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FISCAL IMPACT REPORT

SPONSOR Trujillo/Roybal Caballero/Gurrola/Chavez LAST UPDATED 3/3/23
ORIGINAL DATE 3/2/23
BILL
SHORT TITLE Minimum Post-Secondary Compensation NUMBER House Bill 417
ANALYST Jorgensen

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$30,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From

Eastern New Mexico University
Higher Education Department
New Mexico State University
University of New Mexico

SUMMARY

Synopsis of House Bill 417

House Bill 417 defines full-time and part-time faculty and sets minimum salaries for full-time faculty as follows:

- \$26 thousand for a single fall, spring, or summer contract
- \$52 thousand for a nine-month contract
- \$78 thousand for a 12-month, or three-term contract.

HB417 prorates the salaries of part-time faculty based on the single term and nine-month rates for full-time faculty.

HB417 appropriates \$30 million from the general fund to the Higher Education Department (HED) to be distributed to public postsecondary institutions to pay costs associated with enactment of this legislation.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The appropriation of \$30 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall revert to the general fund.

New Mexico State University estimates the cost to bring all current faculty to the minimum is \$7.1 million, University of New Mexico estimates a cost of \$7.3 million, and Eastern New Mexico University estimates a cost of \$2.5 million. These estimates are to bring faculty to the minimum, but do not address pay compression.

SIGNIFICANT ISSUES

Higher education institutions receive funding from a variety of funding sources other than the general fund. While institutional salaries are often supported by local tax, tuition, or grant revenue, HB417 appears to pay the entirety of the increase in faculty salaries from the general fund.

HB417 does not specifically address salary compression that often occurs when increasing minimum salaries. Salary compression occurs when the gap between employee earnings shrinks as the bottom of the salary range is increased and there are no corresponding raises for those over the minimum. This can result in new employees earning salaries equivalent with more senior employees or eliminating the wage premium paid to workers based on skill level. Salary compression can damage employee morale and lead to increased turnover. Addressing compression requires institutions to determine how to increase salaries for all employees in a way that is seen as fair and equitable. Addressing compression can significantly increase the cost of compensation because a larger group of employees are affected by minimum salary *and* anti-compression raises than would be affected by the imposition of a minimum salary only.

UNM reports:

As written, the legislation applies equally to all types of faculty (adjuncts, instructors, professors, lecturers, clinician educators and term teachers) without differentiation for specialization, type of work, market conditions, qualifications, or other employment factors. Minimum compensation with a one-time allocation would create salary compression and salary equity concerns given the lack of differentiation by type of faculty for which the minimum compensation rates apply. Salary compression and salary equity concerns would impact faculty across disciplines, titles and ranks.

OTHER SUBSTANTIVE ISSUES

HED notes:

Per statute, governing board of regents or trustees are appointed at all public postsecondary institutions to exercise ultimate authority in the management and control of the institution. Responsibilities of regents include establishing policies and procedures that govern and fulfill the means to support missions and objectives of each respective institution, including approval of curriculums and establishing compensation of employees.

Faculty are paid different rates based on their level of education, type of certificate or type of degree program, and on the classification level of the selected course(s) taught, known as tier levels. Thus, each position has specific levels of educational competencies and expertise requirements, which vary widely depending on whether the particular course is for a certificate or specific associate's, bachelor's, master's, or doctoral degree program.

There are varying degrees of job classifications for any faculty position, which include tenure track teaching (TT), nontenure teaching (NTT), and nontenure research (NTR) faculty.

Position rankings are most commonly referred to as Professor, Associate Professor, Assistant Professor, new Assistant Professor for TT; instructor and lecturers for some TT and NTT faculty; and Professor, Associate Professor, Assistant Professor, new Assistant Professor, Scientist, Postdoctoral Scholar for NTR faculty. Additionally adjunct professors fill a variety of course instruction positions.

Course assignments can range from a single credit hour for seminars, independent studies, and labs to regular program courses, which typically range from three to four credit hours. Some institutions consider workload, class size, student contact hours, and other factors to compute course pay in lieu of per-credit hour rates.

HB417 also does not take into account that some faculty positions may have union representation.

CJ/mg/hg/mg/rl/hg