

**COMMISSION ON STATE MANDATES**

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January 5, 2005

Mr. Arthur M. Palkowitz  
San Diego Unified School District  
4100 Normal Street, Room 3159  
San Diego, CA 92103-8363

And Affected State Agencies and Interested Parties (See Enclosed Mailing List)

RE: **Proposed Statewide Cost Estimate**  
*Teacher Incentive Program, 99-TC-15*  
San Diego Unified School District, Claimant  
Statutes 1998, Chapter 331  
Education Code Section 44395 and 44396

Dear Mr. Palkowitz:

The staff analysis and proposed statewide cost estimate for this program are enclosed for your review and comment.

**Written Comments**

Any party or interested person may file written comments on the staff analysis by **January 12, 2005**. Comments filed with the Commission are required to be simultaneously served on the parties on the mailing list, and to be accompanied by a proof of service. (Cal. Code Regs., tit. 2, § 1181.2.) To request an extension of time to file comments, please refer to section 1183.01, subdivision (c)(1) of the Commission's regulations.

**Hearing**

This matter is set for hearing on **January 27, 2005**, at 9:30 a.m. in Room 126 of the State Capitol, Sacramento, California. This item will be scheduled for the consent calendar unless any party objects. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1183.01, subdivision (c), of the Commission's regulations.

**Special Accommodations**

For any special accommodations such as a sign language interpreter, an assistive listening device, materials in an alternative format, or any other accommodations, please contact the Commission Office at least five to seven *working* days prior to the meeting.

Please contact Nancy Patton at (916) 323-8217 with questions.

Sincerely,

PAULA HIGASHI  
Executive Director

Enclosure

## ITEM 8

### PROPOSED STATEWIDE COST ESTIMATE DRAFT STAFF ANALYSIS

Statutes, 1998, Chapter 331  
Education Code Sections 44395 and 44396  
*Teacher Incentive Program (99-TC-15)*  
San Diego Unified School District, Claimant

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### EXECUTIVE SUMMARY

#### Summary of the Mandate

The test claim legislation established a program for providing one-time \$10,000 merit awards for public school teachers who are certified by the National Board for Professional Teaching Standards (NBPTS), and require school districts to administer the program, which is conducted by the California Department of Education (CDE).

The claimant, San Diego Unified School District filed the test claim on June 29, 2000. The Commission adopted the Statement of Decision on February 27, 2003, and the parameters and guidelines on January 29, 2004. Eligible claimants were required to file initial reimbursement claims with the State Controller's Office (SCO) by August 3, 2004. The Commission uses these initial claims to develop the statewide cost estimate.

#### Statewide Cost Estimate

The SCO provided unaudited claims totals to the Commission on August 9, 2004. The actual claims data showed that four school districts filed nine claims between fiscal years 1998-1999 and 2003-2004. Because only four out of 1,086 districts filed these claims, Commission staff delayed preparing this statewide cost estimate in anticipation of more claims being filed. On December 22, 2004, the SCO provided new data showing that two additional school districts filed two claims, for a total of six districts filing 11 claims.

Therefore, based on the data provided by the SCO, staff made the following assumptions:

- The statewide cost estimate is based on 11 unaudited claims filed by six school districts.<sup>1</sup>
- The claiming data may be inaccurate, and the amounts claimed may be excessive or unreasonable. There is a wide variation in the number of employees and number of hours used to notify teachers of the certificate program. For example, Los Angeles Unified School District, which employs 36,185 teachers, used two employees and spent 12 hours to inform its teachers, at a cost of \$1,052, or less than one cent per teacher. Escondido Union

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<sup>1</sup> Claims data reported by the SCO as of December 22, 2004.

Elementary School District, which employs 1,070 teachers, used three employees and spent 26 hours to inform its teachers, at a cost of \$1,337, or approximately \$1 per teacher. In contrast, South Bay Union School District, which employs 479 teachers, used 25 employees, including principals, and spent 72 hours to inform its teachers, at a cost of \$3,700, or approximately \$8 per teacher.

- The actual amount claimed will increase if late or amended claims are filed. Only six of the 1,086 school districts have filed reimbursement claims for this program. Thus, if reimbursement claims are filed by any of the remaining districts, the amount of reimbursement claims may exceed the statewide cost estimate. Late claims may be filed for this program until August 3, 2005.
- Significant numbers of late claims will not be filed because most school districts are unable to meet the \$1,000 minimum filing threshold.
- Any reimbursement claim for this program may be reduced by the SCO if it is audited and deemed to be excessive or unreasonable. Therefore, the total amount of reimbursement for this program may be lower than the statewide cost estimate.

The proposed statewide cost estimate includes seven fiscal years for a total of \$59,530. This averages to \$8,502 annually in costs for the state. Following is a breakdown of estimated total costs per fiscal year:

<b>Fiscal Year</b>	<b>Number of Claims Filed</b>	<b>Amount of Claims Filed</b>
1998-1999	1	\$1,465
1999-2000	3	\$10,844
2000-2001	2	\$8,104
2001-2002	3	\$11,518
2002-2003	1	\$8,979
2003-2004 (estimated)	N/A	\$9,177
2004-2005 (estimated)	N/A	\$9,443
<b>Total</b>	<b>11</b>	<b>\$59,530</b>

**Staff Recommendation**

Staff recommends that the Commission adopt the proposed statewide cost estimate of **\$59,530** for costs incurred in complying with the *Teacher Incentive Program* mandate. If the statewide cost estimate is adopted, staff will report the estimate to the Legislature.

## STAFF ANALYSIS

### Background and Summary of the Mandate

Education Code sections 44395, subdivisions (b) and (c), and 44396, subdivision (c) established a program for providing one-time \$10,000 merit awards for public school teachers who are certified by the National Board for Professional Teaching Standards (NBPTS), and require school districts to administer the program, which is conducted by the California Department of Education (CDE).

On February 27, 2003, the Commission adopted its Statement of Decision finding that Education Code sections 44395, subdivisions (b) and (c), and 44396, subdivision (c), constitute a reimbursable state-mandated program or higher level of service for school districts within the meaning of article XIII B, section 6, of the California Constitution, and impose costs mandated by the state pursuant to Government Code section 17514.

The claimant, San Diego Unified School District filed the test claim on June 29, 2000. The Commission adopted the Statement of Decision on February 27, 2003, and the parameters and guidelines on January 29, 2004. Eligible claimants were required to file initial reimbursement claims with the State Controller's Office (SCO) by August 3, 2004. The Commission uses these initial claims to develop the statewide cost estimate.

### Discussion

#### *Reimbursable Activities*

The Commission approved this test claim for the following activities:

#### A. One-Time Activity Per Teacher

1. Notification to Teachers (*Reimbursement Period: January 1, 1999 through July 4, 2000.*)
  - a. Inform the teachers employed by the school district, or by charter schools affiliated with the district, about the National Board for Professional Teaching Standards Certification Incentive Program and how they can acquire the necessary application and information materials distributed by the CDE. (The CDE shall distribute to school districts information about the certification process established by the National Board for Professional Teaching Standards along with application materials and instructions for the merit award program.) (Ed. Code, 44395, subd. (c).) This activity includes reimbursement for the cost of copying and distributing the information to teachers.

#### B. On-Going Activities

1. Review and Certification
  - a. Accept an application for the National Board for Professional Teaching Standards Certification Incentive Program, review the application, and certify that the applicant is employed by the district or a charter school operating under a charter granted by the school district, and that the applicant has met all the criteria established pursuant to Education Code section 44395, subdivision (b). (Ed. code, 44396, subd. (c).)

- b. Submit the application to CDE for its review and approval.  
(Ed. Code, § 44396, subd. (c).)
2. Award Distribution

Distribute a one-time merit award of ten thousand dollars (\$10,000) from state-apportioned funds for each teacher who is certified by the National Board for Professional Teaching Standards and whose application is approved by the CDE. (Ed. Code, § 44396, subd. (d).) The costs are the time spent to process the awards through fiscal control and payroll department, similar to processing regular payroll.

### *Statewide Cost Estimate*

Initial reimbursement claims were due to the SCO by August 3, 2004. The SCO provided unaudited claims totals to the Commission on August 9, 2004. The actual claims data showed that four school districts filed nine claims between fiscal years 1998-1999 and 2003-2004. Because only four out of 1,086 districts filed these claims, Commission staff delayed preparing this statewide cost estimate in anticipation of more claims being filed. On December 22, 2004, the SCO provided new data showing that two additional school districts filed two claims, for a total of six districts filing 11 claims.

Staff reviewed the claims data submitted by the claimants and compiled by the SCO. Staff made the following assumptions and used the following methodology to develop a statewide cost estimate of the program. If the Commission adopts this statewide cost estimate, the estimate, including staff's assumptions and methodology will be reported to the Legislature.

Staff made the following assumptions:

#### Assumptions

- The statewide cost estimate is based on 11 unaudited claims filed by six school districts.<sup>2</sup>
- The claiming data may be inaccurate, and the amounts claimed may be excessive or unreasonable. There is a wide variation in the number of employees and number of hours used to notify teachers of the certificate program. For example, Los Angeles Unified School District, which employs 36,185 teachers, used two employees and spent 12 hours to inform its teachers, at a cost of \$1,052, or less than one cent per teacher. Escondido Union Elementary School District, which employs 1,070 teachers, used three employees and spent 26 hours to inform its teachers, at a cost of \$1,337, or approximately \$1 per teacher. In contrast, South Bay Union School District, which employs 479 teachers, used 25 employees, including principals, and spent 72 hours to inform its teachers, at a cost of \$3,700, or approximately \$8 per teacher.
- The actual amount claimed will increase if late or amended claims are filed. Only six of the 1,086 school districts have filed reimbursement claims for this program. Thus, if reimbursement claims are filed by any of the remaining districts, the amount of reimbursement claims may exceed the statewide cost estimate. Late claims may be filed for this program until August 3, 2005.

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<sup>2</sup> Claims data reported by the SCO as of December 22, 2004.

- Significant numbers of late claims will not be filed because most school districts are unable to meet the \$1,000 minimum filing threshold.
- Any reimbursement claim for this program may be reduced by the SCO if it is audited and deemed to be excessive or unreasonable. Therefore, the total amount of reimbursement for this program may be lower than the statewide cost estimate.

Methodology

*1998-1999 through 2002-2003 Projected Costs*

- Staff reviewed the summary claims data provided by the SCO for fiscal years 1998-1999 through 2002-2003. Staff then reviewed the reimbursement claims to study claiming data and possible trends. No trends were identified for this program.
- The proposed statewide cost estimate was developed based on the 11 unaudited, actual reimbursement claims.

*2003-2004 and 2004-2005 Projected Costs*

- Staff projected totals for FY 2003-2004 by multiplying the FY 2002-2003 claims total by the implicit price deflator for 2002-2003 (2.2%), as forecast by the Department of Finance.
- Staff projected totals for FY 2004-2005 by multiplying the FY 2003-2004 claims total by the implicit price deflator for 2003-2004 (2.9%), as forecast by the Department of Finance.

The proposed statewide cost estimate includes seven fiscal years for a total of \$59,530. This averages to \$8,502 annually in costs for the state. Following is a breakdown of estimated total costs per fiscal year:

<b>Fiscal Year</b>	<b>Number of Claims Filed</b>	<b>Amount of Claims Filed</b>
1998-1999	1	\$1,465
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2003-2004 (estimated)	N/A	\$9,177
2004-2005 (estimated)	N/A	\$9,443
<b>Total</b>	<b>11</b>	<b>\$59,530</b>

**Staff Recommendation**

Staff recommends that the Commission adopt the proposed statewide cost estimate of **\$59,530** for costs incurred in complying with the Teacher Incentive Program. If the statewide cost estimate is adopted, staff will report the estimate to the Legislature.