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FISCAL IMPACT REPORT

SPONSOR Garratt **LAST UPDATED** _____
ORIGINAL DATE 1/23/24
BILL
SHORT TITLE Public College Faculty Compensation **NUMBER** House Bill 84
ANALYST Jorgensen

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$44,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
4-Year and Branches	No fiscal impact	\$22,575.5	\$22,575.5	\$45,151.0	Recurring	General Fund
2-Year Independent	No fiscal impact	\$26,200.0	\$26,200.0	\$52,400.0	Recurring	General Fund
Total	No fiscal impact	\$48,775.5	\$48,775.5	\$97,551.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to an appropriation in the General Appropriation Act

Sources of Information

LFC Files

Agency Analysis Received From
 Council of University Presidents (CUP)
 Eastern New Mexico University (ENMU)
 Higher Education Department (HED)
 New Mexico Independent Community Colleges (NMICC)
 New Mexico State University (NMSU)
 New Mexico Tech (NM Tech)

SUMMARY

Synopsis of House Bill 84

House Bill 84 creates new minimum compensation standards for faculty at public New Mexico higher education institutions (HEI). The bill sets minimum compensation for non-temporary faculty on a 9-month contract at \$60 thousand for those teaching at 4-year institutions and \$55 thousand for those teaching at 2-year institutions. HB84 sets minimum compensation for faculty of 4-year institutions at \$2,000 per credit hour and \$1,833 per credit hour at 2-year institutions as shown in the table below.

Faculty Type	4-Year Institution	2-Year Institution
Non-Temporary, 9-Month Contract	\$60,000	\$55,000
Temporary, Per Credit Hour	\$2,000	\$1,833

The bill defines a 9-month contract as working from the fall term through the spring term; defines non-temporary faculty as those instructors with a continuous faculty appointment; and defines temporary faculty as those with a fixed term or temporary faculty appointment including an adjunct, instructor, or term teacher.

The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

The appropriation of \$44 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining shall not revert to the general fund.

Higher education institutions report the cost of implementing the minimum compensation in HB84 to be \$48.8 million as shown in the estimated additional operating budget impact table. The Council of University Presidents notes that the estimated \$22.6 million impact includes direct costs only for NMSU, UNM, Northern, and WNMU and includes pay compression adjustments for ENMU and New Mexico Tech. New Mexico Highlands University did not respond and the estimated impact to NMHU is not included in the cost analysis. NMICC institutions reported only direct costs of the proposed minimums. The estimated additional operating budget impact does not assume growth in salary from cost-of-living-adjustments (COLA) or potential increases in staffing levels.

Should the appropriation contained in HB84 be insufficient to pay the costs of the minimum salary increases, institutions may increase tuition to make up the difference. Because a majority of tuition is now paid through state scholarship programs such as the lottery and opportunity scholarships, this may result in additional costs to the state.

SIGNIFICANT ISSUES

Several responding HEIs noted the impact HB84 would have on pay compression. Pay compression occurs when there is little difference in pay between employees based on either

tenure, skill, or job duties. For example, raising minimum pay to a set threshold will benefit employees earning less than the new threshold, but employees close to the new minimum receive smaller, or no pay increases. This can lead to situations where the pay of long-time employees is very close to the pay of new employees. For this reason, pay compression tends to have a negative effect on employee morale.

The appropriation in HB84 is not restricted to the direct cost of salary increases only but could presumably be used to address pay compression issues. Additionally, the Legislature has historically provided HEIs with a portion (80 percent in FY24) of total salary need when appropriating funding for compensation increases in recognition of the other funding sources that pay HEI faculty and staff. The portion of salary not covered by legislative appropriations is typically funded through institutional funds such as student tuition or grant awards. It is unclear if the \$44 million appropriation is intended to cover all or a portion of the costs of the proposed increase.

The New Mexico Independent Community Colleges note several issues:

Return to Work Faculty. Many community colleges employ return to work faculty under the “less than \$15 thousand per year” provision. The implementation of the minimums in HB 84, without an increase to the annual amount the retiree may earn will result in the institution needing to hire additional faculty. In occupations where the potential faculty pool is already small, this could result in institutions having to cut classes from their schedule.

Faculty Duties. Full-time faculty members are expected to participate in institutional work in addition to teaching and holding office hours. These job duties can include participation in committees (such as program accreditation), curriculum development. Generally, part-time faculty are compensated to teach classes and conduct office hours. The compensation minimums in HB 84 could result in part-time faculty being compensated at a similar rate to full-time faculty without the additional duties required of full-time faculty.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The LFC recommendation includes both a 4 percent salary increase for higher education employees and a targeted \$8 million for faculty salary at HEIs and the UNM Health Sciences Center.