

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/18
 SPONSOR Garcia LAST UPDATED 1/30/18 HB 105
 SHORT TITLE Teacher Incentive Pay Act SB _____
 ANALYST Chilton

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$2,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	~\$75.0	~\$75.0	~\$150.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 106

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority (PSIA)
 Educational Retirement Board (ERB)
 Regional Education Cooperatives (REC)
 Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 105 creates a new “Teacher Incentive Pay Act,” the purpose of which would be to authorize the hiring of exemplary and highly effective teachers for qualified schools to improve the measured performance of “failing” or “near-failing” schools. The bill appropriates \$2 million to add \$3 thousand to the annual income of each of the teachers hired for the purpose.

The bill defines “qualified school” as a school that had received a D or F grade in the most recent school rating, and in which more than 90 percent of students qualified for free or reduced price lunch.

Teachers eligible for the incentive would be required to

- 1) Possess a master’s degree plus eight hours of additional credit or certification through the National Board of Professional Teaching Standards, and
- 2) Be rated “exemplary” or “highly effective”, and
- 3) Sign a contract to teach in a “qualified school.”

Teachers would have to repay the incentive if they left the job before the end of the year. They would be eligible for renewal of the incentive if they maintained an evaluation of “exemplary” or “highly effective,” and the school in which they worked was evaluated at least one letter grade above the previous year. The teacher could elect to move to a different qualified school without losing the incentive pay.

The bill creates a “Teacher Incentive Fund” that would receive the appropriation.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a recurring expense, until FY 2028, to the general fund. Any unexpended or unencumbered balance remaining at the end of each fiscal year shall revert to the general fund.

PED would be required to administer the program; personnel time to do so would be needed. The “Estimated Additional Operating Budget Impact” in the table above is based on the assumption that one additional FTE would be needed to perform this function.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

It is hard to know how likely it would be that a single teacher’s efforts would effect a change of a letter grade in any given school. The letter grade depends in part on the efforts of all the teachers in the school, but also depends in part on student background (including the prevalence of poverty), parent involvement, and community factors. It is not clear whether a teacher leaving one qualified for another when the first school had failed to achieve the prescribed letter grade improvement would still qualify for the incentive. If so, failure of a school to achieve that measured improvement might stimulate an exodus from that school so as to maintain the incentive.

ERB indicates that the incentive pay might make a small beneficial change in income to its program.

PED indicates that “The appropriation contained in HB-105 may not be sufficient to meet the anticipated need of schools in a chronic D or F status. Additional appropriations will likely be needed in future years.”

In addition, PED comments on the selection of teachers eligible for incentive pay:

HB 105 lists separate requirements for eligibility in two different sections; when read together it appears that HB-105 requires that for a teacher to be eligible to take advantage of the Teacher Incentive Pay program, a teacher must hold a level 3-A teaching license, and hold either a Master’s Degree plus eight additional credit hours or hold a national board for professional teaching standards certification (NCBT).

This provision may serve to reduce the pool of candidates incentivized to serve in high-needs schools. Incentivizing level 2 teachers with commensurate experience and high effectiveness ratings would provide a larger pool for recruitment into these positions.

HB105 takes into account the decades of research that establish the most important school-controlled factor in student outcomes: the effectiveness of a teacher. The 2010 publication *The Widget Effect* indicates that schools that struggle to meet the needs of underserved populations often fail to understand the quality and effectiveness of their teaching pool in strategic placement.

Chetty, Friedman, and Rockoff (2011 and 2014) indicate that the impact of highly effective teachers on students is not limited to improving student achievement and closing gaps on standardized assessments, but the benefits to students who have access to these teachers is significant over the long term. Students assigned to highly effective teachers are more likely to attend college (including higher ranked colleges), earn higher salaries, and save more for retirement. This can equate of up to an increased classroom earning of \$250,000 over a lifetime. This not only has lasting benefits to students in classrooms taught by highly effective teachers, but also to the economy of New Mexico.

Limiting stipends to only elementary schools may cause challenges in staffing for middle and high schools that have the same population, school grade and need for the best teachers.

RELATIONSHIP

Relates to House Bill 106, which is very similar, but limits teacher incentive awards to New Mexico natives, and defines “qualified school” as being based on ethnic makeup of the school rather than on prevalence of poverty in the school.

TECHNICAL ISSUES

As noted by PED, the precise definition of the teachers would be eligible for incentivization may need to be specified more clearly:

HB-105, on Page 2, lines 18 through 20; defines a teacher recipient to mean “a person who holds a level 3-A teaching license and who has entered into an incentive contract with a school district or charter school.”

The bill on Page 3, lines 23 through 25 and on page 4, lines 1 through 3; provides that “The program is open to a teacher who (1) holds a master's degree plus at least eight

additional credit hours or national board for professional teaching standards certification; (2) is rated as a highly effective or exemplary teacher; and (3) signs an incentive contract with a school district or charter school to teach in qualified schools.

While there is some overlap between these sections of the bill, they are not the same. The requirement on page 2 only requires a level 3-A license while the requirements on pages 3 and 4 are much more detailed. These two areas of the bill should be amended to mirror each other. It will save on confusion and questions as rules are developed and promulgated.

ALTERNATIVES

Both House Bills 105 and 106 could be passed, one or the other could be passed, or neither could pass (in which case neither \$4 million nor \$2 million would not be available for these purposes).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

There would be no incentive pay program intended to help a failing or near failing school raise its scores under the A-B-C-D-F Schools Rating Act.

LAC/sb/al