

LEGISLATIVE BUDGET BOARD
Austin, Texas

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

August 7, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB354 by Villalba (Relating to the adoption of teacher performance contracts for classroom teachers and an increased basic allotment for school districts that adopt those contracts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB354, As Introduced: a negative impact of (\$35,386,912) 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	\$0
2019	(\$35,386,912)
2020	(\$72,086,912)
2021	(\$109,586,912)
2022	(\$149,686,912)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2017
2018	\$0	\$0	1.0
2019	(\$35,300,000)	(\$86,912)	1.0
2020	(\$72,000,000)	(\$86,912)	1.0
2021	(\$109,500,000)	(\$86,912)	1.0
2022	(\$149,600,000)	(\$86,912)	1.0

Fiscal Analysis

The bill would amend the Education Code to authorize districts to adopt teacher performance contracts. A teacher performance contract would be required to provide for additional

compensation for a classroom teacher assigned a performance level under the evaluation system that indicates the teacher's performance exceeds the performance expected at the teacher's level of experience.

The bill would increase the basic allotment, by up to \$50, for districts that adopt teacher performance contracts, and receive Commissioner approval that the teacher performance contracts meet certain requirements.

The bill would apply beginning with the 2018-19 school year.

Methodology

For the purpose of this estimate, it is assumed that about 10 percent of teachers on a statewide basis would enter into a teacher performance contract in fiscal year 2019 with participation increasing by an additional 10 percent of teachers each year. Under this assumption, about 36,600 teachers would have performance contracts in fiscal year 2019, increasing to about 154,300 teachers by fiscal year 2022. Assuming that 10 percent of teachers statewide enter into performance contracts, the statewide average increase in the basic allotment under the bill in fiscal year 2019 would be about \$5 resulting in additional state cost for the Foundation School Program (FSP) of \$35.3 million. With an additional 10 percent of teachers statewide entering into performance contracts each year, on average the basic allotment increase statewide would be \$20 by fiscal year 2022, resulting in increased state cost for the FSP of \$149.6 million. Actual additional state cost for the FSP will vary depending on the characteristics of districts adopting teacher performance contracts and the percentage of teachers in those districts entering into performance contracts.

The maximum increase in the basic allotment that a district could earn each year under the bill is \$50. By way of reference, the maximum increase in state cost for the FSP of a \$50 increase in the basic allotment would be estimated to total \$353.4 million in fiscal year 2019 increasing to \$375.2 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one full-time equivalent for the approval of the performance contracts at a cost of \$86,912 in fiscal year 2019 and each subsequent year, including salary, and benefits.

Local Government Impact

Districts that chose to implement teacher performance contracts and received commissioner approval would have an increased basic allotment, which would provide for additional entitlement and reduced payments to the state for districts subject to recapture.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AG, AM, AH