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FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/06

SPONSOR Carraro LAST UPDATED _____ HB _____

SHORT TITLE Teacher Licensure System Transition Fund SB 679

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$8,900.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 679 appropriates \$8.9 million from the general fund to the public education department to establish a transition fund to assist school districts with budget shortfalls to meet requirements of implementing the third year of the three-tiered licensure system.

FISCAL IMPLICATIONS

The appropriation of \$8.9 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall revert to the general fund.

SIGNIFICANT ISSUES

Appropriations to the public school fund in FY06 were distributed categorically to districts based on need to implement the \$40,000 minimum salary for level 2 and level 3-A teachers. Districts have complained they are losing funding as a result of this categorical distribution. If the distribution had been made through the formula, a different set of schools would have been considered to be losers.

The implementation of the three-tiered system has caused this argument to surface each year. School districts have moved quickly to make adjustments to their operating budgets as each level is implemented to mitigate the need for a “hold harmless” distribution. Although the \$8.9 million contained in this bill is the number some advocates maintain is the funding needed to hold the districts harmless, it has not been made clear in testimony to the Legislature whether all of these funds are actually needed or for how long this subsidy will be needed. Again, advocates claim it will be needed until a new funding formula is adopted by the Legislature, which may be as close as FY09 or longer.

The Legislature has provided sufficient funding to pay for salary increases associated with the three-tier system; however unit multipliers in the funding formula distribute the funds in a manner where some schools may not receive what is needed for the raises.

PA/yr