

LEGISLATIVE FISCAL ESTIMATE
 [First Reprint]
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1455
STATE OF NEW JERSEY
215th LEGISLATURE

DATED: JULY 17, 2012

SUMMARY

Synopsis: “Teacher Effectiveness and Accountability for the Children of New Jersey (TEACHNJ) Act”

Type of Impact: Expenditure Increase from the General Fund; Indeterminate Change in Expenditures Among School Districts

Agencies Affected: Department of Education; Local School Districts

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate Cost Increase – See comments below		
Local Cost	Indeterminate Cost Change – See comments below		

- The Office of Legislative Services (OLS) anticipates that the Senate Committee Substitute (1R) for Senate Bill No. 1455 of 2012 will lead to an increase in State expenditures. The four areas in which State costs are likely to increase are: 1) the costs associated with adopting new evaluation rubrics for teaching staff members, 2) compensating arbitrators who hear tenure cases, 3) paying the cost of stipends for teachers who participate in the required school improvement teams, and 4) a possible shift in the cost of teacher mentorship programs from the novice teachers to the State.
- The OLS notes that the Senate Committee Substitute (1R) for Senate Bill No. 1455 would lead to an indeterminate change in costs incurred by local school districts. Under the substitute, district costs may rise as a result of an increased number of tenure hearings. On the other hand, district costs may decline due to a possible decrease in legal costs incurred for each tenure hearing.

BILL DESCRIPTION

The Senate Committee Substitute (1R) for Senate Bill No. 1455 of 2012 changes how teaching staff members obtain tenure, the procedures by which these individuals are evaluated, the process by which tenure charges, specifically for inefficiency, are filed, and how any tenure charge is resolved. Under the substitute, the amount of time that must elapse before a teaching staff member may obtain tenure is increased from three years to four years. Additionally, in order to obtain tenure, a classroom teacher must complete a one-year mentorship program in the first year of teaching, and in at least two of the three subsequent years, receive “effective” or “highly effective” ratings on the annual summative evaluations. Similarly, a principal, assistant principal, or vice-principal must receive ratings of “effective” or “highly effective” on at least two annual summative evaluations, with the first such rating occurring on or after the completion of the second year of employment.

The Senate Committee Substitute (1R) for Senate Bill No. 1455 requires that school districts annually submit the evaluation rubric that they will use to evaluate teaching staff members to the Commissioner of Education for review and approval. Among other things, the evaluation rubric must include four rating categories: ineffective, partially effective, effective, and highly effective.

The substitute also changes the manner in which tenure cases are heard. Under current law, tenure cases are heard by an administrative law judge. The bill requires that the commissioner maintain a list of arbitrators who would now make the final administrative decision in tenure cases. The arbitrators would be compensated no more than \$1,250 per day, and no more than \$7,500 per case.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS anticipates that the Senate Committee Substitute (1R) for Senate Bill No. 1455 of 2012 will lead to an indeterminate increase in State expenditures and an indeterminate change in school district expenditures.

Increased State Expenditures

The Senate Committee Substitute (1R) for Senate Bill No. 1455 specifies that the Department of Education will provide the funding necessary to effectuate the provisions of this bill. The OLS has identified four costs that would be incurred by the State. First, the State would incur the cost of paying arbitrators to hear tenure cases. Under current law, tenure cases are heard by an administrative law judge; under the substitute, all tenure cases would instead be heard by an arbitrator who will be compensated at a per diem rate of no more than \$1,250, not to exceed \$7,500 per case. The total cost that would be incurred is indeterminate, as the OLS cannot predict the number of tenure cases that would be heard after enactment of the substitute. To the

extent that administrative law judges would continue to hear cases unrelated to tenure, the OLS does not anticipate any reduction in the number of judges to offset the cost of the arbitrators.

Second, the substitute requires that school districts adopt an evaluation rubric for classroom teachers, principals, assistant principals, vice-principals, and all other teaching staff members that is approved by the Commissioner of Education. The Department of Education's Notice of Grant Opportunity (NGO) for two current pilot evaluation programs, one for teachers and one for principals, detailed the grant amounts that would be awarded to districts based on the number of teachers and administrators in the district. The NGO indicated that the award amounts were derived based on the costs of known teacher and principal evaluation instruments. The OLS estimated the cost of Statewide implementation based on the grant amounts included in the NGO and the number of teachers, principals, and other administrators identified in the dataset that lists all certificated staff employed in school districts. The analysis yielded an estimated cost of \$52.4 million for the teacher evaluation, and an additional \$11.9 million for the principal evaluation. There would potentially be an additional indeterminate cost associated with evaluating other teaching staff members.

Third, the substitute requires that each school form a school improvement panel that includes a teacher as one of the members. A classroom teacher assigned to serve on the panel would likely receive additional compensation for assuming additional responsibilities. The amount would likely be determined in the collective bargaining agreement and cannot be determined in this analysis.

Fourth, the substitute requires that first-year teachers complete a mentorship program. Under current State Board of Education regulations, the cost of the currently required mentorship is borne by the teacher if State funds are not available. The substitute would presumably shift the cost of the new mentorship program to the State.

School District Costs and Savings

The OLS is not able to determine the net effect of the substitute on the costs incurred by school districts. There are two factors that may affect the costs that districts incur, but it is not clear if potential cost increases will exceed possible savings.

First, the substitute may increase the number of tenure cases that are heard. Currently, a superintendent has discretion when determining whether to file tenure charges against an employee with the district board of education. The substitute would require a superintendent to file charges, on the grounds of inefficiency, if an employee is rated as ineffective on two consecutive annual summative evaluations. The loss of discretion would likely lead to more charges being filed with the board of education, and possibly leading to tenure hearings. While the State would pay the expense associated with the arbitrator, the district would still incur legal costs, particularly if the district employs outside counsel for the proceedings.

Second, the substitute establishes a specific timeframe in which the tenure case must be completed. To the extent that this timeframe is shorter than the length of a typical tenure case under current law, it is plausible that a district that uses outside counsel for its tenure cases may incur fewer costs per case.

Section: Education

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).