

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 465 (Senator Kelley, *et al.*)
Education, Health, and Environmental Affairs

Commission to Study Pay-for-Performance Models of Teacher Compensation

This bill establishes a Commission to Study Pay-For-Performance Models of Teacher Compensation. The commission must study some of the more significant pay-for-performance models being used in other states to determine the efficacy of piloting pay-for-performance programs in Maryland. An interim report must be submitted by January 15, 2007, and a final report must be submitted by September 15, 2007. The Maryland State Department of Education (MSDE) must provide staff for the task force.

The bill takes effect June 1, 2006 and terminates December 31, 2007.

Fiscal Summary

State Effect: Assuming the commission would focus on published research and data and would not require out-of-state travel or consultants, MSDE could staff the task force with existing personnel and resources. If extensive public outreach and a more comprehensive review of pay-for-performance models are undertaken, general fund expenditures would increase accordingly.

Local Effect: Local representatives appointed to the task force could participate with existing resources.

Small Business Effect: None.

Analysis

Current Law: Chapter 105 of 1997, the Baltimore City-State Partnership legislation, required the Baltimore City Public School System to establish a performance-based personnel evaluation system for teachers, principals, and administrators.

Background: An Education Commission of the States report analyzed teacher pay-for-performance models that have been implemented in Cincinnati, Ohio; Denver, Colorado; Douglas County, Colorado; Iowa; and five schools in Arizona. The report lists seven lessons that were learned in the design and implementation of these models.

- The development of a pay-for-performance system should be a collaborative effort that includes input from teachers, school administrators, parents, policymakers, and the public.
- Designing and implementing a pay-for-performance model takes time, commitment, and a willingness to envision a new system.
- The experiences of districts that have implemented pay-for-performance models can be enlightening, but recognizing local circumstances and perspectives is vital.
- Frequent and consistent communication with stakeholders is crucial.
- Teacher evaluation criteria must provide diagnostic feedback, be aligned with performance standards, and measure outcomes that teachers can affect.
- Teachers and principals must be given the training they need to make effective use of student and teacher assessments.
- A successful pay-for-performance model cannot be implemented without examining other factors that effect the model, such as fiscal policies, data gathering, and professional development.

State Fiscal Effect: State representatives on the commission could participate with existing resources. Assuming the commission's examination of pay-for-performance models has a relatively narrow scope and focuses on the existing research and data, MSDE could provide staff support for the task force with existing personnel and resources.

However, MSDE estimates that general fund expenditures for a more extensive examination of performance-based pay models could amount to approximately \$130,000 and would be incurred in fiscal 2007 and 2008 while the task force is meeting. The MSDE estimate includes costs for a contractual education program specialist (\$71,000 for 16 months) and a consultant (\$20,000), meetings expenses (\$10,000 for 10 meetings), meeting advertising costs (\$15,000), and out-of-state travel expenses (\$10,000).

According to MSDE, the expenditures would be necessary because of the controversy surrounding the subject and the number of teachers who would be affected by the adoption of a pay-for-performance system.

The Department of Legislative Services advises that the commission charge enumerated in the bill does not necessitate a study that is as comprehensive as the MSDE estimate assumes. However, if the commission undertakes an expansive analysis of pay-for-performance models as assumed by MSDE, general fund expenditures would increase accordingly.

Additional Information

Prior Introductions: As introduced, SB 165 of 2005 was similar. The bill was amended and passed by the Senate but received an unfavorable report from the House Committee on Ways and Means.

Cross File: None.

Information Source(s): Education Commission of the States, Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2006
ncs/rhh

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