




Date: March 15, 2012

To: Senator Julianne Ortman, Chair
Senator John Marty
Senator Claire Robling, Chair
Senator Richard Cohen
Representative Greg Davids, Chair
Representative Ann Lenczewski
Representative Mary Liz Holberg, Chair
Representative Lyndon Carlson Sr.

From: Margaret Kelly 
State Budget Director

Phone: 651.201.8009

Subject: Local Impact Note: SF 1690 (Wolf): Unrequested leave of absence and certain discharge and demotion decisions based on teacher evaluation outcomes

On February 14, 2012 Minnesota Management and Budget received a local impact note request for SF 1690 (Wolf), a bill amending unrequested leave of absence plans and discharge/demotion plans to be based on licensure and teacher evaluations. 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 Minnesota Management and Budget 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.

To estimate the statewide local government impact of the changes included in SF 1690, MMB requested information from several education associations including Minnesota Association of School Administrators, Education Minnesota, the Association of Metropolitan School Districts, and the Minnesota Rural Education Association. In addition, MMB interviewed Superintendents from Northfield public schools and Saint Peter public schools. Using data from the sources listed above to project future costs, an estimated statewide increased cost to local governments of \$1.6 million was identified, however due to assumptions outlined in the local impact note the costs would not be incurred until FY 2016.

If you or your staff has any questions about the local note process feel free to contact Executive Budget Officer Kristy Swanson (651)201-8082 or Kerstin Larson (651)201-8045.

cc: Senator Pam Wolf
Legislative staff (electronic)

March 15, 2012

SF 1690 (Wolf):

Unrequested leave of absence and certain discharge and demotion decisions based on teacher evaluation outcomes

Local Fiscal Impact*

Net Expenditure/Revenue Change

Dollars in Thousands, State Fiscal Years

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Expenditure	0	0	0	0
Statewide Impact	0	0	0	0

Explanation of the Bill

HF 1690 amends teacher employment statutes to incorporate teacher evaluation outcomes in unrequested leave of absence and demotion/discharge practices.

Section 1 of the bill allows school boards and exclusive bargaining representatives to include teacher evaluation outcomes in their unrequested leave of action plan. If a plan is not agreed upon, the school board must either adopt a plan outlined in subd. 11 or, if approved by a majority of school board members, the school board may create a new plan that includes teacher evaluation outcomes. Finally, section one clarifies that a school board is not required to reassign a teacher with more seniority to a different subject matter or to a substantially different grade level in order to accommodate the seniority claims of a less senior teacher.

Section 2 changes the reinstatement claim window from five years to one year for ineffective teachers. This section also requires, starting in FY 2016, school boards place teachers on unrequested leave of absence based on licensure and the teachers' most recent evaluation outcomes from least to most effective ranked teachers. The board must publish the unrequested leave of absence plan developed.

Section 3 allows school boards and exclusive bargaining representatives to negotiate an agreement to discharge or demote a teacher based on evaluation outcomes. Starting in FY 2016 the school board must base discharge and demotion decisions on the teachers' most recent evaluation outcome from least effective to most effective. The school board must publish the discharge and demotion plan adopted.

Section 4 reiterates that a school board is not required to reassign a teacher with more seniority to a different subject matter or to a substantially different grade level in order to accommodate the seniority claims of a less senior teacher.

Local Impact Analysis Methodology

To estimate the statewide local government impact of the changes included in SF 1690, MMB:

- Interviewed staff at the Minnesota Department of Education.
- Interviewed staff at the Minnesota Association of School Administrators, Education Minnesota, the Association of Metropolitan School Districts, and the Minnesota Rural Education Association.

- Interviewed Superintendents from Northfield Public Schools and Saint Peter Public Schools.
- Reviewed MMB’s local impact note on HF945-2E; Teacher and Principal Evaluations and Tenure Modified.

Local Impact Analysis of HF 1690:

Minnesota Management & Budget requires that Fiscal Notes and Local Impact Notes estimate direct impacts only¹. Secondary impacts may be discussed within the narrative but are to be excluded from the fiscal summary.

Direct Impact

The direct impact of SF 1690 is to alter the information upon which school boards and school districts make unrequested leave of absence and discharge/demotion decisions. School boards may choose to negotiate and/or adopt new unrequested leave of absence and discharge/demotion plans that include teacher evaluation outcomes prior to FY 2016. Starting in FY 2016, all unrequested leave of absence and discharge/demotion plans will be required to include teacher evaluation outcomes. School districts must develop, publish, and implement the new plans as they are adopted and no later than FY 2016.

Costs associated with developing and publishing unrequested leave of absence and discharge/demotion plans include:

- Human resource staff time for developing draft language for the plans.
- Superintendent and Principal time for reviewing and discussing new language.
- Costs associated with printing new plans in employee handbooks and publishing language online.

School Districts	Cost/Hour	Hours	Est. Expense
Human Resources Staff	\$50	10	\$500
Superintendent Time	\$100	5	\$500
Principal Time	\$225	5	\$1,125
Avg. 3 Principals			\$2,125
Publishing Expenses			\$1,500
Total per District			\$3,625
Total School Districts	\$3,625	352	\$1,276,000

Charter Schools	Cost/Hour	Hours	Est. Expense
Human Resources Staff	\$50	10	\$500
Principal Time	\$75	5	\$375
			\$875
Publishing Expenses			\$1,500
Total per Charter			\$2,375
Total Charter Schools	\$2,375	148	\$351,500

¹ [Minnesota Management & Budget Fiscal Note Policy Manual](#)

Statewide Estimate			\$1,627,500
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The majority of school districts are waiting for the Department of Education’s teacher evaluation model before adopting teacher evaluation plans that satisfy M.S. 122A.40 Subd. 8. SF 1690 requires using teacher evaluations per M.S. 122A.40 Subd. 8 when making unrequested leave of absence and discharge/demotion decisions. It is assumed districts will not adopt sufficient evaluation plans and choose to negotiate or vote on implementing new unrequested leave of absence or discharge/demotion plans earlier than FY 2016 when it becomes required. Therefore, the costs associated with developing and publishing the unrequested leave of absence and discharge/demotion plans are not included on the table because implementation would not occur in this biennium or the next.

Local Fiscal Impact*				
Net Expenditure/Revenue Change				
Dollars in Thousands, State Fiscal Years				
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Expenditure	0	0	0	0
Statewide Impact	0	0	0	0

Secondary Impact

MMB has identified three potential secondary impacts related to SF 1690. MMB policy for fiscal notes and local impact notes allows for discussion of secondary impacts but only direct fiscal impacts are included in the table summarizing total fiscal impact of the bill². In this case, no specific cost estimates are provided for the secondary impacts because there is a wide range of assumptions that could be reasonable which would result in a wide range of potential fiscal estimates.

1) Litigation Costs

The last time unrequested leave of absence and discharge/demotion changes were made was when seniority based decisions were put in place. This change was extensively litigated. Because seniority is a more objective measure it is assumed that basing unrequested leave of absence and discharge/demotion decisions on evaluations will be equally or more extensively litigated. Areas likely to be litigated include:

- Definition of ‘substantially different grade level assignment’,
- Definition of evaluation outcome: what constitutes one full evaluation cycle,
- Consistency of evaluations within a school district,
- Validity of evaluations performed by principals identified as ineffective.

2) Modifications made to Teacher Evaluation Models

Costs associated with implementing a teacher evaluation model were estimated by MMB last year in a local impact note for HF 945-2E³. While the Teacher and Principal Evaluation language that passed

² [Minnesota Management & Budget Fiscal Note Policy Manual](#)

³ HF 945-2E: Teacher and principal evaluations and tenure modified

during the 2011 Special Session differed from what was estimated by MMB, significant costs were identified with designing and implementing a comprehensive teacher evaluation system. It is possible that SF 1690 will alter teacher evaluation models designed by MDE and school districts, which may impact the cost of implementation for school districts.

3) Costs/Savings based on which teachers are placed on unrequested leave of absences or dismissed.

The primary impact of SF 1690 is to change the information school boards use to place teachers on unrequested leave of absence or when discharging/demoting teachers. A secondary impact may be how the new decision making process alters which teachers are retained and which teachers are released. It is possible that school districts will see costs or savings related to retaining teachers based on evaluation outcomes instead of seniority.