

LFC Requester:	Jorgensen
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**AGENCY BILL ANALYSIS
2022 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:
Original **Amendment** _____
Correction _____ **Substitute** _____

Date January 24, 2021
Bill No: SB36

Sponsor: Sen. Stewart
Contributions to Educational
Short Title: Retirement Fund

Agency Name and Code Number: PED - 924
Person Writing John Sena
Phone 505-570-7816 **Email:** John.sena@state.nm.us

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
	See Fiscal Implications	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(\$41,446.9) - (\$84,095.8)	(\$20,723.4) - (\$23,210.3)	(\$62,170.3) - (\$107,306.0)	Recurring	General Fund

(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 36 (SB36) increases the employer contribution of retirement benefits for Education Retirement Board (ERB) members from 15.15 percent to 17.15 percent in FY23 and 18.15 percent in FY24. The employer share for ERB employees on an alternative retirement plan would also increase from 4.25 percent to 6.25 percent in FY23 and 7.25 percent in FY24.

FISCAL IMPLICATIONS

Based on budgeted FY22 salary data in OBMS, PED staff estimate a 2-percentage-point increase in ERB employer contributions in FY23 would cost \$41.4 million and a 1-percentage-point increase in FY24 would cost an additional \$20.7 million. The cumulative recurring impact to the general fund would be \$62.2 million.

The cost of SB36 in FY23 and FY24 will increase if PED, LFC, or LESC’s proposed salary increases are approved. The PED recommendation includes funding to increase statutory minimum salaries to \$50 thousand, \$60 thousand, and \$70 thousand at levels 1, 2, and 3-A respectively, and provide a 7 percent across-the-board increase for all educational personnel. If the Legislature adopts this recommendation, PED staff estimate the cost of SB36 would increase to \$84 million in FY23 and \$23 million in FY24. If the Legislature adopts another salary increase in FY24, the cost of ERB contributions for school districts will increase in kind.

The PED request for FY23 included \$21.3 million to fund an anticipated 1 percentage point increase to ERB contributions in current law. SB36 would increase the contribution rate by 2 percentage points, resulting in an additional funding need. The LFC budget recommendation for FY23 includes \$40.2 million to fund the provisions of SB36. PED staff estimate this amount is insufficient to fully cover the cost of the bill. The LESC budget recommendation includes \$42.7 million for ERB contribution increases, an amount sufficient to fund SB36 at current salary levels, but an amount that would fall short if proposed salary increases are approved.

SIGNIFICANT ISSUES

New Mexico, like many states across the country, is facing an educator workforce crisis; SB36 may serve to decrease vacancies by improving the benefit structure for New Mexico educators. New Mexico State University’s Southwest Outreach Academic Research (SOAR)

Evaluation and Policy Center in the fall of 2021 reported more than 1,000 teacher vacancies across the state. Nearly 300 of those vacancies were for special education teachers, while there were 279 elementary teacher vacancies, 197 high school teacher vacancies, and 179 middle school teacher vacancies. Across all grade levels, the demand was highest for math teachers, with 84 vacancies, followed by 77 science vacancies and 56 English language arts vacancies. The Covid-19 pandemic has exacerbated these vacancies; teacher and school leader testimony before interim legislative committees indicated even more vacancies now than when the SOAR report was published.

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

N/A

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

In 2021, the legislature passed and the Governor signed SB42, Increase Ed Retirement Contributions, which increased employer contributions to the Educational Retirement Fund to 16.15 percent in FY23. ERB staff estimated the 16.15 percent rate would allow ERB to pay the unfunded liability by the end of FY66.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A

AMENDMENTS

N/A