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FISCAL IMPACT REPORT

SPONSOR Trujillo, L./ **ORIGINAL DATE** 2/9/19
Trujillo, CH. **LAST UPDATED** _____ **HB** 397
SHORT TITLE School Employee Minimum Salaries **SB** _____
ANALYST Liu/Lobaugh

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0 - \$457.1	\$5,950.0 - \$10,969.6		\$5,950.0 - \$11,426.7	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 31, HB 46, SB 437

SOURCES OF INFORMATION

LFC Files

Legislative Education Study Committee (LESC) Files

Responses Received From

New Mexico Attorney General (NMAG)
 Public School Insurance Authority (PSIA)
 Educational Retirement Board (ERB)
 Regional Education Cooperatives (REC)

No Response Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 397 amends the School Personnel Act to establish a minimum wage rate of \$12 per hour for all school personnel.

FISCAL IMPLICATIONS

The bill does not contain an appropriation but would require all school districts to pay a minimum wage rate of \$12 per hour for all school personnel. Costs of complying with this provision would fall upon school districts and be a recurring cost each year.

The executive FY20 budget recommendation includes \$121.7 million to provide a 6 percent salary increase for all school personnel and \$6 million to raise the minimum wage for all school personnel to \$12 per hour. This estimate provides funding to bring the weighted average wage rate of preschool instructional assistants and custodial staff to \$12 per hour.

The LFC FY20 budget recommendation includes \$104.3 million to provide a 5.5 percent increase for teachers, 7.5 percent increase for teachers, and a 4 percent salary increase for all other school personnel. The LFC recommendation does not include funding to raise the minimum wage rate to \$12 per hour.

LESC estimates the cost to establish a minimum wage of \$12 per hour for school personnel could be \$11.4 million and identifies additional staff categories that show below-average salaries. LFC analysis of FY18 salary data in school districts suggests the cost of bringing all school personnel to the minimum wage of \$12 per hour could be up to \$11 million. The LFC estimate assumes school personnel designated as either business office, custodial, human resources, security, information technology, data coordinator, or maintenance staff work on an 8-hour, 260-day (2,080 hour) contract and all other staff work on a 7-hour, 184-day (1,288 hour) contract. This estimate assumes the 2 percent adjustment for salary increases in FY19 was applied to all school personnel evenly and staffing patterns remained the same.

If the FY20 LFC recommendation for a 4 percent salary increase is applied to all other school personnel evenly, the estimated additional operating budget impact would fall to \$8.6 million. Approximately 4,001 school personnel were identified in the LFC analysis as potentially working under a minimum wage rate of \$12 per hour in school districts. If the bill was amended to apply to charter schools (see Technical Issues section), then an estimated \$11.2 million would be needed to increase the wages for 4,075 employees.

Legislation that does not have an appropriation, an effective date, or an emergency clause goes into effect 90 days after the Legislature that enacted the legislation adjourns. The bill does not have an appropriation, an effective date, or an emergency clause and, if enacted, would go into effect on June 14, 2019, which is before the start of FY20 on July 1, 2019. Consequently, the bill might apply to minimum wage rates for school personnel in the last two weeks of FY19.

SIGNIFICANT ISSUES

The School Personnel Act currently defines a minimum wage rate of \$6 per hour for all noncertified (i.e. unlicensed) school personnel. This bill would increase the minimum wage to \$12 per hour and expand this provision for all school personnel. The state minimum wage rate is \$7.50 per hour and the federal minimum wage is \$7.25 per hour.

According to the National Conference of State Legislatures, 30 states and the District of Columbia began 2019 with a minimum wage higher than New Mexico's \$7.50 per hour. New Mexico's minimum wage is significantly lower than some nearby states. In Colorado, the minimum wage for 2019 is \$11.10 per hour and will increase to \$12 per hour on January 1, 2020. In Arizona, the minimum wage is \$11 per hour and will increase to \$12 per hour on January 1, 2020. Washington and Massachusetts are the only states that currently have a minimum wage of \$12 per hour, and the District of Columbia has a minimum wage of \$13.25 per hour

ADMINISTRATIVE IMPLICATIONS

The bill would require school districts and charter schools to revise their salary schedules and adjust any contracts and minimum wage rates that did not meet the minimum wage rate. School districts, charter schools, PED, LFC, and LESC would need to assess whether public school operating budgets could absorb the additional estimated operational costs through existing operational funds and cash balances.

ERB notes that any increase in the minimum wage for school personnel would be subject to the appropriate increase in contributions and increase in final average salary for benefit calculation purposes.

RELATIONSHIP

This bill relates to House Bill 31, which would increase the state’s minimum wage rate to \$12 per hour by 2022 with future increase indexed to inflation; House Bill 46, which would increase the minimum wage to \$15 per hour by 2020 with future increases indexed to inflation; and Senate Bill 437, which gradually increases the state minimum wage to \$10 per hour (secondary school students would have separate minimum wage of \$8.50 per hour).

TECHNICAL ISSUES

The bill amends language in the School Personnel Act to say that “a school district shall pay a minimum wage rate of at least twelve dollars (\$12.00) per hour to all school personnel”. However, this language might not apply to school personnel working in charter schools.

NMAG notes the bill does not clearly delineate if ‘school personnel’ encompasses only school employees or includes independent contractors employed by school districts.

SL/CSL/sb