

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 162 (Chairman, Ways and Means Committee)
 (By Request – Departmental – Education)
 Ways and Means

Education - Teacher Incentives

This departmental bill eliminates the \$2,000 annual State salary stipend granted to a classroom teacher who holds an advanced professional certificate and works in a reconstitution, reconstitution-eligible, or challenge school. In place of the \$2,000 stipend, a teacher who holds a professional certificate or a resident teacher’s certificate and works in a school designated as a school in need of improvement, a school under corrective action, or a restructured school receives a one-time \$4,000 stipend if the school makes adequate yearly progress (AYP) for two consecutive years while the teacher works at the school. The bill also requires a classroom teacher to be eligible for either a professional certificate or a resident teacher’s certificate in order to receive the \$1,000 State signing bonus.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: General fund expenditures for Quality Teacher Incentives could decrease by an estimated \$2.3 million annually in FY 2005 and 2006 due to the change in the State salary stipend. Future year expenditures depend on the number of low-performing schools that make AYP. Revenues would not be affected.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(2.3)	(2.3)	-	-	-
Net Effect	\$2.3	\$2.3	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local school expenditures for fringe benefits would decrease minimally if State stipends to teachers decline.

Small Business Effect: The Maryland State Department of Education (MSDE) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: A classroom teacher who holds an advanced professional certificate and teaches in a reconstitution, reconstitution-eligible, or challenge school receives from the State a \$2,000 stipend for each year that the teacher performs satisfactorily in the classroom.

An individual who graduated from an accredited institution of higher education with a grade point average of at least 3.5 and is employed by a local board of education as a classroom teacher for three or more years receives a \$1,000 signing bonus from the State. If the teacher leaves employment with the local board before the end of the three-year commitment, the teacher must reimburse the State for the signing bonus.

Background: The Teacher Quality Incentive Act of 1999 established three State-paid bonuses available to classroom teachers, the two affected by this bill and a third that provides a State matching grant of up to \$2,000 for teachers who achieve certification from the National Board for Professional Teaching Standards. The legislation was enacted in an effort to attract and retain high quality teachers at a time when enrollments were increasing and many teachers were becoming eligible for retirement. MSDE advises that the incentives now need to be updated to align them with more recent State and national policies.

The federal No Child Left Behind Act requires schools to test all students annually in grades three through eight and at set points after eighth grade. Schools must make AYP towards proficiency for all students, as measured by the required assessments. A school that fails to make AYP for two consecutive years is designated as a school in need of improvement (year one) and is required to offer school choice options to students. After a third year of failing to meet AYP, a school enters year two of school improvement and must offer supplemental educational services to students. If the school continues to fall short of expectations, it is placed under corrective action or is eventually restructured. A school may exit one of these designations if it meets its AYP goals for two consecutive years.

MSDE began measuring AYP last year as required by the federal law. However, 140 schools have been assigned a school improvement status based in part on the accountability system that was in place prior to No Child Left Behind. The number of schools in each school improvement status is shown in **Exhibit 1**.

Exhibit 1
Number of Schools in a School Improvement Status
2003-2004 School Year

<u>County</u>	<u>In Need of Improvement</u>		<u>Corrective</u> <u>Action</u>	<u>Restructuring</u>	<u>Total</u>
	<u>Year 1</u>	<u>Year 2</u>			
Allegany	1	1	0	0	2
Anne Arundel	3	2	1	0	6
Baltimore City	2	4	14	62	82
Recon. Schools*	0	0	0	3	3
Baltimore	0	1	1	0	2
Calvert	1	0	0	0	1
Frederick	0	2	0	0	2
Harford	1	1	0	0	2
Howard	6	0	0	0	6
Montgomery	2	8	0	0	10
Prince George's	1	6	3	9	19
St. Mary's	1	1	0	0	2
Talbot	0	1	0	0	1
Washington	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>
State	19	28	19	74	140

* Three Baltimore City elementary schools have been reconstituted and are no longer operated by the public school system.

Source: Maryland State Department of Education

Resident teacher certification is an alternate route into the teaching profession. No Child Left Behind requires all teachers to be highly qualified by the 2005-2006 school year. This mandate has encouraged states to pursue alternative routes into the teaching profession.

State Expenditures: MSDE advises that the proposed fiscal 2005 appropriation for Quality Teacher Incentives of \$7.6 million would be sufficient to pay for the stipends and bonuses as altered by the bill. The Department of Legislative Services, however,

estimates that the bill would reduce general fund expenditures by approximately \$2.3 million annually in fiscal 2005 and 2006. A summary of the analysis is shown below.

<u>Proposed Change</u>	<u>Estimated Annual Impact</u>
Elimination of the \$2,000 stipend	(\$5,656,000)
New \$4,000 stipend	3,360,000
Change in Signing Bonus Eligibility	<u>0</u>
Total	(\$2,296,000)

Elimination of the Advanced Professional Certification Stipend

In fiscal 2003, 2,828 teachers qualified for the \$2,000 stipend granted to teachers with advanced professional certificates who work in reconstitution, reconstitution-eligible, or challenge schools. Elimination of the stipend would decrease general fund expenditures by approximately \$5.7 million annually.

New Stipend for Teachers Who Work in Schools that Meet AYP Targets

Because Maryland is still early in the process of implementing No Child Left Behind, it is difficult to project how many schools will enter and exit school improvement status each year. MSDE advises that the overall funding level for Quality Teacher Incentives would not change dramatically if the existing \$2,000 stipend is replaced with the proposed \$4,000 stipend. However, the Department of Legislative Services advises that expenditures for the \$4,000 stipends could be significantly less than the expenditures for the existing \$2,000 stipend, at least in the first couple of years following a change in the stipend. This estimate is based on the following information and assumptions.

- In the 2003-2004 school year there are 140 schools in school improvement status.
- Twenty-eight of these schools (20%) made AYP last year, meaning they would be eligible to leave school improvement status if they successfully meet AYP again this school year.
- Assuming an average of 30 eligible teachers per school, 840 teachers would be eligible for the \$4,000 stipends if all 28 schools make their AYP goals.
- The cost of 840 stipends, \$3.4 million, is \$2.3 million less than what was spent in fiscal 2003 for the current stipends.

After fiscal 2006, the impact of the bill would depend on the ability of low-performing schools to meet AYP goals for two consecutive years.

Signing Bonuses

In fiscal 2003, 570 signing bonuses were awarded to newly-hired teachers. This bill limits qualifications for the signing bonuses by requiring individuals to be eligible for either a professional certificate or a resident teacher certificate. Applicants for the bonus, therefore, would need to be enrolled in the resident teacher certification program if they lack the teacher training coursework or successful completion of the certification tests needed to qualify for professional certification. This change is not expected to materially impact the number of signing bonuses granted each year.

Local Fiscal Effect: Although the Teacher Quality Incentives stipends and bonuses clearly aid local school systems in their efforts to recruit and retain high quality teachers, the State funding goes to individuals, not local school systems. Local school systems do, however, pay fringe benefit costs on the State stipends. Any reduction in State stipends, therefore, would result in a slight reduction in local school expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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