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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/19
 LAST UPDATED 2/25/19 HB 171/aHEC

SPONSOR Stapleton

SHORT TITLE Raising Minimum Teacher Salaries SB _____

ANALYST Liu

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
\$214,000.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Minimum Salaries		(\$579.5)	\$213,420.5	\$212,841.0	Recurring	General Fund
Extended Year		\$42,105.7 - \$47,700.0	\$42,105.7 - \$47,700.0	\$84,211.4 - \$95,400.0	Recurring	General Fund
Total		\$41,526.2 - \$47,120.5	\$255,526.2 - \$261,120.5	\$297,052.4 - \$308,241.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with SB 1, SB 47, HB 5
 Relates to SB 554, SJR 18, HB 397, HB 446
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regional Education Cooperatives (REC)
 Educational Retirement Board (ERB)
 Public Schools Insurance Authority (PSIA)
 Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 171 strikes requirements for level 1 teachers to obtain endorsements for teaching English to speakers of other languages (TESOL), changes guidelines for home visits and parent-teacher conferences from 3 hours to 3 days, and reduces the \$400 million appropriation to \$214 million.

Synopsis of Original Bill

House Bill 171 amends the Public School Code to extend the school year by 10 non-instructional days for educator professional development, in-service training, teacher planning and preparation, mentoring and collaboration, home visitation, teacher-parent conferences, and other non-instructional events. The bill excludes lunchtime, recess, weather-related delays, in-service training, teacher planning and preparation, professional development, or other non-instructional events from the calculation of instructional hours or days. The bill amends the professional development framework to include professional learning communities, home visitation, and parent-teacher conferences within the guidelines.

The bill also requires all current level 1 teachers to obtain TESOL endorsements before FY24 or before obtaining level 2 licensure. All new level 1 teachers hired in FY20 and FY21 must have a TESOL endorsement within two calendar years, and any new level 1 teacher after FY21 must have a TESOL endorsement to apply for licensure. **The HEC amendment removes these requirements.**

The bill further establishes new teacher minimum salary levels, increasing level 1 teacher minimums from \$36 thousand to \$45 thousand, level 2 teacher minimums from \$44 thousand to \$55 thousand, and level 3-A teacher minimums from \$54 thousand to \$65 thousand, and extends the standard teacher contract from 9.5 months to 10 months.

FISCAL IMPLICATIONS

The appropriation of \$400 million contained in this bill is a recurring expense to the general fund through the state equalization guarantee distribution. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund. **The HEC amendment changes this appropriation to \$214 million.**

The HAFC substitute for House Bills 2 and 3 includes \$3 billion for the state equalization guarantee distribution, a \$488.7 million, or 18.9 percent, increase from FY19 funding levels. This increase includes \$62.5 million for an extended learning time program component in the funding formula, \$77.8 million to raise all teacher salaries by 6 percent, and \$38.2 million to increase level 1, 2, and 3-A teacher salary minimums to \$41 thousand, \$50 thousand, and \$60 thousand, respectively.

The LFC's 2018 evaluation *Instructional Time and Extended Learning Opportunities in Public Schools* estimated the costs of extending the school year by 10 days would cost approximately \$102.1 million statewide. Most school districts and charter schools already provide additional non-instructional days above the minimum instructional time requirement in statute for professional development and other non-instructional purposes. The FY17 estimated cost for all school districts and charter schools to reach 10 non-instructional days was approximately \$39.7 million statewide. Assuming an annual 2 percent increase in costs and no change to non-instructional days, the estimate would reach approximately \$42.1 million in FY20.

PED notes in-service or professional development days do not have the same expenses as instructional days; however, any savings are likely offset by costs of materials related to professional development, mentorship training, curriculum, and expenses for other allowable uses in the bill like home visiting. PED estimates the costs to implement this provision to be about \$47.7 million.

The bill increases the minimum salary levels for level 1, level 2, and level 3-A teachers to \$45 thousand, \$55 thousand, and \$65 thousand, respectively. Costs to raise current teacher salaries below these new levels to a compliant level would be \$213.4 million. Approximately 22.5 thousand teachers, or 95 percent of the workforce, would be impacted by the new minimums provided in this bill.

Raising minimum salary levels will likely result in compaction of salaries, which may affect staff retention. School districts indicate increasing salary minimums will flatten salary schedules if additional raises for teachers already over the new minimums are not appropriated, given the historical practice of some school districts increasing all teacher salaries uniformly.

Providing a significant increase in educator salaries will likely have a positive impact on the funded status of ERB over the long-term. Once pay is increased, the pension benefit promised to individuals will increase significantly, thus increasing the unfunded liability. However, over time the increased contributions from higher salaries will be invested, and the assumed return on those investments will begin to reduce the unfunded liability, gradually providing a net gain to the fund. Based on prior analysis, a one-time increase of pay of 15 percent could improve the funding period by around 4.5 years, reducing the ERB funding period from the current 61 years to 56.5 years.

The bill requires all level 1 teachers to obtain TESOL endorsements by FY21. Multiple school districts typically provide a \$500 stipend for teachers with TESOL endorsements, and currently about 3,234 teachers have a level 1 license. PED notes about 25 percent of teachers statewide carry a TESOL endorsement. **The HEC amendment removes this requirement.**

SIGNIFICANT ISSUES

On July 20, 2018, the 1st Judicial District Court issued an initial decision and order on the consolidated *Yazzie v. New Mexico* and *Martinez v. New Mexico* education sufficiency lawsuits, which found New Mexico's public education system failed to provide a sufficient education for at-risk, English language learner (ELL), Native American, and special education students. On December 20, 2018, the court issued its final findings and conclusions of law in the consolidated lawsuits. In both the initial decision and final findings, the court cited evidence highlighting areas where funding levels, financing methods, and department oversight were deficient. However, the court stopped short of prescribing specific remedies and deferred decisions on how to achieve education sufficiency to the legislative and executive branches instead. In the December 2018 findings of fact and conclusions of law, the court noted funding was insufficient to adequately train teachers and adversely impacted the ability for schools to recruit and retain effective teachers in schools with high at-risk student populations.

Since FY04, state law has required public schools to pay teachers a minimum salary based on their licensure level. Level 3 counselors were included in the minimum salary requirements in FY16. Initially, minimum salaries were set at \$30 thousand for level 1 teachers, \$40 thousand for

level 2 teachers, and \$50 thousand for level 3-A teachers. Subsequent legislation increased minimum salaries by \$6,000 for level 1 teachers and \$4,000 for level 2 and level 3-A teachers. The bill would raise the level 1 minimum to \$45 thousand and provide a \$10 thousand differential between each licensure level.

Between FY08 and FY15, the New Mexico teaching workforce fell and rose slightly. The total number of licensed teachers fell from 22.3 thousand in FY08 to 21.4 thousand in FY13 before increasing slightly to 21.7 thousand in FY15. Over this same period, the annual number of teachers leaving the profession increased from 2,546 teachers in FY08 to 3,033 teachers in FY15, outpacing the number of new teachers entering the workforce. Additionally, only 32 percent of all teachers over this eight-year period stayed in the same school.

NEW MEXICO AVERAGE TEACHER SALARY				REGIONAL AVERAGE REAL TEACHER SALARIES (in thousands)				
Fiscal Year	Average Salary	Dollar Increase	Percent Increase		1999-2000	2009-2010	2015-2016	2016-2017
2008-2009	\$46,605	\$1,775	3.96%	US	41.8	55.2	58.4	59.0
2009-2010	\$45,530	-\$1,075	-2.31%	NV	39.4	51.5	56.9	57.4
2010-2011	\$45,218	-\$312	-0.69%	TX	37.6	48.3	51.9	52.6
2011-2012	\$45,207	-\$11	-0.02%	CO	38.2	49.2	46.2	46.5
2012-2013	\$45,077	-\$130	-0.29%	NM	32.6	46.3	47.2	47.5
2013-2014	\$45,572	\$495	1.10%	UT	34.9	45.9	46.9	47.2
2014-2015	\$46,913	\$1,341	2.94%	AZ	36.9	47.0	47.2	47.4
2015-2016	\$47,522	\$609	1.30%	OK	31.3	47.7	45.3	45.2
2016-2017	\$47,638	\$116	0.24%					
2017-2018	\$47,985	\$347	0.73%					
2018-2019 ¹	\$49,784	\$1,799	3.75%					

Source: National Center for Education Statistics

¹ This is an estimated amount taken from operating budgets.
Source: PED

Average teacher salaries dropped following the Great Recession but began increasing in FY14. Data from the National Center for Education Statistics shows New Mexico teacher salaries ranked in the middle of surrounding states, behind Texas and Nevada but ahead of Arizona, Colorado, Oklahoma, and Utah in FY17.

New Mexico was able to pull ahead of several surrounding states for average teacher salaries in recent years due to increases to statutory minimum salary levels in 2014, 2015, 2016, and 2018 and changes to the teaching workforce. However, recent protests in surrounding states have resulted in forthcoming increases to teacher wages in surrounding states, a sign that teacher salary competitiveness will be an ongoing issue for New Mexico in future years.

REC notes increasing teacher salary minimums for each of the licensure levels might have a positive impact on recruitment and retention of teachers, but adding the TESOL requirements to obtain a level 1 license may have a negative impact.

CONFLICT, RELATIONSHIP

This bill conflicts with Senate Bill 1, Senate Bill 47, and House Bill 5, which all establish different minimum salary levels for teachers.

The bill relates to Senate Bill 554 and Senate Joint Resolution 18, companion bills that tap the permanent school fund to increase the number of instructional days; House Bill 397, which establishes a new minimum wage for all school employees; and House Bill 446 which

incorporates instructional support staff into the three-tiered licensure system. The bill also relates to the state equalization guarantee appropriation in the General Appropriation Act.

OTHER SUBSTANTIVE ISSUES

According to the National Conference of State Legislatures' *No Time to Lose* report, most high-performing countries allocate a greater share of teacher's time working with other teachers to develop their own teaching skills and developing the skills of new and struggling teachers.

According to data from PED, half of all new teachers leave the profession in the first five years, leaving school districts and charter school with significant challenges in finding qualified teachers for the classroom. National research finds that teachers are paid less than similarly educated professions. Increases to teacher compensation are an important tool in keeping experienced teachers in the education profession and attracting students to teacher preparation programs.

The bill does not increase salaries for level 3-B principals and assistant principals. In some schools, a level 3-A teacher could have a higher minimum salary than the principal or assistant principal.

Job Description	Current Minimum Salary	Proposed Minimum Salary
Level 1 Teacher	\$36,000	\$45,000
Level 2 Teacher	\$44,000	\$55,000
Level 3-A Teacher or Counselor	\$54,000	\$65,000
Level 3-B Elementary assistant principal	\$55,000	\$55,000
Level 3-B Elementary principal	\$60,000	\$60,000
Level 3-B Middle school assistant principal	\$57,500	\$57,500
Level 3-B Middle school principal	\$70,000	\$70,000
Level 3-B High school assistant principal	\$62,500	\$62,500
Level 3-B High school principal	\$80,000	\$80,000

The bill requires all level 1 teachers to have TESOL endorsements to advance to level 2 licensure but does not require level 2 or level 3-A teachers to have TESOL endorsements. If an out-of-state teacher receives reciprocity for level 2 licensure, provisions of this bill may allow them to avoid obtaining a TESOL endorsement. **The HEC amendment removes the TESOL requirements.**

SL/sb