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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 2nd Session, 2018

Bill Number	<u>SB119/aSFC</u>	Sponsor	<u>Stewart</u>
Tracking Number	<u>.209454.2</u>	Committee Referrals	<u>SEC/SFC</u>
Short Title	<u>Increase Minimum Teacher Salaries</u>		
Analyst	<u>Simon</u>	Original Date	<u>1/24/18</u>
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FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE

BILL SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to Senate Bill 119 (SB119/aSFC) strikes the appropriation. House Appropriations and Finance Committee Substitute for House Bills 2 and 3 includes an estimated \$17.6 million to increase teacher minimum salaries.

Synopsis of Original Bill

Senate Bill 119 (SB119) amends the School Personnel Act to increase the statutory minimum teacher salaries and provide for minimum teacher salaries of \$36 thousand for level 1 teachers, \$44 thousand for level 2 teachers, and \$54 thousand for level 3-A teachers, consistent with the FY19 recommendation of the Legislative Finance Committee (LFC).

FISCAL IMPACT

SB119/aSFC would raise minimum teacher salaries to \$36 thousand for level 1 teachers, \$44 thousand for level 2 teachers, and \$54 thousand for level 3 teachers and counselors. Current minimum teacher salaries are \$34 thousand for level 1 teachers, \$42 thousand for level 2 teachers, and \$52 thousand for level 3 teachers and \$50 thousand for level 3 counselors.

LESC analysis of FY18 teacher salary data indicates the cost to school districts and charter schools to increase teacher salaries to the minimums provided for in the bill would be \$20.2 million. An additional \$286.6 thousand would be required to cover the cost of level 3 counselor salaries and benefits, totaling \$20.5 million. In FY17, 93.4 percent of teacher salaries and 95 percent of counselor salaries were paid from school district and charter school operational funds. Federal funds, state grant programs (such as prekindergarten or K-3 Plus), and local or private grants covered the remainder of the salary costs. To cover the operational portion of salaries, the Legislature would need to appropriate \$18.8 million to cover the costs of increased teacher salaries and \$272 thousand to cover the costs of increased counselor salaries, for a total of \$19.1

million. This estimate was reached by multiplying the overall estimate by 93.4 percent for teachers and 95 percent for counselors, the proportion of FY17 school district and charter school expenditures on teacher and counselor salaries covered by operational funds.

This estimate is based on FY18 teacher salary data from the Public Education Department (PED). For all teachers and level 3 counselors in the data set with a listed salary below the minimums established in the General Appropriation Act (GAA), the analysis assumed an additional cost of \$2,000. For all teachers above the FY16 minimum salary but below the level set by SB119/aSFC, the analysis assumed the difference between the proposed minimum salary and the listed annual salary. For all teachers over the minimum salary proposed in this bill, the analysis assumes no additional cost. Increased costs were weighted based on the FTE status of the teacher or counselor. A multiplier of 21.5 percent was added to account for the additional cost of employee benefits, the amount PED assumes is needed for fringe benefits for increases to existing employee salaries when calculating across-the-board salary increases.

Fiscal Impact on other Educational Entities. SB119/aSFC would require the New Mexico School for the Blind and the Visually Impaired to meet the minimum salaries included in the bill. In its analysis, the school indicates SB119/aSFC would not have a fiscal impact on the school because it is already compliant with the salary minimums in the bill. Fiscal impact for the New Mexico School for the Deaf is unknown, but could be minimal based on budget adjustment authority granted to the school, which allows the school to access additional revenue from the land grant permanent fund.

The Children, Youth and Families Department (CYFD) reports any fiscal impact would be minimal. Because CYFD employs teachers licensed by PED, they must pay the minimum salary at each level. CYFD indicates the department's current salary matrix has higher minimum salaries for level one and level 2 teachers, but the level 3 teacher salary is about \$400 below the minimum in the bill. According to CYFD's FY19 budget submission, CYFD employed 37 teachers in juvenile justice centers; however, it is not clear how many are level 3.

The New Mexico Educational Retirement Board notes SB119/aSFC would have a minor positive impact of the educational retirement fund's unfunded liability. Increased payroll for school districts and charter schools will increase employer contributions, which are used to pay down the unfunded liability. The amount of increased employer contributions is included in the cost estimate for fringe benefits.

SUBSTANTIVE ISSUES

Since FY04, the School Personnel Act has set minimum salaries for teachers based on licensure level. Statute currently requires level 1 teachers to be paid a minimum of \$30 thousand, level 2 teachers a minimum of \$40 thousand, and level 3 teachers a minimum of \$50 thousand; however, language included in the GAA since FY15 has raised the minimums beyond the levels currently in statute. Since FY15, the Legislature added \$22.1 million to the SEG to raise minimum teacher salaries above the statutory minimums.

The GAA of 2014 increased the minimum salaries for level 1 teachers to \$32 thousand, level 2 teachers to \$42 thousand, and level 3 teachers to \$52 thousand and included \$10 million to fund the increases; however the governor line-item vetoed the increases for level 2 and level 3 teachers. While school districts and charter schools were not required to pay level 2 and level 3 teachers a higher salary, funding for the raises remained in the SEG in FY15. The GAA of 2015

increased minimum salaries for level 1 teachers to \$34 thousand and included \$6.7 million in the GAA to fund the increase. For FY16, level 2 and level 3 minimum salaries remained at \$40 thousand and \$50 thousand. The GAA of 2016 increased minimum salaries for level 2 and 3 teachers to \$42 thousand and \$52 thousand, respectively, and included \$5.4 million for the increase.

Because current minimum salaries for teachers are set pursuant to language in the GAA, the Legislature must include the language every fiscal year, or the minimum salaries for teachers would revert to the amount set in statute. By including language in the GAA, teacher salary minimums are subject to line-item veto, which could result in the Legislature including funds for higher teacher salaries and teachers not receiving the funds consistent with legislative intent.

CONSEQUENCES OF NOT ENACTING THE BILL

Minimum teacher salaries would need to be included annually in the GAA and would be subject to line-item veto. If minimum salaries are not included in the GAA, or if those salary levels are vetoed, school districts or charter schools would have the option of decreasing pay to \$30 thousand for level 1 teachers, \$40 thousand for level 2 teachers, and \$50 thousand for level 3 teachers.

OTHER SIGNIFICANT ISSUES

The National Conference of State Legislature’s (NCSL) report *No Time to Lose: How to Build a World-Class Education System State by State* observed that a world-class teaching profession is needed to support a top-performing system. Together with rigorous preparation and licensure programs, high-quality professional development, and a professional work environment for teachers, a compensation system that rewards teachers similarly to other professions supports a system where teachers adhere to high standards. World-class education systems align compensation for beginning teachers with “high-status professions” to ensure an ample supply of highly qualified teachers that are selected from among the highest-achieving students. According to the NCSL report, top-performing nations view teachers as “nation-builders” have aligned teacher pay with the pay of other professionals such as engineers and accountants by moving resources away from educational policies that have been shown to be less effective. Currently, national data from the U.S. Census Bureau indicates American teachers tend to have lower earnings over their lifetime than many other similarly educated professions.

In New Mexico, average salaries for public school teachers tend to be lower than average salaries in other states. Salary estimates from the National Education Association indicates that New Mexico ranks 44th in the nation for average teacher salaries, although the state is in the middle of surrounding states when comparing average teacher salaries. New Mexico’s average FY16 teacher salary of \$47,163 was lower than Arizona, Nevada, and Texas but higher than Colorado, Oklahoma, and Utah. Year-over-year salary growth was also in the middle of other states. While salary represents only a portion of total teacher compensation, it remains an important factor for many when selecting a profession or, for those who have already decided on teaching as a career, selecting where a teacher will enter the teaching

State	Rank	FY16 Average Salary	Increase from FY15
Nevada	18	\$56,943	0.4%
Texas	27	\$51,890	2.3%
Arizona	43	\$47,218	-0.5%
New Mexico	44	\$47,163	1.2%
Utah	45	\$46,887	0.4%
Colorado	46	\$46,155	3.9%
Oklahoma	49	\$45,276	-0.1%

Source: NEA Rankings and Estimate 2016

profession. While more generous health and retirement benefits may boost overall teacher compensation, benefits may not have the strongest impact on teacher recruitment and retention.

As with many other states, New Mexico continues to struggle with high vacancy rates for teachers, particularly for hard-to-staff areas such as special education. Data from New Mexico State University shows a total of 443 teacher vacancies at New Mexico school districts and Bureau of Indian Education schools in October 2017, more than one month after the start of the 2017-2018 school year. According to national studies from the Learning Policy Institute (LPI), many of the teacher shortage issues faced by school districts can be attributed to high levels of teacher turnover. Data from PED shows nearly 29 percent of new teachers in FY16 did not continue into FY17 and about half of all new teachers leave the teaching profession after 4 years. School districts and charter schools must invest significant resources in attracting and training new teachers. LPI has estimated for urban districts nationally, it can cost up to \$20 thousand to replace a teacher. If teacher attrition rates could be reduced to 4 percent nationally, the same rate seen in high-performing countries, it would eliminate current teacher shortage and allow universities to increase selectivity in teacher preparation programs to increase teacher quality.

SOURCES OF INFORMATION

- LESC Files
- LFC
- Public Schools Insurance Authority
- Educational Retirement Board

JWS/th/rab