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FISCAL IMPACT REPORT

SPONSOR: Garcia, M.P. DATE TYPED: 2/19/03 HB 177
 SHORT TITLE: School Differential Pay Act SB _____
 ANALYST: L. Baca

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$2,000.0		See Narrative	Recurring	GF

(Parenthesis () Indicate Expenditure Decreases)

Relates to: HB 380, Salary Differential for Certain Teachers
 HB 451, Public School Employee One-time Salary Increase
 SB 135, School Instructors Employment Contracts

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

Responses Received From
 State Department of Education (SDE)
 Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

House Bill 177 creates the School Differential Pay Act to address the shortage of qualified teachers in elementary schools that have high populations of low income students by providing differential pay incentives of \$3,000 to teachers with master's degrees who agree to teach in those schools, and appropriates \$2 million from the general fund for purposes of the Act.

Significant Issues

This bill provides incentives for highly qualified teachers (certified instructors) to agree to teach in schools in which at least 90% of students receive free or reduced price lunches. This effort is significant because the 2001 Title II State Report showed that in school districts with high percent of students on free or reduced price lunches, 20.2% of teachers held inappropriate licenses compared to 8.4% in other districts and a reported state wide average of 10.0%.

According to the CHE analysis, HB 177 can also serve as a recruiting tool and enable New Mex-

ico to better compete with other state for highly qualified teachers and supports the goals of both CHE and the State Board of Education. Additionally, the bill's purposes recognize what research, and conventional wisdom suggests: the best teachers should be encouraged and rewarded to work with students most in need students.

FISCAL IMPLICATIONS

The appropriation of \$2,000.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund.

This is a categorical appropriation that may be used only to compensate teachers with master's degrees who agree to teach in qualifying schools.

Based on 2002-2003 data, two SDE lists of qualifying schools differ significantly in the reported number of qualifying schools. One list contains 92 qualifying elementary schools, and the second contains 68 qualifying schools.

Using the second list, the SDE reports data relating to pay differential incentives to "qualifying" teachers instructing at a "qualifying" public elementary school:

Number of qualifying Schools	68
Number of qualifying Teachers	610
Pay Differential of \$3,000	\$ 1,830,000

The \$2,000.0 appropriation in HB 177 would be sufficient to cover the pay differential for "qualifying" teachers for FY 2004.

TECHNICAL ISSUES

A master's degree alone does not guarantee quality teaching. The use of criteria relating to a teacher's performance could prove invaluable in the recruitment of highly qualified teachers for the qualifying schools.

OTHER SUBSTANTIVE ISSUES

The bill allows a qualifying teacher to remain in a qualifying school and receive differential pay for no more than a four-year period and allows these instructors to be issued four-year contracts. Currently, state statutes allow local boards to issue teaching contracts not to exceed three years.

POSSIBLE QUESTIONS

1. Have any school districts expressed interest in the approach proposed by this bill?
2. What reactions have you had from teachers' unions regarding differential pay?
3. Do we have any assurances that highly qualified teachers won't agree to teach in qualifying schools just for the money?
4. Will this bill lead to differential pay being requested for bilingual, math or science teachers?