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FISCAL IMPACT REPORT

SPONSOR Stewart **ORIGINAL DATE** 2/12/17
LAST UPDATED _____ **HB** _____

SHORT TITLE Increase Minimum Teachers' Salaries **SB** 329

ANALYST Liu/Eckberg

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB134, HJR5, SB30

Relates to State Equalization Guarantee appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Legislative Education Study Committee (LESC) Files

Responses Received From

Public Education Department (PED)

Education Retirement Board (ERB)

SUMMARY

Synopsis of Bill

Senate Bill 329 proposes establishing current minimum salaries in statute. Under the proposal, teachers would have the following minimum salary, based on licensure level:

- Level I = \$34,000
- Level II = \$42,000
- Level III = \$52,000

FISCAL IMPLICATIONS

The General Appropriation Acts of 2014, 2015, and 2016 included \$22.1 million to increase minimum salaries consistent with the provisions of the bill. Despite reductions to program cost from solvency measures in FY16 and FY17, the state equalization guarantee has remained relatively flat since minimum salary increases were introduced in FY15. As such, no significant or additional fiscal impacts are estimated for this bill.

SIGNIFICANT ISSUES

A 2015 PED analysis of starting teacher salaries in the region showed that New Mexico starting salaries were much lower, regionally. As a result, increases in level I teacher salaries were prioritized in FY15. A FY15 National Education Association regional state comparison of teacher salaries ranked New Mexico behind Nevada, Texas, and Colorado averages, but above Utah, Arizona and Oklahoma averages. All of these states were below the estimated national average teacher salary of \$58,064 in FY15.

Starting Teacher Salaries By District and State – 2015

District	State	Starting Teacher Salary
Midland	TX	\$48,000.00
Amarillo	TX	\$45,518.00
El Paso	TX	\$44,146.96
Phoenix	AZ	\$39,411.00
Salt Lake City	UT	\$39,171.00
Denver	CO	\$38,765.00
Durango	CO	\$36,600.00
Tucson	AZ	\$34,000.00
Flagstaff	AZ	\$34,000.00
STATE MINIMUM	NM	\$34,000.00
Alamosa	CO	\$33,265.00
Colorado Springs	CO	\$32,206.00
Pueblo	CO	\$32,068.00
STATE MINIMUM	OK	\$31,600.00
Grand County (Moab)	UT	\$27,888.00

Note: Texas, Colorado, Utah and Arizona do not have statewide minimum salaries, so example districts in those states were chosen for the analysis.

According to the Education Commission of the States, 17 states currently have statewide minimum salary schedules for teachers. Using data from the 2010 American Community Survey, the U.S. Census Bureau estimated expected earnings over time by bachelor’s degree field and occupation. According to the estimates, education majors with only a bachelor’s degree had the lowest lifetime earnings of any field – less than half of the top field (engineering) but also below those with degrees in business, social sciences, communication, and the liberal arts. Even within academic majors, teachers tend to have lower lifetime earnings than many other professions and those with education degrees that go into other fields earn more.

Statewide, average real teacher salaries have increased in the last four fiscal years. LESC notes, at the national level, public elementary and secondary school teachers have seen real wage increases since the 1970s, but average salaries remain below the 1990 average when adjusted for inflation. In New Mexico, average salaries in 2015 were below the inflation-adjusted average from 1970, but real salaries have grown since 2000.

AVERAGE NEW MEXICO TEACHER SALARY

Fiscal Year	Average Salary	YOY Dollar Change	YOY Percent Change
2005-2006	\$40,695	\$1,279	3.24%
2006-2007	\$42,789	\$2,094	5.15%
2007-2008	\$44,830	\$2,041	4.77%
2008-2009	\$46,605	\$1,775	3.96%
2009-2010	\$45,530	-\$1,075	-2.31%
2010-2011	\$45,218	-\$312	-0.69%
2011-2012	\$45,207	-\$11	-0.02%
2012-2013	\$45,077	-\$130	-0.29%
2013-2014	\$45,572	\$495	1.10%
2014-2015	\$46,913	\$1,341	2.94%
2015-2016	\$47,522	\$609	1.30%
2016-2017 ¹	\$47,638	\$116	0.24%

Source: PED

¹This is an estimated amount taken from the 2016-2017 operating budgets.

RELATIONSHIP

This bill relates to HB134, which raises the minimum salaries of non-certified school personnel; HJR5, which prohibits enforcement of new school mandates without sufficient funding; and SB30, which adjusts program units generated for at-risk students, teacher experience, and charter school size adjustment.

OTHER SUBSTANTIVE ISSUES

New Mexico introduced the three-tiered system in 2003 to increase the recruitment and retention of quality teachers to improve student achievement and a 2012 LFC staff evaluation of the three-tiered licensure system and effective teaching in New Mexico recognized quality teaching is the most influential school factor affecting academic success. LFC evaluations of the three-tiered system have confirmed the system is associated with decreases in teacher shortages, reductions in unqualified teachers, and improved teacher pay. However, student performance shows little improvement associated with increased taxpayer investments in teacher pay. Student performance within teacher licensure levels and between licensure levels suggests the local and state evaluation systems are not screening teachers for their effectiveness in the classroom. Furthermore, each licensure level has high and low performing teachers with differences in performance between licensure levels often explained by other factors including student demographics.

The difference in performance between teachers of each of the three levels is small. For example, 50 percent of students taught by level I teachers achieved a year’s worth of growth in math in 2012, compared to 52 percent of students of level III teachers. Furthermore, each licensure level has high and low performing teachers; in 2012, nearly 30 percent of the lowest performing reading and math teachers in the state had a level III license. These teachers can maintain their level, including those grandfathered into the system, for the rest of their careers because the local evaluation and state license renewal process lacks factors for student achievement.

Additionally, public school districts and charter schools spend millions on additional compensation and supplemental pay annually, but the impact on recruitment and retention is

unclear because these funds are not strategically used. A 2015 LFC staff evaluation of additional compensation found that school districts and charter schools spent over \$91 million in FY14 on additional compensation for employees, including teachers, across all funding sources. This additional compensation includes a wide range of stipend amounts for endorsements and extra duties. Public schools report using additional compensation for a variety of human resource strategies but, without clear goals, assessing effectiveness is difficult. Additionally, the evaluation found that while a major change in teacher compensation may help with recruitment and retention, a focused strategy to ensure pay is aligned with results is still necessary and any strategy for adjusting compensation likely needs to address the following:

- Improve the ability of the profession to attract top tier candidates;
- Ensure teacher preparations programs to effectively prepare new educators;
- Require local public schools to mentor and nurture new teachers;
- Ensure uniform access to market incentives for teachers in high need schools and positions;
- Allow reasonable salary growth based on professional competency and student achievement;
- Encourage professional development, including additional education, if directly tied to job performance;
- Use methods to improve professional practices that teachers support and understand; and
- Include reasonable accountability provisions to improve performance or exit non-performers.

In determining costs and liabilities, the ERB's actuary employs various assumptions about the future, including an assumption regarding the rate of inflation and salary increases called wage inflation. Thus, ERB already anticipates salary increases when preparing its actuarial valuations. ERB expects to capture the effects of this bill within this wage inflation assumption. Based upon the recommendation of its actuary, ERB revised its wage inflation assumption downward in 2015 from 4.25 percent to 3.75 percent following the conclusion of a six-year experience study period ending June 30, 2014. If future experience studies indicate that the wage inflation assumption is no longer valid, the retirement board would revise it again accordingly. 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.

SL/al