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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 188

SHORT TITLE: Paid Parental Leave for School Employees

SPONSOR: Stewart

LAST UPDATE: _____ **ORIGINAL DATE:** 2/9/2026 **ANALYST:** Garcia

APPROPRIATION* (dollars in thousands)

| FY26 | FY27 | Recurring or Nonrecurring | Fund Affected |
|------|-----------|---------------------------|---------------|
| | \$7,500.0 | Recurring | General Fund |

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| Agency/Program | FY26 | FY27 | FY28 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|---------------------------------------|------------------|---------------------------|---------------------------|----------------------------|---------------------------|---------------------|
| PED- Administrative costs | No fiscal impact | At least \$100.0 | At least \$100.0 | At least \$200.0 | Recurring | General Fund |
| PED- Leave Reimbursement Costs | No fiscal impact | At least \$9,100.0 | At least \$9,100.0 | At least \$18,200.0 | Recurring | General Fund |
| Total | No fiscal impact | At least \$9,200.0 | At least \$9,200.0 | At least \$18,400.0 | Recurring | General Fund |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to
House Memorial 7
House Bill 98
House Bill 2

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Early Childhood Care and Education Department
New Mexico Public School Insurance Authority
Education Retirement Board
Regional Educational Cooperatives
Children Youth and Families Department

Agency or Agencies That Were Asked for Analysis but did not Respond

Public Education Department
Albuquerque Public Schools

SUMMARY

Synopsis of Senate Bill 188

Senate Bill 188 (SB188) establishes the Paid Parental Leave for Qualified School Employees Act.

The bill would allow qualifying employees to receive up to 12 weeks of paid parental leave following the birth or adoption of a child or the foster care placement of a child in the custody of a qualified employee. A qualifying employee using parental leave shall be paid in full for their regular pay during the period of parental leave.

Qualifying Employees. Senate Bill 188 defines qualified employees as full-time employees of school districts or charter schools who have been employed for at least 52 consecutive weeks immediately preceding the commencement of parental leave.

Leave Benefits. Parental leave would count toward a qualified employee's years of service, but SB188 specifies parental leave would have no cash value, would not be paid out upon employment separation, and would not be included in the calculation of retirement benefits.

The bill would not require an employee to exhaust other forms of leave benefits before being eligible for paid parental leave and specifies qualifying employees shall maintain health insurance coverage while using paid parental leave.

Following parental leave, SB188 requires school districts and charter schools to restore the employee to the previous position held or place the employee in a position with the same or greater benefits.

Program Administration. SB188 requires PED to develop and administer a reimbursement process for employers that provide parental leave and requires PED to fully reimburse an employer (school district or charter school) for eligible costs associated with providing parental leave. PED shall determine eligible costs through rule, but the bill specifies these costs must include, at a minimum, the costs of substitute educators or other personnel needed to perform the duties of the employee on parental leave.

Employers (school districts and charter schools) must establish written guidelines for parental leave application and approval and complete annual reporting to PED about parental leave awarded.

SB188 would also require PED to complete annual reporting about paid parental leave.

The bill appropriates \$7.5 million from the general fund to PED to administer paid parental leave in FY27.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

Uptake. Prior LFC analysis for paid family medical leave bills have noted that the uptake rate, or the share of employees in any given year who access a paid family leave benefit, is difficult,

and varies by state and program. In Executive Order 2019-036, New Mexico’s governor established a 12-week paid parental leave program for state employees after employees complete one full year in the position. The Legislature passed a similar policy for legislative staff in 2022. In the executive order, the qualifying reasons for taking leave are following the birth or adoption of a child. LFC analysis for the uptake of state employee parental leave policies in 2022 suggests roughly 3.7 percent of employees used parental leave in that year. This FIR assumes an uptake rate of 3 percent. School districts and charter schools employ roughly 40 thousand FTE. At an uptake rate of 3 percent, an estimated 1,200 employees at school districts and charter schools are estimated to take parental leave annually.

Substitute Costs. SB188 allows school districts and charter schools to seek reimbursement from PED for eligible costs associated with providing parental leave. The bill specifies eligible costs at a minimum include the costs of substitute educators or other personnel needed to perform the duties of the employee on parental leave. Substitute educator pay rates vary among school districts and charter schools and may also vary by grade level and qualifications of the substitute teacher. Similarly, the hourly rate of substitute teachers varies of school district and charter schools, some of whom rely upon private companies for substitute teachers. Estimates for the hourly rate of a substitute teacher in New Mexico range between \$17.50 and \$39. This analysis assumes an hourly rate of \$28. Assuming an uptake rate of 3 percent and an hourly substitute teacher rate of \$28 for 12-weeks of leave, the substitute teacher cost is estimated to be \$7.3 million.

The bill would also allow school districts to seek reimbursement for substitute costs for other school district and charter school personnel. This analysis assumes school districts may hire additional staff to employees, such as instructional assistants, cafeteria staff, maintenance and custodial staff, and security and patrol FTE. Reimbursing personnel costs associated with covering the work duties of these personnel could cost an estimated \$1.8 million annually.

| | Estimated FTE | Assumed FTE Taking Leave | Estimated Substitute Cost |
|---|-----------------|--------------------------|---------------------------|
| Teachers | 20,740.3 | 622.21 | \$7,317,160 |
| Instructional Assistants/ SPED Assistants | 5,064.7 | 151.94 | \$837,401 |
| Bus Drivers | 95.6 | 2.87 | \$21,671 |
| Duty Personnel | 257.4 | 7.72 | \$59,956 |
| Custodial and Maintenance Staff | 3,264.46 | 97.93 | \$784,351 |
| Crosswalk/Security Guards | 333.2 | 10.00 | \$79,768 |
| Total | 29,755.6 | 892.7 | \$9,100,306 |

Costs for personnel replacement could be even greater if school districts and charter schools reimburse replacement personnel costs for other school district and charter school staff, such as administrative staff, specialists, and other personnel. In addition, any increases to compensation and hourly wages would increase estimated reimbursement costs. In addition, PED could allow the reimbursement of other costs associated with paid parental leave that would increase this cost estimate.

Administration: The administration of paid family medical leave would likely result in costs associated with claims and reimbursement processing at the public education department, school districts, and charter schools. A U.S. Department of Labor report published in 2021 reported states that implemented paid family medical leave programs experience administrative costs ranging between \$155 and \$256 per processed claims, and a 2023 brief published by National Partnership for Women analyzed administrative costs in the District of Columbia, Washington State, Massachusetts, and Connecticut and reported operating costs to range between 4.6 percent

and 10.5 percent of premiums collected annually for paid family medical leave programs that operate like insurance programs. The program designed in SB188 does not operate as an insurance model. Instead, the program effectively makes FMLA paid and assumes school districts and charter schools will administer application and processing of leave. Processing FMLA is a function that school district and charter schools already complete, but these entities may experience additional workload administering the program outlined in SB188. In addition, the PED may experience additional administrative costs associated with processing the reimbursement of costs submitted by school districts and charter schools. This analysis assumes additional administrative costs of at least \$100 thousand annually.

The New Mexico Public School Insurance Authority reports the agency may experience an influx of customer service and administrative burdens but notes minimal fiscal impact because health care coverage costs remain the responsibility of school districts and charter schools.

The Education Retirement Board reports no fiscal impact to the agency.

The Children, Youth and Families Department, which employs teachers in juvenile justice facilities, reports no fiscal impact as a result of the bill because these employees are already eligible for paid family medical leave. The agency interprets the bill to only apply to employees of public schools and charter schools, not state institutions.

The appropriation of \$7.5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall not revert to the general fund. This appropriation is not included in the HAFC substitute for the General Appropriation Act. Although Senate Bill 188 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

SIGNIFICANT ISSUES

Parental Leave in School Districts and Charter Schools. Currently, no federal or state statutes require a school district or charter school to provide a certain amount of paid or unpaid leave to employees. Instead, school districts and charter schools establish through district policy or collective bargaining agreements provisions that govern employee leave.

The duration of various types of leave and the payment employees receive can vary by collective bargaining agreement, school district, and the number of contract days an employee works. For example, the collective bargaining agreement negotiated between Albuquerque Public Schools and the Albuquerque Teachers Federation provides paid parental leave for eligible employees to bond with their newborn, adopted child, or foster child. Parental leave of up to thirty workdays may be granted at a rate of 40 percent of gross pay. The 2025-2026 collective bargaining agreement between Central Consolidated School District and the Central Consolidated Education Association notes employees are entitled to FMLA, which is unpaid. Employees in Central Consolidated also accrue between 10 and 14 days of paid leave annually, depending on the length of the employee's contract.

Research about Paid Parental Leave.

Research suggests paid parental leave may have positive benefits to employees and employers.

Research published in the *American Economic Review* suggests short-duration paid leave in the months directly preceding and following a birth increases the labor force attachment of women who otherwise would have exited the labor force temporarily in the months around a birth. Analysis of the impact of paid leave laws in California and New Jersey concluded short leave is unlikely to alter the behavior of women who would otherwise exit the labor force for prolonged periods after a birth, but reducing a brief interruption following a birth may have long-term employment benefits for affected women.

Pre-K. New Mexico’s Prekindergarten (PreK) program for three and four-year-olds is administered in both school-based and community-based settings. ECECD analysis notes the bill, as written, would only provide for paid family medical leave to PreK educators employed by school-based providers, creating unequal compensation for PreK educators in community-based settings. ECECD analysis suggests the department has invested significant resources to ensure community-based PreK educators are compensated similarly to their school-based counterparts to support retention in community-based settings.

ECECD analysis further notes:

Providing paid family leave only to those PreK staff in public schools would undermine these investments and create new inequities between school-based and community-based providers. It may also result in educators leaving community-based PreK programs to teach at a public or charter schools in order to access this benefit. If an exodus of high-quality community-based educators to school-based programs occurs, the state’s mixed delivery system would be weakened.

ADMINISTRATIVE IMPLICATIONS

New Mexico Public School Insurance authority notes a potential administrative impact may result if employees miss the dependent enrollment deadline, which the agency indicates happens currently. The agency also notes administrative impacts related to modifying existing plan language and documents to ensure compliance with long-term disability benefits.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Memorial 7, which requests the Legislative Council Service study the costs associated with providing employee benefits to state employees who work long-term but are not benefits-eligible.

Relates to House Bill 98, which provides paid parental leave for state employees, codifying existing policy in statute.

Relates to the HAFC committee substitute for the General Appropriations Act, which provides for the equivalent of a 1 percent compensation increase for school personnel.

OTHER SUBSTANTIVE ISSUES

New Mexico Public School Insurance Authority analysis suggested, “SB 188 directs PED to develop eligibility requirements and promulgate rules to establish the eligibility by August 1, 2026. It may be beneficial for PED to collaborate with Workforce Solutions and State Personnel

Office in developing eligibility rules to ensure compliance within NM Human Rights law (1978 §28-1-1 et seq), constitutional parameters, and federal and state workplace fairness standards.”

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