

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR <u>Herrera/Romero, GA/Lara/Baca/Gurrola</u>	LAST UPDATED <u>1/30/24</u>	ORIGINAL DATE <u>1/25/24</u>
SHORT TITLE <u>Educational Assistant Salary</u>	BILL NUMBER <u>House Bill 199</u>	ANALYST <u>Liu</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SEG/Operational Salaries		\$36,126.3	\$36,126.3	\$72,252.6	Recurring	General Fund
Transportation Salaries		\$8,391.4	\$8,391.4	\$16,782.8	Recurring	General Fund
Total		\$44,517.7	\$44,517.7	\$89,035.4	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bills 215 and 227

Sources of Information

LFC Files
 Legislative Education Study Committee (LESC) Files

Agency Analysis Received From
 Public Education Department (PED)
 Albuquerque Public Schools (APS)
 Educational Retirement Board (ERB)

SUMMARY

Synopsis of House Bill 199

House Bill 199 establishes a minimum wage rate of \$15 per hour for all public school employees and a minimum annual salary of \$30 thousand for all full-time public school employees. The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

The bill does not contain an appropriation but would require all public schools to raise all full-time school personnel salaries to at least \$30 thousand and increase hourly pay to \$15. Based on the latest available personnel data from PED's operating budget management system (OBMS), the total estimated cost of implementation is \$44.5 million to the general fund on a recurring

basis. PED estimates the cost to be \$42.8 million, not including part-time employees whose wages would increase to \$15 per hour. Based on average FTE salaries and other federally funded positions, the grand total cost could be as high as \$56.1 million, although the lack of granularity on funding source and individual salary data obscures accurate calculations of the total fiscal impact to schools. PED notes a large portion of school operations are funded by other revenue streams, including federal funds and PED grants, which may not be reflected in operational fund calculations but have an additional fiscal impact that would effectively be paid out of operational funds.

The fiscal impact of this analysis does not include projected salary increases proposed within the executive, LFC, or LESC recommendations for House Bill 2, which will reduce the estimated additional operating budget impact if enacted. Estimated total general fund fiscal impacts based on the recommendations are projected to be:

- LESC 6 percent salary increase: \$31.7 million impact,
- Executive 3 percent salary increase: \$37.9 million impact, or
- LFC 4 percent salary increase: \$35.8 million impact.

Only the LESC budget recommendation includes \$31.7 million to cover the costs of this bill's implementation. The LFC and executive recommendations do not include funding for this purpose.

APS notes the fiscal impact to the district for implementation could be \$14.4 million from all funding sources, including \$11.8 million from operational funds. The district's calculation is based on a \$5,000 increase for 2,244 educational assistants, health assistants, and student support personnel with a benefits ratio of 28.5 percent. Assuming APS would receive an estimated 23 percent of the funding formula, the district would generate approximately \$7.3 million from the \$31.7 million appropriation recommended by LESC and about \$4.3 million from a 6 percent salary increase for these positions in the LESC budget—well within targeted levels for operational funds but not including appropriations from non-state funding sources.

Although the state's minimum wage in statute is \$12 per hour, the Legislature appropriated \$10.2 million in FY23 to raise the minimum wage for school employees to \$15 per hour. Language in the General Appropriations Act has continued to reflect that \$15 per hour rate since then. LESC notes provisions of this bill would align statute with current practice.

Provisions of this bill would likely increase contributions to the educational retirement fund, given employees with an annual salary below \$24 thousand must make a 7.9 percent contribution for retirement but employees above \$24 thousand contribute 10.7 percent.

SIGNIFICANT ISSUES

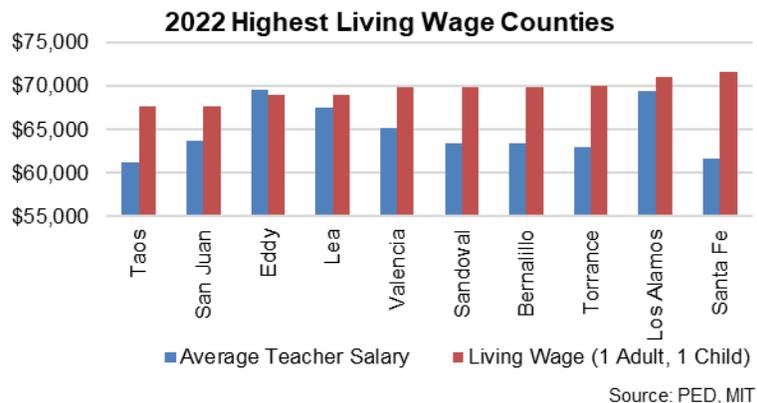
Since the *Martinez-Yazzie* court ruling in 2019, the Legislature has increased recurring funding for public schools to \$4.2 billion, an increase of \$1.3 billion, or 49 percent. Nearly half of the total increase, or \$709 million, is attributable to educator compensation, including higher minimum salaries, across-the-board raises, and expanded coverage of benefits.

Increasing the minimum salary for all school personnel may place higher cost burdens on smaller school districts and charter schools that lack the economies of scale found in larger districts,

particularly for schools that no longer generate small school size adjustment program units. Statutorily, governing boards of school districts and charter schools already have the authority to set higher salaries and wages for all school employees.

A 2018 study by the Massachusetts Institute of Technology (MIT) showed average teacher salaries in 30 states were below a living wage. MIT noted New Mexico had the ninth largest teacher wage gap with the average teacher salary being 16.3 percent below the statewide living wage. MIT’s living wage calculator makes minimum costs assumptions for various family structures, including the living wage required for one full-time working adult to support a child without needing the aid of social welfare programs.

Since 2018, the state has substantially increased pay; however, costs of living have also grown. MIT’s 2022 analysis shows the estimated statewide living wage in New Mexico for one full-time working adult supporting a child was \$68.6 thousand. Living wages also differ by county, creating unique challenges for each district to attract and retain teachers and school employees based on regional cost of living differences.



For FY23, OBMS showed a total of 12.1 thousand FTE categorized as non-teacher, non-administration, non-specialist school employees with a total salary amount of \$357.4 million—meaning the weighted average salary for these lowest-paid employees most likely to be affected by this bill was about \$29.5 thousand statewide. In comparison, OBMS shows 21 thousand FTE categorized as teachers with a weighted average salary of \$63 thousand. While provisions of this bill will bring the salary floor for all full-time employees up to \$30 thousand, it remains far below MIT’s benchmark for a living wage.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 199 relates to House Bills 215 and 227, which adjust classroom loads and may affect overall staffing patterns within schools.

SL/ss/ne/ss/ne/ss