

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0509-01
Bill No.: SB 42
Subject: Education, Elementary and Secondary; Teachers; Elementary and Secondary
 Education Department
Type: Original
Date: March 3, 2009

Bill Summary: Creates the Teacher Choice Compensation Package to provide performance-based salary stipends for participating teachers

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$34,486,844)	(\$34,498,273)	(\$34,500,470)
Total Estimated Net Effect on General Revenue Fund	(\$34,486,844)	(\$34,498,273)	(\$34,500,470)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Teacher Choice Compensation Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Offsetting Transfers In and Out of \$34,486,844 in FY 10; \$34,498,273 in FY 11; \$34,500,470 in FY 12

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government*	\$0	\$0	\$0

* Offsetting Transfers In and Disbursements of \$34,486,844 in FY 10; \$34,498,273 in FY 11; \$34,500,470 in FY 12

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** state this proposal will have no fiscal impact on their agency.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this proposed legislation removes the provision in the ballot measure Proposition A passed in the November 2008 general election that required an amount to be added to the State Adequacy Target used in the school funding foundation formula. The money in the Schools First Elementary and Secondary Education Improvement Fund would be transferred to the Teacher Choice Compensation Fund to provide money for the performance based salary incentives. The amount of money to be in that fund annually is unknown but was estimated to be \$105 million to \$130 million when Proposition A was reviewed by the State Auditor's Office.

This proposal provides for tenured teachers to opt out of their tenured positions or teachers who are in their second year and beyond who have not achieved tenure to forego tenure in order to participate in the "Teacher Choice Compensation Package". These teachers can get stipends of \$5,000, \$10,000 or \$15,000 because of student performance and high evaluations by staff, students and parents. Once the teacher has given up tenure they cannot get it back if they stay at the same school district.

DESE states that it is difficult to determine the cost for this program as the number of participating teachers is unknown as well as the stipend amount. The facts of giving up tenure and that the stipends are not counted to calculate retirement will limit the number of teachers that will participate. If 10% of the classroom teachers (68,852) choose to participate in this program and all were at stage one, the cost would be $6,885 \times \$5,000 = \$34,425,000$. More teachers or higher stipends will increase the cost.

ASSUMPTION (continued)

DESE will require 1.0 FTE assistant director to oversee this program.

Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the assistant director to correspond with the range for the starting salary posted by DESE for a similar position. **Oversight** also has not included travel in the personal services cost.

According to officials from the Office of State Treasurer, the Schools First Elementary and Secondary Education Improvement Fund (0919) is not yet active and there is no balance in the fund. **Oversight** assumes that if monies are not available in the School First Elementary and Secondary Education Improvement Fund to be transferred to the Teacher Choice Compensation Fund created in this proposal, funding will be transferred in from General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - Department of Elementary and Secondary Education (DESE) - Funding of Teacher Choice Compensation Package</u>			
	(\$34,425,000)	(\$34,425,000)	(\$34,425,000)
<u>Cost - DESE</u>			
Personal Services	(\$39,305)	(\$48,581)	(\$50,038)
Fringe Benefits	(\$19,114)	(\$23,625)	(\$24,333)
Equipment and Expense	<u>(\$3,425)</u>	<u>(\$1,067)</u>	<u>(\$1,099)</u>
Total administrative costs	<u>(\$61,844)</u>	<u>(\$73,273)</u>	<u>(\$75,470)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$34,486,844)</u>	<u>(\$34,498,273)</u>	<u>(\$34,500,470)</u>
Estimated Net Effect on FTE for General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
TEACHER CHOICE COMPENSATION FUND			
<u>Transfer In</u> - General Revenue - Funding for Teacher Choice Compensation Package	\$34,486,844	\$34,498,273	\$34,500,470
<u>Transfer Out</u> - School Districts - Teacher Stipends	<u>(\$34,486,844)</u>	<u>(\$34,498,273)</u>	<u>(\$34,500,470)</u>
ESTIMATED NET EFFECT ON TEACHER CHOICE COMPENSATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - School Districts - Teacher stipends	\$34,486,844	\$34,498,273	\$34,500,470
<u>Cost</u> - School Districts - Disbursement of stipends to teachers	<u>(\$34,486,844)</u>	<u>(\$34,498,273)</u>	<u>(\$34,500,470)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation modifies provisions relating to teacher pay:

§163.011 - Modifies the definition and calculation of the state adequacy target for the elementary and secondary education funding formula. It removes from the calculation of the state adequacy target the inclusion of the gaming revenues from the repeal of the loss limits. It also removes the requirement that the state adequacy target be recalculated every year.

§168.745 - Creates the "Teacher Choice Compensation Package" to permit performance-based salary stipends, upon the decision of a teacher, to reward teachers for objectively demonstrated superior performance. It also creates the Teacher Choice Compensation Fund in the State Treasury.

§168.747 - Stipends will be offered in increments of five thousand dollars, up to fifteen thousand dollars but must not exceed fifty percent of a teacher's base salary as described in the proposed legislation. The Department of Elementary and Secondary Education (DESE) will make a payment to the district in the amount of the stipend, which will be delivered as a lump sum in January following the October qualification. If funds are insufficient, the Department may prorate payments.

The Compensation Package will be open to every person employed by a school district regardless of certification status, provided the other requirements are satisfied. Stipends will be prorated for part-time employees and will be forfeited for any teacher dismissed for cause.

§168.749 & 168.750 - DESE must develop or identify model instruments for use by school districts, which may also use or develop their own instruments. DESE must also develop criteria for determining eligibility for stipend increments. Test-scores will be given more weight than evaluations. The level of scores required must take into account classroom demographics.

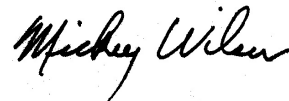
§313.778 - Provides that monies in the Schools First Elementary and Secondary Education Improvement Fund will be transferred to the Teacher Choice Compensation Fund to be used for purposes of the Teacher Choice Compensation Package.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 0509-01
Bill No. SB 42
Page 7 of 7
March 3, 2009

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of State Treasurer
Office of Secretary of State
Administrative Rules Division



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March 3, 2009