

- Level 3-A teacher: from \$50 thousand to \$54 thousand.

FISCAL IMPLICATIONS

The appropriation of \$16.6 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY19 shall revert to the general fund. The House Appropriations and Finance Committee (HAFC) substitute for House Bill et al. as amended by SFC includes \$17.6 million in the state equalization guarantee (SEG) appropriation and companion language to raise the minimum teacher salary level consistent with provisions of this bill.

In 2003, the Legislature introduced a three-tiered licensure system and minimum salary levels for each licensure tier. Since enactment in 2003, these minimum salary levels have not changed in statute. The General Appropriation Act (GAA) of 2014 included language raising minimum salary levels by \$2 thousand for each tier, effectively increasing minimums for level one teachers to \$32 thousand, level two teachers to \$42 thousand, and level three-A teachers to \$52 thousand. However, the language raising minimums for level two and level three-A teachers was vetoed, resulting in only an increase to the level one teacher salary minimum of \$32 thousand in the GAA of 2014. The GAA of 2015 included language raising only the level one teacher salary minimum again, from \$32 thousand to \$34 thousand. The GAA of 2016 included language maintaining the level one teacher salary minimum of \$34 thousand but also raising the level two teacher salary minimum from \$40 thousand to \$42 thousand and level three-A teacher salary minimum from \$50 thousand to \$52 thousand. The GAA of 2017 maintained the minimums set forth in the GAA of 2016. As a result, current minimums are legislative set at:

- Level 1 teacher: \$34 thousand;
- Level 2 teacher: \$42 thousand; and
- Level 3-A teacher: \$52 thousand.

Provisions of this bill would effectively raise teacher salary minimums by \$2 thousand for each licensure tier. Estimated additional operating budget impacts for school districts and charter schools will vary depending on current teacher salaries, licensure levels, teacher experience, teacher education levels, student membership counts, unit value, local salary adjustment policies, and the SEG appropriation. Because the appropriation is distributed through the SEG, funding will be allocated through a formula that is primarily driven by student membership and not completely aligned with the costs of teachers based on licensure level. As the SEG appropriation is increased, operating budget impacts of raising teacher minimum salaries is reduced, and vice-versa. The HAFC substitute for House Bill 2 et al. as amended by SFC increases base SEG appropriations by \$35 million from FY18 operating levels.

The FY18 teacher-level data from PED shows anomalous information, so an estimate on the actual fiscal impact of raising teacher minimum salaries is speculative at best. Filtering the dataset for FY18 teacher salaries by positions equal to or greater than 1.0 FTE, positions with non-zero salaries, and positions with a certified license type (excluding temporary, substitute, and non-certified licenses) reveals the following:

License Level	Average Salary	Median Salary	Lowest Salary	Highest Salary
1	\$35,402	\$34,378	\$9,531	\$340,000
2	\$45,455	\$44,916	\$10,000	\$103,810
3	\$53,739	\$53,544	\$6,080	\$5,377,300

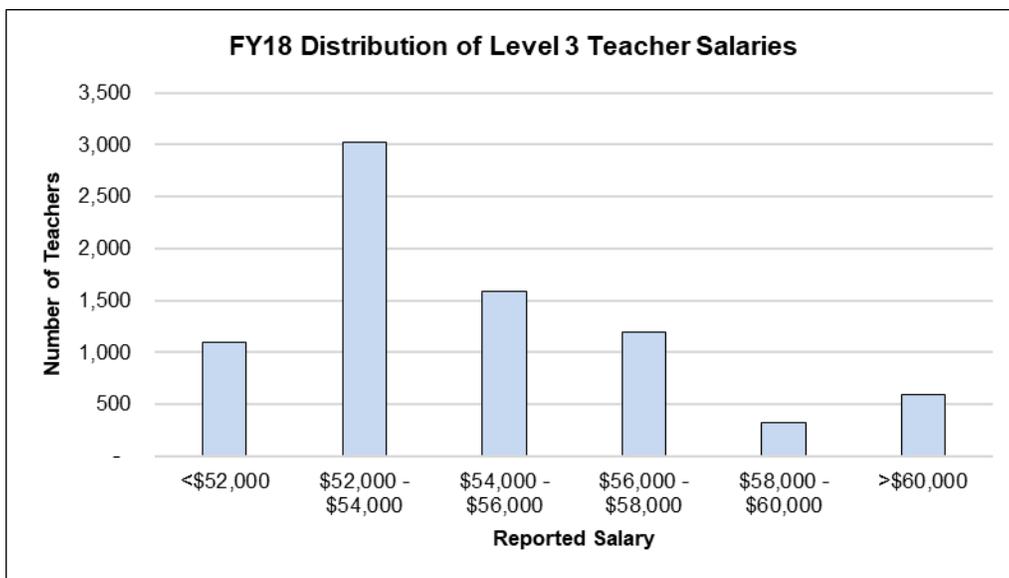
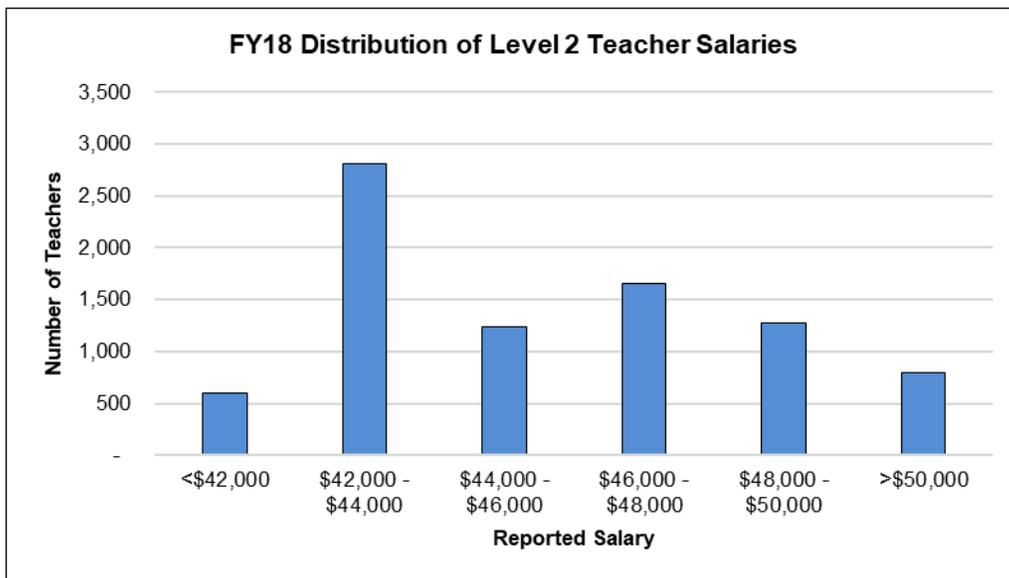
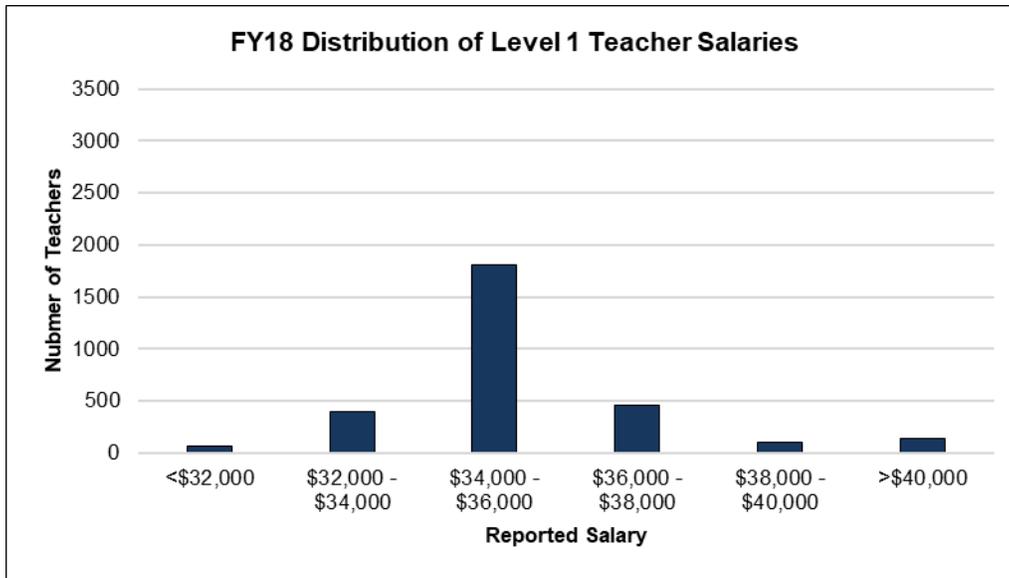
License Level	Minimum Salary Level (GAA 2017)	Total Count	Total Meeting Minimum Salary Level	Total Below Minimum Salary Level
1	\$34,000	3,019	2,971	48
2	\$42,000	8,429	7,965	464
3	\$52,000	7,747	6,599	1,148
TOTAL		19,195	17,535	1,660

License Level	Minimum Salary Level (HB 310)	Total Count	Total Meeting Minimum Salary Level	Total Below Minimum Salary Level
1	\$38,000	3,019	230	2,789
2	\$44,000	8,429	4,870	3,559
3	\$54,000	7,747	3,498	4,249
TOTAL		19,195	8,598	10,597

It is highly unlikely a full-time licensed teacher at any level would make less than \$10 thousand or more than \$340 thousand, suggesting the dataset includes extreme outliers. With the aforementioned filters, the PED dataset shows approximately 1,660 licensees with salaries below the current minimum salary levels set according to provisions in the GAA of 2017.

The HAFC substitute for House Bill 2 et al. as amended by SFC includes language raising the minimum teacher salary level for level one, two, and three-A licensees to \$36 thousand, \$44 thousand, and \$54 thousand, respectively. The cost assumption for this minimum salary level raise within the SEG figure is \$17.6 million. This estimate is based on a PED FY16 teacher salary dataset, filtered for all licensed teaching positions equal to or greater than 1.0 FTE with non-zero salaries. Each salary was normalized to 1.0 FTE and compared with the proposed minimum salary level. The actual salary cost difference between reported salaries and proposed minimums was calculated if the difference was less than or equal to \$2 thousand. PED requires school districts and charter schools to adjust budgets during the budget development process if minimum salary requirements are not met. Thus, all other cost differences were assumed to be \$2 thousand, regardless of reported differences.

The following charts show the distribution of teacher salaries by each licensure level. Please note the data includes teachers with reported salaries of zero.



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.

SIGNIFICANT ISSUES

According to PED, over the past few years, New Mexico, like most other states, has reported lower enrollment rates in educator preparation programs. The table below shows the average salary for classroom teachers in New Mexico and surrounding states, along with information on health insurance, retirement contributions, and retirement payouts after 30 years of service.

State	Average Salary	Employer Health Contribution	Retirement Contribution Employee	Retirement Contribution Employer	Retirement Benefit Percent of Salary	Social Security
Arizona	\$49,885	(1)	11.4	11.4	69%	Yes
Colorado	\$49,844	(1)	8.0	19.2	75%	No
Nevada	\$55,957	(1)	14.5 or 0	14.5 or 28	68%	No
New Mexico	\$45,453	60% of premium	10.7	13.9	71%	Yes
Oklahoma	\$44,373	At least \$527/month	7.0	9.5	60%	Yes
Texas	\$48,819	At least \$225/month	7.2	6.8	69%	No
Utah	\$49,393	\$13,878/yr	0	10.0	45%	Yes

PED reports average salaries in New Mexico are comparable to surrounding states. However, health insurance benefits appear to be more equalized than in surrounding states, meaning employees with less expensive insurance may end up paying more in New Mexico than they would in surrounding states. This may be particularly important for young employees who are just entering the teaching profession and do not yet have a spouse or family. Teachers in this position may not consider what impact life changes may have on their total compensation and may be attracted by a higher base salary and cheaper “employee only” benefits.

Likewise, total retirement income appears to be higher in New Mexico than in surrounding states, but costs per employee are higher and only about half of these benefits are funded by employer contributions. Current trends in new teacher hires indicate that take home pay and diversified retirement plans are of more interest to these teachers.

PED values increases in teacher pay; however, the department supports the governor’s proposal which consists of a \$70 million increase for public school support. This proposal includes a 2 percent salary increase across the board for teachers and instructional staff, with other school personnel receiving a 1 percent increase. Exemplary teachers would be eligible for an additional \$5,000 bonus. Exemplary teachers in secondary math or science would be eligible for an additional \$10 thousand bonus. Exemplary teachers in struggling schools would be eligible for an additional \$10 thousand bonus.

According to the National Conference of State Legislatures, teacher effectiveness matters most:

During the past 20 years, research has confirmed that a teacher’s effectiveness is the single most important school-related factor associated with a student’s success. We now know that a student who has an effective teacher benefits significantly, and that a student who is taught by a series of ineffective teachers is unlikely to recover academically. While out-of-school factors continue to predominantly influence student achievement, of those factors within a school, the effectiveness of a teacher is the most significant.

PED supports the across-the-board pay increase in the Governor’s proposal, and stresses the need to compensate our exemplary performing teachers at a rate that goes beyond an overall increase. New Mexico’s exemplary teachers grow their students on average between 22 to 25 months in a school year. These teachers are growing students academically at a rate that nearly doubles their peers.

According to a 2016 Education Commission of the States report, 17 states had statewide minimum salary schedules for teachers. Using data from the 2010 American Community Survey, the U.S. Census Bureau estimated expected earnings over time by bachelor’s degree field and occupation. According to the estimates, education majors with only a bachelor’s degree had the lowest lifetime earnings of any field – less than half of the top field (engineering) but also below those with degrees in business, social sciences, communication, and the liberal arts. Even within academic majors, teachers tend to have lower lifetime earnings than many other professions and those with education degrees that go into other fields earn more.

AVERAGE NEW MEXICO TEACHER SALARY

Fiscal Year	Average Salary	YOY Dollar Change	YOY Percent Change
2005-2006	\$40,695	\$1,279	3.24%
2006-2007	\$42,789	\$2,094	5.15%
2007-2008	\$44,830	\$2,041	4.77%
2008-2009	\$46,605	\$1,775	3.96%
2009-2010	\$45,530	-\$1,075	-2.31%
2010-2011	\$45,218	-\$312	-0.69%
2011-2012	\$45,207	-\$11	-0.02%
2012-2013	\$45,077	-\$130	-0.29%
2013-2014	\$45,572	\$495	1.10%
2014-2015	\$46,913	\$1,341	2.94%
2015-2016	\$47,522	\$609	1.30%
2016-2017 ¹	\$47,638	\$116	0.24%

Source: PED

¹This is an estimated amount taken from the 2016-2017 operating budgets.

In 2016, LESC noted average salaries of public school teachers appeared to be keeping pace with inflation at the national level; however, teacher salaries still lagged behind similarly educated people in other professions. The U.S. Census Bureau reports median earnings for education professionals with bachelor’s degrees are lower than in many other fields, including construction and maintenance, business and financial services, and sales. Additionally, education majors with only a bachelor’s degree have the lowest lifetime earnings of any field. Even within academic majors, teachers tend to have lower lifetime earnings than many other professions and education majors that switch to other fields earn more.

According to LESC, health insurance benefits appear to be more equalized in New Mexico. As a result, younger, single employees or employees with less expensive insurance may end up paying more for these benefits in New Mexico, making other states with higher base salaries and cheaper benefits more attractive. Likewise, total retirement income and costs appear to be higher in New Mexico, which impacts discretionary income. LESC notes, “teachers looking to enter the profession may be more concerned about the immediate effect on take home pay and less concerned with the delayed benefits those contributions fund.”

The National Education Association’s 2017 *Rankings of States and Estimates of School Statistics* report shows average U.S. teacher salaries were about \$59 thousand, a 1 percent or \$597 increase from 2016. Historical data from the National Center for Education Statistics show New Mexico teacher salaries ranked in the middle of surrounding states, behind Colorado, Texas, and Nevada but ahead of Arizona, Oklahoma, and Utah in FY16. New Mexico was able to pull ahead of Arizona and Oklahoma in recent years due to the adoption of statutory minimum salary levels and language in the GAA of 2014, 2015, and 2016, which increased these minimums.

CYFD uses its own distinctive salary matrix. Due to the specialized population and unique needs of CYFD students, CYFD teachers are contracted for an additional 30 days and an additional hour each day compared to teachers in other local education agencies. Currently, the minimum salary of CYFD Level I and Level II teachers are slightly higher than the proposed minimum levels (CYFD will still be paying approximately \$350 over the bill’s minimum). However, the CYFD Level III minimum salary now be approximately \$400 below the bill’s minimum, which may compromise the department’s ability to hire quality candidates without an adjustment in the CYFD salary matrix. Any increase in CYFD teacher salaries will come from state general fund.

ADMINISTRATIVE IMPLICATIONS

School districts and charter schools will need to raise minimum salary levels for full-time teachers below the minimums provided in this bill. PED will need to verify that minimums are being met during the budget review process.

CONFLICT, RELATIONSHIP

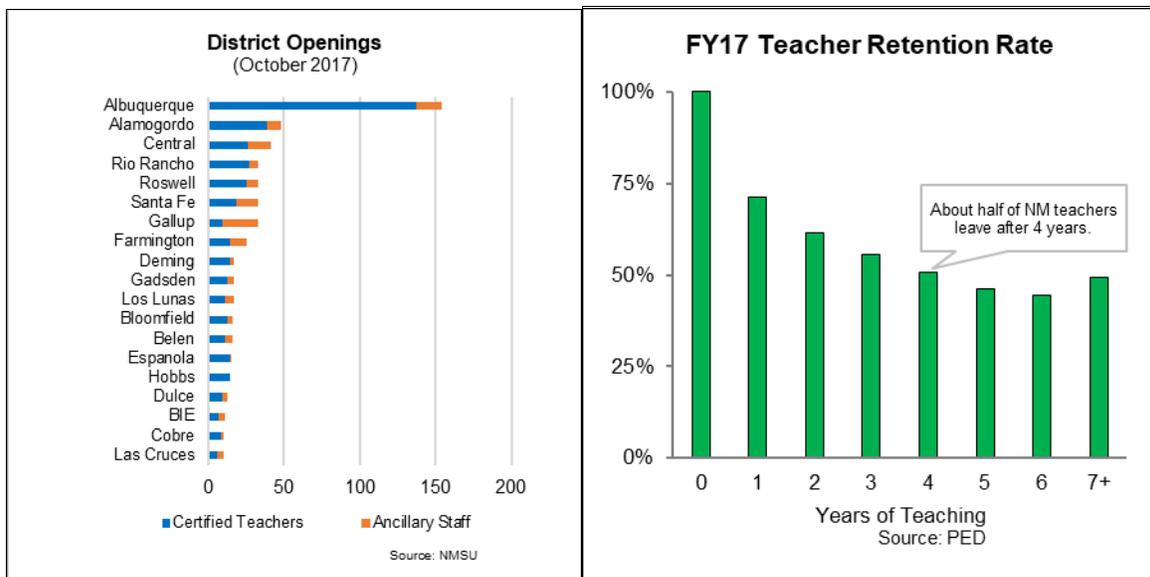
This bill conflicts with House Bill 310, which proposes minimum teacher salary level increases, across-the-board raises, and an appropriation for teacher recruitment. This bill is aligned to the SEG appropriation in the GAA. This bill relates to House Bill 105 and House Bill 106, which both establish teacher incentive pay provision; House Bill 177 and Senate Bill 116, which both create a level four teacher license level; House Bill 188 and Senate Bill 157, which both change the teacher cost index in the funding formula; Senate Bill 36, which makes an appropriation to SEG; and Senate Bill 57, which raises the minimum wage for noncertified school personnel.

OTHER SUBSTANTIVE ISSUES

According to the Learning Policy Institute (LPI), teachers in the United States are less likely than teachers in top-performing countries to have mentors, adequate preparation, involvement with curriculum and assessment planning, and competitive compensation with other professions. U.S. teacher attrition rates are high, and enrollment in teacher preparation programs has declined in recent years. Attrition rates can have a significant impact on school district finances. According to LPI, nationally, urban school districts can spend up to \$20 thousand to replace an existing

teacher. While it is unknown how much New Mexico school districts have to spend on recruitment, professional development, and other expenses to attract new teachers to the state, school districts—particularly districts close to bordering states—indicate recruitment is very competitive and costly. In contrast, LPI rated New Mexico favorably for teacher wage competitiveness and low pupil-to-teacher ratios but poorly for inexperienced and uncertified teachers and testing-related job insecurity.

According to a 2017 PED testimony before LESC, of the nearly 17 thousand licenses issued to starting teachers since FY11, nearly 7 thousand, or 39.5 percent were no longer teaching in New Mexico classrooms by FY17. Nearly 29 percent of new teachers in FY16 did not continue in FY17. Rapid turnover increases the number of teacher vacancies school districts and charter schools need to fill. According to research from LPI, if schools could increase retention rates, reported teacher shortages could be eliminated or even turned to surpluses. In October 2017, there were 476 teacher vacancies in New Mexico school districts, with most vacancies in the central part of the state. Special education teachers accounted for 46 percent of all vacancies. According to New Mexico State University’s College of Education, more than 1,300 classrooms are staffed by teachers with alternative licensure or by long-term substitute teachers, likely caused by a 27 percent decrease in the number of teacher education program completions between FY10 and FY15.



New Mexico introduced the three-tiered system in 2003 to increase the recruitment and retention of quality teachers to improve student achievement and a 2012 LFC staff evaluation of the three-tiered licensure system and effective teaching in New Mexico recognized quality teaching is the most influential school factor affecting academic success. LFC evaluations of the three-tiered system have confirmed the system is associated with decreases in teacher shortages, reductions in unqualified teachers, and improved teacher pay. However, student performance shows little improvement associated with increased taxpayer investments in teacher pay. Student performance within teacher licensure levels and between licensure levels suggests the local and state evaluation systems are not screening teachers for their effectiveness in the classroom. Furthermore, each licensure level has high and low performing teachers with differences in performance between licensure levels often explained by other factors including student demographics.

The difference in performance between teachers of each of the three levels is small. For example, 50 percent of students taught by level one teachers achieved a year's worth of growth in math in 2012, compared to 52 percent of students of level three-A teachers. Furthermore, each licensure level has high and low performing teachers; in 2012, nearly 30 percent of the lowest performing reading and math teachers in the state had a level three-A license. These teachers can maintain their level, including those grandfathered into the system, for the rest of their careers because the local evaluation and state license renewal process lacks factors for student achievement.

Additionally, public school districts and charter schools spend millions on additional compensation and supplemental pay annually, but the impact on recruitment and retention is unclear because these funds are not strategically used. A 2015 LFC staff evaluation of additional compensation found that school districts and charter schools spent over \$91 million in FY14 on additional compensation for employees, including teachers, across all funding sources. This additional compensation includes a wide range of stipend amounts for endorsements and extra duties. Public schools report using additional compensation for a variety of human resource strategies but, without clear goals, assessing effectiveness is difficult. Additionally, the evaluation found that while a major change in teacher compensation may help with recruitment and retention, a focused strategy to ensure pay is aligned with results is still necessary and any strategy for adjusting compensation likely needs to address the following:

- Improve the ability of the profession to attract top tier candidates;
- Teacher preparations programs to effectively prepare new educators;
- Require local public schools to mentor and nurture new teachers;
- Ensure uniform access to market incentives for teachers in high need schools and positions;
- Allow reasonable salary growth based on professional competency and student achievement;
- Encourage professional development, including additional education, if directly tied to job performance; Use methods to improve professional practices that teachers support and understand; and
- Include reasonable accountability provisions to improve performance or exit non-performers.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The minimum salary for level one, level two and level three-A teachers in statute will remain unchanged at \$30 thousand, \$40 thousand, and \$50 thousand, respectively.

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