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

<b>Bill Number</b>	<u>HB310</u>	<b>Sponsor</b>	<u>Baldonado/Smith, J.E./Clahchischillige</u>
<b>Tracking Number</b>	<u>.210097.4</u>	<b>Committee Referrals</b>	<u>HEC/HAFC</u>
<b>Short Title</b>	<u>Increase Certain Teacher Salaries</u>		
<b>Analyst</b>	<u>Simon</u>	<b>Original Date</b>	<u>2/6/18</u>
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**BILL SUMMARY**

House Bill 310 (HB310) amends the School Personnel Act to increase the statutory minimum teacher salaries and provide for minimum teacher salaries of \$38 thousand for level 1 teachers, \$44 thousand for level 2 teachers, and \$54 thousand for level 3-A teachers and appropriates \$71.6 million to fund the increased minimum salaries, provide a 2.5 percent average salary increase for all teachers, provide a 2 percent average salary increase for other school personnel, and provide grants for school districts and charter schools to design and implement teacher recruitment initiatives.

**FISCAL IMPACT**

HB310 would raise minimum teacher salaries to \$38 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. The bill contains a \$21.2 million appropriation from the general fund to the state equalization guarantee distribution (SEG), the amount the Public Education Department (PED) estimates it would cost to fund the \$4,000 increases for level 1 teachers and \$2,000 increases for level 2 and level 3 minimum teacher salaries. This includes the amount PED estimates would be needed for the cost of additional benefits.

HB310 also includes \$31.3 million to raise teacher salaries by an average of 2.5 percent, \$14.1 million to increase other school personnel salaries by an average of 2 percent and a \$5 million appropriation to PED for distribution to school districts and charter schools that develop and implement teacher recruitment programs.

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 \$27.5 million. An additional \$286.6 thousand would be required to cover the cost of level 3 counselor salaries and benefits, totaling \$27.8 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 \$21.2 million, the amount appropriated in HB310. LESC staff estimate an additional \$4.9 million would be needed to cover the cost of benefits increases. For level 3 counselor salaries and benefits, \$272 thousand would be needed, for a total of \$26 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 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 \$4,000 for level 1 teachers and \$2,000 for level 2 and 3 teachers and level 3 counselors. For all teachers above the FY18 minimum salary but below the level set by HB310, 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.

The House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HAFC/HB2) includes \$17.6 million to increase teacher minimum salaries to \$36 thousand for level 1 teachers, \$44 thousand for level 2 teachers, and \$54 thousand for level 3 teachers. This differs from the amount in HB310 because the minimum salary for level 1 teachers is \$2,000 higher in HB310. HAFC/HB2 includes \$31.3 million to raise teacher salaries by an average of 2.5 percent and \$14.1 million to increase other school personnel salaries by an average of 2 percent, the same amounts that are provided in HB310. HAFC/HB2 includes an additional \$1.1 million not included in HB310 to increase transportation employee salaries by 2 percent.

**Fiscal Impact on other Educational Entities.** HB310 would require the New Mexico School for the Blind and the Visually Impaired (NMSBVI) and the New Mexico School for the Deaf to increase minimum teacher salaries. NMSBVI estimated a small fiscal impact of less than \$10 thousand. However, the majority of the school's revenues come from the land grant permanent fund and land maintenance fund, which are projected to be higher in FY19. Budget adjustment authority granted to the school allows the school to access this additional revenue. The fiscal impact on the New Mexico School for the Deaf is unknown, but it has similar budget adjustment authority.

Fiscal impact on the Children, Youth and Families Department (CYFD) is unknown, but likely to be minimal. CYFD indicated level 1 minimum teacher salaries were currently more about \$36,350 and level 3 teacher salaries are about \$400 below the minimums in HB310. According to CYFD's FY19 budget submission, CYFD employed 37 teachers in juvenile justice center, but it is unknown how many are at each level.

## **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.

From FY16 through FY18, the Legislature appropriated a total of \$3.8 million for programs designed to provide stipends for recruitment and retention of teachers in “hard-to-staff” areas. According to PED, the department focused on three areas: science, technology, engineering, and math (STEM) teachers; bilingual education teachers, and special education teachers. While initially the program provided both recruitment and retention stipends, PED indicates the program model was shifted from recruitment to retention in FY18. PED stated it received feedback from school districts and charter schools that retention was a priority. The appropriation in HB310 would need to be used for recruitment initiatives.

## **CONSEQUENCES OF NOT ENACTING THE BILL**

Minimum 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,

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

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 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 four 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.

**RELATED BILLS**

HB310 conflicts with SB119, Increase Teacher Minimum Salaries, which raises minimum salaries for level 1 teachers to \$36 thousand, level 2 teachers to \$44 thousand, and level 3 teachers to \$54thousand.

**SOURCES OF INFORMATION**

- LFC and LESC Files