

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 11, 2007
POSITION: Oppose

BILL NUMBER: SB 673
AUTHOR: J. Scott

BILL SUMMARY

This bill would modify eligibility of the existing Assumption Program of Loans for Education (APLE) to include a credentialed teacher already teaching in a public school that is ranked in the Academic Performance Index of (API) deciles 1 or 2 who has not otherwise participated in the program. The bill would require the California Student Aid Commission (CSAC) to develop and adopt regulations to implement this provision by July 1, 2008.

Current law establishes the APLE program to provide loan assumption benefits to individuals who need to complete training or coursework to become fully credentialed, and who agree to obtain a credential and teach in a designated subject matter shortage area or in a low-performing school ranked in API deciles 1-5. Currently, participants in the APLE program who teach for a total of four years are eligible to receive up to \$11,000 toward outstanding student loans. Participants teaching in science, math, and special education are eligible to receive an additional \$1,000 per year. In addition, participants who teach in a low-performing school in deciles 1 or 2 of the API will receive a bonus of \$1,000 per year for a maximum of \$19,000 in loan assumption benefits.

FISCAL SUMMARY

This bill would result in significant additional General Fund cost pressure to increase the number of APLE awards authorized annually in the budget. We estimate the pressure to be in the hundreds of millions of dollars depending on the actual number of teachers in deciles 1 and 2 schools who possess outstanding student loans and have not received an award previously. Since virtually any qualifying teacher currently serving in a qualifying school would be motivated to receive the funds without the necessity of changing jobs, we would expect most every eligible teacher to apply. If only 20 percent of teachers in qualifying schools were eligible and applied, over 60,000 teachers would seek awards and the cost pressure would exceed \$180 million, calculated as follows: 307,000 teachers statewide X .20 (two deciles or 20 percent of schools) X \$15,000 per award X .20 (20 percent of teachers with eligible loans outstanding) = \$184 million. The proposed 2007-08 Budget provides for only 8,000 new warrants that will cost the state between \$80 million to \$120 million spread over a multi-year period as teaching service requirements are met.

CSAC indicates that this bill would result in minor and absorbable costs to develop and adopt regulations related to this provision. To the extent the budget authorized more warrants, staff workload for review of applications would increase accordingly and we would be another General Fund cost.

COMMENTS

Finance is opposed to this bill for the following reasons:

- This bill would initiate a major policy change and would come at the expense of the General Fund when more appropriate alternatives are available. In effect, this bill would provide retention bonuses for existing employees of school districts. It is unclear why the state should provide incentives at a cost to the General Fund when nothing prevents schools from providing retention incentives from

Analyst/Principal Date Program Budget Manager Date
(0383) S. Swan Jeannie Oropeza

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

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their Proposition 98 general purpose allocations. Schools could implement or bargain this benefit at their discretion from annual general purpose funding increases. It is also noted that the Administration successfully augmented about \$50 million for the Low Performing School Enrichment Block Grant in both the 2005 and 2006 Budget Acts that could have been used for this purpose by eligible schools. However, the legislature denied continuation of these funds in the pending 2007-08 budget bills.

- This bill would result in significant General Fund cost pressures, likely in the low hundreds of millions of dollars over a multiple year period, by expanding eligibility for loan assumption benefits to currently credentialed teachers. Given the state's recent efforts to align expenditures with available revenues, expanding eligibility is not fiscally prudent.
- This bill could result in displacing teachers who are currently eligible for this benefit if demand for the APLE by currently credentialed teachers in the field exceeded the available program capacity and no new warrants were authorized.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO RV	PROP 98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Fund Code
7980/Student Aid	LA	No	-----	Hundreds of Millions in GF Cost Pressures				-----	0001
7980/Student Aid	SO	No	-----	See Fiscal Summary				-----	0001