

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: CS/SB 454

49th Legislature, 1st Session, 2009

Short Title: Charter School T & E Index Calculation

Sponsor(s): Senator Timothy Jennings

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SENATE FINANCE COMMITTEE SUBSTITUTE FOR SENATE BILL 454

Bill Summary:

CS/SB 454 amends the *Public School Finance Act* to:

- delete obsolete references to FY 08;
- make technical corrections to the procedure used by a locally chartered charter school to build its operating budget for the first year of operation;
- clarify that after the first year of operation, both state-chartered and locally chartered charter schools will use the Training and Experience (T&E) Index generated by their own staff;
- add a new Subsection C, specifying that for the first year after a locally chartered charter school becomes a state-chartered charter school or a state-chartered charter school becomes a locally chartered charter school, the school will use the T&E Index of the school district within which the school is geographically located; and
- add a new subsection D, providing a two-year hold harmless provision for any charter school in existence in FY 09 whose T&E Index is lowered as a result of basing the calculation on its own staff:

For fiscal years 2010 and 2011, the department shall use the greater of the charter school's 2008-2009 funded instructional staff training and experience index or the charter school's own instructional staff training and experience index. Beginning in fiscal year 2012, each charter school shall use its own instructional staff training and experience index.

Fiscal Impact:

CS/SB 454 makes no appropriation.

Fiscal Issues:

Implementation of the hold harmless provision in CS/SB 454 would not necessarily require additional funding but would more likely result in a minimal redistribution for two years of the State Equalization Guarantee (SEG) appropriation to school districts and charter schools statewide.

In its analysis of SB 454 as originally introduced, the Public Education Department (PED) notes that an analysis done by PED's School Budget and Finance Analysis Bureau showed that "more charter schools stood to lose revenue than to gain it by using their own T&E index":

Of the 63 locally-chartered schools in operation in FY09, 38 schools would have experienced a net loss in revenue of approximately [\$2.3 million], and 21 schools would have experienced a net gain of approximately [\$1.1 million]. Four schools' T&E Indices did not change.

Issues:

Current statute specifies that, subject to the provisions of the *School Personnel Act*, a charter school hires its own employees: "The head administrator of the charter school shall employ, fix the salaries of, assign, terminate and discharge all employees of the charter school." This provision applies to both state-chartered and locally chartered charter schools.

The 2006 Legislature amended Section 22-8-6.1 of the *Public School Finance Act* to require, among other provisions, that both state-chartered and locally chartered charter schools, after their first year of operation, calculate their own T&E indexes based on the training and experience of their own staff. The provision was effective July 1, 2007. However, in order to provide sufficient time to implement the change, all charter schools—both state-chartered and locally chartered—were directed to use "the instructional staff training and experience index of the school district in which it is geographically located" for FY 08 (school year 2007-2008).

Beginning with school year 2008-2009, all charter schools not in their first year of operation were directed to use a T&E Index calculated on the basis of their own staff in determining program cost for use in establishing their operating budgets. Because the T&E Index used to determine a school district's or charter school's program cost is calculated from the October payroll report of the prior school year, all locally chartered charter schools in existence in school year 2007-2008 should have calculated their T&E indexes in October 2007 for use in determining their program cost for school year 2008-2009; however, PED states that this was not done. (NOTE: There were no state-chartered charter schools in operation during school year 2007-2008.)

Background:

When the 1974 Legislature enacted the public school funding formula, the T&E Index was included as a mechanism to encourage districts to hire and retain teachers at a time when many districts had high staff turnover due, at least in part, to increasing salary costs. Because the determination of the number of years recognized for salary purposes was left up to each local school board, however, a teacher with five years of prior experience might have three of those years counted in one district but all five counted in another. Local boards could change policy on a yearly basis, thus the pressure put upon the appropriation process could vary significantly from year to year. To bring stability to the process, the 1980 *General Appropriation Act* required school districts to use the prior year T&E Index to calculate program cost. The 1981 Legislature enacted legislation that made the change permanent.

Each district’s instructional staff training and experience index is calculated based upon five academic classifications and five levels of teaching experience. The index is used as a multiplier in the public school funding formula.

Training & Experience Matrix

Academic Classification	Years of Experience				
	0-2	3-5	6-8	9-15	Over 15
Bachelor’s Degree or Less	0.75	0.90	1.00	1.05	1.05
Bachelor’s Plus 15 Credit Hours	0.80	0.95	1.00	1.10	1.15
Master’s or Bachelor’s Plus 45 Credit Hours	0.85	1.00	1.05	1.15	1.20
Master’s Plus 15 Credit Hours	0.90	1.05	1.15	1.30	1.35
Post-Master’s or Master’s Plus 45 Credit Hours	1.00	1.15	1.30	1.40	1.50

The T&E Index is determined by:

1. multiplying the number of full-time equivalent (FTE) instructional staff in each academic classification by the numerical factor in the appropriate “years of experience” column;
2. adding the products calculated in (1) above; and
3. dividing the total in (2) above by the total number of FTE instructional staff.

State statute provides that no T&E factor can be less than 1.0.

Related Bills:

None known as of March 10, 2009.