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FISCAL NOTE

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Prime Sponsors: Sen. Priola Bill Status: Senate SVMA
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Bill Topic: HIGHLY EFFECTIVE TEACHERS & LOW-PERFORMING SCHOOLS

- Summary of Fiscal Impact:
- State Revenue
- TABOR Refund
- State Expenditure
- School District
- State Transfer
- Statutory Public Entity

The bill creates the Highly Effective Teacher Incentive Program in the Colorado Department of Education. The bill increases state expenditures and school district revenue and expenditures on an ongoing basis.

Appropriation Summary: In FY 2020-21, the bill appropriates \$4.0 million to the Colorado Department of Education.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 20-066

Table with 3 columns: Category, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (State Education Fund, Total), Total FTE, Transfers, and TABOR Refund.

* \$4.0 million is appropriated from the SEF to the Highly Effective Teacher Incentives Fund in FY 2020-21. This amount is continuously appropriated to CDE and will be spent through FY 2024-25. See State Expenditures section for expenditures by year.

Summary of Legislation

The bill creates the highly effective teacher incentives program in the Colorado Department of Education (CDE) to award grants to local education providers (LEPs) to provide monetary incentives to attract highly effective teachers to work in low-performing schools. Incentives must be non-base building salary bonuses.

Eligibility. An LEP is eligible if it operates a low-performing elementary, middle, or junior high school, and uses objective measures of student academic growth as the basis for at least 50 percent of its teacher and principal performance evaluation. A teacher is eligible if he or she is measured as a highly effective teacher over at least three consecutive school years, is employed in a low-performing elementary, middle, or junior high school, and maintains a rating of effective or higher for the period in which the teacher is receiving the bonus.

Administration. In FY 2020-21, CDE must publicize the program to LEPs and teachers. Beginning in FY 2021-22, grants must be awarded in two-year cycles to each eligible LEP. The first grant cycle includes FY 2021-22 and FY 2022-23, and will award up to \$2.0 million in grants. The second grant cycle includes FY 2022-23 and FY 2023-24, and will award the amount remaining from the initial \$4.0 million appropriation. The amount of each grant depends on the number of eligible highly effective teachers employed by the LEP and the bonus amounts for those teachers.

Bonus amounts. Bonus amounts are not considered salary for the purposes of PERA. Incentive amounts for eligible teachers in participating LEPs are as follows:

- \$12,000 if the teacher is a transfer teacher at a low-performing elementary school;
- \$8,000 if the teacher is a transfer teacher at a low-performing middle or junior high school;
- \$6,000 if the teacher is teaching at a low-performing elementary school for a second or more consecutive year; or
- \$3,000 if the teacher is teaching at a low-performing middle or junior high school for a second or more consecutive year.

If an LEP receives a grant in the second grant cycle, teachers who qualified as a transfer teacher continue to receive the bonus amount as a transfer teacher. If an LEP currently provides incentives to qualifying teachers, the bonuses must in addition to any current incentives provided by the LEP.

Transfer teacher. A transfer teacher is one who is newly employed by the LEP in the first grant cycle, and was recently employed by either a school district or BOCES that was accredited with distinction in the previous year or a charter school that implemented a performance plan in the previous year. A returning employee who transferred from a public school on a performance plan also qualifies as a transfer teacher. A teacher who transfers to another LEP to qualify for a bonus retains the years of service accumulated at the previous LEP for the purposes of placement on the salary schedule.

Funding. In FY 2020-21, the bill makes a one-time appropriation of \$4.0 million from the State Education Fund to the newly created Highly Effective Teacher Incentives Fund. The new fund is continuously appropriated to CDE, and up to 2 percent of money in the fund may be used for administrative purposes.

Reporting. CDE must submit a report to the education committees of the General Assembly no later than December 25, 2025. The bill specifies what must be included in the report.

Background

Based on 2019 school performance frameworks, 45 school districts operate at least one low-performing elementary school, middle school, or junior high school, plus the state Charter School Institute operates two qualifying schools. It is not known how many eligible teachers are employed at those schools.

State Expenditures

The bill increases state expenditures by \$74,144 in FY 2020-21, \$2.0 million in FY 2021-22, and \$1.9 million in FY 2022-23, \$13,673 million in FY 2023-24, and \$20,967 in FY 2024-25. These expenditures are from the Highly Effective Teacher Incentive Fund and total the \$4.0 million appropriated for the program in FY 2020-21.

**Table 2
Expenditures Under SB 20-066**

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Department of Education					
Personal Services	\$12,185	\$10,967	\$10,967	\$10,967	\$10,967
Information Management	\$60,000	-	-	-	\$10,000
Incentive Grants**	-	\$2,000,000	\$1,864,208	-	-
Centrally Appropriated*	\$1,959	\$2,706	\$2,706	\$2,706	-
Total Cost	\$74,144	\$2,013,673	\$1,877,881	\$13,673	\$20,967
Total FTE	0.1 FTE	0.2 FTE	0.2 FTE	0.2 FTE	0.2 FTE

* Centrally appropriated costs are assumed to be paid out of the continuously appropriated fund.

** Actual amount of grants distributed in each cycle will be determined by CDE, not to exceed the limits in the bill. Grants are awarded for two years; expenditures are shown in the first year of each grant cycle.

Administration. CDE requires 0.2 FTE to administer the program. In FY 2020-21, this FTE will be responsible for developing, marketing, and implementing the program; in subsequent years, workload includes assisting LEPs with data reporting, implementing the second grant cycle, and completing the required reports. The FTE amount for FY 2020-21 is prorated for a September 1 start date.

Information management costs. In order to award grants based on teacher effectiveness ratings from the previous school year, CDE requires \$60,000 to modify the reporting system in FY 2020-21. The current system results in ratings from FY 2018-19 being the most recently available at the start of the FY 2021-22 school year. Costs include creating a new collection for districts and charter schools to submit educator effectiveness ratings. These costs are estimated at 480 hours, at a cost of \$125 per hour. In FY 2024-25, CDE requires \$10,000 to modify the data system to connect teacher and student data for reporting purposes.

Incentives. In the first two-year grant cycle beginning in FY 2021-22, up to \$2.0 million will be awarded in grants. In the second two-year grant cycle beginning in FY 2022-23, about \$1.9 million will be awarded, after accounting for administrative expenses. The amount awarded to each LEP will depend on the number of eligible teachers employed by each applicant. Bonuses may awarded in any combination to transfer and returning teachers.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are typically addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The fiscal note assumes that these costs will be funded from the continuously appropriated incentive fund. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$1,959 in FY 2020-21 and \$2,706 beginning in FY 2021-22.

School District

The bill increases revenue and expenditures for any school district that decides to participate in the program and receives funding for salary bonuses through the program. The amount of the grant depends on the number of eligible teachers at low-performing schools.

Technical Notes

The bill specifies that the two-year grant cycles begin in consecutive years (FY 2021-22 and FY 2022-23). As a result, it is unlikely that LEPs would apply for and receive grants in both grant cycles, as contemplated by the bill. Should this overlap be addressed through an amendment, the fiscal note will be updated to reflect the revised timing of the grant cycles and associated expenditures.

The bill allows up to 2 percent of the amount appropriated to be used for administrative expenses. Over the course of five years, 2.8 percent of the amount appropriated is expected to be used for administrative expenses.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill appropriates \$4.0 million from the State Education Fund to the Highly Effective Teacher Incentives Fund. This amount is continuously appropriated to the Colorado Department of Education, and an allocation of 0.1 FTE.

State and Local Government Contacts

Education School Districts