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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/09

SPONSOR Beffort LAST UPDATED _____ HB _____

SHORT TITLE State Employee Salary Reductions SB 424

ANALYST Moser

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
(\$1.0)	(\$1.0)	Nonrecurring	General Fund, other state funds and federal funds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
Indeterminate	Indeterminate	Indeterminate		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

State Personnel Office (SPO)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 424 requires each state agency to implement a 10% salary reduction for every employee whose salary is greater than \$75,000 and who is not covered by the State Personnel Act. The bill provides exemptions from the salary reduction for state officials whose salary is fixed in statute; and for employees of state educational institutions and the legislative and judicial branches of government who are not employed in managerial or policy-making positions.

Senate Bill 424 contains an emergency clause making the salary reductions effective the first full pay period following the effective date of the bill and will be in effect until the end of FY2010.

FISCAL IMPLICATIONS

Senate Bill 424 will result in a reduction of expenditures in general fund, other state funds and federal funds. The level is indeterminate at this point as DFA is assessing the cost.

SIGNIFICANT ISSUES

Senate Bill 424 addresses the current shortfall in state revenues by reducing salaries of higher paid state employees in positions obtained outside of the competitive State Personnel system. The bill does not specifically address what constitutes a managerial or policy-making position and could present issues with interpretation of the bill and who is affected.

DFA indicates that not just employees who are political appointees (governor-exempt) will be impacted. It also would apply to the State Police, public defenders, district attorneys, exempt teachers in the Children, Youth and Families Department, Corrections Department and Department of Health, exempt employees of elected officials and managerial or policy-making positions of state educational institutions and the Legislature and Judicial branches of government whose salary is greater than \$75,000.

Salaries of managerial or policy-making positions and of non-classified employees generally receive compensation that should reflect the level or responsibility and decision making-authority.

DFA argues that reducing salaries for these employees could result in the position being paid less than a classified employee they oversee who does not have the same the level of responsibility.

In addition, the bill would affect. These are not overly paid political positions, and a 10% reduction in salary could dramatically affect the state's ability to retain these positions.

Governor Richardson has already issued an order reducing the salary of exempt employees by 2%. The additional 10% reduction contained in this bill would result in a combined 12% reduction for executive exempt employees.

ALTERNATIVES

If the intent of the bill was to focus attention on Governor-exempt positions and not all of the other exempt employees within state government, an amendment may be in order restricting application to those governor exempt employees within the executive branch. It should specifically exclude employees of the Attorney General, the state police and executive exempt employees. Additionally, clarification should be given to the concern that the 10 percent reduction on top of the executive's current 2 percent reduction.