

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**May 9, 2006**

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

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

**IN RE: HB102** by Delisi (Relating to a comprehensive statewide strategy for the retention and advancement of classroom teachers and certain other professional employees in public schools.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB102, As Introduced: a negative impact of (\$1,317,108,717) 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	(\$1,317,108,717)
2008	(\$1,340,275,718)
2009	(\$1,362,803,309)
2010	(\$1,386,697,875)
2011	(\$1,410,065,412)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>FOUNDATION SCHOOL FUND</i> 193
2007	(\$157,027,000)	(\$1,160,081,717)
2008	(\$160,494,500)	(\$1,179,781,218)
2009	(\$162,968,000)	(\$1,199,835,309)
2010	(\$166,447,500)	(\$1,220,250,375)
2011	(\$169,032,500)	(\$1,241,032,912)

**Fiscal Analysis**

Section 1 of the bill would provide salary enhancements to school district employees subject to the minimum salary schedule in school year 2006-2007. The amount of the salary enhancement would vary from \$2,000 to \$5,000 depending on the employee's years of experience. Although the provisions creating the salary enhancement would expire September 1, 2007, the bill would amend Section 21.402(d), Education Code to entitle employees to retain the enhancement amounts received in the 2006-07 school year for the duration of their employment with the district.

Under proposed Section 42.2516, Education Code, section 4 of the bill would provide for ongoing state aid to school districts, including districts otherwise ineligible for state aid, equal to the number of eligible employees multiplied by an amount ranging from \$2,000 to \$5,000 depending upon

employees' years of experience. The provision would apply beginning with the 2006-2007 school year.

Section 2 of the bill would authorize school districts to assign a mentor to each classroom teacher with less than two years of teaching experience. The bill would direct the commissioner of education to adopt rules and distribute appropriated funding to school districts for mentor teacher stipends, scheduled mentoring time, and mentor training.

The bill would also establish teacher retention demonstration projects to be funded through grants provided by the commissioner of education from funds appropriated for that purpose. School districts would be authorized to use the funds to implement programs that address recruitment, alternative certification, induction and mentoring, campus governance, differentiated compensation, and other commissioner-approved research-based strategies designed to improve teacher retention. The commissioner would be required to conduct an evaluation to identify the most effective demonstration projects.

Section 3 of the bill would add Subchapter P, Chapter 21, Texas Education Code to create the Instructional Excellence Program. Under the program, eligible districts would be entitled to grants in amounts determined by the commissioner of education for the purpose of providing career teachers with opportunity for career advancement, standards-based evaluation, performance bonuses, and professional development. Districts would be eligible to apply for participation on behalf of one or more campuses if approved by a majority or supermajority of teachers assigned to the campus. Teachers meeting specified requirements would be eligible for annual performance bonuses of up to \$5,000, mentor stipends of up to \$5,000, and master teacher stipends of up to \$15,000. Principals would be eligible for annual performance bonuses of up to \$4,000.

## **Methodology**

Assuming a 1.8 percent growth rate in affected staff, about 321,000 school district employees would receive salary enhancements estimated at \$1.09 billion in 2006-2007, under Section 1 of the bill. State costs in fiscal year 2007 under Section 4 of the bill for additional state aid, including increased Teacher Retirement System (TRS) contributions at the current 6 percent rate are estimated at \$1.16 billion. Estimated costs for additional state aid provided under the bill would increase to \$1.2 billion by fiscal year 2011, and state costs for TRS contributions are estimated at \$66.0 million in fiscal year 2008 and subsequent years.

In 2007, there will be an estimated 44,370 teachers with fewer than two years experience statewide. For the purpose of estimating costs associated with Section 2 of the bill, it is assumed that there would be approximately 8,700 mentors in fiscal year 2007 at a cost per mentor of \$1,500. Based on these assumptions, estimated state costs for fiscal year 2007 would be approximately \$13.3 million in general revenue increasing to \$14.4 million by fiscal year 2011.

For purposes of this estimate, it is assumed that the demonstration projects authorized under Section 2 of the bill would target about 10 percent of the expected population of new teachers each year. Assuming that a cost of about \$5,300 per beginning teacher would be expected for the type of projects described in this bill, state costs for demonstration project funding are estimated at \$11.6 million in fiscal year 2007, increasing to \$12.5 million in fiscal year 2011. Estimated state costs for the evaluation activities required under the bill would be approximately \$116,000 in fiscal year 2007 increasing to \$125,000 in fiscal year 2011. It is assumed that evaluations would be conducted using contracted resources.

Based on eligibility requirements stipulated in Section 3 of the bill, it is assumed that 5 percent of teachers would meet eligibility requirements for performance bonuses each year. Assuming bonuses are paid at the \$5,000 maximum stipulated by the bill, the estimated cost would range from about \$75 million in fiscal year 2007 to \$81 million by fiscal year 2011. It is assumed that 10 percent of principals would be eligible to receive performance bonuses for a cost of about \$3 million per year assuming the \$4,000 maximum bonus stipulated by the bill.

Based on a ratio of one mentor for every ten teachers with fewer than two years of experience and

assuming the \$5,000 maximum mentor stipend stipulated by the bill, the estimated cost for mentor stipends provided under Section 3 of the bill would range from \$22 million in fiscal year 2007 to \$24 million by fiscal year 2011.

It is assumed that 1 percent of teachers with at least 5 years of experience would meet eligibility requirements stipulated in Section 3 of the bill for the master teacher stipend. The estimated cost would be \$32 million in fiscal year 2007, increasing to \$34 million by fiscal year 2011, assuming the \$15,000 maximum stipend stipulated by the bill.

Programs with mentoring components are featured in three programs proposed in sections 2 and 3 of the bill. For purposes of this estimate, associated costs were calculated for each program in isolation. To the extent that there may be overlap among the mentoring program components, the actual number of mentors anticipated and the cost of mentoring stipends could be lower than the combined total of estimates for the individual programs.

### **Local Government Impact**

Under Section 1 of the bill, school districts would be required to provide salary enhancement amounts to employees subject to the minimum salary schedule in amounts ranging from \$2,000 to \$5,000 in 2006-2007. Districts would be required to maintain each affected employees' enhancement amount for the duration of their employment with the district. Under Section 4 of the bill, ongoing state funding in the form of additional state aid would be provided on the basis of the number employees subject the minimum salary schedule multiplied by amounts ranging from \$2,000 to \$5,000.

Under Section 2 of the bill, school districts would be authorized but not required to assign a mentor teacher to each classroom teacher with fewer than two years of teaching experience. Participating school districts would be eligible for funding for mentor teacher stipends, scheduled mentoring time, and mentor training. Under Section 2, school districts would also be eligible to operate teacher retention demonstration projects using grant funds.

Under Section 3 of the bill, school districts would be authorized to provide bonuses and stipends using grant funds. The bill would also authorize districts to use local funds to support the program.

**Source Agencies:** 323 Teacher Retirement System, 701 Central Education Agency

**LBB Staff:** JOB, CT, JSc, JSp, SD, JGM