

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Rep. Garratt/Sen. Stewart</u>	<b>LAST UPDATED</b> <u>2/3/25</u> <b>ORIGINAL DATE</b> <u>1/31/25</u>
<b>SHORT TITLE</b> <u>Increase Educational Salaries</u>	<b>BILL NUMBER</b> <u>House Bill 156</u>
<b>ANALYST</b> <u>Mabe</u>	

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 110, House Bill 157, House Bill 195, and House Bill 201  
 Companion to an appropriation in the LFC recommendation for the General Appropriation Act

### Sources of Information

LFC Files  
 Legislative Education Study Committee (LESC) Files  
 New Mexico State University (NMSU)

Agency Analysis Received From  
 Public School Insurance Authority (NMPSIA)  
 Educational Retirement Board (ERB)  
 Early Childhood Education and Care Department (ECECD)  
 Corrections Department (NMCD)  
 New Mexico School for the Blind and Visually Impaired (NMSBVI)  
 New Mexico School for the Deaf (NMSD)

Agency Analysis was Solicited but Not Received From  
 Public Education Department (PED)

## SUMMARY

### Synopsis of House Bill 156

House Bill 156 (HB156) increases the minimum salaries for teachers, school counselors and school administrators by \$5,000 each tier to the following:

- Level 1: \$50 thousand to \$55 thousand,
- Level 2: \$60 thousand to \$65 thousand, and
- Level 3: \$70 thousand to \$75 thousand.

The effective date of this bill is July 1, 2025.

## FISCAL IMPLICATIONS

This bill does not include an appropriation. However, the estimated cost of raising base teacher, counselor, and administrator salaries to the new statutory minimums proposed in this bill, including benefits at 27.8 percent, is \$13.6 million. The Legislative Education Study Committee (LESC), LFC, and executive recommendations for the General Appropriation Act all include appropriations to increase educator salaries that would partially offset the costs of HB156 for public schools.

The LFC budget recommendation includes funding for a 4 percent salary raise for all school personnel, which would reduce the cost of new minimums in this bill to \$4.4 million. Because the LFC recommendation includes an additional \$4.4 million appropriation for raising the minimums, there are no additional estimated fiscal impacts associated with this bill. The LESL budget recommendation includes a 3 percent raise for school personnel, which reduces the cost of raising salary minimums to \$7.4 million. The LESL recommendation also accounts for a \$7.4 million appropriation in their proposed budget, resulting in no additional impacts. The executive recommendation includes a 3 percent salary increase for school personnel but does not recommend increasing salary minimums contemplated by this bill.

Further, a 2025 LFC-LESL-Public Education Department (PED) joint teacher cost index report found many schools are already paying their teachers well above the current minimum requirement of \$50 thousand for level 1 teachers, \$60 thousand for level 2 teachers, and \$70 thousand for level 3 teachers. These districts and charters providing higher salary pay levels would be less affected by HB156.

Some state agency salaries are affected by increases to public school salaries. The Corrections Department notes, while their educators are not required to match public school salaries, the agency must raise their teacher salaries to remain competitive. This is also true for early childhood educators. The Early Childhood Education and Care Department (ECECD) notes school-employed prekindergarten teacher salaries are directly tied to public school salaries.

This analysis only counts teachers whose salaries are primarily paid out of state equalization guarantee (SEG) or operational funds. Teachers fully paid out of federal funds are not included in the analysis, which may pose an increased cost to districts and charters not receiving a commensurate increase in federal aid for these positions.

## SIGNIFICANT ISSUES

The Legislature established the three-tiered licensure system in 2003 with a starting salary of \$30 thousand for level 1, \$40 thousand for level 2, and \$50 thousand for level 3. Since FY15, the Legislature has incrementally increased minimum salary levels. According to National Education Association FY23 rankings, New Mexico salaries are now competitive with nearby states and the state's average teacher salary of \$63.6 thousand ranks at 22<sup>nd</sup> nationally. New Mexico's average starting pay of \$50.6 thousand places it at 8<sup>th</sup> in the nation as well. However, New Mexico ranks 29<sup>th</sup> in the nation for the top teacher salary, indicating the state is less competitive on salaries for

teachers with more experience and tenure. To date, the differences between each minimum salary level remain the same \$10 thousand amount as the original requirement established two decades ago. However, after adjusting for inflation, the expected differential value between level 2 and level 3 salaries would be closer to a \$17 thousand difference. In other words, a level 3 license in 2003 would be equivalent to nearly \$85 thousand in 2024.

A 2018 study by the Massachusetts Institute of Technology (MIT) showed average teacher salaries in 30 states were below a living wage. MIT noted New Mexico had the ninth largest teacher wage gap, with the average teacher salary being 16.3 percent below the statewide living wage. MIT's living wage calculator makes minimum costs assumptions for various family structures, including the living wage required for one full-time working adult to support a child without needing the aid of social welfare programs. Since 2018, the state has substantially increased teacher pay; however, cost of living has also grown. MIT's 2024 analysis shows the estimated statewide living wage in New Mexico for one full-time working adult supporting a child was \$72.4 thousand. According to LESC, the statewide average returning teacher salary was \$71.9 thousand in FY24, indicating the average teacher wage gap has narrowed but remains 0.7 percent below MIT's statewide living wage. Living wages also differ by county, creating unique challenges for each district to attract and retain teachers based on regional cost of living differences. For example, MIT's estimate for the living wage of one adult and one child in Santa Fe County was \$83.4 thousand, while Santa Fe Public Schools average FY24 returning teacher salary was reportedly \$68.2 thousand.

While New Mexico has substantially improved the recruitment of new teachers in recent years, the state continues to have special education teacher vacancies, high turnover rates, a lack of workforce diversity, a declining student population, and more training needs for teachers after they have entered the classroom. Neighboring states have also raised compensation levels for educators to remain competitive, and changes to working conditions following the pandemic will affect the attractiveness of the profession moving forward. LESC analysis notes teaching salaries still lag behind those in other professions, which makes it harder to attract enough skilled teachers. According to New Mexico State University, teacher vacancies remain high, with 737 vacant positions statewide in 2024. Continuing to increase minimum salaries may increase educator recruitment and retention.

Recent changes to teacher salary minimums have coincided with growing enrollments at educator preparation programs across the state. While the number of teacher candidates graduating from New Mexico educator preparation programs has grown in recent years, the total in-state cohort is still building to completion levels that were higher a decade ago. Notably more program completers, or 59 percent, are now graduating through alternative licensure tracks than the traditional preparation pathway at colleges of education, including an increasing number of candidates completing programs not affiliated with higher education institutions.

Research on the effects of alternative licensure teachers on student achievement remains mixed, although some studies suggest alternative licensure teachers leave classrooms at higher rates than traditional pathway teachers. In New Mexico, the results reflect this higher attrition, with only 36 percent of alternative level 1 teachers in FY21 remaining in the same school by FY23. About 44 percent of traditional level 1 teachers remained in the same school over the same period. Annually, about 3,000 teachers in New Mexico, or 14 percent, leave their school or district, creating many new vacant positions to be filled each year.

Changes to minimum teacher salary levels may affect participation levels in teacher residency programs, which require a minimum \$35 thousand stipend. A 2024 LESC evaluation found that most New Mexico teacher residents pursue a traditional path to licensure. The ability of those seeking alternative licensure to become the teacher of record with a starting salary of \$50 thousand plus benefits often deters them from completing a teacher residency.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill relates to House Bill 110, which enacts the interstate teacher mobility compact allowing teachers to get a license in compact member states; House Bill 157, which creates new licenses for education administrators; House Bill 195, which provides a three-tiered salary system for school nurses at the same rate as teachers; and House Bill 201, which raises the minimum wage for all school employees to \$30 thousand.

This bill is also a companion to a \$4.4 million appropriation in the LFC recommendation for the General Appropriation Act for the state equalization guarantee (SEG) distribution to raise minimum teacher and principal salary levels to the level included in HB156.

## **TECHNICAL ISSUES**

Provisions in Subsection H of Section 1, Subsection D of Section 2, and Subsection D of Section 3 still reference salary adjustments for teachers in extended learning time programs and K-5 plus programs, which no longer exist. Sponsors may want to consider updating language to reference K-12 Plus, which replaced the other two programs.

## **OTHER SUBSTANTIVE ISSUES**

ECECD reports, of all prekindergarten teachers, 634 are community-based teachers and 486 are school-based. LESC says school-based teachers were included in its estimated cost. Additionally, ECECD currently implements a pay parity program to align public and community-based teacher pay. To continue pay parity with the teacher wage increase proposed in this bill could cost up to an additional \$3.17 million.