

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1433 (Delegate Miller)
 Ways and Means

Primary and Secondary Education - Career Ladder Qualifications - Teachers
 With Relevant Degrees

This bill allows a teacher with a relevant master’s or doctoral degree to participate in the career ladder, including salary increases, as an equivalent to teachers with National Board Certification (NBC). By June 1, 2029, the Maryland State Department of Education (MSDE) must conduct a study to determine if the efficacy of NBC teachers is statistically different from non-NBC teachers. The results must be submitted to the Department of Legislative Services (DLS). If the study, received by June 1, 2029, shows a statistically significant difference, the \$10,000 NBC salary increase ends on July 1, 2032. If the study isn't received by July 1, 2029, or shows no difference, the increase ends on July 1, 2029. The bill delays implementation of MSDE-designed professional development for teachers by one year, until July 1, 2027, and makes additional conforming changes. **The bill takes effect July 1, 2024, provisions related to repealing the \$10,000 salary increase take effect July 1, 2029, or July 1, 2032, depending on the results of the study.**

Fiscal Summary

State Effect: No impact in FY 2024. *Under one set of assumptions*, special funds increase by an estimated \$188.8 million in FY 2025 due to teachers receiving salary increases in 2024-2025. General funds increase in FY 2028 due to special funds being exhausted. Future years reflect current assumptions about the number of NBC teachers increasing. Further, general fund expenditures increase by \$150,000 annually for FY 2025 through 2029 to conduct the mandated study. The impact of any new salary increases ends in FY 2030 or 2033 depending on the study. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.2	0.3	1.3	152.0	138.9
SF Expenditure	188.8	171.3	162.2	0	0
Net Effect	(\$189.0)	(\$171.7)	(\$163.4)	(\$152.0)	(\$138.9)

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

Local Effect: As early as FY 2025, *under one set of assumptions*, local appropriations increase by an estimated total of \$29.8 million to implement the salary increases for teachers with a relevant master’s or doctoral degree; however, increases are only anticipated for some counties. In addition, all counties must pay related pension costs. State aid increases for all local school systems due to including the salary increases in the funding formulas. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary:

Relevant Degree

A relevant degree is defined as a master’s or doctoral degree in a teacher’s subject area or a subject that is directly applicable to a teacher’s day-to-day instruction of students.

The bill repeals the exception that allows teachers in subject areas for which there is no comparable assessment to NBC to participate in Level three of the career ladder if they have a master’s degree in their subject area, and instead allows any teacher with a relevant degree to participate in Level three.

Study of the Efficacy of National Board Certified Teachers

MSDE must conduct a study by June 1, 2029, on the effectiveness of teachers with NBC.

The study must:

- evaluate the performance of NBC teachers’ students compared to similar students taught by non-NBC teachers on specified assessments;
- conduct a statistical analysis on assessment results from 2024-2025 to 2027-2028, controlling for teacher experience and student prior scores; and
- report whether students of NBC teachers outperform others, on any measure assessed, with a 95% confidence interval.

Within five days of the completion of the study, MSDE must submit results to DLS, including a determination of statistical significance between NBC teachers and other teachers.

Current Law:

Blueprint for Maryland's Future and Education Funding Formulas

Blueprint for Maryland's Future (Blueprint) legislation, including Chapter 771 of 2019; Chapters 36 and 55 of 2021; and Chapter 33 of 2022 established new programs and updated education funding formulas, to among other provisions provide additional support for schools serving high concentrations of students living in poverty, including community schools and wraparound services, and increased support for students learning English and students with disabilities.

The great majority of direct State aid to public schools (excluding teachers' retirement) is determined by enrollment-based funding formulas generally found in Title 5, Subtitle 2 of the Education Article. Collectively, the formulas account for a uniform base cost per pupil that is necessary to provide general education services to students in every school system and address the additional costs associated with educating three student populations: special education students; students eligible for free and reduced-price meals; and students who are English language learners. Chapter 36 established additional major education aid programs.

Most State education aid formulas also include wealth equalization across counties, compensating for differences in local wealth by providing less aid per pupil to the more wealthy counties and more aid per pupil to the less wealthy counties. Although on the whole most State aid formulas are designed to have the State pay roughly one-half of program costs, the State's share for the less wealthy counties is higher than 50%, and the State's share for more wealthy counties is lower than 50%.

Career Ladder for Educators

Under Chapter 36, as amended, a four-level career ladder must be implemented by each county board of education by July 1, 2024. Level one is a State-certified teacher. Level two is a teacher pursuing a master's degree, 30 credits of a State board-approved program of study, or NBC. Level three is a teacher who has an NBC or, if NBC or a comparable assessment is not available in the teacher's content area, a master's degree in that area; Level three includes an assistant principal. Level four is a teacher on the teacher leadership track or administrative track of the career ladder, each of which are further divided into tiers. If a teacher achieves Level three or four on the career ladder by being an NBC teacher, the teacher must retain NBC status in order to remain at that level.

Minimum salary increases are required as specified beginning in fiscal 2023 for certain accomplishments associated with movement up the career ladder. Teachers with NBC may receive salary increases (of \$10,000) beginning in fiscal 2023 and an additional amount

(\$7,000) if they teach in a low-performing school. To receive additional increases associated with moving up the career ladder, the county board must have established a career ladder that has been approved by the Accountability and Implementation Board (AIB). Salary increases associated with each recertification of NBC are subject to collective bargaining, with the State share of those increases capped as specified. The costs associated with these salary increases are shared between the State and county government through a new wealth-equalized formula. The State must provide the cost of fees for initially attaining and renewing NBC to each teacher who pursues NBC, including one retake of each NBC assessment. County boards must pay one-third of the cost of the NBC fees to the State for each teacher pursuing an NBC.

County boards must also demonstrate to AIB by July 1, 2024, that teachers in the county received at least a 10% salary increase over the preceding five-year period. By fiscal 2027, all teachers must receive a salary of at least \$60,000.

There is a program within MSDE to (1) encourage and support teachers to obtain and maintain NBC, including teachers from groups historically underrepresented in the teaching profession and (2) develop a culture of collaborative support for accomplished teaching. MSDE must establish a National Board Coordinator to direct the program, and each local superintendent must designate a local coordinator. The program must provide a virtual course for teachers interested in pursuing NBC, virtual and in-person support for teachers pursuing NBC, and training and support for local National Board facilitators.

Chapter 36 established an average teaching time of 60% as a percentage of total working time for all teachers to be phased in over eight years beginning in fiscal 2026 as well as additional average teaching percentage targets as teachers ascend the career ladder. It also expressed the General Assembly's intent that as the Blueprint for Maryland's Future is implemented and teachers are provided with additional collaborative time, the student-to-teacher ratio in public schools will be reduced.

Professional Development

By July 1, 2024, MSDE must develop and design a new system of professional development that is tied to the career ladder. By June 30, 2026, each local school board must provide the system of professional development to every teacher in the county, including to every new teacher within one year of their start date. *The bill* extends this deadline by one year, to June 30, 2027.

Guaranteed Tax Base

The guaranteed tax base (GTB) program is intended to encourage less wealthy jurisdictions to maintain or increase local education tax effort, *i.e.*, local education appropriation as a

percent of local tax base. The program provides additional State education aid to counties that have less than 80% of the statewide average wealth per pupil and provide local education funding above the minimum local share required by the Foundation Program. The program uses local education tax effort and wealth to determine State aid amounts for each eligible school system.

Maintenance of Effort and Local Share

Each year, the county government (including Baltimore City) is required to appropriate funds to the local board of education equivalent to the greater of the Maintenance of Effort (MOE) requirement or the local share amount of all wealth-equalized formulas. The per pupil MOE amount is based upon the greater of (1) the prior year full-time enrollment (FTE) enrollment and (2) the three-year moving average of FTE enrollment. (There is a certain adjustment for fiscal 2024 MOE for specified counties.) The local share amount equals the local share of the foundation formula, compensatory education, English language learner, special education, comparable wage index, full-day prekindergarten, college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of the concentration of poverty grant programs. However, for some counties, the combined local share across these several programs is subject to adjustments described below.

Education Effort Adjustment to Local Share Requirement

Local governments are required to fund the local share of the foundation program and the required local shares for several existing and new funding formula programs. The law also includes a mechanism for establishing a maximum local share that a county must fund each year. This involves “local education effort,” which is determined for each county by dividing the county’s local share of major education aid by the county’s wealth. An “education effort index,” which is the local education effort divided by the “State average education effort” is then determined. A “maximum local share” is calculated for each county, which is the county’s local wealth multiplied by the State average education effort.

Each county with an education effort above 1.0 for two consecutive years receives relief based upon its “education effort adjustment,” which is the amount by which the calculated local share exceeds the maximum local share. This relief (which results in increases to State aid) is provided to counties within one of three tiers, based on whether the education effort is (1) greater than 1.0 but less than 1.15; (2) at least 1.15 but less than 1.27; or (3) at least 1.27. State relief for the first tier is phased up from 15% of the education effort adjustment in fiscal 2023 to 50% by fiscal 2030. State relief for the second tier is phased up from 20% of the education effort adjustment in fiscal 2023 to 100% by fiscal 2030. State relief for the third tier is 100% beginning in fiscal 2023. However, the education

effort adjustment for a county is only allowed to the degree that per pupil MOE is met each year.

State Expenditures:

Mandated Study

General fund expenditures increase by an estimated \$150,000 annually for fiscal 2025 through 2029 (\$750,000 total) to hire a contractor to determine if the efficacy of NBC teachers is statistically different from non-NBC teachers. MSDE advises that given the magnitude and complexity of the study, an independent consultant is required, at an estimated cost of \$750,000. MSDE can design the request for proposals, manage the contract, help to establish protocols and processes, and evaluate the data collection using existing resources.

State Education Aid for Salary Increases

In addition, beginning as early as fiscal 2025, State aid for teachers with relevant degrees increases due to a significant number of teachers receiving up to \$17,000 in mandated salary increases. The costs associated with these salary increases are shared between the State and county government through a wealth-equalized formula. As the bill takes effect July 1, 2024, this analysis assumes that teachers who qualify for salary increases by virtue of having relevant degrees receive those increases beginning on that date, and that State and local aid payments for those raises are adjusted accordingly for fiscal 2025. To the extent that aid payments cannot be adjusted in time, the increases, and the corresponding fiscal effect, are delayed until fiscal 2026.

In fiscal 2023, there were approximately 4,400 NBC teachers in Maryland, compared with approximately 35,000 teachers with either a master's or doctoral degree. Although it is not known how many have advanced degrees in their subject area, the number of teachers with relevant degrees under the bill is most likely substantially greater than the number of NBC teachers.

Therefore, *under one set of assumptions*, explained below, State aid for local school systems increases beginning fiscal 2025 to provide salary increases to teachers with relevant degrees who are not NBC teachers. Generally, the career ladder and Education Effort index are covered by the Blueprint for Maryland's Future Fund (BMFF) and the GTB formula is covered by general fund expenditures. BMFF is projected to have sufficient funds to cover mandated annual increases in expenditures for the Blueprint through fiscal 2027. However, current projections indicate that, under current law, revenues in BMFF, including prior-year fund balances, will not be sufficient to cover increases to annual expenditures under the Blueprint beginning in fiscal 2028. Thus, the

expenditures shown in **Exhibit 1** are covered initially by special funds and then entirely by general funds beginning in fiscal 2028.

Exhibit 1
Changes in State Aid Expenditures under the Bill
(\$ in Thousands)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Career Ladder	\$179,429	\$162,204	\$152,891	\$141,654	\$128,430
Education Effort Index	9,413	9,143	9,299	9,341	9,495
Guaranteed Tax Base	0	166	1,108	814	857
Total	\$188,841	\$171,513	\$163,298	\$151,810	\$138,783

Note: Does not reflect \$150,000 annual general fund expenditures fiscal 2025 through 2029 to conduct a study on the efficacy of National Board Certified teachers compared to non-National Board Certified teachers.

Source: Department of Legislative Services

This estimate assumes that teachers with relevant degrees currently hold an NBC at double the rate of all teachers. MSDE advises that (1) 1.2% of teachers earned an NBC in fiscal 2024, and (2) 4.6% of NBC teachers are assigned to low-performing schools (and therefore earn an additional \$7,000 increase). For simplicity, this estimate includes only teachers that have already earned either NBC or a relevant degree; it does not include teachers who may earn those credentials in future years. It is further assumed that terminating the salary increases in fiscal 2030 or fiscal 2032 does not affect salary increases already earned by teachers, it simply ends the mandated increase for teachers who earn NBC or a relevant degree after those dates.

Actual costs depend on the number of staff in each local school system who have relevant degrees for the purposes of the bill.

Local Fiscal Effect: In addition, local appropriations increase to cover the local share of salary increases for teachers with relevant master’s and doctoral degrees. The estimate reflects up to \$17,000 in salary increases. These teachers are also *eligible* for additional salary increases associated with moving up the career ladder; however, these increases are not automatic, and local school systems have some control over the number of teachers that receive those increases.

The exact number of teachers with relevant degrees receiving the salary increases is dependent on the number of teachers with relevant master's or doctoral degrees that are not NBC and thus, cost estimates are currently unavailable. The bill allows teachers with a relevant master's or doctoral degree to receive salary increases corresponding to those available to certificated staff with NBC standards. As noted above, a total of about 35,000 teachers statewide have at least a master's degree. In addition, there are 16,471 additional professional staff with these degrees. It is unknown how many of the degrees are relevant under the bill. It is unknown how many of those teachers or staff also have NBC.

However, *under the same set of assumptions used to calculate State expenditures*, local appropriations increase by a total of \$29.8 million in fiscal 2025. As shown in **Exhibit 2**, local appropriations only are anticipated to increase for six counties due to the mechanisms of the funding formulas. This estimate is based on the actual distribution of teachers with master's and doctoral degrees. Future year increases are less due to current assumptions about the number of NBC teachers increasing in out-years.

Exhibit 2
Estimated Changes in Local Appropriations under the Bill
(\$ in Thousands)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Allegany	\$0	\$0	\$0	\$0	\$0
Anne Arundel	0	0	0	0	0
Baltimore City	0	0	0	0	0
Baltimore	0	0	0	0	0
Calvert	0	0	0	0	0
Caroline	359	188	269	226	234
Carroll	0	0	0	0	0
Cecil	3,000	2,651	2,493	2,294	2,067
Charles	0	0	0	0	0
Dorchester	0	583	474	448	403
Frederick	0	0	0	0	0
Garrett	1,348	1,315	1,294	1,256	1,202
Harford	0	0	0	0	0
Howard	0	0	0	0	0
Kent	321	258	277	299	270
Montgomery	0	0	0	0	0
Prince George's	23,289	21,243	19,888	18,247	16,299
Queen Anne's	0	0	0	0	541
St. Mary's	0	0	0	0	0
Somerset	0	243	159	187	167
Talbot	1,493	1,350	1,306	1,237	1,157
Washington	0	2,687	2,233	2,212	2,033
Wicomico	0	1,080	623	810	698
Worcester	0	0	0	0	0
Total	\$29,810	\$31,598	\$29,015	\$27,216	\$25,069

Source: Department of Legislative Services

Any salary increases resulting from the bill increase pension benefits for affected public school employees in the Teachers' Pension System (TPS). Specifically, they increase the normal cost portion of the benefit calculation (benefits earned in the current year). Statute currently requires local school systems to pay the normal cost portion of the employer contribution in TPS. Therefore, any substantial increase in compensation for public school employees further increases local school board expenditures, but a reliable estimate is not

feasible in the absence of data on how many qualified educators earn higher salaries under the bill.

The estimated total additional revenues for school systems (State and local), due to the mandated salary increases are shown in **Exhibit 3**. Future years show a decrease due to current assumptions about the number of NBC teachers increasing over time.

Exhibit 3
Estimated Changes in State Aid and Local Appropriations under the Bill
(\$ in Thousands)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Allegany	\$3,878	\$3,571	\$3,439	\$3,278	\$3,086
Anne Arundel	14,653	13,246	12,221	11,131	9,837
Baltimore City	26,803	24,119	23,175	21,769	20,110
Baltimore	17,857	15,961	15,360	14,392	13,194
Calvert	2,453	2,300	2,209	2,085	1,938
Caroline	2,527	2,322	2,231	2,112	1,971
Carroll	4,859	4,164	3,755	3,315	2,798
Cecil	7,351	6,560	6,175	5,706	5,155
Charles	6,464	5,759	5,484	5,143	4,764
Dorchester	1,338	1,756	1,691	1,581	1,452
Frederick	9,415	8,628	8,164	7,655	7,100
Garrett	2,093	1,978	1,919	1,839	1,746
Harford	9,497	8,719	8,259	7,697	7,022
Howard	14,073	13,029	12,311	11,454	10,431
Kent	444	356	323	276	220
Montgomery	17,382	14,977	13,315	11,495	9,304
Prince George's	56,781	53,027	50,632	47,716	44,283
Queen Anne's	1,255	1,106	1,010	909	1,334
St. Mary's	3,583	3,222	3,034	2,807	2,547
Somerset	1,030	1,099	1,058	990	911
Talbot	1,973	1,786	1,728	1,636	1,528
Washington	5,955	8,093	7,778	7,367	6,882
Wicomico	6,037	6,491	6,241	5,920	5,541
Worcester	949	840	801	750	699
Total	\$218,651	\$203,112	\$192,313	\$179,025	\$163,852

Source: Department of Legislative Services

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; St. Mary's County Public Schools; Department of Legislative Services

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