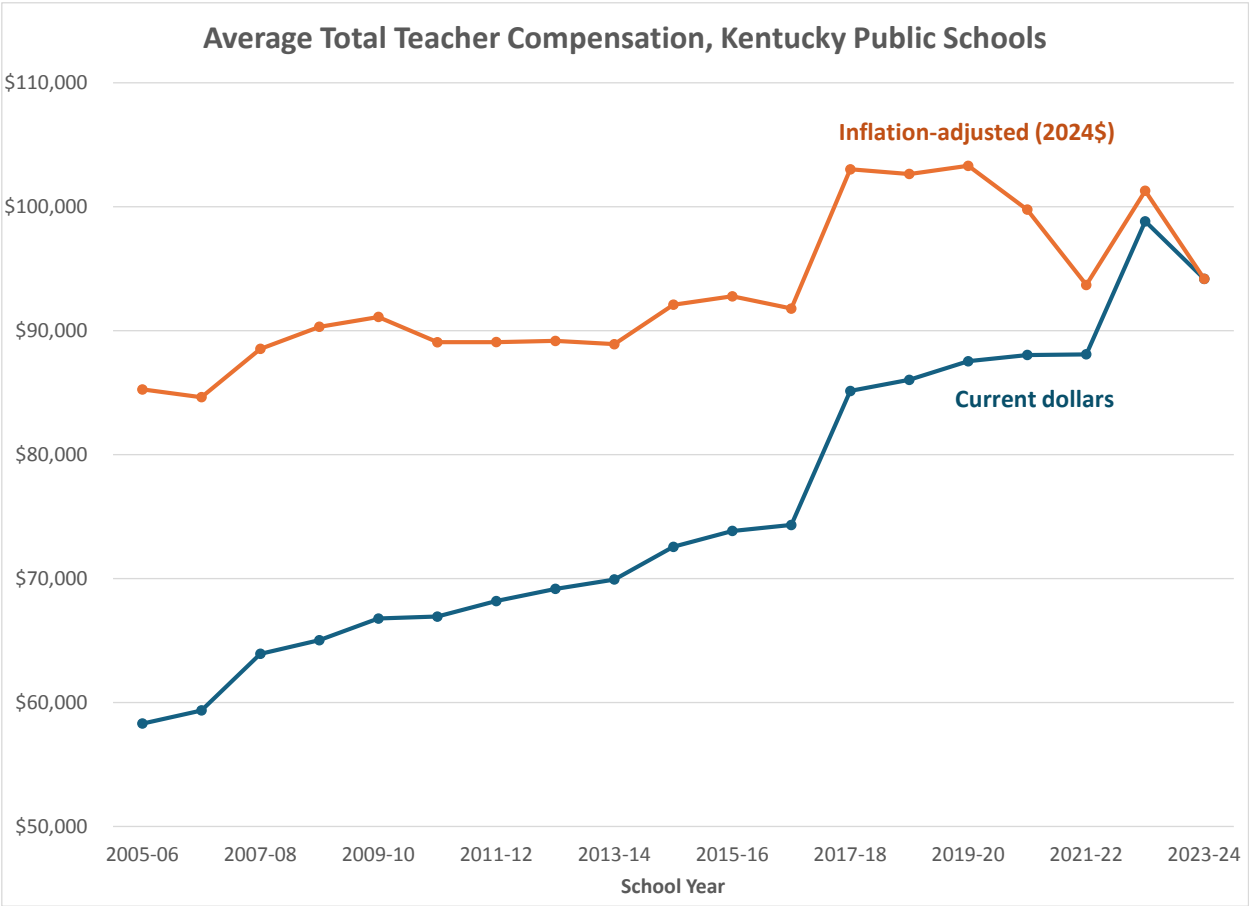
As noted above, Kentucky state government makes on-behalf payments to TRS each year for covered school staff, including teachers. We have estimated the amount per teacher by dividing the payroll-related on-behalf payments for each district by the number of certified staff (plus a few others that appear to qualify for TRS membership) in each district. We then adjust these for inflation using the federal Personal Consumption Expenditures Price Index.

The results are shown in the next chart. On-behalf payments per teacher rose by \$15,025 to \$35,406 over the period, or 136 %. In terms of real 2024 dollars, payments rose from \$21,975 to \$35,4060, or 61 %. Payments from 2006 to 2017 steadily rose faster than inflation with a large upward jump in 2018. They have varied somewhat since then, but have remained well above their 2006 level, even after inflation.



Total Teacher Compensation

One can see in the chart below that when the average teachers' salaries are added to the average on-behalf payments, average total compensation rose from \$58,301 to \$94,194, or 61.6 %, over the period. In terms of constant 2024 dollars, compensation rose from \$85,265 to \$94,194, or 10.5 %.

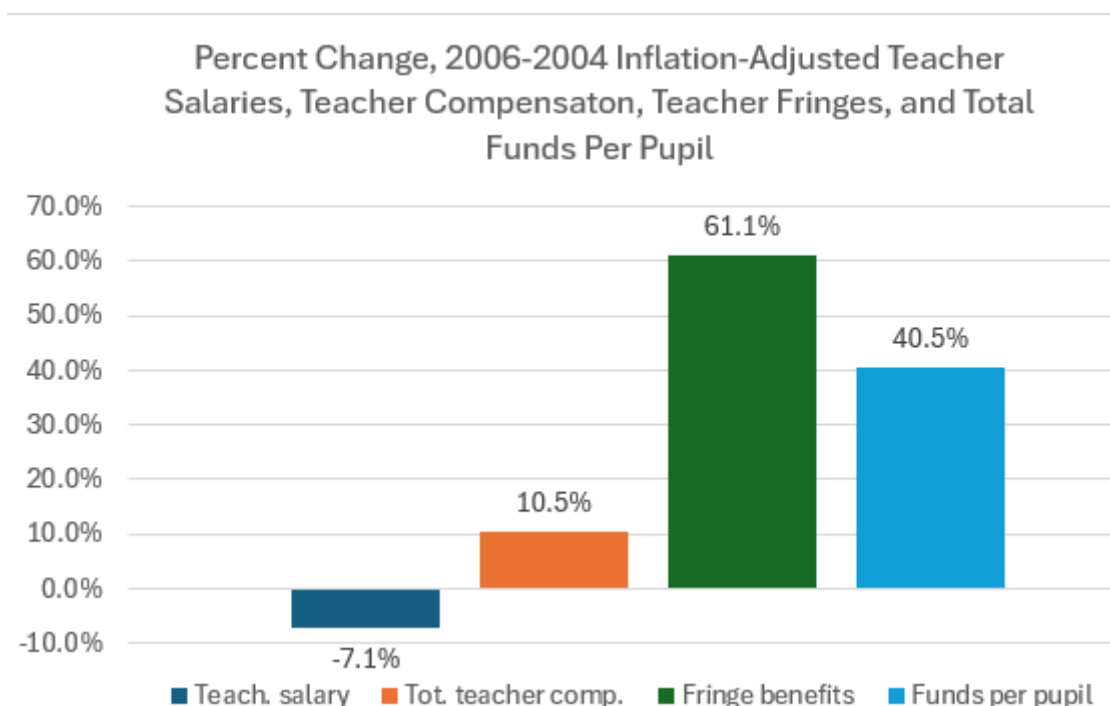


Total compensation for teachers remained roughly even with inflation from 2009 to 2017, then jumped ahead with the large increase in state on-behalf payments beginning in 2018.

Comparisons

The chart below compares the 2006-2024 inflation-adjusted changes in teachers' salaries, total compensation and fringe benefits, as well as to total funds per pupil in Kentucky public schools.

The chart reflects our discussion above. Though teachers' salaries dropped by 7.1 during this period (shown in the first column), fringe benefits per teacher rose dramatically; they were 61.1% higher in 2024 than 2006 (see the third column). This resulted in 2024 total compensation for teachers being 10.5 % higher in 2024 than 2006 (column 2).



As a final noteworthy comparison, the fourth column shows the percentage increase in inflation-adjusted funding per pupil (inclusive of state, local and federal funds). It rose from \$14,698 in 2006 to \$20,656 in 2023, or 40.5%³ Though the rise in total compensation for teachers was 10.5 % during this time, this is far outstripped by the 40.5 % increase in per-pupil school funding.

³Total funding information is currently available through 2023. For the data through 2022, see the Bluegrass Institute report at https://22007b8b-42e6-4da8-9db3-4394a5a98bd1.usrfiles.com/ugd/7833d4_f2bc8a43ad6743ee893ad88f1510906c.pdf. Funding information for 2023 is from KDE spreadsheets found at <https://www.education.ky.gov/districts/FinRept/Pages/Fund%20Balances,%20Revenues%20and%20Expenditures,%20Chart%20of%20Accounts,%20Indirect%20Cost%20Rates%20and%20Key%20Financial%20Indicators.aspx>.

