

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

SPONSOR HF1 **ORIGINAL DATE** 3/12/15
LAST UPDATED 3/16/15 **HB** 76/HFLS

SHORT TITLE Teacher Licensure Levels & Advancement **SB** _____

ANALYST Gudgel

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	\$0.0 to \$186.0	\$0.0 to \$186.0	Recurring	Educator Licensure Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY16	FY17	FY18	FY19	4 Year Total Cost	Recurring or Nonrecurring	Fund Affected
\$21,443.4	\$22,988.8	\$23,774.3	\$24,059.8	\$92,266.3	Recurring	School District and Charter School Operating Budgets and General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Education Department (PED)

SUMMARY

Synopsis of House Floor Substitute

House Floor Substitute for House Bill 76 amends multiple sections of the School Personnel Act related to level one, two, and three license holders and annual evaluations, establishing an accelerated process for a level one associate or level two professional teacher to advance licensure level if they have completed two years of teaching and received an annual evaluation rating of exemplary or high effective for two years prior to applying for the license.

The bill places the annual evaluation rating designations the Public Education Department (PED) implemented by rule in the new definition of “highly objective uniform standard of evaluation (exemplary, highly effective, effective, minimally effective, and ineffective). It also decreases the licensure term for current level two professional teachers and level three-A master teachers from nine years to five years.

The bill requires each school district to provide any teacher that fails to demonstrate essential competency with a professional growth plan during the following year and, if by the end of the next year is able to demonstrate essential competency, the school district may choose not to contract with the teacher.

The bill establishes new minimum salaries for licensees who have received annual evaluation ratings of exemplary or highly effective for two consecutive years as follows:

- Level one: FY16=\$34 thousand; FY17=\$36 thousand; FY18=\$38 thousand; and FY19=\$40 thousand;
- Level two: FY16=\$44 thousand; FY17=\$46 thousand; FY18=\$48 thousand; and FY19=\$50 thousand; and
- Level three: FY16=\$54 thousand; FY17=\$56 thousand; FY18=\$58 thousand; and FY19=\$60 thousand.

The salary increases provided for in the bill are subject to the availability of funds appropriated by the Legislature. Current statutory minimum salaries are maintained for individuals who have not received an annual evaluation rating of exemplary or highly effective.

The bill has an effective date of July 1, 2015, contingent on the Secretary of PED’s certification to the Compilation Commission prior to that date that PED has established and implemented a funding mechanism to compensate school districts for additional personnel costs associated with implementing the provisions of the bill. There is no appropriation contained in the bill to cover either the costs of accelerated license advancement or the increased minimum salaries.

FISCAL IMPLICATIONS

The bill does not include an appropriation to cover these costs. Provisions related to increased minimum salaries for licensed level one, two and three teachers who receive two consecutive exemplary or highly effective annual evaluations are “subject to the availability of funds appropriated by the Legislature.” Additionally, the bill contains a contingency clause that would only allow it to be effective if PED establishes and implements a funding mechanism to compensate school districts for additional personnel costs associated with implementing the provisions of this bill.

PED noted establishment and implementation of a funding mechanism could include, but is not limited to, appropriately linking the three-tiered licensure system with the training and experience (T&E) index. Because the T&E index is established in statute, a bill would need to be introduced to align the index with the three-tiered licensure system; to date a bill has not been introduced to do this. Additionally, given information included in the next paragraph, it is unclear if PED would simply be able to certify that public education formula funding includes sufficient funding to cover the costs of the bill.

PED's budget request included funding to increase the statutory minimum salary for level one teachers and funding for stipends for highly effective and exemplary level three teachers; PED staff indicated the department budget request did not include any funding to address level two teachers because the department would be supporting a bill to accelerate licensure advancement, which would give qualifying level two teachers a significant salary increase. PED staff indicated school district and charter school operating budgets would be sufficient to cover these costs, making it likely that PED would certify to the Compilation Commission that the FY16 appropriation includes sufficient funding to implement changes with regard to licensure advancement.

Licensure Advancement

PED has indicated approximately 24 percent of teachers have been ranked as effective or highly effective. Assuming 24 percent of level one and level two teachers are able to advance their license level and receive a minimum salary of \$40 thousand and \$50 thousand respectively, LFC staff estimates a cost of \$19.8 million annually.

Increased Minimum Salaries for Highly Effective and Exemplary Teachers

Because level one and level two license holders that receive a highly effective or exemplary rating will be eligible to advance to a level two or level three license, it is unlikely the new salary provisions included for level one or level two teachers has any effect. This analysis only assumes the changes proposed for level three license holders will have a fiscal impact. Assuming 24 percent of level three teachers and school administrators will qualify for the advanced salary increase in FY16, the four year cost totals \$13.0 million.

PED's analysis indicates the bill would have a fiscal impact of \$62.3 million annually; however, the analysis is based on the assumption that the average salary increase for level one teachers would be \$17 thousand, from an average of \$33 thousand to \$50 thousand, and the average salary increase for level two teachers would be \$15 thousand, from \$45 thousand to \$60 thousand. Additionally, the PED's analysis does not indicate an impact for level three license holders.

The ERB anticipates HB 76/FLS effect, if any, on the actuarial status of the educational retirement fund would be negligible.

Because of the shorter license period – from nine to five years - PED may receive increased revenues through license renewals, unless renewal fees are pro-rated for the shorter license. Under this bill, LFC staff estimates PED could collect up to \$184 thousand in additional fees annually based on current license fees.

SIGNIFICANT ISSUES

The bill adds the following two definitions to the School Personnel Act:

- “highly objective uniform statewide standard of evaluation” which includes ratings of exemplary, highly effective, effective, minimally effective, or ineffective; and
- “professional growth plan” which means a written plan that is initiated as a result of a licensed school employee receiving a minimally effective or ineffective summative evaluation rating; articulates the specific areas of unsatisfactory performance and provides feedback and recommendations on how to improve practice; is in effect for 90 school days; and states the expectation that the teacher demonstrate improvement in

certain areas within 90 working days of receiving the professional growth plan.

The bill requires a school district to provide a professional growth plan to a level one associate teacher and level two professional teacher that fails to demonstrate essential competence during any school year. If at the end of the next school year the teacher fails to demonstrate competence, the bill allows the school district to choose not to contract with the level one associate teacher.

Changes to the level one associate license include requiring the licensee to undergo an annual performance evaluation by a school administrator pursuant to PED rules. Under current statute, level one teachers have to undergo evaluations for three years before being able to apply for a level two license. This change codifies the teacher evaluation program put in place by PED.

Changes to the level two professional license include reducing the license from a nine-year to five-year license. If a teacher with a professional license is not found to be competent for two years, a school district may choose not to contract with that teacher, rather than the current statute that allows a school district not to contract with that teacher to teach in the classroom. (P.15, line 9).

The bill adds another method by which teachers may obtain a level two professional license, by receiving an objective performance rating of exemplary or highly effective for two or more consecutive years of teaching with an associate license.

Changes to the level three-A master teacher license include reducing the license from a nine-year to five-year license. As with the level two professional licensed teachers, if a teacher with a master license is not found to be competent for two years, a school district may choose not to contract with that teacher (page 17 line 25 through 18 line 1).

Also as with level two professional teachers, the bill adds another method by which teachers may obtain a level three-A master license, by receiving an objective performance rating of exemplary or highly effective for two or more consecutive years of teaching with a professional license. This shortens the time frame by which a teacher may advance to the next level.

PED's analysis notes that through the use of a performance evaluation significantly informed by student achievement criteria for accelerated advancement through the three-tier system, HB 76 increases the incentives for teachers to improve instruction and performance as evidenced by improved student achievement. The bill uses the three-tier licensure system to provide an incentive for our best teachers to more quickly advance their careers and salaries. Currently, the three-tiered licensure system pays teachers for their experience and education achieved, but not for their effectiveness in the classroom.

New Mexico State University (NMSU) and Eastern New Mexico University (ENMU) noted concerns with provisions of the bill that allow an applicant to advance to a level three master teaching license without obtaining a post-baccalaureate degree. NMSU noted higher education institutions in New Mexico invested funds, time and energy in response to the original intent of the three-tiered licensure system and statutes to implement programs to meet the state's desire for improved professional development for master school teachers. NMSU's analysis notes the elimination of the demand for these programs may have dramatic impact on New Mexico colleges of education. ENMU notes the elimination of the requirement of a master's degree in

order to advance to level three-A licensure will likely result in a significant reduction in graduate enrollment at all higher education institutions that offer masters degree programs.

PERFORMANCE IMPLICATIONS

PED states creating incentives around performance will increase student achievement in the state, adding that recent research from the National Bureau of Economic Research found school principals must establish high levels of rigor in conducting observations and providing meaningful feedback to improve teacher performance in the classroom.

ADMINISTRATIVE IMPLICATIONS

PED would have to establish and implement a funding mechanism to compensate school districts under provisions of this bill.

Additionally, the bill requires school districts to provide professional growth plans (PGP) to all level one, two and three teachers who are unable to demonstrate essential competence (who receive a minimally effective or ineffective evaluation rating). The PGP must be in writing and articulate the specific areas of unsatisfactory performance and provides feedback and recommendations on how to improve practice; is in effect for 90 school days; and states the expectation that the teacher demonstrate improvement in certain areas within 90 working days of receiving the professional growth plan.

CONFLICT, DUPLICATION

SB 91 was a duplicate; however, it is no longer the same. SB 153 and HB 71 (duplicates) and SB 126 conflict with HB76HFL

TECHNICAL ISSUES

The bill makes changes to license names but fails to make changes to all pertinent statutory sections. Changes also need to be made to Sections 22-10A-11.1 and 22-10A-11.3, and 22-1-2 NMSA 1978 to ensure new license terms are consistent throughout the Public School Code.

It is unclear if a teacher must have an effective evaluation for the two years immediately prior to applying for an professional or master license or if the teacher must have had an effective rating for any two consecutive years in order to apply, pursuant to the new language proposed in Paragraph B(2) on page 15 line 23 through page 16 line 2, Paragraph B(2) on page 16 lines 20 through 22, Paragraph B(2) page 18 lines 15 through 19 and page 19 lines 11 through 13. If the intent is that the teacher must have an effective evaluation for the two years immediately prior to application this should be clarified.

OTHER SUBSTANTIVE ISSUES

In 2003, the Legislature passed comprehensive education reform, including the establishment of the three-tiered licensure system and corresponding new minimum salaries. New Mexico introduced the three-tiered licensure system to increase the recruitment and retention of quality teachers to improve student achievement. The system created a three-level career ladder for teachers to ascend based on experience, leadership, and skills. Movement up a level results in

pay increases of \$10 thousand.

Previous evaluations of the three-tiered system confirmed the system decreasing widespread teacher shortages, reducing unqualified teachers, and improving teacher pay. Student performance, however, has only modestly improved despite large taxpayer investments in teacher pay. A 2009 LFC evaluation using one year of performance data confirmed small differences in performance despite large differences in pay among teachers and offered solutions for improvement; however, those recommendations have not been implemented. Since that time, nearly 6,000 teachers advanced to new license levels, receiving \$59 million in mandatory salary increases.

Since that 2009 evaluation, the LFC has completed two more studies related to teaching and the three-tiered licensure system (*Public Education Department Teacher and Administrator Preparation in New Mexico* (December 5, 2012) and *Public Education Department Promoting Effective Teaching in New Mexico* (November 15, 2012)). These reports noted that despite investments in the state's three-tiered licensure system, colleges of education continue to attract and admit academically average candidates and student performance within teacher licensure levels and between licensure levels suggests the local and state evaluation systems were not screening teachers for their effectiveness in the classroom at the time.

Given one of the primary purposes of the three-tiered licensure system is to ensure student success, the report noted it is appropriate to explore the connections between advanced licensure levels and increases in student performance. The three-tiered licensure system continues to offer a solid framework to align resources to performance, but student achievement must be better incorporated into the process. If modified, the report noted student achievement could be a data-driven concern for all teachers and serve as a way to reward the state's best teachers and intervene for struggling teachers.

Recent changes to the annual educator evaluations include student academic growth as a significant component. Fifty percent of a teacher's annual evaluation is based on student academic growth pursuant to rule adopted by PED. FY14 marked the first year of teacher evaluations. Results from the first year showed 24 percent of teachers scoring in the effective and highly effective categories.

ALTERNATIVES

The Legislature may want to consider allowing a few more years of evaluation data to be collected and analyzed to ensure the system is aligned with improved student achievement.

RSG/bb/je