



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0143

Title: Provide incentives for increasing starting teacher pay

Primary Sponsor: Jones, Llew

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$47,200	\$2,535,647	\$2,801,902	\$3,077,752
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$47,200)</u>	<u>(\$2,535,647)</u>	<u>(\$2,801,902)</u>	<u>(\$3,077,752)</u>

Description of fiscal impact: HB 143 provides additional BASE aid funding through the quality educator payment to districts who meet the legislative goal for competitive base pay of teachers as set forth in the bill. This bill has an estimated general fund cost of \$2.5 million to the state beginning in FY 2023.

FISCAL ANALYSIS

Assumptions:

1. HB 143 directs the payment of 1.00 additional quality educator payment as defined in section 20-9-306(16), MCA, to districts for each teacher who meets certain criteria. These criteria are referred to as the “legislative goal for competitive base pay” and are described in the next two assumptions.
2. The bill incentivizes a district with teacher base pay in the applicable year that is:
 - a. at least ten times as much as the quality educator payment amount provided in 20-9-306(16), MCA, for that year, and
 - b. is not less than 70% of the teacher average pay in a first-class school district pursuant to Title 20, chapter 6.
3. Districts seeking an incentive payment for the subsequent year will be required to provide data necessary for the calculation to OPI by December 1.

- The quality educator payment rate set in 20-9-306(16), MCA, is increased by the inflationary rate approved by the state legislature. The following table reflects the amount of the quality educator payment per FTE and the projected inflation rates.

	FY 2022	FY 2023	FY 2024	FY 2025
Inflation factor	1.50%	2.57%	1.80%	1.84%
Quality Educator rate	\$3,385	\$3,472	\$3,535	\$3,600
Base Pay Requirement (2a)	\$33,850	\$34,720	\$35,350	\$36,000

- Districts defined as, first class districts, pursuant to 20-6-201 & 20-6-301, MCA, would be eligible to receive additional quality educator payments if the base teacher’s pay is equal to or greater than 70% of the average teacher base compensation for all teachers within the district. Of the 398 operating districts in FY 2021, there are 54 first class districts of which 54 are first class districts with a district population of 6,500 or more people.
- The Office of Public Instruction (OPI) does not currently collect data related to salaries and years of teaching experience to know which districts would qualify and how to make the payment calculation under this part of the bill.
- The bill directs districts seeking the incentive quality educator payments to be received in the ensuing fiscal year would be required to report the number of full-time equivalent teachers that are in any of the first three years of a teaching contract to the OPI on or before December 1st to be eligible to receive the payment in the ensuing year.
- Section 1(4)(b) defines teacher average pay as the total compensation paid by a school district to all its teachers not including bonuses, stipends, or extended duty contracts. For purposes of this fiscal note, total compensation paid means salary not including benefits as well as not including bonuses, stipends, or extended duty contracts.
- It is determined for purposes of this fiscal note that special education coops are not eligible for this payment.
- For purposes of this fiscal note, it is assumed the intent of the definition of a qualifying teacher would include a full-time, contracted, licensed first-, second-, or third-year substitute teacher. All of these would qualify for the payment.
- Distribution of the incentive payments to the districts would equal one quality educator rate payment for each qualifying instructional position requiring teacher licensure FTE in the teacher’s first, second or third year of their teaching career.
- The payments are to be included as part of the total quality educator payment in the BASE aid state funding formula. The bill is to be effective July 1, 2021 therefore, the first data would be collected December 1, 2021, which is FY 2022. This information would be included in the budgeting process for FY 2023 and the first payments would be made in FY 2023.
- OPI reports an average of 616 new licenses have been issued over the past three years. Not all newly licensed teachers will begin their teaching career upon receipt of their license or will teach more than one or two years. Not all school districts will choose to participate in the incentivized payment program. The following table shows the assumed number of qualifying quality educator increments and total annual payment related to this bill.

	FY 2023	FY 2024	FY 2025
Quality Educator rate	\$3,472	\$3,535	\$3,600
Number of qualified teachers	690	750	810
Incentive Adjustment	\$2,395,680	\$2,651,250	\$2,916,000

- The Per Educator rate continues to increase due to the statutory inflation factor increasing these payments annually.
- Distribution of funds through this program would begin in FY 2023 from data that would be collected beginning in FY2022.
- The OPI has determined it will need 0.5 FTE to develop and operate this program. The personal services budget for 0.5 FTE would be \$37,950 per year, the operating budget would be \$2,600, and indirect costs would total \$6,650. To get the system up and running, OPI will need to hire staff with legal and financial skills. The total cost of operating the program in the initial years will be \$47,200 annually.
- There is \$2.5 million proposed in FY 2023 in Governor Gianforte’s budget proposal to fund the increased quality educator payments, but the FTE and operating expenses would need to be added to HB 2.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.50	0.50	0.50	0.50
<u>Expenditures:</u>				
Personal Services	\$37,950	\$37,950	\$38,519	\$39,097
Operating Expenses	\$9,250	\$7,850	\$7,968	\$8,088
Local Assist (Quality Educator Pm	\$0	\$2,395,680	\$2,651,250	\$2,916,000
Local Assist (Retirement GTB)	\$0	\$94,167	\$104,165	\$114,567
TOTAL Expenditures	<u>\$47,200</u>	<u>\$2,535,647</u>	<u>\$2,801,902</u>	<u>\$3,077,752</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$47,200	\$2,535,647	\$2,801,902	\$3,077,752
TOTAL Funding of Exp.	<u>\$47,200</u>	<u>\$2,535,647</u>	<u>\$2,801,902</u>	<u>\$3,077,752</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$47,200)	(\$2,535,647)	(\$2,801,902)	(\$3,077,752)

Effect on County or Other Local Revenues or Expenditures:

1. The state payment of the additional quality educator payment impacts the first three years of a newly hired teacher and is paid in full for the three years. Including this additional payment in the BASE funding formula through 20-9-306, MCA, will increase a district’s budget limits. During the budgeting process, in the fourth year a district will not receive the increased quality educator funds and the maximum budget limit will be lowered in an amount equal to the reduction. Section 20-9-208, MCA, provides that districts have the option to adopt the greater of the current year maximum budget or the prior year adopted budget if there are available revenues to support that budget. In these circumstances districts with the authority to attain the prior year adopted budget will shift the additional state payment to the local taxpayer in the over-BASE levy area. Districts without this authority will adopt a lower budget and consequently lower their budget authority.
2. These incentive payments are to be included in the quality educator payment in the BASE Aid funding formula which is fully state funded. There could be a local property tax savings of \$139,000 in FY 2023.


 Sponsor's Initials

1/18/21
 Date


 Budget Director's Initials

1/15/21
 Date