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FISCAL IMPACT REPORT

ORIGINAL DATE 2-15-2007

SPONSOR Campos LAST UPDATED 2/19/07 HB _____

SHORT TITLE School Principle & Staff Salaries & Licensure SB 988

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$250.0	\$12,200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total			\$5,450.0	\$5,450.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 35
 Duplicates House Bill 846
 Duplicates Senate Bill 188
 Duplicates House Bill 525
 Relates to appropriations contained in HB 3
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
 Office of Educational Accountability (OEA)
 State Personnel Office (SPO)

SUMMARY

Synopsis of Bill

Senate Bill 988 appropriates \$250 thousand for expenditure in FY07 and \$12.2 million for expenditure in FY08 from the general fund to the PED for the purpose of increasing four (4) categories of employees’ salary schedules. Senate 988 would establish alternate salary structures or minimum salaries for School Principals, Instructional Support Providers, Educational Assistants, and Unlicensed School Employees.

FISCAL IMPLICATIONS

The LFC remains concerned about increasing recurring out-year general fund obligations. There is concern that adding additional out-year obligations before meeting existing responsibilities may cause budget issues to arise in the future.

Direct Approp.'s for Items in Senate Bill 988 Expenditure	Appropriation		Recurring or Non-Rec	Fund Affected
	FY07	FY08		
School Principal Salary Calculation Changes		4200	Recurring	General Fund
Instructional Support Provider Licensure	250		Recurring	General Fund
Educational Assistant Licensing Framework		4000	Recurring	General Fund
Unlicensed School Employees Minimum		4000	Recurring	General Fund
Total Appropriation	\$ 250	\$ 12,200		

Add'l Budgetary Impact of Items in Senate Bill 988 Expenditure	FY07	FY08	3-Year Impact		Recurring or Non-Rec	Fund Affected
			FY09	Impact		
School Principal Salary Calculation Changes						
Instructional Support Provider Licensure			5450	5450	Recurring	General Fund
Educational Assistant Licensing Framework						
Unlicensed School Employees Minimum						
Total Add'l Budgetary Impact	\$ -	\$ -	\$ 5,450	\$ 5,450		

Senate 988 would establish alternate salary structures or minimum salaries for School Principals, Instructional Support Providers, Educational Assistants, and Unlicensed School Employees. The previous tables illustrate and separate by employee category both the direct appropriations in the bill as well as additional budgetary impact.

Since FY04, the Legislature has appropriated \$208.2 million for salary increases and funding of the three-tier career ladder. Implementation of the career ladder for teachers continued with an FY07 appropriation of \$6.8 million to move level-three teachers to a minimum salary of \$45 thousand.

In FY07, the Legislature provided appropriations for a significant \$7.9 million, or 9.5% extraordinary compensation increase for educational assistants. A 5% increase was provided for instructional support providers in FY07, as well as an additional targeted \$1.9 million earmarked increase for instructional support providers, beyond the broadly applied compensation increases for education in FY06.

School Principle Salary Calculation Changes

The appropriation of \$4.2 million contained in this bill for School Principle Salary Calculation Changes is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the general fund.

Estimates made by LFC and LESC indicate that \$4.2 million would be sufficient to implement the minimums contained in the bill assuming no salary increases. As compensation appropriations increase, this amount would decrease.

Existing statute, based on school size, would require approximately \$750 thousand to implement minimums. The public school support recommendation from the executive does not recommend funding for principals using a responsibility factor nor does it recommend minimum salaries for assistant principals.

Senate Bill 988 amends existing statute for Principle Salaries by:

- Adding a definition of “responsibility factor” and assigning multipliers to be used in determining salary minimums;
- Providing that in order to receive a Level 3-B (administrator) license a “teacher” rather than an “instructional leader” must have held a Level 3-A license for at least one year;
- Removing school size and adding a responsibility factor as the criteria for determining salary minimums for principals and assistant principals;
- Providing that the \$50,000 minimum salary for Level 3-A teachers be used as the base for applying the responsibility factor, and;
- Requiring that by the beginning of the 2008-2009 school year, a uniform standard of evaluation be implemented.

Instructional Support Provider Licensure

Enactment of Senate Bill 988 includes an FY09 migration for Instructional Support Providers to a 3-tiered minimum salary structure similar to that existing for the State’s teachers, with Levels at \$30,000, \$40,000, and \$50,000 for specified instructional support providers.

Although this legislation appropriates \$250 thousand in FY08, there is an additional, recurring cost to provide 3-tiered licensure. The cost estimated for an FY07 proposal had been \$6.2 million. It should be noted that this cost is dependent on the Level of “other” compensation increases prior to the 2009 implementation of the bill’s provisions and would be at progressively lower Levels when including intermediate compensation increases. Under various compensation scenarios, the FY09 costs to implement a 3-tiered salary structure for instructional support providers ranges from a high of *\$6.3 million to as low as \$4.1 million, depending on the incremental intermediate compensation increases.¹

Based on the cost of the evaluation system design for the teacher evaluation system and the time required to implement it, the PED estimates an annual cost of \$250.0 for at least two years to accomplish the evaluation system design. PED’s estimate includes a temporary education administrator-O position or equivalent contractor for 6 months (1,040 hours @ \$22.74) with

¹ Estimated additional budgetary impact based on mid-point of estimates @ \$5.2 million, plus \$250 thousand in evaluation development costs for a total add'l budgetary cost of \$5.45 million.

benefits (30percent) or a total annual staff cost of \$30.7 and other administrative costs as necessary.

Educational Assistant Licensing Framework

The appropriation of \$4.0 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the general fund.

Senate Bill 988 proposes that these higher salary Levels implemented over the next 3 fiscal years (FY08-FY10): Level 2 minimum annual salaries of \$13 thousand are to be implemented in FY08; Level 3 minimum annual salaries of \$15 thousand are to be implemented in FY09; and Level 4 minimum annual salaries of \$17 thousand are to be implemented in FY10.

The Office of Educational Accountability (OEA) estimates that the costs to enact all provisions of Senate Bill 988 would be \$5.1 million, *if all elements were implemented in FY08*. However, the total costs will be less as intermediary compensation raises will decrease the difference necessary to bring educational assistants to the Levels proposed in the bill, as the minimums are to be implemented over the next 3 years.

Unlicensed School Employee Minimums

Senate Bill 988 contains an appropriation of \$4.0 million in recurring dollars from the General Fund. The salary increases would be effective the first full pay period after July 1, 2007.

The OEA estimates the costs of implementing the bill to be approximately between \$4.7 million to \$6.3 million dollars depending upon the number of days worked and the hours worked per day. These calculations vary because districts vary on the length of the contracts they have with secretaries, clerks, and bookkeepers. These calculations are based on the survey data collected by the House Memorial 36 taskforce in FY06 and includes an average 5 percent increase for FY07. In addition, the survey data collected by the House Memorial 36 taskforce classified clerks, secretaries, and bookkeepers as Entry, Intermediate, or Advanced differently than the classification proposed in Senate Bill 988. The survey data collected by the taskforce classified these positions as Entry Level (1-3 years experience); Intermediate Level (3-7 years experience); and Advanced Level (7 or more years of experience). Senate Bill 988 in contrast, classified these positions as Entry Level (0-5 years experience); Intermediate Level (5-10 years experience); and Advanced Level (10-20 years experience).

SIGNIFICANT ISSUES

School Principle Salary Calculation Changes

Since the implementation of the 3-tier salary structure for teachers, concerns have been raised that principal's and assistant principals' salaries were not keeping pace with increases in teacher salaries and a number of administrators were returning to the classroom causing a shortfall in available candidate pools. The OEA notes that a number of studies have identified school leadership as second only to teaching among school-related factors that affect student achievement. Recent research by the OEA indicates a high turnover rate of principals in the New Mexico schools in need of improvement and there is widespread concern that fewer

experienced educators will choose to become or remain principals if they can make as much or more money by staying in the classroom.

Senate Bill 988 attempts to address these concerns by implementing an evaluation system for principals and by including a responsibility factor that ensures principals' and assistant principals' minimum salaries are always higher than the highest proposed minimum salaries (\$50,000) for Level 3 teachers.

The bill also replaces the term “instructional leader” with the word “teacher” as a technical correction to statute. Under provisions of the Public School Code “instructional leader” is not defined as an educational position.

Minimum salaries would be as follows:

Elementary School Principals,	\$60,000
Middle School Principals,	\$70,000
High School Principals,	\$80,000
Elementary School Assistant,	\$55,000
Middle School Assistant,	\$57,500
High School Assistant,	\$62,500

Instructional Support Provider Licensure

The fiscal impact on PED and on public school districts from this legislation appears to be significant, however, will be a recurring out-year increase to existing salary expenditure. The appropriation of \$250 thousand to create a licensure and compensation framework for certain instructional support providers will be a preliminary expenditure prior to the incorporation of a 3-tiered salary structure for this group. Based on the cost of the evaluation system design for the teacher evaluation system and the time required to implement it, the department estimates an annual cost of \$250 thousand and at least 2 years to accomplish this work.

The term “instructional support provider” covers approximately twenty professional positions including nurses, audiologists; diagnosticians; speech language pathologists; occupational, recreational, and physical therapists; psychologists, counselors, and others. Further, provisions contained in the bill require the evaluation system to be in place prior to the implementation of the salary structure.

The bill authorizes PED to adopt rules considering verified employment as a certified professional in a clinical or parallel setting in lieu of experience in a school setting when determining placement of instructional support providers in the licensure Levels.

Educational Assistant Licensing Framework

PED notes the Level 1 license is a 2-year license for beginning educational assistants who do not meet the requirements for higher Levels of licensure. The Level 1 educational assistant (EA) must be a high school graduate, be at least 18 years of age and complete a local orientation session pertinent to his/her work assignment. An EA must be evaluated locally for at least 2 years before advancing to Level 2.

The Level 2 license is a nine-year license. A Level 2 EA meets the same requirements as Level 1 and is evaluated annually.

The Level 3 license is a nine-year license that is issued to an EA who meets all of the requirements of a Level 2 EA plus has completed at least 48 semester hours of postsecondary non-remedial coursework that prepares the EA to work effectively in instructional support or has demonstrated competency by passing a state-approved test or through a locally administered portfolio assessment. The Level 3 EA is also evaluated annually.

A Level 4 EA license is for nine years and requires the EA to meet all of the requirements of a Level 3 license as well as earning an associate's degree or higher.

It is important to note that of the 4 tiers, only educational assistants in Levels 3 & 4 meet the No Child Left Behind requirements of being highly qualified. Although this requirement is only needed for working in Title I schools, highly qualified personnel should be assigned to all schools.

An EA may be issued a Level 3 or 4 license if he/she qualifies for either of those Levels, without first holding Levels 1 and 2 licensure. This is important for recruiting EAs who must meet the paraprofessional status required by NCLB

Unlicensed School Employee Minimums

In 2005, the Legislature passed House Memorial-36, School Secretary and Clerk Salary Study, which requested that the OEA conduct a study to assess the appropriate salaries for the skill Levels required of school districts secretaries, clerks, and bookkeepers and to recommend a salary schedule process for these employees. OEA convened a taskforce that examined these questions, gathered survey information and other data from all 89 school districts, and presented their findings to the LESC in November 2005.

The taskforce found that about 55 percent of the 2,794 secretaries, clerks and bookkeepers included in the survey could be classified as advanced in that they had 7 or more years of experience, high complexity of job performance requirements, high responsibility Level, and minimal supervision. In addition, the taskforce found that about 40 percent earned between \$6 and \$10 an hour.

The taskforce made a number of recommendations to the LESC including:

- People in these categories should receive no less than an average of 8percent increase in compensation for FY07.
- A minimum of \$7.50 an hour.
- School districts should create salary schedules that encourage career development across the entry, intermediate, and advanced skill Levels of secretaries, clerks, and bookkeepers.
- The PED should collect and make available detailed data about secretaries, bookkeepers, and clerks including such factors as number of years of experience, length of contract, grade or skill level, salary schedules, and other information that may be useful.
- The PED should not approve any school district budget that does not meet the intent of these recommendations. Further, the Legislature should consider ways to ensure that the

public school appropriation is adequate for each school district to meet these requirements.

- The Legislature should consider providing funding to support the continuation of the taskforce to monitor and further study the implementation of these recommendations.

During the 2006 Legislative Session, no bills were passed dealing with the issues raised. Clerks, secretaries and bookkeepers received an average 5 percent increase along with all other certified and non-certified school personnel except educational assistants.

PERFORMANCE IMPLICATIONS

Instructional Support Provider Licensure

The OEA notes increasing the rigor of the evaluation system for instructional support providers may address one of New Mexico's biggest challenges in terms of helping schools meet the NCLB requirements of Adequate Yearly Progress (AYP). Many of the instructional providers including physical therapists, speech language pathologists, social workers, and diagnosticians work with students with disabilities. Much of the burden of helping students with disabilities falls on the shoulders of instructional support providers.

Educational Assistant Licensing Framework

Supporters of Senate Bill 988 argue that higher salaries and more rigorous qualifications for educational assistants who have instructional duties in Title 1 schools will result in better academic performance for students. Since Title 1 schools serve the children most in need of support, this effort may help New Mexico reduce the achievement gap, particularly for poor and minority students.

Unlicensed School Employees Minimum

In 2005, the PED did not collect detailed information about clerks, secretaries, and bookkeepers. Since that time, PED has implemented a new chart of accounts that may need to be adjusted to include detailed data about secretaries, bookkeepers, and clerks including such factors as number of years of experience, length of contract, grade or skill Level, salary schedules, and other information that may be needed if HB-525 passes and is signed into law.

ADMINISTRATIVE IMPLICATIONS

School Principal Salary Calculation Changes

PED has indicated it will require as much as \$400 thousand to develop the evaluation system yet in testimony before LESC the department indicated it had utilized \$150 thousand from the Teacher Professional Development Fund and \$60 thousand in funds received from the Wallace Foundation to begin development of the system. It appears the agency is well on its way to developing the evaluation system and may not require additional funding.

Instructional Support Provider Licensure

Provisions contained in the bill require PED to provide a progressive licensing framework as well as develop a highly objective performance evaluation. The department notes the effort

required to develop and implement the teacher evaluation.

Educational Assistant Licensing Framework

The Legislature may wish to consider leaving the base salary for educational assistants at \$12 thousand and creating only 2 additional tiers only for those assistants achieving No Child Left Behind certification.

DUPLICATION

The appropriation associated with each of the four (4) employee categories duplicates an appropriation in at least one other bill.

School Principal Salary Calculation Changes

Duplicates House Bill 35 and relates to appropriations contained in HB 3.

Instructional Support Provider Licensure

Duplicates Senate Bill 188

Educational Assistant Licensing Framework

Duplicates House Bill 846

Unlicensed School Employees Minimum

Duplicates House Bill 525

TECHNICAL ISSUES

Instructional Support Provider Licensure

It is important to note that classroom teachers, after a few years of teaching, become instructional support providers particularly with respect to teachers who become counselors. Under provisions contained in this bill, a Level 2 or Level 3A teacher who became a counselor would have to start as a Level 1 instructional support provider licensure. The individual could be forced to move from a minimum \$40,000 teacher salary back to a minimum \$30,000 instructional support provider salary. The provision on page 3, lines 16-20 do not clearly authorize the department to establish in rules how a new instructional support provider could be placed at Level 2 or 3 in order with respect to the Level of teaching license.

The bill authorizes reciprocity of instructional support provider licensure with other states. The bill also requires that providers work at Levels 1 and 2 for 3 full years before advancement to the next higher licensure Level.

The evaluation system must be adopted by 2008-2009, in order to migrate to a 3-tiered salary structure.

Educational Assistant Licensing Framework

Senate Bill 988 contains a temporary provision that requires the PED to promulgate rules to transition from the current licensure system to the new system proposed in Senate Bill 988 by June 30, 2007 and the effective date of Senate Bill 988 is July 1, 2007.

PD/mt