

Dear Members of the Funding Formula Working Group,

At the December 10th meeting of the Funding Formula committee, Rhode Island Federation of Teachers lobbyist Jim Parisi presented data on teacher retirement contributions from mayoral academies and their enrolling communities. The data juxtaposes the 403(b)/401(k) contributions of Achievement First and Blackstone Valley Prep with the local pensions costs of districts. This representation is in line with past arguments made by teachers' unions that wrongly suggest that there is funding inequity as it relates to retirement costs and fundamentally demonstrates a gross misunderstanding of even the basic elements of labor economics.

Benefits in any labor market, including retirement, but also non-pecuniary compensation such as work place flexibility, training, opportunity for advancement, independence, and wages together form the total compensation that a prospective employee considers when seeking employment.

Pension benefits are a fundamental part of compensation.

Any certified teacher or administrator seeking employment at a mayoral academy is comparing their compensation package to a standard compensation in the labor market for certified educators in Rhode Island. When hiring staff, mayoral academies must offer alternative forms of compensation commensurate with the value of a pension benefit in order to be competitive.

Consider the following example:

There are two jobs available. Company A offers \$50,000 in wages, four weeks paid vacation, and a retirement benefit package worth \$10,000 a year. Company B offers \$55,000 in wages, a retirement benefit package worth \$2,500 a year, and 6 weeks paid vacation. Company A offers \$60,000 in total compensation for 48 working weeks, or \$1,250 a week in wages. Company B offers \$57,500 in total compensation for 46 working weeks, or \$1,250 a week in wages.

If the same jobseeker is offered both jobs, which will they take? The answer is non-obvious, because while they offer the same weekly wages, some job seekers may prefer additional time off and higher wages to more robust retirement benefits. Each of us has probably made similar comparisons between two job offers that are roughly equivalent in the past. Now consider that someone comes along and says that it isn't fair that one of these jobs spends \$10,000 a year on retirement and the other only spends \$2,500 a year, and they magically reduce Company B's budget by \$7,500. Whereas the two job offers were different but equivalent before, now, all else being equal, jobseekers would always choose Company A.

Removing the resources spent on pension benefits is equivalent to requiring that mayoral academies be unable to offer equivalent wages to prospective teachers.

There is no case to be made that mayoral academies receive an unfair amount of funding because they are not compelled to structure their compensation the same way. They should

have the same resources all other public schools have to compensate their staff. Depriving these resources from mayoral academies will create a system of have and have-nots, where mayoral academies simply cannot offer equivalent compensation to their district counterparts. Mayoral academies simply have more autonomy to structure compensation packages.

Autonomy in exchange for accountability is the fundamental trade off public charter schools make.

Sincerely,

Jason Becker
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Allovue