

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7507
BILL NUMBER: SB 566

NOTE PREPARED: Jan 30, 2015
BILL AMENDED:

SUBJECT: Education.

FIRST AUTHOR: Sen. Mishler
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

BEST Program: The bill replaces the ISTEP program testing with the Benchmarking Excellence Student Testing (BEST) program for school years beginning after June 30, 2016, and eliminates end of Core 40 course assessments after the 2014-2015 school year.

Innovation Network School: The bill provides for innovation network school programs in school corporations other than the Indianapolis Public Schools.

Performance Grant: The bill extends the school performance grant program through the 2016-2017 school year, and makes changes in the calculation and use of the grant for stipends to teachers.

Supplemental Payment: The bill permits teachers to receive a supplemental amount for completion of certain master's degrees.

Teaching License: The bill requires the Department of Education to establish a program to permit an individual with a major in science, technology, engineering, or mathematics and a minor in education to obtain a teaching license.

Collective Bargaining: The bill requires school employers to bring collective bargaining agreements into conformity with law. It provides for oversight by the Education Employment Relations Board to bring these agreements into compliance, permits certificated employees to be paid based on adopted salary ranges rather than salary schedules, and makes other changes in collective bargaining.

Effective Date: Upon passage; January 1, 2015 (retroactive); June 30, 2015; July 1, 2015; July 1, 2016.

Explanation of State Expenditures: Summary: BEST Program - The fiscal impact could be an increase or decrease in state costs depending on whether the per-student costs of the norm referenced assessment under the BEST program is more than or less than the per-student costs of the ISTEP assessment program. Beginning with the 2015-16 school year, the Department of Education (DOE) projects the cost of the ISTEP assessment program to be approximately \$65 M; this includes the cost of testing and remediation. Beginning with the 2016-17 school year, the projected cost of an assessment system under the BEST program is unknown at this time. There could be additional costs in evaluating and selecting the BEST program tests, and in aligning the Indiana Academic Standards with the tests.

Under the bill, beginning with the 2016-17 school year, the End-of-Course Assessments (ECAs) would no longer be administered. This could reduce the overall cost of the BEST program. Beginning with the 2015-16 school year, the DOE projects the cost of the ECAs to be approximately \$5.5 M.

Innovation Network Schools - The DOE has to include the performance results of the innovation network school and the participating innovation network charter school when computing the performance assessment results of the parent school corporation. It also has to treat the innovation network school in the same manner as a school in the school corporation when computing the total amount of state and federal funding to be distributed to the school corporation. This should be within the DOE's routine administrative functions.

Performance Grant - Under the bill, the DOE would be able to compute the performance grant for a school corporation using the tests as outlined in the bill within its existing budget. Based on the student data from the school corporations that received a grant in the 2013-14 school year, the total amount of the grant is estimated to decrease by approximately \$365,000.

Teaching License - This provision could increase the workload of the DOE in determining if prospective applicants have the proper credentials required by this bill.

(Revised) *Collective Bargaining* - The Indiana Education Employment Relations Board (IEERB) could require up to 3 additional employees to evaluate collective bargaining agreements for compliance with current law and this bill. Annual salary and fringe benefit costs are estimated to be \$225,000. In 2014, approximately 304 collective bargaining agreements were submitted to the IEERB. The number of appeals to the IEERB could increase adding to the costs associated with hearing appeals. The IEERB would also incur additional administrative costs in distributing the findings of the factfinder to school corporations and school employee organizations.

The bill's requirements represent an additional workload [and/or expenditure] on the IEERB outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

The Department of Education currently evaluates collective bargaining agreements for compliance with current law.

Additional Information: BEST Program - Beginning with the 2015-16 school year, the state is scheduled to implement the ISTEP assessment program based on the Indiana College- and Career-Readiness Academic Standards adopted by the State Board in 2014. Under the bill, the BEST program is scheduled to be implemented beginning with the 2016-17 school year. Educational standards approved by the State Board under the BEST program have to meet the following requirements:

(1) They must align with the content of a nationally recognized and norm referenced assessment approved by the State Board.

(2) They must comply with federal standards in order to receive a flexibility waiver.

Under the bill, the State Board would present information to the State Budget Committee on the BEST program and the proposed tests for the program for review.

Performance Grant - Under current law, the ISTEP and ECA exams are used in the computation of the performance grant for school corporations. Under this bill, the ECA exams have been replaced by the Advanced Placement (AP) and International Baccalaureate (IB) exams. About 30,000 IREAD exams were also added to the computation. Based on 2013-14 school data, approximately 130,000 ECA exams (Algebra 1, English 10, and Biology) were replaced by 30,000 AP and IB exams. School corporations would use the grant to distribute bonuses to highly effective and effective teachers. The bill states that if the total amount of the computed performance grant exceeds the appropriation, the grants awarded to school corporations would be reduced proportionately.

Teaching License - Under the program established by the bill, an individual who has a bachelor's degree or a graduate degree with a grade point average of at least 2.5 on 4.0 scale in science, technology, engineering, or mathematics from an accredited postsecondary educational institution, and an education minor or concentration from an accredited teacher preparation program, may obtain a license to teach in school corporations and charter schools. The DOE would establish the program not later than August 1, 2015.

Collective Bargaining - Under the bill, beginning with the 2015-16 school year, the IEERB would assign and pay for a factfinder to evaluate each collective bargaining agreement to ensure that it conforms to current law and this bill. The factfinder would make recommendations to address any discrepancies.

If the terms of the contract have to be amended to make the collective bargaining agreement conform to current law and this bill, the IEERB would appoint a second factfinder to monitor the collective bargaining process the following year.

Explanation of State Revenues:

Explanation of Local Expenditures: *Innovation Network School* - This bill directs the governing body of a local school corporation to develop a program to support teachers and administrators who wish to establish an innovation network school. Any additional expenditures because of this provision would have to be met within the corporation's existing budget.

Under this bill, the school corporation may provide transportation for students attending the innovation network school, and maintain and repair the buildings and grounds. If requested, corporations would also provide goods or services to the innovation network school at cost, thereby reducing operational expenditures for the innovation network school. This would also apply if the school in question is a participating innovation network charter school.

Performance Grant: Under the bill, 50% of the stipend awarded a teacher would become a permanent part of the teacher's base salary. This could lead to an increase in the school corporation's expenditures for salaries.

Supplemental Payment: This could increase the cost of salary expenditures to school corporations by an indeterminate amount. Under current law, teachers under certain contracts are entitled to compensation for graduate degrees and credits. Under this bill, all teachers who earned graduate credits before the effective date of a compensation plan created before July 1, 2015, would be entitled to compensation for those credits. Additionally, after June 30, 2015, a school corporation can provide a supplemental payment to teachers who earn a master's degree from an accredited postsecondary educational institution in education or a content area directly related to an advanced placement or other course taught by the teacher. The supplemental payment is not subject to collective bargaining; it is in addition to any other salary increases.

Teaching License: This could increase the pool of available teachers in these subjects areas.

Evaluation Plan: Under the bill, for school years beginning after June 30, 2015, the superintendent of the school corporation has to conduct annual reevaluation planning sessions with the principals in the school corporation. The bill also stipulates that the staff evaluation plan must be in writing and be explained to the governing body of the school corporation in a public meeting. The costs associated with these requirements would be met within existing budgets.

The bill states that school principals would report in the aggregate the results of staff performance evaluations for the school to the superintendent and the governing body before November 15 each year. The report must also be presented in a public meeting. The costs associated with these requirements would be met within existing budgets.

Collective Bargaining: The cost to school corporations could increase if the factfinder determines that the contract terms have to be amended during the collective bargaining negotiations the following year. Under this bill, the IEERB would appoint a factfinder to monitor the negotiations. The corporation would share the cost of the factfinder with the employee organization. If the corporation decides to appeal the factfinder's ruling, it would incur the costs associated with the appeal.

The impact of having salary ranges rather than salary schedules would depend on whether the average compensation per teacher under salary ranges was more than or less than the average compensation under the salary schedules resulting in a cost saving or cost expenditure to the school corporation.

Explanation of Local Revenues: *Summary: Innovation Network School* - This bill gives the governing body of any school corporation the authority to enter into an agreement with a school management team to operate an innovation network school as defined by this bill. (Under current law, only the Indianapolis Public Schools (IPS) school district has the authority to create an innovation network school.) The state tuition support, local, and federal funding for the school in question would be transferred from the school corporation to the school management team, decreasing the amount of revenue the school corporation receives.

The bill permits the school management team to use the existing school building, property, and the building's contents, as provided by the agreement, for as long as it operates the innovation network school. If the school corporation has vacant or underutilized facilities, it may gain revenue from leasing a facility to the school

management team (if this is part of the agreement).

Performance Grant - School corporations would see a decrease in the total performance grant by approximately \$365,000.

Additional Information: Innovation Network School - Under the current statute, an innovation network school is a school in the IPS school district operated by a school management team under an agreement with IPS.

This bill makes the following changes to the original concept of an innovation network school:

(1) It provides that any school corporation may establish an innovation network school, not just IPS. Additionally, any school within the school corporation can be declared an innovation network school. Under current law, a school had to be in the lowest two categories of school improvement for the last three consecutive school years.

(2) It permits the parent school corporation to transfer money levied as property taxes to the school management team.

Apart from these stipulations, current law would apply to all innovation network schools. The school management team would have full operational autonomy to run the innovation network school and would not be bound by a prior collective bargaining contract entered into by the governing board. The school corporation may also enter into an agreement with a charter school organizer to establish a participating innovation network charter school within one of its vacant, underutilized, or under-enrolled school buildings.

State Agencies Affected: Department of Education; State Board of Education; Indiana Employer Education Relations Board; State Budget Committee; State Educational Institutions

Local Agencies Affected: School corporations; Schools; Charter schools; Governing bodies of school corporations; Superintendents of school corporations; school principals

Information Sources: Department of Education databases; Michele Walker, Director of Student Assessment, Department of Education, 317-232-9050; Patrick Mapes, Chairman, IEERB, 317-233-6617.

Fiscal Analyst: David Lusan, 317-232-9592; Chuck Mayfield, 317-232-4825.