



## DEPARTMENT OF AUDITS AND ACCOUNTS

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March 30, 2021

Honorable Chuck Hufstetler  
Chairman, Senate Finance Committee  
121 State Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 32 (LC 43 2019S)

Dear Chairman Hufstetler:

The bill would provide an income tax credit to recruit and retain teachers who teach in qualifying rural or low-performing schools in high-need subject areas as determined annually for each RESA service area.<sup>1</sup> The credit amount equals \$3,000 per year for teachers who remain employed in qualifying schools for a maximum of five consecutive years. The Georgia Department of Education (GaDOE) would determine 100 qualifying public schools by October 1 each year and would approve a maximum of 1,000 teacher applicants for the credit each year.

The effective date of the bill is July 1, 2021, though credits are applicable only for taxable years on or after January 1, 2022, thus first impacting state revenues in FY 2023. The earliest cohort of participating teachers would be those hired for the school year ending in 2022, and no applications for new credits will be accepted after December 31, 2026.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenue by approximately \$700,000 to \$1.5 million in FY 2023, with the revenue loss growing to approximately \$3.0 million by FY 2026 (Table 1). The attached appendix details the analysis.

**Table 1. Estimated Revenue Effects of LC 43 2019S**

(\$ millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
High Estimate	(\$1.5)	(\$2.8)	(\$3.0)	(\$3.0)	(\$3.0)
Low Estimate	(\$0.7)	(\$1.3)	(\$1.9)	(\$2.4)	(\$2.9)

<sup>1</sup> High-need subject areas are one of three content areas with the greatest percentages of unfilled positions for classroom teachers in a RESA service area. GaDOE selects the RESA service areas based on the five-year average review reported by local school system surveys.

**Impact on State Expenditures**

Both GaDOE and the Department of Revenue would be able to implement the provisions of this bill with existing resources.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin".

Greg S. Griffin  
State Auditor

A handwritten signature in black ink that reads "Kelly Farr".

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/svp

## **Analysis by the Fiscal Research Center**

LC 43 2019S establishes a new teacher recruitment and retention program, the purpose of which is to encourage new and experienced teachers to seek employment in high need subject area at qualifying rural and low-performing schools. Tax credits are provided to participating teachers as part of the program.

Annually by October 1, beginning in 2021, the Georgia Department of Education (DOE) will release a list of schools that qualify for the program. Schools may qualify either by being more than five miles from an urban cluster or by being in the bottom five percent of school performance. After the list of qualifying schools is made publicly available, a selection and application process will proceed until December 31 to select no more than 100 participating schools for that year. Criteria for the selection of the participating schools will also be made available by the October deadline.

By December 1 of each year, DOE will publish the list of schools that have been selected for that year's program. Subject to a 1,000-teacher cap on the number of participating teachers in any year, newly hired teachers at these selected school will earn a \$3,000 refundable income tax credit each year for up to five years, provided they remain at that school and otherwise remain eligible. If after a teacher becomes a participating teacher, their school is no longer a participating school, the participating teachers will nonetheless remain eligible for the credit.

In SYE 2019, the most recent period for which data are available, there were 212 schools in Georgia located more than five miles away from an urban cluster, according to the National Center for Education Statistics (NCES). College and Career Readiness Performance Index (CCRPI) data from DOE were used to identify the 111 schools that represent the five percent lowest performing schools of the roughly 2,200 schools statewide for which we have both urban/rural and CCRPI data in SY 2019. Seven schools qualified as both rural and low performing, making a final list of 316 schools that could potentially qualify as of SYE 2019.

Georgia Professional Standards Commission (GPSC) certification is required for participating teachers. GPSC data on teachers from DOE and Georgia Governor's Office of Student Achievement (GOSA) were used to identify the number of teachers working at these 316 schools in SYE 2019 as well as their typical size of their newly hired cohorts during the period of SYE 2004-13. These same GPSC data were used to calculate how long teachers typically stay at these schools after they are hired.

High need subject areas are the three content areas that, over a five-year review period, had the greatest percentages of unfilled positions for classroom teachers, as determined annually by the local Regional Education Services Agency (RESA). Georgia Professional Standards Commission maintains a listing for open teacher positions in Georgia. These data on open positions, [teachgeorgia.org](http://teachgeorgia.org), was used to calculate the share of currently open classroom teaching positions by large content area in Georgia.

In addition to the data described above, the estimates utilize the following assumptions in order to project the number of participating teachers each year and the estimated revenue effects:

- According to the GPSC data, 10,597 teachers work at the 316 schools that could have qualified as of SYE 2019, had the program then been in effect, and roughly 15.6 percent of those teachers were in their first year at that time.
- In the absence of clear selection criteria for the 100 schools that would be chosen from among the 316 qualifying schools, repeated random draws of 100 schools were made. An estimate for a first-year cohort was made at each school for each random draw. The average first year cohort size in this sample was 505 newly hired teachers.
- According to teachgeorgia.org, the largest shares of open positions are in the subject areas of language arts (16.4%), mathematics (16.4%), and science (12.5%). The high estimate assumes that all newly higher teachers will qualify as a high-need subject area teachers and the low estimate assumes that 45.2 percent, the sum of the three largest subject areas of job postings will qualify.
- GPSC data indicate that 13 percent of new hires at these schools typically leave after one year, 12 percent after two years, 9 percent after three years, and 8 percent after four years. These attrition rates were used to account for attrition among participating teachers. Once the 1,000-teacher cap is reached, only attrition allows room for new participating teachers during the period of the projections. Projected numbers of participating teachers are provided in Table 2 below.
- The estimates assume credits claimed will impact state revenues at the time of filing of returns. To the extent teachers instead choose to reduce their withholding in anticipation of the credit state revenue would be impacted somewhere earlier.

**Table 2. Teacher Recruitment and Retention Program Participants**

Participating Teachers	<b>SY 2022</b>	<b>SY 2023</b>	<b>SY 2024</b>	<b>SY 2025</b>	<b>SY 2026</b>
High Estimate	505	944	1,000	1,000	1,000
Low Estimate	228	436	626	805	973