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FISCAL IMPACT REPORT

SPONSOR Ivey-Soto ORIGINAL DATE 2/01/18
 LAST UPDATED _____ HB _____

SHORT TITLE School District Personnel Minimum Salaries SB 57

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$60,976.6	\$60,976.6		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 2, SB 171, SJR 11

SOURCES OF INFORMATION

LFC Files
 Legislative Education Study Committee (LESC) Files

Responses Received From
 Educational Retirement Board (ERB)
 Regional Education Cooperatives Association (RECA)
 Public Education Department (PED)
 Public School Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

Senate Bill 57 amends the Public School Code by increasing the minimum wage rate to \$16 per hour for school district cafeteria staff and school bus drivers, whether under contract or employment, and all noncertified school personnel and licensed educational assistants. Beginning in FY21 and each subsequent fiscal year, the bill requires the minimum wage rate to be adjusted by the consumer price index (CPI) published by the United States Department of Labor. The effective date of the provisions of this act is July 1, 2019.

FISCAL IMPLICATIONS

According to PED, the total cost to school districts and charter schools of increasing the minimum wage rate to \$16 per hour for non-certified personnel and licensed education assistants would be approximately \$61 million annually, beginning in FY20. The bill does not include an

appropriation to cover the increase in pay for the employees mentioned, which may place additional burden on public schools to meet the salary expectation. LESC estimates the statewide impact would be \$62.6 million in FY20 and grow by 2.6 percent in FY21 and 2.4 percent in FY22 based on CPI projections from Global Insight.

Personnel Type	# of FTE	Total Current Cost	Current Hourly (7 hours a day, 183 days)	Current Hourly (8 hours a day, 260 days)	Total Cost Under SB57 (\$16.00/hour)	Increases to Contracts	Increase to Benefits at 30%	Total Cost Increase
Instructional Assistants								
Instructional Asst. Grades 1-12	1,025.0	\$17,913,598	\$13.64		\$21,008,400	\$3,094,802	\$928,441	\$4,023,243
Instructional Asst. Special Ed.	2,734.9	\$42,968,711	\$12.26		\$56,054,715	\$13,086,005	\$3,925,801	\$17,011,806
Instructional Asst. ECE	967.2	\$15,779,926	\$12.74		\$19,823,526	\$4,043,601	\$1,213,080	\$5,256,681
Instructional Asst. Preschool (excludes Special Ed.)	73.7	\$1,077,630	\$11.42		\$1,510,145	\$432,516	\$129,755	\$562,270
Non-certified Personnel								
Health Assistants	259.5	\$4,591,151	\$13.81		\$5,027,491	\$436,340	\$130,902	\$567,241
Secretarial/Clerical/ Technical Assistants	2,513.2	\$62,677,361	\$19.47		\$51,510,342			
School/Student Support & Duty Personnel	379.4	\$11,420,175	\$23.50		\$7,775,158			
Special Ed Assistant (Non-Instructional)	26.3	\$794,638	\$23.60		\$538,635			
Bus Drivers & Crosswalk Guards	252.3	\$7,311,631	\$22.62		\$5,170,731			
Data Processing	370	\$15,730,778		\$20.44	\$12,313,267			
Business Office Support	399.7	\$15,123,717		\$18.19	\$13,303,347			
Maintenance & Custodial	3,337.0	\$85,244,509		\$12.28	\$111,056,38	\$25,811,850	\$7,743,555	\$33,555,405
Food Service	42.5	\$981,995	\$18.03		\$871,080			
TOTAL COST INCREASE						\$46,905,112	\$14,071,534	\$60,976,646

Source: PED OBMS FY17 Actual Operational Expenditures by Job Class

This bill would impact numerous school district and charter school personnel. PED’s analysis uses associated job codes and makes some assumptions regarding contractual pay for standard 183 (nine month) or 260 day (12 month) contracts to determine a statewide average hourly rate. The increased cost was calculated for staff that would see an increase in their hourly rate to \$16 per hour. These wage increases would also be subject to an associated increase in benefits costs which was also added to the total. The table also assumes that hourly rates for job codes that are above the new proposed minimum wage remain flat because, ideally, the provisions of the bill would not negatively impact other job classifications. However, if implemented, the provisions in the bill do not ensure that school district and charter school personnel making above the minimum wage would not see a reduction to the hourly rate.

SIGNIFICANT ISSUES

ERB anticipates provisions of the bill would have a minor positive impact on the actuarial status of the educational retirement fund. 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, 2017, ERB has determined the normal cost to be 13.62 percent. ERB receives combined employee and employer contributions totaling 24.6 percent for employees with a salary in excess of \$20 thousand. For employees with a salary of \$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.

PED notes Section 22-10A-39 NMSA 1978 of the Public School Personnel Act calls for a \$6 hourly rate for noncertified school employees; however, it is probable that school districts and charters schools employing these staff members are following federal, state, county and municipal minimum wage laws. The federal, hourly minimum wage is \$7.25, the state of New Mexico's is \$7.50, the City of Santa Fe's is \$11.09 and the city of Albuquerque's is \$8.80 for employees who do not receive health care or child care benefits or both and \$7.95 for those who do. As a result, an increase to \$16 an hour would likely put pressure on districts to eliminate some educational assistants and many non-certified staff. RECA notes a mandated minimum wage and subsequent wage increases will force districts and charters to reduce staff and provide fewer services and supports without an appropriation.

ADMINISTRATIVE IMPLICATIONS

PED notes it is unlikely the full cost of the bill's provisions could be implemented as an appropriation to the state equalization guarantee. As a result, an increase in the minimum wage for these instructional assistants and non-certified personnel would cause revisions to operating budgets regarding staffing levels and may include job losses. Additional administrative costs would be incurred for tracking a separate minimum wage requirement at school districts and charter schools, and by PED to enforce a minimum wage that varies from other governmental jurisdictions.

RELATIONSHIP

The House Appropriations and Finance Committee substitute for House Bill 2 and House Bill 3 includes a provision increasing the base salaries for all school personnel by 2 percent. This bill relates to Senate Bill 171 and Senate Joint Resolution 11, which increase distributions from the permanent school fund to increase the instructional hours and days in the school year.

SL/sb/jle