



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156

Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

January 19, 2021

Honorable Dave Belton
State Representative
614-A Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 49 0286)

Dear Representative Belton:

The bill would provide a refundable income tax credit to recruit and retain teachers who teach in qualifying rural or low-performing schools. 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 credits would apply for new hires between January 1, 2022 and December 31, 2031.

The Governor's Office of Student Achievement would be responsible for establishing program objectives, as well as annually measuring and evaluating the program.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that 1,000 teachers would receive the full tax credit amount by FY 2025, resulting in a reduction in state revenue of \$3.0 million. The reduction is less in the first two years due to the estimate assuming that there would be fewer than 1,000 new hires in the participating schools. However, in subsequent years, the total would be reached by a combination of new hires and teachers receiving the credit for up to five years. The attached appendix details the analysis.

Table 1. Estimated Revenue Effects of LC 49 0286

<i>(\$ millions)</i>	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
State Revenue Effect	(\$1.5)	(\$2.8)	(\$3.0)	(\$3.0)	(\$3.0)

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,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget

GSG/KF/svp

Analysis by the Fiscal Research Center

LC 49 0286 establishes a new teacher recruitment and retention program, the purpose of which is to encourage new and experienced teachers to seek employment 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.

Using these data, 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.

- 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

	SY 2022	SY 2023	SY 2024	SY 2025	SY 2026
<u>Participating Teachers</u>	<u>505</u>	<u>944</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>