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FISCAL IMPACT REPORT

SPONSOR Stewart/Sariñana ORIGINAL DATE 1/24/22
LAST UPDATED _____ HB _____
SHORT TITLE Increasing Salary for Licensed Teachers SB 1
ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$166,683.3	\$166,683.3	\$333,366.6	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB45, HB60, SB132
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
Albuquerque Public Schools (APS)
Regional Education Cooperatives (REC)
New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

Senate Bill 1 increases the statutory minimum salary levels for teachers and principals as follows:

- Level 1 teacher: \$40 thousand to \$50 thousand,
- Level 2 teacher: \$50 thousand to \$60 thousand, and
- Level 3-A teacher and 3-B principal: \$60 thousand to \$70 thousand.

The effective date of this bill is July 1, 2022.

FISCAL IMPLICATIONS

The bill does not contain an appropriation; however, the estimated cost of raising the minimum salary levels of teachers and principals as proposed would be \$166.7 million based on FY22

operational data submitted by districts and charters. This estimate is solely the cost of raising base teacher and principal salaries up to the new statutory minimums proposed in the bill, absent any other compensation adjustments.

The FY23 executive budget recommendation includes \$200.5 million to the state equalization guarantee (SEG) distribution to cover the cost of the provisions of this bill. The FY23 LFC budget recommendation includes \$111.1 million to raise the minimum salary levels to \$48.5 thousand, \$57.5 thousand, and \$67.5 thousand for level 1, 2, 3-A, and 3-B licensees, respectively.

The estimated fiscal impact of this bill is highly dependent on the dataset used to calculate existing base salaries. Differences between teacher and principal FTE information in the PED’s STARS database and operational budget documents (Worksheets 4 and 5) can result in different projected salary increases each year. The following chart illustrates the differences between STARS and Worksheets 4 and 5 data:

Licensure Level (Responsibility Factor)	STARS FY22 FTE	STARS Average Salary	Worksheets 4/5 FY22 FTE	Worksheets 4/5 Average Salary
Level 1 Teachers	2,717	\$42,910	4,051	\$44,377
Level 2 Teachers	7,998	\$53,353	8,357	\$55,728
Level 3-A Teachers	10,136	\$65,987	7,464	\$67,490
Level 3-B Principals	1,296	\$84,453	1,126	\$85,133
SB1 Estimated Costs	\$200,467,200		\$166,683,300	

Increases to the minimum salary levels in the three-tiered licensure system will also increase the cost of implementing K-5 Plus and Extended Learning Time (ELT) programs, as teachers receive additional compensation beyond the base salary level for the extra instructional time.

Providing a significant increase in educator salaries will likely have a positive impact on the funded status of educator retirement funds over the long-term. Once pay is increased, the pension benefit promised to individuals will increase significantly, thus increasing the unfunded liability. However, over time the increased contributions from higher salaries will be invested, and the assumed return on those investments will begin to reduce the unfunded liability, gradually providing a net gain to the fund. Based on prior analysis, a one-time increase of pay of 15 percent could improve the funding period by around 4.5 years, reducing the ERB funding period from the current 61 years to 56.5 years.

SIGNIFICANT ISSUES

In 2003, the Legislature established the three-tiered licensure system, creating a career advancement system for teachers with a starting salary of \$30 thousand. Since then, the state has raised minimum salary levels five times, starting most recently in 2015:

	FY03	FY15	FY16	FY17	FY19	FY20	SB1
Level 1	\$30,000	\$32,000	\$34,000	\$34,000	\$36,000	\$41,000	\$50,000
Level 2	\$40,000	\$40,000	\$40,000	\$42,000	\$44,000	\$50,000	\$60,000
Level 3-A	\$50,000	\$50,000	\$50,000	\$52,000	\$54,000	\$60,000	\$70,000
Level 3-B	\$50,000	\$50,000	\$50,000	\$50,000	\$54,000	\$60,000	\$70,000

APS notes large increases to the minimum salary level for each tier will have the effect of flattening salaries across nearly all licensees within each tier. In almost all cases, the new minimum will also be the maximum salary in each tier, regardless of years of experience for each licensee.

APS provides a salary schedule to non-teacher school site staff based on the three-tier licensure system. This includes nurses, librarians, counselors, social workers, interpreters, Speech/Language Pathologists, Physical Therapists, Occupational Therapists, Audiologists, Orientation/Mobility Specialists, Educational Diagnosticians, Transition Specialists, and School Psychologists. The district notes funding for minimum salary level raises should also consider impacts to the aforementioned direct support professionals.

RECs indicate the salary increase will help the state recruit and retain teachers. Additionally, RECs employ about 40 level 2 and level 3-A teachers on staff across the state. REC estimates additional operating costs for these teachers could be up to \$534 thousand per year.

On February 14, 2019, the 1st Judicial District Court issued a final judgment and order on the consolidated *Martinez v. New Mexico* and *Yazzie v. New Mexico* education sufficiency lawsuits, and found that New Mexico's public education system failed to provide a constitutionally sufficient education for at-risk students, particularly English language learners, Native American students, and special education students. The court's findings suggested overall public school funding levels, financing methods, and PED oversight were deficient. As such, the court enjoined the state to provide sufficient resources, including instructional materials, properly trained staff, and curricular offerings, necessary for providing the opportunity for a sufficient education for all at-risk students.

PERFORMANCE IMPLICATIONS

Provisions of this bill may improve teacher recruitment and retention rates. According to the National Center for Education Statistics, the number of teachers in New Mexico grew to 21.8 thousand FTE in FY20, an increase of 711 FTE, or 3.4 percent, from the prior year. Preliminary estimates suggest many teachers may have left in FY21 due to challenges brought forth by the Covid-19 pandemic. Educator retirements in July 2021 increased by 40 percent and included 1,079 public school employees.

PED notes raising minimum salary levels will increase regional competitiveness for starting and average educator pay. For FY22, average starting teacher pay in New Mexico was \$41.2 thousand, about \$3,368 lower than the highest-paying neighboring state of Texas. Average New Mexico teacher pay was \$54.3 thousand, about \$3,450 lower than Colorado, which had the highest average teacher salaries. After New Mexico raised teacher minimum salaries in FY20, statewide teacher vacancies dropped from 740 positions to 644 positions and the number of candidates admitted into educator preparation programs grew from 1,094 students to 1,287 students.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would require PED to track teacher and principal salaries to ensure schools meet new statutory minimum salary level requirements. The bill would have minimal or no administrative impact, as the department already uses Worksheets 4 and 5 to track and oversee salary increases as required by statute.

RELATIONSHIP

This bill relates to House Bill 45, which generates National Board certification units for all licensed school personnel; House Bill 60, which requires Native American language certified teachers to be paid a level 2 teacher salary; and Senate Bill 132, which raises the minimum salary for educational assistants to \$20 thousand.

This bill is also related to an appropriation in the General Appropriation Act for the state equalization guarantee (SEG) distribution to raise minimum teacher and principal salary levels.

OTHER SUBSTANTIVE ISSUES

A 2021 LFC, LESC, and PED review of the public school funding formula teacher cost index (TCI) found the new algorithm aligned funding to schools based on the three teacher licensure levels more effectively than the previous instructional training and experience (T&E) index. However, the impact of TCI allocations diminished for smaller districts and charter schools, which rely more heavily on size adjustment units for additional funding.

Section 22-10A-11.4. NMSA 1978 sets the minimum salary for a level 3-B school principal or assistant principal at the same minimum salary for a level 3-A teacher, multiplied by the applicable responsibility factor. Section 22-10A-2 NMSA 1978 defines the responsibility factor as such:

Level 3-B Position	Responsibility Factor	Current Minimum Salary	SB1 Proposed Minimum Salary
Elementary School Assistant Principal	1.10	\$66,000	\$77,000
Elementary School Principal	1.20	\$72,000	\$84,000
Middle School Assistant Principal	1.15	\$69,000	\$80,500
Middle School Principal	1.40	\$84,000	\$98,000
High School Assistant Principal	1.25	\$75,000	\$87,500
High School Principal	1.60	\$96,000	\$112,000

ALTERNATIVES

To minimize compaction caused by across-the-board salary increases and raising the minimum salary levels, the Legislature could consider increasing minimum salary levels in proportion to any across-the-board salary increase.

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