

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 1/22/19
SPONSOR Garcia, M **LAST UPDATED** _____ **HB** 42

SHORT TITLE Teacher Incentive Pay in Free Lunch Schools **SB** _____

ANALYST Liu/Lobaugh

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
\$2,000.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$75.0	\$75.0	\$150.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB 39
 Relates to HB 212, SB 229, SB 247

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority (PSIA)
 Educational Retirement Board (ERB)
 Regional Educational Cooperative (REC)

No Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 42 creates a new section of the Public School Code, the “Teacher Incentive Pay Act”, which establishes a 10-year teacher incentive pay program for hiring level 3-A teachers who

have been rated as exemplary or highly effective teachers to improve the performance of qualified schools. The bill defines qualified schools as public elementary schools that were rated as D or F schools with at least 90 percent of students qualifying for free or reduced price school lunch (FRL). The bill appropriates \$2 million from the general fund to add \$3,000 to the annual income of each eligible teacher from FY20 through FY29.

Teachers eligible for the incentive would be required to:

- 1) Possess a master's degree plus eight hours of additional academic credit or certification through the National Board of Professional Teaching Standards, and
- 2) Be rated as an "exemplary" or a "highly effective" teacher, 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. The teacher would be eligible for renewal of the incentive if they maintained a teacher 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.

FISCAL IMPLICATIONS

The bill creates a "Teacher Incentive Fund" that would receive an appropriation of \$2 million from the general fund for expenditure in FY20 and subsequent fiscal years through FY29. Any unexpended or unencumbered balance remaining at the end of FY30 would revert to the general fund.

It is unclear how many teachers would qualify for this incentive; however, in 2018, approximately 34 percent of all teachers were rated "highly effective" or better and 312 schools received a D or F school grade. The average school has 26 teachers and about 20 percent of schools have more than 90 percent of students eligible for FRL. This analysis estimates about 551 teachers could qualify for the incentive, which places a ceiling for the cost to provide \$3,000 stipends at about \$1.7 million. If ratings and estimates remain the same over time, this cost would become recurring.

PED would be required to administer the program and personnel time to do so would be needed. Costs for one additional full-time employee to perform this function would be approximately \$75 thousand each year.

SIGNIFICANT ISSUES

The validity of FRL data as a measure of student socioeconomic status is questionable. National School Lunch Program (NSLP) thresholds for FRL may obscure important variation in household resources at both the top and bottom of the income distribution. Recent changes to the legislation governing NSLP may limit the accuracy of the FRL measure. A series of provisions authorized by the U.S. Department of Agriculture in 2002 make it possible for schools in which many students are enrolled in the free lunch program to renew students' program registration for up to four years without updating information on students' household incomes.

Further, the Healthy, Hunger-Free Kids Act of 2010's Community Eligibility Provision (CEP), implemented nationwide in FY15, aims to allow schools or districts in which 40 percent or more

of students are directly certified for enrollment in NSLP, based on their participation in other federal nutrition programs targeted at low-income families, to offer free lunch and breakfast to all students without collecting data on other students' household income. In 2016, more than 15 percent of U.S. students attended a school or district that participated in CEP. Increasing participation in CEP will likely create new challenges with using school-reported NSLP participation rates as a proxy for economic disadvantage.

Senate Memorial 145 from the 2017 legislative session requested a study of the state's school grading system by LESC and a workgroup of stakeholders. The LESC workgroup proposed changes to the state's school grading system during the 2018 legislative interim which, if enacted, would conflict with the criteria for qualified schools outlined in this bill.

Executive Order 2019-002 directed PED to revise the state's current teacher evaluation system, which may change the number of teachers rated highly effective or exemplary.

ADMINISTRATIVE IMPLICATIONS

PED would be responsible for promulgating rules for the program, administering the program, and for evaluating the program. PED would be responsible for reporting its findings and recommendations regarding the program to both the LFC and the Legislative Education Study Committee.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill conflicts with House Bill 39, which provides a teacher pay incentive but limits teacher incentive awards to teachers with a valid New Mexico birth certificate, and defines a "qualified school" as a public elementary school rated a D or F school, in the last school rating pursuant to the A-B-C-D-F Schools Rating Act, in which at least 85 percent of students are ethnic minorities.

The bill relates to House Bill 212, Senate Bill 229, and Senate Bill 247 which make changes to either the current teacher evaluation system or the existing A-B-C-D-F school grading system.

TECHNICAL ISSUES

The incentive program runs through FY29, but provisions of the bill indicate unexpended or unencumbered funding would not revert to the general fund until the end of FY30, prohibiting the use of those funds for other purposes.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

There would be no incentive pay program for New Mexico teachers intended to help low-performing schools raise their letter grade under the A-B-C-D-F Schools Rating Act.