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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**56th Legislature, 1st Session, 2023**

<b>Bill Number</b>	<u>SB521/SFCS/aSFC</u>	<b>Sponsor</b>	<u>SFC</u>
<b>Tracking Number</b>	<u>.225892.1</u>	<b>Committee Referrals</b>	<u>SFC</u>
<b>Short Title</b>	<u>Supplemental Salary Increase</u>		
<b>Analyst</b>	<u>Estupiñan/Hoxie</u>	<b>Original Date</b>	<u>3/9/2023</u>
		<b>Last Updated</b>	<u>3/17/2023</u>

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**BILL SUMMARY**

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to Senate Bill 521 (SB521/SFCS/aSFC) strips the \$47.5 million appropriation in the bill.

Synopsis of Original Bill

The Senate Finance Committee Substitute for Senate Bill 521 (SB521/SFCS) would increase the compensation of eligible public school, higher education, and state personnel by 1 percent. The supplemental increase would be provided to offset the impact of inflation and increases in insurance premiums. The bill also appropriates \$47.5 million for expenditure in FY24.

**FISCAL IMPACT**

The Senate Finance Committee amendment to the House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS/aSFC) contains \$139.157 million for an average 5 percent increase in public school personnel compensation. The Senate Finance Committee amendment to the House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS/aSFC) also contains \$27.831 million for a supplemental 1 percent increase in public school personnel compensation.

**SUBSTANTIVE ISSUES**

**Inflation.** The United States continues to experience significant increases in consumer prices, with the [Consumer Price Index for all Urban Consumers \(CPI-U\)](#) rising 0.5 percent in January 2023 on a seasonally adjusted basis, after increasing 0.1 percent in December 2022. In the previous 12 months, the all items index increased 6.4 percent before seasonal adjustment.

According to the [Bureau of Labor Statistics](#), the index for shelter was the largest contributor to the monthly all items increase, accounting for nearly half of the monthly all items increase, with the indexes for food, gasoline, and natural gas also contributing to the increase. The food index

increased 0.5 percent over the month with the food at home index rising 0.4 percent. The energy index increased 2 percent over the month as all major energy component indexes rose over the month. The index for all items less food and energy rose 0.4 percent in January. Categories which increased in January include the shelter, motor vehicle insurance, recreation, apparel, and household furnishings and operations indexes. The indexes for used cars and trucks, medical care, and airline fares decreased over the month.

While it is difficult to assess the quantitative impact of inflation in the context of New Mexico, the state is included in the Consumer Price Index, West Region, which specifically assesses inflation in the western region of the United States. According to the Bureau of Labor Statistics, prices in the West Region, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.9 percent in January, driven largely by higher prices for natural gas and shelter. In the previous 12 months, the CPI-U increased 6.3 percent, with food prices rising 9.7 percent, energy prices increasing 8.3 percent, and the index for all items less food and energy rising 5.6 percent over the year.

**Insurance Premiums.** HB2/HAFCS includes \$15.742 million for a 6 percent increase in employer insurance premiums for all public school employees enrolled in the New Mexico Public Schools Insurance Authority (NMPSIA). The 1 percent increase in public school personnel compensation is partially intended to alleviate the impact of the premium increase on personnel enrolled in NMPSIA, with the chart below providing an example of how the 1 percent compensation increase compares to the expected increase in insurance premiums.

**Projected NMPSIA Insurance Increase**  
(BlueCross Blue Shield High Option Monthly Premiums for a teacher earning \$60 thousand annually)

	FY23 Monthly Insurance Cost	6% Insurance Cost Increase	Annual Difference between FY23 and FY24	SB521 1% Increase
Employee on Single Plan	\$344.16	\$368.25	\$289.09	\$600.00
Employee on Two-Party Plan	\$654.52	\$700.34	\$549.80	
Employee on Family Plan	\$874.18	\$935.39	\$734.47	

Source: NMPSIA

**OTHER SIGNIFICANT ISSUES**

**Teacher Salary Increases.** Research from the Learning Policy Institute found teachers are more likely to enter the educator workforce when public school salaries are competitive. Teachers’ salaries affect the supply and distribution of teachers across districts as well as the quality and quantity of individuals enrolling in teacher preparation programs. Salaries also appear to influence teacher attrition, as they are more likely to transition out of the field when they are able to access other higher paying opportunities. Raising teacher pay also addresses the immediate teacher workforce crises and may stabilize the profession in the long term.

In recent years, the Legislature has made significant investments in teacher compensation, with the Legislature increasing minimum teacher salaries in the 2022 legislative session as well as providing for a 7 percent average increase in compensation for all public school personnel. These investments are important in meeting the requirement of *the Martinez-Yazzie* lawsuit, as the court found high-quality teachers are critical to student success and that paying teachers a reasonable salary is necessary to attract and retain high-quality teachers.

**RELATED BILLS**

Relates to HB25/HLVMCS, which would raise the minimum wage to \$15.50 per hour beginning January 1, 2025 and base its subsequent adjustments on increases in the consumer price index.

Relates to HB28, which would raise the minimum wage to \$12 per hour beginning July 1, 2023 and adjust the minimum wage on July 1 of each successive year based on the increase in the consumer price index.

**SOURCES OF INFORMATION**

- LESC Files

**DE/eh/cf/msb**