

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 3rd CALLED SESSION - 2006

May 1, 2006

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB54 by Eissler (Relating to the compensation and benefits of and programs for public school employees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB54, As Introduced: a negative impact of (\$843,387,799) through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2007	(\$843,387,799)
2008	(\$845,721,722)
2009	(\$913,381,283)
2010	(\$929,782,283)
2011	(\$946,500,977)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2007
2007	(\$843,387,799)	5.0
2008	(\$845,721,722)	5.0
2009	(\$913,381,283)	5.0
2010	(\$929,782,283)	5.0
2011	(\$946,500,977)	5.0

Fiscal Analysis

Section 1 would entitle certain charter school employees to a salary increase of \$2,500 or \$2,000 in fiscal year 2007 dependent on the charter school's participation in the Texas School Employees Group Health Coverage program (TRS-Active Care). The bill would entitle other employees of certain charter schools to a salary increase in fiscal year 2007 of either \$500 or \$250. The section would provide state aid to support the salary increases to charter schools in fiscal year 2007.

Section 2 would provide a \$2,500 salary increase in 2006-07 for school district employees subject to the state minimum salary schedule.

Section 4 would authorize school districts to provide mentors to each classroom teacher with less than two years of teaching experience.

Section 5 of the bill would add new Subchapter N, Chapter 21, Education Code to establish an awards for student achievement program under which the commissioner would provide grants to eligible campuses not to exceed an annual total of \$100 million statewide beginning in fiscal year 2007.

Section 5 of the bill would add new Subchapter O, Chapter 21, Texas Education Code to establish an educator excellence awards program. The provisions would require the commissioner to provide grants to school districts for the purpose of providing incentive payments to employees under the terms of locally developed awards plans approved by the commissioner.

Section 6 would convert the compensation supplement mechanism to an authorization for eligible school district employees to defer a portion of salary for the purpose of contributing to a cafeteria plan or paying health care premiums through premium conversion. Section 4.07 would entitle school district employees who currently are eligible for the compensation supplement but are not subject to the minimum salary schedule to a wage increase of \$500 for full-time employees and \$250 for part-time employees in fiscal year 2007.

Section 7 would entitle school districts to additional state aid sufficient to fund the salary increases to school district personnel proposed in Sections 2 and 6 of the bill.

Methodology

Section 1 would entitle charter school employees who would be subject to the minimum salary schedule if they were employed by a school district to an average salary increase of \$2,500 or \$2,000 in fiscal year 2007 dependent on the charter school's participation in the Texas School Employees Group Health Coverage program (TRS-Active Care). The bill would require charter schools that are TRS-Active Care participants to provide a wage increase in fiscal year 2007 equivalent to an average of \$500 per full-time and \$250 for part-time non-administrative employees not eligible for the \$2,500 increase. The section would provide state aid in like amounts to charter schools in fiscal year 2007. The estimated cost of additional state aid is \$13 million in general revenue in fiscal year 2007. Increases in public education employee salaries have an impact on the state's contributions to the Teacher Retirement System (TRS). At the current state contribution rate of 6 percent, the additional state contribution to TRS associated with the salary provisions in this section is \$631,000 in general revenue in fiscal year 2007.

The bill does not preserve the salary increases stipulated for charter school employees in Section 1 beyond the 2006-07 school year, but if they were to continue in future years, the associated additional state aid on the \$2,500 or \$2,000 increase to charter school employees who would otherwise be subject to the minimum salary schedule would be an estimated \$8.7 million in fiscal year 2008, increasing to \$10.4 million in fiscal year 2011, including additional state TRS contributions.

Section 2 would entitle school district employees subject to the state minimum salary schedule to a \$2,500 salary increase beginning in 2006-07. Increases in public education employee salaries have an impact on the state's contributions to TRS. At the current state contribution rate of 6 percent, the estimated cost to the state associated with the proposed salary increase would range from \$41 million in general revenue in fiscal year 2007 to \$44 million in fiscal year 2011. Estimated state contributions to TRS have been adjusted to reflect changes to the compensation supplement program contemplated elsewhere in this bill.

Section 4 of the bill would authorize school districts to provide mentors to each classroom teacher with fewer than two years of teaching experience. The commissioner would adopt rules to implement the program and would provide funding to school districts from funds appropriated for that purpose. State cost is estimated at \$13.3 million in general revenue in fiscal year 2007, increasing to \$14.4 million by fiscal year 2011.

Section 5 of the bill would add new Subchapter N, Chapter 21, Texas Education Code to establish an awards for student achievement program under which the commissioner of education would provide grants to eligible campuses. Eligibility would be determined based on the percentage of educationally disadvantaged students enrolled at the campus and the campus accountability rating. The bill would

require participating campuses to have an approved campus incentive plan that describes the use of grant funding and meets minimum criteria described in the bill. The commissioner would determine grant award amounts, not to exceed \$100 million in general revenue per year beginning in fiscal year 2007. In fiscal year 2008 and subsequent years, awards would be paid from the amounts deposited to the credit of the Educator Excellence Fund to be established within Subchapter O, Chapter 21, Education Code under the bill.

Section 5 of the bill would add new Subchapter O, Chapter 21, Texas Education Code to establish an educator excellence awards program. The provisions would require the commissioner of education to provide grants to school districts for the purpose of providing incentive payments to employees under the terms of locally developed awards plans approved by the commissioner. The bill would establish an educator excellence fund within the general revenue fund and would require the commissioner of education to deposit an amount equal to \$840 multiplied by the number of classroom teachers in fiscal year 2008 increasing to \$1,000 per teacher in fiscal year 2009 and subsequent years. Funding for each district would be determined on the basis of average daily attendance. State cost is estimated at \$261 million in general revenue in fiscal year 2008, increasing to \$328 million by fiscal year 2011.

The bill would require that districts receiving funds under the incentive programs expend 75 percent of funds under the Awards for Student Achievement program and 60 percent of funds received under the Educator Excellence Awards program for incentive payments to teachers. The estimated increased state contribution to TRS associated with these amounts would be \$4.5 million in fiscal year 2007, increasing to \$10.9 million by fiscal year 2011.

Section 6 would reenact and amend Subchapter D, Chapter 22 of the Texas Education Code to convert the compensation supplement for public education employees to an authorization to allow school district employees who are members of the TRS, employees of charter schools that participate in the Texas School Employees Uniform Group Health Coverage program (TRS Active Care), and employees of regional education service centers who are eligible to participate in a cafeteria plan or to pay health care premiums through premium conversion to elect to defer a portion of salary for the purpose of contributing to a cafeteria plan or paying health care premiums through premium conversion. Administrators would not be eligible to elect a deferral under this section.

Deferral amounts would be limited by applicable federal law. The reenactment and amendment of this subchapter would result in a savings to the state of \$275 million in fiscal year 2007 in funds appropriated for the purpose of funding the compensation supplement as it exists in current law. Under current law, the rate at which the compensation supplement is paid is to be set by rider in the General Appropriations Act. Assuming that the rate would have remained at the current level established by the legislature, \$500 per full-time employee and \$250 per part-time employee, in future biennia, the provisions of this bill would result in a savings of \$296 million in general revenue million in fiscal year 2008, increasing to \$313 million in fiscal year 2011.

Deferred compensation would not be considered compensation for the purpose of retirement contributions to TRS.

Section 6 would entitle full-time and part-time non-administrative school district employees not subject to the minimum salary schedule to a wage increase of \$500 and \$250 respectively in fiscal year 2007. The estimated increase in the state's contribution to TRS associated with the wage increase is \$2.5 million in fiscal year 2007. Estimated state contributions to TRS have been adjusted to reflect changes to the compensation supplement program contemplated elsewhere in this bill.

Section 7 of the bill would provide state aid to school districts sufficient to fund the salary increases to minimum salary schedule employees and support staff required by this bill. State cost is estimated at \$943 million in general revenue in fiscal year 2007 and \$817 million in fiscal year 2008, increasing to \$862 million in fiscal year 2011.

Local Government Impact

The bill would impose new requirements on districts related to employee compensation and would provide for state funding sufficient to fund these requirements. The bill would create a mentoring

program, the Awards for Student Achievement program, and the Educator Excellence Awards program for which state funds would be allocated to eligible districts.

Source Agencies: 701 Central Education Agency

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