

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

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

**SPONSOR** Morales **ORIGINAL DATE** \_\_\_\_\_  
**LAST UPDATED** 03/06/15 **HB** \_\_\_\_\_

**SHORT TITLE** Higher Ed Faculty Member Salary Parity **SB** 597

**ANALYST** Dunbar

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		*Indeterminate	*Indeterminate	*Indeterminate	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

\*Refer to Fiscal Implications

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

#### Responses Received From

Central New Mexico Community College (CNM)

Higher Education Department (HED)

University of New Mexico (UNM)

### SUMMARY

#### Synopsis of Bill

Senate Bill 597 establishes a compensation parity and evaluation system for all higher education faculty. This includes the creation of a distinct fund at each higher education institution for collection and distribution of parity compensation funding. In addition, SB 597 requires the development of measurable faculty duties and quantity/quality of work performed, and a timeline for evaluating. These items are then incorporated into the annual evaluation of the faculty member, which shall serve as the basis for compensation.

The bill requires institutions to create a Faculty Compensation Parity Fund beginning in Fiscal Year 2018.

### FISCAL IMPLICATIONS

SB 597 contains no appropriations but requires the creation of individual compensation parity funds at each higher education institution. In addition, SB 597 stipulates that a “sufficient amount” of I&G appropriations from an institution be transferred into the new fund in order to

carry out the provisions of achieving compensation parity.

The bill does not identify the term “sufficient” which could create some issues within the various institutions. Moreover, transferring general fund from the I & G appropriations lends itself to questions concerning unexpended balances.

SB 597 states that by July 1, 2017, faculty shall receive compensation based on “work quantity, quality, and duties and the job performance evaluation”, regardless of tenure status. This suggests that adjunct (part-time) faculty must be compensated at a rate on par with tenured faculty.

This legislation may impact institutional budgets since adjunct faculty are less costly than full time faculty (both in salary and other compensation, e.g., health insurance and other benefits).

Calculating the fiscal impact to institutions would require a comprehensive survey of faculty status (proportion of full and part time faculty) and salary rates.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

## **SIGNIFICANT ISSUES**

CNM currently evaluates all full time and veteran part time faculty based on the institutional belief that faculty evaluations are key to enhancing the quality of instruction, providing feedback to faculty and facilitating the improvement of performance. Both the College and faculty agree that there is a mutual interest in aligning the faculty evaluation process to the overall goals and mission of the College. The college and faculty have recently agreed to study the application of the part time faculty evaluation process in order to make recommendations that will make the system as effective as possible.

In regards to full-time to part-time parity, the College feels that parity currently exists at CNM. Although there is slight variance in full-time to part-time pay, this occurs because full-time faculty have significantly more required on campus duties. However, both full-time and part-time faculty are represented under distinct collective bargaining agreements which, like SB 597, recognizes the uniquely different duties and quantity of work performed by these faculty positions.

The UNM Health Sciences Center faculty include faculty whose positions are not comparable to other non-health science faculty. A point made by UNM is that faculty compensation parity would not be feasible within the state of NM at the School of Medicine, College of Pharmacy since they are unique in the state. Although there are a number of nursing programs, UNM HSC has many unique programs within the college and faculty salaries cross multiple programs, making them noncomparable to other state programs. The SOM has total compensation below the national 25<sup>th</sup>ile for all public schools in many cases, resulting in difficulty recruiting and retaining faculty.

SB 597 creates requirements that by July 1, 2016 each public postsecondary institution shall

develop job descriptions for each faculty member and conduct annual performance evaluations. As noted by HED, these functions are already specified within the faculty policies for the public postsecondary institutions. However the policies of evaluation and job description frequently vary for adjunct (part time) vs. tenured (full time) faculty.

It is unclear whether faculty salary parity only refers to parity within the institution, or if faculty salary parity should be extended to mean parity with faculty positions at similar or peer institutions.

### **PERFORMANCE IMPLICATIONS**

Each of the HSC colleges has faculty compensation plans that include performance-based pay.

### **ADMINISTRATIVE IMPLICATIONS**

Creation and maintenance of the new compensation parity fund will require additional administrative oversight by both the institutions and the New Mexico Higher Education Department.

Institutions may see an administrative impact, as they may be required to align their faculty policies and performance evaluation processes to be independent of faculty status (tenure).

### **TECHNICAL ISSUES**

UNM HSC compares faculty salaries to national organizations at similar Academic Health Centers.

### **OTHER SUBSTANTIVE ISSUES**

An observation made by HED is that universities and colleges hire adjunct faculty as a cost saving measure, as it frequently costs less to hire two or three part-time instructors than to hire a single full-time professor. Full-time professors usually have health insurance and other benefits, as well as higher salaries. Adjunct professors usually have no benefits, and are paid by the course at about one-third of the rate a tenured professor would receive. A professor with tenure can earn a salary of \$50,000-\$100,000 per year, depending on their discipline and the college at which they work. An adjunct professor typically receives between \$2,000 and \$5,000 per course.

A comment offered by HED is that overall, non-tenure-track faculty (adjunct faculty) now account for three-quarters of the instructional faculty at non-profit colleges and universities across the country. Several recent studies suggest that the rising numbers of non-tenure-track faculty in higher education are negatively affecting student success.

Source: Association of Governing Boards of Universities and Colleges  
<http://agb.org/trusteeship/2013/5/changing-academic-workforce>

Additional data on faculty pay and other characteristics:  
[http://nces.ed.gov/programs/coe/pdf/coe\\_cuf.pdf](http://nces.ed.gov/programs/coe/pdf/coe_cuf.pdf)

BD/aml