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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**53rd Legislature, 1st Session, 2017**

<b>Bill Number</b>	<u>SB329</u>	<b>Sponsor</b>	<u>Stewart</u>
<b>Tracking Number</b>	<u>.205025.2</u>	<b>Committee Referrals</b>	<u>SEC/SFC</u>
<b>Short Title</b>	<u>Increase Minimum Teachers' Salaries</u>		
<b>Analyst</b>	<u>Terrazas</u>	<b>Original Date</b>	<u>2/10/17</u>
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**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

**BILL SUMMARY**

Synopsis of Bill

Senate Bill 329 (SB329) proposes to increase the statutory minimum teacher salaries for level 1, level 2, and level 3-A teachers beginning with the 2017-2018 school year. SB329 increases the minimum salary of a level 1 teacher from \$30 thousand to \$34 thousand. Level 2 and level 3-A teacher minimum salaries would increase by \$2,000, to \$42 thousand and \$52 thousand, respectively.

**FISCAL IMPACT**

SB329 does not contain an appropriation. The General Appropriation Acts of 2014, 2015, and 2016 included \$22.1 million to increase minimum salaries consistent with the provisions of SB329. Because funding has already been included in the state equalization guarantee, the bill should have no fiscal impact on school districts and charter schools.

**SUBSTANTIVE ISSUES**

Over the past few years, some New Mexico school districts have had trouble filling vacancies before classes start. Despite an increase in state equalization funding, there are fewer teachers in New Mexico's public schools than there were before the recession. While teacher shortages are not unique to New Mexico, declining enrollment in teacher preparation programs has forced New Mexico school districts to compete with other states to both recruit new teachers and retain experienced teachers.

The table below shows the average salary for classroom teachers in New Mexico and surrounding states, along with information on health insurance, retirement contributions, and retirement payouts after 30 years of service.

State	Average Salary	Employer Health Contribution	Retirement Contribution		Retirement Benefit	Social Security
			Employee	Employer	Percent of Salary	
Arizona	\$45,477	(1)	11.4	11.4	69%	YES
Colorado	\$50,039	(1)	8.0	19.2	75%	NO
Nevada	\$56,943	(1)	14.5 or 0	14.5 or 28	68%	NO
New Mexico	\$47,163	60% of premium	10.7	13.9	71%	YES
Oklahoma	\$44,921	at least \$527/mo.	7.0	9.5	60%	YES
Texas	\$51,758	at least \$225/mo.	7.2	6.8	69%	NO
Utah	\$46,042	\$13,878/yr.	0	10.0	45%	YES

(1) Information not available.

Source: LESC Analysis

Although, at least nationally, the salaries of public school teachers appear to be keeping pace with inflation, teacher salaries still lag behind similarly educated people in other professions. With increasing focus on high-tech jobs, more students who might otherwise go into teaching could be attracted to the relatively high salaries of these fields.

For those who do decide to pursue a teaching career, average salaries in New Mexico are in the middle when compared with surrounding states. But health insurance benefits appear to be more equalized than in surrounding states, meaning employees with less expensive insurance may end up paying more in New Mexico than they would in surrounding states. This may be particularly important for young employees who are just entering the teaching profession and do not yet have a spouse or family. Teachers in this position may not consider what impact life changes may have on their total compensation and may be attracted by a higher base salary and cheaper “employee only” benefits.

Likewise, total retirement income appears to be higher in New Mexico than in surrounding states, but costs per employee are higher and only about half of these benefits are funded by employer contributions. Teachers looking to enter the profession may be more concerned about the immediate effect on take home pay and less concerned with the delayed benefits those contributions fund.

**OTHER SIGNIFICANT ISSUES**

According to data from PED, teacher counts reached a high of 21,336 during the 2007-2008 school year. By the 2014-2015 school year there were nearly 7,500 more students — but fewer teachers — in New Mexico’s classrooms. Anecdotal evidence suggests that one reason fewer students are pursuing teaching degrees is due to the perception that teacher pay is low and not keeping up with pay in other fields. Even after a student decides to pursue a career in teaching, he or she may be drawn across state lines if another school district offers a more generous salary or benefits package. According to the Learning Policy Institute, working conditions, such as increasing teacher accountability with little to no support, are critical to understanding and addressing teacher shortage problems. Poor working conditions paired with low teacher pay may drive away prospective teachers or become reasons for teachers to leave the profession.

In its analysis of SB329, the Educational Retirement Board (ERB) expects the proposed salary increases to have a minor positive impact on the actuarial status of the educational retirement

fund. The reason is because the retirement fund currently receives contributions significantly in excess of its normal cost. A retirement fund's "normal cost" is the percentage of salary needed to fund a member's benefits from date of hire until ultimate termination, death, disability, or retirement. As of June 30, 2016, ERB's actuary has determined the normal cost to be 13 percent. Per Section 22-11-21 NMSA 1978 of the Educational Retirement Act, for employees earning in excess of \$20 thousand, ERB receives combined employee and employer contributions totaling 24.6 percent. For employees earning \$20 thousand or less, ERB receives combined employee and employer contributions totaling 21.8 percent. The contributions received in excess of the normal cost are used to reduce the retirement fund's unfunded actuarial accrued liability.

### **CONSEQUENCE OF NOT ENACTING THE BILL**

Language currently included in the General Appropriation Act will have to be included annually and will be subject to veto.

### **RELATED BILLS**

Relates to HB134, School Personnel Minimum Salaries, which raises the minimum salaries of non-certified school personnel, full-time and contracted school bus drivers and cafeteria staff, and licensed educational assistants to \$15 per hour.

Relates to SB458, Salary Increases, which appropriates a total of \$96.2 million from the general fund to the Department of Finance and Administration, the Higher Education Department, public school state equalization guarantee, and public school transportation distribution for an average salary increase of 3 percent.

### **SOURCES OF INFORMATION**

- LESC Files
- ERB
- Public Education Department

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