

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**  
**Revision 2**

**April 27, 2011**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

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

**IN RE: HB400** by Eissler (Relating to flexibility for public schools to administer primary and secondary education efficiently.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB400, As Introduced: a negative impact of (\$2,037,758) through the biennium ending August 31, 2013.

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
2012	(\$1,280,879)
2013	(\$756,879)
2014	(\$256,879)
2015	(\$256,879)
2016	(\$256,879)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$1,280,879)	3.0
2013	(\$756,879)	3.0
2014	(\$256,879)	3.0
2015	(\$256,879)	3.0
2016	(\$256,879)	3.0

**Fiscal Analysis**

Under Section 11 of the bill, the Texas Education Agency (TEA) would be required to define, collect information for, and publish three teacher shortage metrics: teaching in a critical shortage subject area, at a school experiencing a shortage of teachers, or at a school that has difficulty recruiting or retaining teachers. These metrics could be used by school districts in determining classroom teachers who would be eligible to receive bonuses under local compensation plans. The TEA would also be directed to develop a model compensation plan to be used at district discretion. The compensation plan would be required to include a bonus structure for teachers who demonstrate effectiveness in improving student achievement, serve as mentors for other classroom teachers, and assume responsibilities in addition to classroom teaching duties. The TEA would be directed to develop the model compensation plan by January 1, 2012.

The bill would also repeal the existing minimum salary schedule for classroom teachers and full-time counselors, nurses, and librarians. The bill would amend Section 825.405, Government Code to provide for continuing use of the current form of that schedule for the purpose of determining certain school district contributions to the Texas Teacher Retirement System. Given that the existing schedule would continue to govern the calculation and payment of affected local contributions, no significant fiscal implications for the Texas Teacher Retirement System are anticipated.

## **Methodology**

The TEA estimates that one new full-time equivalent (FTE) position would be required to revise the data collections, provide school district training, and publish the district and campus-level teacher shortage metrics. The Agency estimates administrative costs associated with these activities of \$84,408 in fiscal year 2012 and \$76,408 annually beginning in fiscal year 2013.

Development of the model alternative compensation plan would require a metric for a teacher's effectiveness in improving student achievement as well as criteria for determining service as a mentor and responsibilities constituting additional duties. A metric related to effectiveness in improving student achievement is currently under development for the purpose of accreditation of Educator Preparation Programs (EPPs). For the purpose of this estimate, it is assumed that the TEA would use the development work for the EPPs and would conduct additional research to validate or revise this metric and develop the additional model plan criteria. According to the TEA, the estimated cost to modify the current contract for EPP development to include review and validation of the existing metric and development of the new criteria, acquire stakeholder input, and provide training to school districts is \$1.0 million in FY 2012 and \$500,000 in FY 2013. Two new FTE positions would be required to provide oversight of the project, provide school districts with technical support, and maintain the model alternative compensation plan. The TEA estimates costs associated with project oversight, technical support, and model plan maintenance of \$196,471 in fiscal year 2012 and \$180,471 annually beginning in fiscal year 2013.

## **Local Government Impact**

School districts could realize cost savings under the provisions of the bill.

The bill would amend provisions relating to joint elections to provide for allocation of election expenses on the basis of the proportion of registered voters in the school district to the total number of registered voters in all participating political subdivisions. The bill would also provide uniform procedures for electronic notifications of certain hearings by school district boards of trustees. In addition to the electronic notifications, school districts would retain the option of providing notice of such hearings via traditional print media at local discretion.

The bill would establish procedures governing school district declarations of financial exigency, continuations of financial exigency, and terminations of financial exigency declarations.

To the extent that the bill would allow school districts to reduce salary-related costs, local savings could be realized. The bill would repeal the statutory salary schedule that currently governs minimum compensation for classroom teachers and full-time counselors, nurses, and librarians. In addition, the bill would repeal a provision currently entitling employees subject to the minimum salary schedule a salary that is at least equivalent to the salary they received in 2010-11 for the duration of their employment with the district in which they were employed during 2010-11. Beginning with the 2012-13 school year, school districts would be required to adopt a locally developed compensation plan for classroom teachers in accordance with specific criteria described in the bill.

The bill would remove the current requirement that school districts conducting reductions in force make terminations in reverse order of seniority in the specific teaching field. The bill would provide teachers whose contracts are terminated due to financial exigency the opportunity for appeal of the termination and a hearing process.

The bill would also lengthen the time period afforded to school districts for notifying teachers of contract renewal or nonrenewal by extending the date by which notice must be provided from no later

than the 45th day prior to the last day of instruction to no later than the last day of instruction and would provide various options for delivery of the notice. The change in the timelines for notice of renewal or nonrenewal would affect contracts for the 2012-13 school year unless the bill takes effect on or before April 10, 2011. If the bill is effective on or before April 10, 2011, the change in notification timelines would apply beginning with the 2011-12 school year.

Beginning with the 2011-12 school year, the bill would replace the current 22:1 class size restriction for grades kindergarten through four with a requirement for a district-wide average of 22 students in classes for those grade levels with authorization to enroll up to 25 students per class in one of those grade levels. The level of savings realized by individual districts under this provision would be expected to vary widely depending upon the district's current class size for those grade levels, waiver status, and local financial conditions.

Effective with the 2011-12 school year, the bill would remove a requirement limiting accelerated instruction groups to a 10:1 student-teacher ratio. School districts could experience some cost savings related to the elimination of this limit. The Texas Education Agency indicates that during 2010, there were a total of 854,670 test failures in grades 3–8 requiring accelerated instruction. Assuming that the students requiring accelerated instruction received two hours of instruction per week for four weeks and that the per-hour cost to provide teachers was \$50, a change from 10 students per class to 15 students per class, for example, would result in estimated local savings of about \$11 million annually on a statewide basis. Actual savings realized by an individual school district would be expected to vary depending on the number of students requiring accelerated instruction and other local circumstances.

The bill would reduce the number of students subject to annual assessment of physical fitness from all students in grades 3-12 to only those students who are enrolled in a physical education course.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, LXH, JGM, JSp