

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 711 (First Edition)

SHORT TITLE: Teacher Tax Credit

SPONSOR(S): Representative Arnold

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund	(\$254,400)	(\$279,600)	(\$307,600)	(\$338,400)	(\$372,000)
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue; Department of Public Instruction					
EFFECTIVE DATE: This act is effective for taxable years beginning on or after January 1, 2002.					

BILL SUMMARY: This bill provides a \$400 income tax credit per semester to teachers at low-performing schools in North Carolina.

BACKGROUND: Upon the direction of the General Assembly in 1995, the State Board of Education began the ABCs of Public Education program in grades K-8 in FY 1996-97 and high school in 1997-98. ABC is short for strong Accountability, an emphasis on the Basics and high educational standards, and local Control of schools. The program attempts to judge each school on performance and growth standards. Student performance is measured by end of grade tests in reading and math in grades 3 through 8 and writing test for grades 4 and 7. High school students are judged on end of course tests in Algebra I, English I, Biology, ELPS (Economic, Legal, and Political Systems, and U.S. History. Tenth graders take a comprehensive reading and math test and students in English II take a writing test.

Test scores are used to measure growth in subject areas across time and across grades in each school. A low performing school is a school that fails to make its expected growth/gain goal and has more than 50 percent of its students below Achievement Level III. Achievement Level III is considered grade level performance for all students.

ASSUMPTIONS AND METHODOLOGY: By using As of December 2000 information to calculate the impact of this bill, ~~there were seven public schools~~ were estimated to be low performing ~~public schools~~ in North Carolina. The education analysts in the General Assembly's Fiscal Research Division estimate that 275 teachers in these schools are eligible for this credit. The education analysts project the number of eligible teachers in low performing schools will grow 10% a year as shown in the chart below. The credit begins in tax year 2002 and will apply to 303 teachers in low performing schools in the spring semester of FY 01-02 and 333 teachers in the fall semester of FY 02-03. This fiscal note assumes each eligible teacher will have taxable income sufficient to claim the \$400 tax credit. This fiscal note assumes that the teachers will not adjust their income tax withholding upon passage of this bill, but will claim the credit when completing their 2002 tax returns in the spring of 2003. Thus the first fiscal impact of \$254,400 will be in FY 2002-03 and will benefit 636 teachers (303 in FY 01-02 + 333 in FY 02-03).

	<u>00-01</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>
# Teachers in Low Performing schools	275	303	333	366	403	443	487
		Tax year	Tax year	Tax year	Tax year	Tax year	Tax year
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
#Teachers in two semesters		636	699	769	846	930	
			<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>
Credit is \$400 per semester			\$254,400	\$279,600	\$307,600	\$338,400	\$372,000

TECHNICAL CONSIDERATIONS: ~~The legislation does not define public school.~~ Low Performing Schools are designated by the State Board of Education annually based on a school's performance during the previous fiscal year. The actual financial impact of this proposed legislation is directly related to the size and number of "low performing schools" designated per year.

FISCAL RESEARCH DIVISION 733-4910

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