



DATE: April 1, 2015

TO: Representative Jim Knobloch
Representative Lyndon Carlson
Representative Greg Davids
Representative Ann Lenczewski
Senator Richard Cohen
Senator Michelle Fischbach
Senator Rod Skoe
Senator Julianne Ortman

FROM: Margaret Kelly, State Budget Director *MK*

RE: Local Impact Note: HF2-3E - Teacher licensure and employment conditions clarification.

On March 2, 2015, Minnesota Management and Budget (MMB) received a request to prepare a local impact note on HF 2 – 3rd engrossment (Loon): Teacher licensure and employment conditions clarification. We have completed our analysis and a copy of the note is attached.

Local impact notes are similar to the fiscal notes that you are familiar with, but they focus on the fiscal impact of proposed legislation on local governments rather than the State. This process is described in Minnesota Statutes 3.987 and 3.988. This statute requires MMB to gather and analyze information on local costs of legislation when requested by the chair or ranking minority member of the House and Senate Tax committees, the Senate Finance committee and the House Ways and Means committee.

MMB worked with a group of school districts to gather data on possible fiscal impacts under HF 2. School districts' cost estimates varied widely and comments from districts indicated many costs were unknowable. Given this, MMB determined that assigning a statewide local fiscal impact in this local impact note would have implied a false level of precision and certainty on the part of school districts.

MMB approached this note by thoroughly discussing the range of costs districts provided and detailing the assumptions districts had to make in order to arrive at an estimate.

If your staff has any questions about the local note process, please feel free to contact Britta Reitan (651-201-8028).

cc: Representative Jenifer Loon
Legislative staff

April 1, 2015

HF 2-3E (Loon)

Teacher licensure and employment conditions clarification.

Bill Description

HF 2 makes changes to requirements for teacher licensure and conditions of employment that relate to teacher effectiveness and evaluation outcomes.

Local Fiscal Impact				
Net Expenditure Increase/Revenue Loss or (Expenditure Decrease/Revenue Gain)				
Dollars in Millions, Calendar Years				
	2016	2017	2018	2019
Statewide	Yes - Unknown	Yes - Unknown	Yes - Unknown	Yes - Unknown

Local Impact Methodology

A number of provisions in the bill – found in sections 9, 12, 13, 16, 17, and 18 – were identified as having possible fiscal impact to school districts. MMB consulted with legislative fiscal staff in the development of a survey to local school districts. The survey and the House Research bill summary for HF 2 were provided to a response group of superintendents and business managers from 44 metro and non-metro school districts. The members of the response group are offered training at the beginning of the legislative session on providing fiscal impact data to MMB for the purpose of completing local impact notes. A total of 17 school districts (39%) responded to the request for information for this local impact note: 1 urban district, 2 metro outer-ring districts, 1 non-metro district with less than 1,000 students, 6 non-metro districts with 1,000-2,000 students, and 7 non-metro districts with more than 2,000 students.

Assumptions

Fiscal impacts can take the form of costs or savings. Given the methodology described above, MMB made the following assumptions about items of possible local fiscal impact in HF 2:

1. If a district were to hire a nonlicensed community expert, there may be a local fiscal impact related to reporting to the Board of Teaching rather than applying to the Board for a waiver.
2. Although districts are required under MS 122A.41 to have teacher development and evaluation systems in place for the current and future school years, the systems are not required to provide a rating or ranking system of teachers in a school district. Therefore, there may be a fiscal impact to school districts in order to develop a system that provides the ability to rate or rank teachers based on effectiveness that complies with changes proposed in HF2.
3. Under current law, school districts are able, but not required, to consider teacher effectiveness as a criteria for determining unrequested leaves of absence or termination. Under HF 2, school districts would be required to utilize evaluation outcomes and teacher effectiveness ratings as the basis for decisions when determining unrequested leaves of absence or terminations. It is assumed there may be a local fiscal impact to districts to negotiate such provisions in employment plans.

4. Under HF 2, a teacher who is placed on an unrequested leave of absence is allowed to request a hearing before a neutral hearing officer. The bill requires the school board of a district and the representative of the district's teachers to agree on a panel and a process that selects the neutral hearing officer. It is assumed that this selection process may have a local fiscal impact.
5. In the event that a hearing before the neutral hearing officer takes place, it is assumed that the hearing and the work of the officer may have a local fiscal impact.
6. HF 2 adds administrative requirements to school districts (section 9 – posting comments from the Board of Teaching; section 13 – publishing plans on unrequested leaves of absence or termination). It is assumed that such requirements may have a local fiscal impact.
7. If a school district is part of a consolidation, HF 2 requires that teaching positions in the new district be assigned on the basis of effectiveness primarily and seniority secondarily. It is assumed that there may be a local fiscal impact to develop a methodology to make assignments in this manner.

Discussion of Local Costs

Assigning local costs as a result of the requirements for school districts in HF2 proved challenging for many respondents. HF2 requires districts to make judgments about costs without knowing what situations or circumstances might arise in the future. For example, at this point in time, it is not possible for districts to precisely quantify the impact that HF2 will have on future collective bargaining processes. However, 16 of the 17 responding districts indicated that there would be an added cost to negotiating unrequested leaves of absence or termination plans that comply with HF2. Recognizing that cost estimates in local impact notes often require respondents to make a number of assumptions, MMB is accustomed to providing both quantitative and qualitative analysis in local impact notes. However, responses to the local impact survey for HF2 were marked by a greater level of uncertainty than usual.

MMB received comments from a number of districts that illustrated the difficulties of quantifying fiscal impacts:

- “Not a very easy one to calculate – lots of unknowns”
- A comment indicating that a district's survey response was a “best guess”
- “...any costs are purely guess and speculation since most of the costs are all going to be tied to the negotiations process”
- “Sorry, but so many of the cost areas are unknown at this point”

Rather than offer a statewide local fiscal impact in the table, which would imply a level of precision and certainty on the part of both school districts and MMB, this local impact note will outline the range of costs districts believe are possible under HF2 and what factors might influence the fiscal impact of specific items.

Section 9

This section of the bill makes changes to requirements for school districts, allowing districts to hire community experts and reporting on those hires to the Board of Teaching. Of the 17 respondents, 8 indicated they would not hire a community expert in the 2015-2016 school year, 8 indicated they would, and 1 district was unsure. Districts that planned to hire a community expert in the upcoming school year did not show significant fiscal impact; some noted that there may be minor savings in time and staffing associated with reporting hires to the Board of Teaching rather than applying for a variance, but not

enough to quantify. Those districts also reported costs of \$0 to \$500 associated with the requirement in HF 2 to post comments from the Board of Teaching in response to their reports. The Board of Teaching is not required to comment on community expert reports according to HF 2. Without knowing whether or not a district will have to post a comment, it is not possible to assign a fiscal impact to this provision of the bill.

Section 12/Section 16

These sections relate to districts' assessment of teacher effectiveness. All districts responding to the survey have more than one teacher per grade level in Kindergarten through grade 4, and more than one teacher per subject area and grade level in grades 5-12. Of the 17 respondents, 11 districts said by the 2017-2018 school year, their teacher development and evaluation systems will be able to identify and rate teacher effectiveness by grade and subject area, while 6 districts are not currently prepared to do so. Districts that have or will have ratings-capable systems provided the costs they incurred to develop this level of teacher evaluation. Based on that data, districts that would need to enhance their teacher development and evaluation systems would likely incur costs to comply with HF 2. School districts with teacher evaluation systems currently able to comply with the requirement in HF 2 to rate teacher effectiveness indicated that designing and supporting such a system might range from \$3,500 to over \$100,000. Lower costs were attributed to the development (often related to the cost of negotiation) of a rankings-capable system and districts showing higher costs typically had dedicated, permanent staff for their systems (who could offer coaching to teachers on measures of effectiveness and means for improvement). With such a wide range of potential costs involved in complying with these sections of HF 2, any fiscal impact estimated by MMB for this provision would be highly speculative and have low predictive value at a statewide level.

Section 13/Section 17

These sections make changes to school districts' requirements related to plans and processes for unrequested leaves of absence (ULA) and termination. Because the provisions in these sections of the bill generated the most uncertainty and largest variation among respondents, MMB does not believe that school districts' estimates of the associated costs would provide a precise or reliable picture of statewide local fiscal impact.

None of the respondents currently have ULA or termination plans that utilize teacher effectiveness criteria, and 16 of 17 respondents said there would be a cost to negotiating and implementing plans that utilized teacher effectiveness by the 2017-18 school year as required by HF 2. Of the 16 districts that indicated there would be a cost, responses varied greatly. Three districts indicated they could not determine a cost, and districts that provided cost estimates ranged from roughly \$5,000 to \$1.4 million. The (mid-size rural) district that provided an estimate of \$5,400 to comply with this requirement said the estimate was based on an additional 6 days of negotiation and implementation costs relating to substitute teacher pay. The (large metro) district that provided the estimate of \$1.4 million said the estimate was based on 20 additional hours of negotiations, 8 hours of training all licensed teaching staff on the measure of effectiveness, and 2 full time staff to maintain the district's evaluation systems.

HF 2 permits a teacher who is placed on ULA to request a hearing before a neutral officer to resolve disputes over whether or not a district met its requirements regarding teacher development and evaluation. The school district and the representative of the district's teachers must agree on the neutral hearing officer and the process for resolving such disputes. Again, districts' responses ranged from

“unknown” and “unidentifiable” to no additional cost to \$100,000. The majority of districts (10 of 13) that provided estimates fell into the range of \$1,500 to \$12,000 with the explanation that costs would be driven by extra hours of negotiations. Districts estimated that the cost of the hearing itself could vary between \$500 to \$50,000. These estimates were driven by estimated legal expenses, per diems for meeting members, possible shortages of qualified neutral hearing officers, and whether or not the hearing would relate to a tenured or probationary teacher.

Under HF 2, a district’s plan to discontinue or terminate teachers must take into account the specific criteria of subject matter licensure fields, evaluation outcomes, and effectiveness ratings. Of the 17 respondents, 16 indicated there would be a cost to negotiating such plans. Among districts indicating a cost, responses ranged from \$2,300 to \$500,000. Three of those respondents indicated costs would be driven by the give-and-take of the negotiations process: in order for the district to negotiate such criteria, the district would have to make concessions in other areas. Another three respondents noted the negotiation of these criteria would be difficult and would add time (and therefore cost) to the negotiating process.

Districts would be required to publish plans regarding discontinuing or terminating teachers placed on ULA. Of the 17 respondents, 12 stated this would result in an added cost ranging from \$100 to \$3,000. Costs would be minimal if publishing to a website met the requirements of HF 2, or more if the publication needed to be included as part of each teacher’s written contract. However, one district noted ambiguity in the bill language over what is considered “accessible” – specifically, if this provision is intended to ensure plans are available on districts’ websites, the need to meet state and federal accessibility standards may result in additional cost.

Section 18

None of the respondents indicated they would be part of a consolidation in the 2015-2016 school year or later. Therefore, there was no fiscal impact data provided which could outline the range of possible costs associated with the requirements in this section of the bill.