

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

**FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017**

**July 31, 2017**

**TO:** Honorable Dan Huberty, Chair, House Committee on Public Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB198** by Clardy (Relating to an average pay increase for public school classroom teachers, the creation of certain teacher designations, and a teacher quality allotment under the Foundation School Program; authorizing the imposition of a fee.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB198, As Introduced: a negative impact of (\$12,583,834) through the biennium ending August 31, 2019.

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
2018	(\$6,696,436)
2019	(\$5,887,398)
2020	(\$10,573,260)
2021	(\$12,522,109)
2022	(\$16,783,311)

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

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Certif & Assessment Fees 751	Change in Number of State Employees from FY 2017
2018	(\$5,975,313)	(\$712,500)	(\$8,623)	7.0
2019	(\$4,691,275)	(\$1,187,500)	(\$8,623)	7.0
2020	(\$4,749,287)	(\$6,065,998)	\$242,025	7.0
2021	(\$4,777,715)	(\$8,181,851)	\$437,457	7.0
2022	(\$4,835,316)	(\$12,789,947)	\$841,952	7.0

## **Fiscal Analysis**

The bill would require each school district and open-enrollment charter school to ensure that the average annual pay for classroom teachers employed at the district or school during the 2019-20 school year is at least \$1,000 more than the average annual pay for classroom teachers employed at the district or school during the 2016-17 school year. Beginning with the 2021-22 school year, the bill would require that each school district and open-enrollment charter school ensure that the average annual pay for classroom teachers employed at the district or school is at least \$1,000 more than the average annual pay during the school year immediately preceding the prior school year, until the average annual pay for classroom teachers at the district or school is equal to or greater than \$51,000. The bill would authorize the Commissioner of Education to recover funds from a district or school if it fails to satisfy the average annual pay requirements provided under the bill, unless the district meets certain criteria.

The bill would create the accomplished, distinguished, and master teacher designations. To qualify for an accomplished teacher designation a teacher would be required to hold an eligible teaching certificate and a National Board Certification issued by the National Board for Professional Teaching Standards. To qualify for a distinguished teacher designation, a teacher must meet the requirements for an accomplished teacher, be nominated by the school district or open-enrollment charter school at which the teacher is employed, and found, based on submitted evidence, to have performed in the top 25 percent of classroom teachers in the state in a similar certification field. To qualify for a master teacher designation, a teacher must meet the requirements for a distinguished teacher, and found to have performed in the top 5 percent of classroom teachers in the state in a similar certification field.

The bill would limit the number of teachers that a school district may nominate for a distinguished or master teacher designation to be no more than 2.5 percent of the district's classroom teachers who teach in that certification field in the first year the distinction is available in a particular certification field, and 5 percent in subsequent years.

The bill would authorize the State Board of Educator Certification to adopt fees to implement the provisions of the bill.

The bill would create the teacher quality allotment under the Foundation School Program. The allotment would be equal to \$4,000 multiplied by the number of full-time equivalent classroom teachers with an accomplished, distinguished, or master teacher designation. For each full-time equivalent classroom teacher assigned to a campus at which a majority of students are educationally disadvantaged, or who is employed by a school district or charter school which qualifies as rural, the allotment would provide \$8,000 for each full-time equivalent classroom teacher with a distinguished designation, and \$20,000 for each full-time equivalent classroom teacher with a master designation. Districts that receive funding under the teacher quality allotment for teachers that are assigned to a campus that is rural or has a majority of students that are educationally disadvantaged, and that has an average annual teacher pay that is greater than or equal to \$51,000, would be required to have an annual average salary of \$68,000 for distinguished teachers within three school years of first receiving the allotment, and an average annual salary of \$85,000 for master teachers, within five years.

The bill would require the Commissioner of Education to grant a school district or open-enrollment charter school an advance payment from the Foundation School Program in an amount equal to \$1,900 per classroom teacher for whom the district or charter school submits a request so that the teacher may pursue the accomplished teacher designation. The bill would require the district to repay the advance payment in equal installments over the three school years following

the school year in which the advance payment is received. For each classroom teacher for whom a school district or charter school receives funding who does not receive an accomplished teacher designation by the end of the fourth school year after the district receives funding, the district would be required to pay an additional \$300 to the Foundation School Program.

The bill would take effect immediately if it receives a vote of two-thirds of all elected members elected to each chamber; otherwise, it would take effect December 1, 2017.

## **Methodology**

Based on information provided by TEA, 873 teachers in Texas have received National Board Certification, and an additional 168 teachers are in the process of gaining certification. TEA also indicates that certification generally takes three years to complete. TEA assumed that upon enactment, an additional 375 teachers in fiscal year 2018 and 750 teachers in fiscal year 2019 would begin the process of certification, to be completed in fiscal years 2021 and 2022, respectively. Based on these assumptions, TEA assumed the number of teachers with National Board Certification, who then receive the accomplished teacher designation would be 937 in fiscal year 2020; 1,312 in fiscal year 2021; and 2,062 in fiscal year 2022.

Based on the provisions of the bill, teachers nominated by their schools who hold National Board Certification are eligible to be considered for distinguished and master teacher designations. TEA indicates that there would be a gradual phase in of certifications in all teaching fields with distinguished and master teacher standards completed in approximately 30 percent of teaching certifications fields by fiscal year 2020, with an additional 10 percent of teaching certification fields being added in each subsequent year.

For the purpose of this analysis, it is assumed that all teachers with the accomplished teacher designation that teach in a field where distinguished and master teacher standards have been established would be nominated for a distinguished or master teacher designation. Based on assumptions made by TEA, it is assumed that 30 percent of nominated teachers would receive the distinguished teacher designation, while 20 percent of nominated teachers would receive the master teacher designation. TEA indicates that 72 percent of teachers teach in schools at which a majority of students are educationally disadvantaged, or who is employed by a school district or charter school that qualifies as rural, and as a result, would qualify for the higher teacher quality allotment.

Based on these assumptions, there are assumed to be a total of 84 distinguished teachers, including 61 in educationally disadvantaged or rural schools, in fiscal year 2020, increasing to 309 distinguished teachers, including 223 in educationally disadvantaged or rural schools in fiscal year 2022. Also based on these assumptions, there are assumed to be a total of 56 master teachers, including 41 in educationally disadvantaged or rural schools, in fiscal year 2020, increasing to 206 master teachers, including 149 in educationally disadvantaged or rural schools in fiscal year 2022.

Based on the assumed number of accomplished, distinguished, and master teachers indicated above, the total estimated cost of the teacher quality allotment would be \$4.6 million in fiscal year 2020, \$6.9 million in fiscal year 2021, and \$11.5 million in fiscal year 2022.

The increased state contribution of this increased salary to TRS-Care would be equal to 1.25 percent of the additional salary, or \$58,012 in fiscal year 2020, increasing to \$144,041 in fiscal year 2022.

The bill would authorize the State Board of Educator Certification to adopt fees to implement the provisions of the bill. TEA assumed the fees adopted would be \$50 for applicants of the accomplished teacher designation, and \$750 for applicants of the master and distinguished teacher designations. TEA further indicated that there would be a loss of \$8,623 in each fiscal year for teachers applying for the former master teacher designation that would be repealed by this bill. In total, the revenue impact to the state would be (\$8,623) in fiscal year 2018, (\$8,623) in fiscal year 2019, \$242,025 in fiscal year 2020, \$437,457 in fiscal year 2021, and \$841,952 in fiscal year 2022.

As indicated above, TEA assumed that upon enactment, an additional 375 teachers in fiscal year 2018 and 750 teachers in fiscal year 2019 would begin the process of National Board Certification. Based on a \$1,900 advance payment from the Foundation School Program per classroom teacher that would pursue National Board Certification and a repayment term of three years, the net cost to the state of the program would be \$712,500 in fiscal year 2018, \$1.2 million in fiscal year 2019, \$1.4 million in fiscal year 2020, and \$1.3 million in subsequent years.

Based on information provided by TEA, it is assumed that the agency would need to hire seven full-time equivalents for the administration of the provisions of the bill at a cost of \$0.7 million in each fiscal year including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$1.2 million in fiscal years 2018 and 2019 to modify the Foundation School Program and PEIMS software to implement the provisions of the bill. TEA indicates \$4 million per fiscal year would be required for professional services for certification development.

### **Technology**

TEA indicates an additional technology cost of \$1.2 million in fiscal years 2018 and 2019 to modify the Foundation School Program and PEIMS software to implement the provisions of the bill.

### **Local Government Impact**

School districts that would be required to increase teacher salaries under the provisions of the bill would experience additional local costs related to increased salary and benefits. The bill would result in local costs for both retirement and health benefits provided by TRS. Districts that do not participate in Social Security would contribute 1.5% of active salary to TRS retirement, and all districts would contribute 0.75% of active salary to TRS-Care.

A contribution rate of 6.8 percent would be due on the salary increases enacted by the bill. However, because the salary increase specified in the bill would not adjust the minimum salary schedule under Section 21.402 of the Education Code, retirement contributions due to TRS for the salary increase would be a local obligation as established in Section 825.405 of the Government Code.

In total, district costs related to retirement contributions and TRS-Care are anticipated to be \$0.4 million in fiscal year 2020, \$0.5 million in fiscal year 2021, and \$0.9 million in fiscal year 2022.

**Source Agencies:** 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 701 Texas Education Agency

**LBB Staff:** UP, AG, AM, AH, TSI