

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 14a

52nd Legislature, 2nd Session, 2016

Tracking Number: .202393.1

Short Title: Teacher & Principal Minimum Salary Increases

Sponsor(s): Senator Mimi Stewart

Analyst: David Craig

Date: February 4, 2016

AS AMENDED

The Senate Education Committee amendments remove provisions related to a increasing minimum salaries over four years, increased minimum salaries for level one, level two, and level three-A teachers, and level three-B school administrators in the 2016-2017 school year, and strike appropriation language.

Amended Bill Summary:

SB 14a increases minimum salaries for level one, level two, and level three-A teachers, and level three-B school administrators in the 2016-2017 school year.

Amended Fiscal Impact:

As shown in the table below, the estimated cost of implementation in FY17 is \$7.6 million. For this fiscal impact analysis, Legislative Education Study Committee (LESC) used a methodology developed in concert with Legislative Finance Committee (LFC) staff that uses similar assumptions regarding the underlying data and the methodology of estimates. The cost estimate was also developed after consulting three of the largest school district and verifying their methodologies for implementation.

SB 14a Minimum Salary Increases, FY17 Cost Estimate

(with Level 1 to \$34,000, Level 2 to \$42,000 and Level 3 to \$52,000)

School Year	Level 1 Cost	Level 2 Cost	Level 3 Cost	Subtotal	Administrators	Benefits**	Total
2016-2017*	\$0	\$3,254,337	\$2,599,024	\$5,853,361	\$374,214	\$1,338,929	\$7,566,504

*The General Appropriations Act of 2014 included \$10 million to increase level one teacher salaries to \$32,000.

*The General Appropriation Act of 2015 included \$6.67 million to increase level one teacher salaries to \$34,000.

*** Includes an estimate of benefits of 21.5 percent of an employee's FTE.

Source: PED FY15 120th Day Data

Additionally, the cost estimate examined salaries paid from all funding sources. General Fund costs would be approximately 88 percent of these amounts, making the General Fund cost of implementation \$6.6 million in FY17.

The cost estimate assumes:

- school districts and charter schools are adhering to existing minimum salary requirements;
- salary increases are proportionate to each employee's full-time equivalent (FTE) amount;
- constant staffing levels from the 2014-2015 school year; and
- no other salary increases during the time frame.

These cost estimates should be viewed as conservatively high as they do not consider the following factors:

- any additional salary increases that would occur in the normal course of a teacher's career, such as those related to length of service or performance;
- any future salary increases the Legislature may appropriate;
- amounts in the SEG appropriated in FY15 to increase minimum salaries, namely, although language requiring the increased minimum for level two and level three teachers and administrators was vetoed, funding was not and remains in the base appropriation; or
- tier migration as teachers advance from one licensure level to the next during the phase-in.

At a Glance:

- Higher minimum salaries would help New Mexico remain competitive with neighboring states for beginning teacher salary; for instance, multiple Texas school districts offer \$50,000 to beginning teachers.
- SB 14a may help recruit and retain teachers statewide, and offset cost-of-living increases experienced by school personnel since the last time salaries were increased.
- Compensation increases are not targeted to employees who demonstrate improved student learning.

Detailed Amended Bill Provisions:

Effective July 1, 2016, SB 14a amends the *School Personnel Act* to phase in, over a period of four years, increases in the statutory minimum salaries of teachers and principals as follows:

- for level one teachers, from \$30,000 for a standard nine and one-half month contract to \$34,000 for the 2016-2017 school year;
- for level two teachers, from \$40,000 for a standard nine and one-half month contract to \$42,000 for the 2016-2017 school year;
- for level three-A teachers, from \$50,000 for a standard nine and one-half month contract to \$52,000 for the 2016-2017 school year;

For school principals, administrators, and assistant school principals¹ on a standard one-year contract, SB 14a requires the same minimum salary provided for level three-A teachers beginning with the 2016-2017 school year, multiplied, as current law provides, by the applicable responsibility factor.

¹ Level three-B personnel

Original Bill Summary:

SB 14 increases minimum salaries for level one, level two, and level three-A teachers, and level three-B school administrators over four years; and appropriates \$16.0 million from the General Fund to the state equalization guarantee distribution for expenditure in FY17 for teacher and principal salary increases.

Original Bill Fiscal Impact:

The bill appropriates \$16.0 million from the General Fund to the state equalization guarantee (SEG) for the first-year phase-in of the teacher and principal salary increase for FY17. Unexpended or unencumbered balances remaining at the end of FY17 revert to the General Fund.

As shown in the table below, the cost of the first year of implementation is \$24.6 million and the total five-year cost is estimated to be \$155.7 million. For this fiscal impact analysis, Legislative Education Study Committee (LESC) and Legislative Finance Committee (LFC) staff worked to reconcile assumptions regarding the underlying data and the methodology of estimates. The cost estimate reflected in the table below reflects the work of both staffs to ensure an accurate cost estimate.

SB 14 Minimum Salary Increases, Total Four Year Cost Estimate

(with Level 1 to \$34,000, Level 2 to \$44,000 and Level 3 to \$54,000 in FY17)

School Year	Level 1 Cost	Level 2 Cost	Level 3 Cost	Subtotal	Administrators	Benefits**	School Year Total
2016-2017*	\$0	\$10,421,487	\$8,520,718	\$18,942,205	\$1,337,129	\$4,360,057	\$24,639,390
2017-2018	\$6,314,741	\$10,386,635	\$11,084,448	\$27,785,823	\$1,393,348	\$6,273,522	\$35,452,693
2018-2019	\$7,494,117	\$14,076,868	\$13,107,471	\$34,678,456	\$1,839,616	\$7,851,385	\$44,369,457
2019-2020	\$8,017,130	\$18,313,894	\$13,653,039	\$39,984,062	\$2,221,066	\$9,074,102	\$51,279,230
Grand Total	\$21,825,987	\$53,198,884	\$46,365,675	\$121,390,546	\$6,791,158	\$27,559,066	\$155,740,770

*The General Appropriation Act of 2015 included \$6.67 million to increase Level 1 teacher salaries to \$34,000.

** Includes an estimate of benefits of 21.5 percent.

The cost estimate assumes:

- school districts and charter schools are adhering to existing minimum salary requirements;
- salary increases are proportionate to each employee’s full-time equivalent (FTE) amount;
- constant staffing levels from the 2015-2016 school year;
- additional benefits costing 21.5 percent of salary; and
- no other salary increases during the time frame.

Additionally, the cost estimate examined salaries paid from all funding sources. General Fund costs would be approximately 88 percent of these amounts, making the General Fund cost of the first year of implementation \$21.7 million and the total five-year General Fund cost estimate \$137 million.

These cost estimates should be viewed as conservatively high as they do not consider the following factors:

- any additional salary increases that would occur in the normal course of a teacher's career, such as those related to length of service or performance;
- any future salary increases the Legislature may appropriate;
- amounts in the SEG appropriated in FY15 to increase minimum salaries, namely, although language requiring the increased minimum for level two and level three teachers and administrators was vetoed, funding was not and remains in the base appropriation; or
- tier migration as teachers advance from one licensure level to the next during the phase-in.

The Public Education Department (PED) estimates the total cost of the bill to be \$93.5 million. However, PED's analysis does not include costs by fiscal year, and it is unclear if the estimate includes associated benefits cost.

Substantive Issues:

Information from the *2016 LESC Public School Data Reference Guide*, outlines average budgeted salaries by teacher licensure level, districts, and charter schools, for the 2015-2016 school year. The statewide average salaries, by teacher licensure level, are summarized on page 54, line 156, as:

- \$34,660 for internship teachers;
- \$35,002 for level one teachers;
- \$45,607 for level two teachers; and
- \$54,585 for level three teachers.

Background:

During the 2015 interim, the LESC convened a LESC-LFC Ad Hoc Work Group to discuss education-related issues relevant to both committees, including teacher and school employee compensation. Concerns were raised that New Mexico's entry level salary of \$34,000 is not competitive with neighboring states (multiple Texas school districts are offering \$50,000 to beginning teachers) and educator salaries have not kept pace with inflation. Additionally, some policymakers expressed a desire to target compensation increases to employees who are meeting competencies and demonstrate improved student learning.

Related Bills:

SB 152 *Minimum Salary for Certain School Personnel*

HB 18 *County Employee Salary Structure*

HB 89 *Public Employee Salary Increases*