

LFC Requester:	Sunny Liu, LFC
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**AGENCY BILL ANALYSIS
2018 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply: Date 01/26/18
Original Amendment _____ Bill No: SB119
Correction Substitute _____

Sponsor: Senator Mimi Stewart Agency Code: 924
Short INCREASE TEACHER Person Writing Matthew Montaña
Title: MINIMUM SALARIES Phone: _____ Email _____

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$16,622.7	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 119 (SB-119) proposes to increase the statutory minimum teacher salaries for Level 1, Level 2, and level 3-A teachers beginning with the 2018-19 school year. SB119 increases the minimum salary of a Level 1 teacher from \$34,000 to \$36,000; a Level 2 teacher from \$40,000 to \$44,000; and a Level 3-A teacher from \$50,000 to \$54,000.

FISCAL IMPLICATIONS

SB-119 includes an appropriation. Sixteen million six hundred twenty-two thousand seven hundred dollars (\$16,622,700) would be appropriated from the general fund to the state equalization guarantee distribution for expenditure in fiscal year 2019 to increase the minimum salaries for Level 1, Level 2 and Level 3-A teachers.

SIGNIFICANT ISSUES

Over the past few years, New Mexico, like most other states, has reported lower enrollment rates in educator preparation programs.

The table below shows the average salary for classroom teachers in New Mexico and surrounding states, along with information on health insurance, retirement contributions, and retirement payouts after 30 years of service.

State	Average Salary	Employer Health Contribution	Retirement Contribution Employee	Retirement Contribution Employer	Retirement Benefit Percent of Salary	Social Security
Arizona	\$49,885	(1)	11.4	11.4	69%	Yes
Colorado	\$49,844	(1)	8.0	19.2	75%	No
Nevada	\$55,957	(1)	14.5 or 0	14.5 or 28	68%	No
New Mexico	\$45,453	60% of premium	10.7	13.9	71%	Yes
Oklahoma	\$44,373	At least \$527/month	7.0	9.5	60%	Yes
Texas	\$48,819	At least \$225/month	7.2	6.8	69%	No
Utah	\$49,393	\$13,878/yr	0	10.0	45%	Yes

Average salaries in New Mexico are comparable to surrounding states. However, health

insurance benefits appear to be more equalized than in surrounding states, meaning employees with less expensive insurance may end up paying more in New Mexico than they would in surrounding states. This may be particularly important for young employees who are just entering the teaching profession and do not yet have a spouse or family. Teachers in this position may not consider what impact life changes may have on their total compensation and may be attracted by a higher base salary and cheaper “employee only” benefits.

Likewise, total retirement income appears to be higher in New Mexico than in surrounding states, but costs per employee are higher and only about half of these benefits are funded by employer contributions. Current trends in new teacher hires indicate that take home pay and diversified retirement plans are of more interest to these teachers.

The New Mexico Public Education Department (PED) values increases in teacher pay; however, the PED supports the Governor’s proposal which consists of a \$70 million increase for public school support – more than half of which would go toward paying all teachers more. The PED supports a 2 percent salary increase across the board, with other school personnel receiving a 1 percent increase. Exemplary teachers would be eligible for an additional \$5,000 bonus. Exemplary teachers in secondary math or science would be eligible for an additional \$10,000 bonus. Exemplary teachers in struggling schools would be eligible for an additional \$10,000 bonus. This rewards teachers who are providing exceptional quality education to New Mexico students. It also reinforces the need for quality teachers in our STEM classrooms and at our schools that are in the most need of top teaching talent. Research demonstrates that the number one factor in ensuring equitable education is teacher effectiveness. The Governor’s proposal to compensate teachers who are having the most success with our students reinforces New Mexico’s commitment to quality education. The proposal to compensate exemplary teachers in secondary science and math positions reinforces New Mexico’s commitment to STEM education. And the proposal to compensate teachers who are having the most success in struggling schools reinforces New Mexico’s commitment to equity in our education system.

According to the National Conference of State Legislatures, teacher effectiveness matters most:

During the past 20 years, research has confirmed that a teacher’s effectiveness is the single most important school-related factor associated with a student’s success. We now know that a student who has an effective teacher benefits significantly, and that a student who is taught by a series of ineffective teachers is unlikely to recover academically. While out-of-school factors continue to predominantly influence student achievement, of those factors within a school, the effectiveness of a teacher is the most significant.

The PED supports the across-the-board pay increase in the Governor’s proposal, and stresses the need to compensate our exemplary performing teachers at a rate that goes beyond an overall increase. New Mexico’s exemplary teachers grow their students on average between 22 to 25 months in a school year. These teachers are growing students academically at a rate that nearly doubles their peers. Therefore, these teachers should receive pay that reflects their achievements.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB-119 relates to Senate Bill 57, School Personnel Minimum Salaries, which raises the minimum salaries of non-certified school personnel, full-time and contracted school bus drivers and cafeteria staff, noncertified school personnel, and licensed educational assistants to \$16 per hour.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

In its analysis of SB-119, the Educational Retirement Board (ERB) expects the proposed salary increases to have a minor positive impact on the actuarial status of the educational retirement fund. The reason is because the retirement fund currently receives contributions significantly in excess of its normal cost. A retirement fund's "normal cost" is the percentage of salary needed to fund a member's benefits from date of hire until ultimate termination, death, disability, or retirement. As of June 30, 2016, ERB's actuary has determined the normal cost to be 13 percent. Per Section 22-11-21 NMSA 1978 of the Educational Retirement Act, for employees earning in excess of \$20 thousand, ERB receives combined employee and employer contributions totaling 24.6 percent. For employees earning \$20 thousand or less, ERB receives combined employee and employer contributions totaling 21.8 percent. The contributions received in excess of the normal cost are used to reduce the retirement fund's unfunded actuarial accrued liability.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS