

PRELIMINARY FISCAL NOTES

Appropriations Committee Meeting

April 1, 2010

OFFICE OF FISCAL ANALYSIS

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Below are preliminary fiscal impacts for the bills on today's agenda. These estimates were prepared under a short time frame and could be revised after further analysis.

1. SB 139 - An Act Concerning Independent Monitoring of the Husky Program

The bill requires the Department of Social Services (DSS) to contract annually with a non-profit organization to monitor the HUSKY programs. As the bill does not specify the terms of such a contract, the cost cannot be determined. DSS budgeted \$218,317 in each year of the biennium for such activities.

2. SB 290 - An Act Concerning the Publication of State Agency Regulations on the Internet

The bill requires agencies to post its regulations on its Internet website. This does not result in a fiscal impact.

3. sHB 5111 - An Act Concerning the Alzheimer's Respite Care Program

The bill requires DSS to fully expend its annual appropriation for the Alzheimer's Respite program. Currently, this program has an appropriation of \$2,294,388 in each year of the biennium. This provision may limit the ability of the executive branch to meet its responsibility to achieve savings via the Governor's rescission authority or other mandated budget reduction measures. For example, in FY 10, enrollment for the Alzheimer's Respite program was closed, resulting in a projected savings of \$1 million.

4. sHB 5489 - An Act Concerning Secondary School Reform

None of the below sections are to be completed unless the Commissioner of Education, in consultation with the General Assembly, agree that the state has secured enough federal funding to cover the costs of the additional requirements, outlined below.

Section 1 revises high school graduation requirements. Beginning with the freshman class of 2013 (graduating class of 2017), the bill raises, from 20 to 25, the number of credits required to graduate and changes course requirements.

In order to prepare for the change in curriculum the State Department of Education (SDE) will need to develop model curriculums. Additionally, online courses may need to be utilized to prepare schools and teachers for the change.

It is anticipated that SDE will require approximately \$3.4 million in FY 11 and \$3.7 million in FY 12 to develop the model curriculum and prepare local and regional school districts.

Additionally, beginning in FY 15 local and regional boards of education will require additional staff to aid in the capstone project, as existing staff will be unable to commit

the time necessary to assist students in completing the project. It is estimated that each Capstone Advisor would have 10 to 15 advisees. There are currently 38,000 high school seniors in the state of CT. Assuming an advisee rate of 10 to 15, an additional 3,800 to 2,533 staff would be needed throughout the state.

Section 2 requires SDE, beginning in FY 12, to provide grants to local and regional school districts to help implement the new graduation requirements. It is anticipated that these grants could be significant, as local and regional boards of education will require additional staffing, professional development, and equipment needs in order to meet the new requirements.

Section 3 limits the number of adult education classes that high school students (age 16 and over) can take to two per school year, and is not anticipated to result in a fiscal impact.

5. sSB 438 - An Act Concerning Charter Schools and Open Choice Program Funding

Section 1 of the bill eliminates the requirement that the State Board of Education (SBE) issue charters for state and local charter schools only within available appropriations. There are currently 18 charter schools within the state. This could result in an additional cost to the state if there are more charter school charters approved. **Section 1** also waives enrollment limits for state charter schools that demonstrate a record of achievement. This could also result in an additional cost if more students are accepted to charter schools, as the state currently provides a grant to charter schools of \$9,300 per student. There are approximately 5,000 students enrolled in charter schools throughout the state.

Section 2 makes the charter school facility grant program permanent. Under current law the program was only available for FY 08 and FY 09. This could result in significant additional cost to the state if additional bond authorizations are committed for charter schools.

Section 3 bars the education commissioner from waiving teacher certification requirements for charter schools, and is not anticipated to result in a fiscal impact.

6. sSB 441 - An Act Concerning Parental Engagement in Schools

Section 1 of the bill allows any school or school district to create thirteen member parent teacher advisory councils. If a local or regional board of education opts to form a parent teacher advisory council, there are minimal costs associated with holding public meetings.

Section 2 requires that low achieving districts create district-wide parent teacher advisory councils made up of one delegate from each parent teacher advisory council

for each school in the district. There are minimal costs associated with associated with holding public meetings.

7. sHB 5490 - An Act Concerning the Minimum Budget Requirement and Various Education Grants

Section 1 precludes Bridgeport, Columbia, Ledyard and Salem from being penalized for not complying with the minimum budget requirement (MBR) in FY 10. The bill allows towns to reduce their local school contribution in FY 10 by \$3,000 for each fewer student within the district from the previous year.

Section 2 makes a technical change that is not anticipated to result in a fiscal impact.

Section 3 allows the Commissioner of Education to make supplemental transportation grants, within available appropriations, to regional education service centers, for FY 10. Implementing this provision within available appropriations will result in one of four outcomes: (1) the agency will proceed with the required duties and may require a deficiency appropriation; (2) the agency will delay the implementation of the bill pending the approval of additional appropriations to meet these requirements; (3) the agency will shift staff resources from other agency priorities, thereby impacting existing agency responsibilities and duties; or (4) the agency will not be able to implement the provision.

8. sHB 5491 - An Act Concerning Certain School District Reforms to Reduce the Achievement Gap in Connecticut

Section 1 requires low achieving schools to establish a school governance council. Councils will have nine voting parent members and one nonvoting student member. Parent members are elected by parents. Up to four additional members may be appointed who may be teachers, other certified staff, or school or community leaders. The governance councils may vote to reorganize a school based on the approved models, the local or regional board of education must hold a public hearing, immediately followed by a public meeting, to vote on the selected model. There are minimal costs to local and regional boards of education associated with holding public hearings and meeting the responsibilities delineated in subsection g(2).

Section 2 allows a low achieving school to convert into an innovation school, or establish a new innovation school, for the purposes of improving student achievement. Any newly established innovation school must have an innovation plan. The fiscal impact would be dependent on the scope and the content of the plan.

Section 3 requires local and regional boards of education to develop a teacher evaluation program, and requires the State Board of Education to develop model teacher evaluation program guidelines. Additionally, the State Department of

Education (SDE) must develop a data collection system to annually collect and monitor data on teacher performance evaluation outcomes. The development of a teacher evaluation program and a data collection system will result in a cost of over \$1.0 million for SDE. SDE must try to secure federal funds to cover the costs of the data collection system, and if they are unable to do so, SDE must do so within available appropriations. Implementing these provisions within available appropriations will result in one of four outcomes: (1) the agency will proceed with the required duties and may require a deficiency appropriation; (2) the agency will delay the implementation of the bill pending the approval of additional appropriations to meet these requirements; (3) the agency will shift staff resources from other agency priorities, thereby impacting existing agency responsibilities and duties; or (4) the agency will not be able to implement the provision.

Section 4 establishes a Performance Evaluation Advisory Council within the SDE, which is not anticipated to result in a fiscal impact.

Section 5 allows on-line coursework to count toward the high school graduation requirements, and is not anticipated to result in a fiscal impact.

Section 6 creates an on-line credit recovery program, for schools with a drop out rate of 8% or greater. This program could result in a potential cost to local and regional boards of education if, (1) the school currently does not offer or have access to any on line courses or (2) if the school does not have the capacity to designate an existing staff member as the on-line learning coordinator.

Section 7 requires local and regional boards of education to conduct two parent conferences per year, and is not anticipated to result in a fiscal impact.

Section 8 creates a task force to study issues related to the achievement gap. The Office of Legislative Management would incur minimal costs associated with mileage reimbursement of 50 cents per mile for legislators participating on the task force.

Section 9 changes the date from October 15 to January 15, of when resident student data is collected, and is not anticipated to result in a fiscal impact.

Section 10 requires local and regional boards of education to offer an advance placement course program, and for SDE to develop guidelines for training teachers for teaching advance placement courses. Developing an advance placement course program could result in a potential cost to various local and regional boards of education that do not currently have similar programs in place, and must offer new programs. Additionally, there will be an increased cost to SDE associated with developing a training program for teachers teaching advance placement classes. It is anticipated that the increased costs for SDE would be under \$75,000.

9. sHB 5203 – An Act Concerning Teachers’ Retirement Credit and Hazardous Duty Retirement Credit for Certain Employees at the Department of Environmental Protection

Section 1 of the bill requires the Teachers’ Retirement Board (TRB) to pay a member benefits based on the estimate TRB provided if the member retires based on a benefit estimate that is in error by 10 % or more. There is currently one retired member that meets the criteria of the bill with an actual benefit that is approximately \$900 per month (\$10,800 annual) lower than the estimate provided by the TRB. The actuary for the Teachers’ Retirement System (TRS) would have to calculate the exact impact to the TRS unfunded liability resulting from the benefit increase. The cost associated with the benefit increase is a function of a teacher’s age, salary and years of service.

The following example is provided for illustrative purposes only. The purchase of 5 years of service credit results in a 10% benefit increase. Since on average, a year of service credit has an actuarial value of \$17,000, the cost associated with 5 years of services credit would be \$85,000. This additional cost would increase the unfunded liability of the TRS. Based on the most recent TRS valuation 6/30/08, the system had an unfunded liability of \$6.5 billion and a funded ratio (assets/liabilities) of 70%.

Section 2 of the bill gives hazardous duty status to two positions within the Department of Environmental Protection (DEP). Granting these two positions hazardous duty status is anticipated to exceed \$2.5 million in costs to the SERS pension fund.

The state’s actuarially determined pension contribution levels have two components – the fund’s normal cost and amortization of the system’s unfunded liability. The unfunded liability is the shortfall between the system’s projected liabilities and its assets. Although the fund’s normal cost contribution has remained relatively steady with increases primarily reflecting payroll growth, the unfunded liability increases each year as a result of interest and expected benefit payouts which are not entirely offset by contributions made to the fund. Based on the most recent SERS valuation 6/30/08, the system had an unfunded liability of \$9.3 billion and a funded ratio (assets/liabilities) of 52%.

The Director of the Emergency Response and Spill Prevention division is a Tier II member of the State Employees Retirement System (SERS), has previous hazardous duty service, and would become immediately eligible for a hazardous duty retirement benefit upon passage of the bill. Information from the Comptroller in 2008 indicated that the increase in the unfunded liability as a result of this provision is \$2.5 million.

The Assistant Director of the division is a Tier I member of SERS with no prior hazardous duty service. This individual would be eligible to retire with a normal retirement benefit in 2015 with more than 30 years of service. In order to be eligible for

hazardous duty retirement, he would need to remain employed in a hazardous duty position until 2026. The increase in unfunded liability cannot be estimated at this time based on actual hazardous duty service.

The annual salaries for these two DEP positions are \$243,000. The normal cost for these two positions under regular retirement is currently \$29,544 per year and would be \$33,373 per year under hazardous duty. Granting these two positions hazardous duty status results in an increased state pension normal cost of approximately \$3,828 annually.