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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/18
SPONSOR Garcia, MP **LAST UPDATED** 1/30/18 **HB** 106

SHORT TITLE Native New Mexican 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 105

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Public School Insurance Authority (PSIA)
- Educational Retirement Board (ERB)
- Regional Education Cooperatives (REC)
- New Mexico Attorney General (NMAG)
- Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 106 creates a new “Native New Mexican 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. “Native New Mexican” means a teacher with a valid New Mexico birth certificate.

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) Have a valid New Mexico birth certificate, and
- 3) Be rated “exemplary” or “highly effective”, and
- 4) 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.

FISCAL IMPLICATIONS

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

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. PED did not provide an estimate of the cost of the department performing this function, but stated “HB 106 calls upon the department to establish, promulgate rules, and administer the ten year teacher incentive pay program but does not outline funds to cover the cost of additional work required.”

Continuing Appropriations

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. It is also unclear how a native New Mexican could be considered more likely than one born outside the state to improve the score of her/his school.

RECA, NMAG, PED and ERB all question the constitutionality and advisability of a provision favoring native New Mexican over teachers born elsewhere. In the words of the Attorney General's Office, "HB 106 does not articulate why the place of birth is necessary to achieve its stated purpose of placing qualified teachers into vacancies at low performing schools for the intended purpose of increasing student/school academic performance. Therefore, HB 106 may violate the N.M. Constitution by treating similarly situated teachers who otherwise professionally qualify for the pay incentive program by discriminating against them on the basis of where they were born."

RECA notes that "New Mexico is facing a teacher shortage and, while we definitely want our children to pursue the teaching profession, it shuts out a large population of people who have already chosen the teaching field and invested numerous years living, working and contributing to the state of New Mexico. For these dedicated servants to be left out simply because they weren't born here sends the wrong message and will discourage highly qualified non-native New Mexicans from wanting to come and teach in our state."

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

PED notes the importance of recognizing teacher ability as determinative of student success:

HB 106 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 who 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. The criteria for teachers pose another limitation. Teachers must be native New Mexican who have a valid New Mexico birth certificate, hold a level 3A license, have a masters plus at least eight (8) additional credit hours, or national board certification and be rated highly effective or exemplary. Limiting these stipends to only native New Mexican level 3A teachers may mean that a significant population of highly effective and exemplary teachers at each level of licensure who are not native New Mexicans already

teaching in these locations might choose to leave to teach elsewhere.

RELATIONSHIP

Relates to House Bill 105, which is very similar, but does not limit teacher incentive awards to New Mexico natives, and defines “qualified school” as being based on prevalence of poverty in the school rather than on ethnic makeup of the school.

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 limited to native New Mexican teachers intended to help a failing or near failing school raise its scores under the A-B-C-D-F Schools Rating Act.

LAC/sb/jle