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## FISCAL IMPACT REPORT

**SPONSOR** HAFC **ORIGINAL DATE** 01/28/14  
**LAST UPDATED** 02/06/14 **HB** CS/2,3,4,5 and 6

**SHORT TITLE** General Appropriation Act of 2014 **SB** \_\_\_\_\_

**ANALYST** Lucero

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$6,158,225.1	Recurring	General Fund
	3,888,106.5	Recurring	Other State Funds
	\$470,176.2	Recurring	Internal Service/Inter-Agency Transfers
	\$6,593,538.5	Recurring	Federal Funds
\$46,873.2		Nonrecurring	General Fund
\$4,000.0		Nonrecurring	Education Lock Box
\$50,957.1		Nonrecurring	Other State Funds
\$10,985.8		Nonrecurring	Internal Service/Inter-Agency Transfers

(Parenthesis ( ) Indicate Expenditure Decreases)

House Bill 2 conflicts with House Bill 7 which represents the Legislative Finance Committee recommendation for funding operations of state government.

House Bill 2 relates with House Bill 1 (the "Feed Bill") which funds the operations of most legislative agencies.

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of HAFC Substitute

The House Appropriations and Finance Committee substitute for House Bills 2, 3, 4, 5 and 6 appropriates money from the general fund, other revenue, internal services funds/interagency transfers, and federal funds for FY15, except as otherwise specifically stated in the bill, for the operation of state agencies, higher education and public schools.

Recurring general fund appropriations total \$6.16 billion an increase of \$279.7 million, or 4.8 percent, over the previous General Appropriation Act (GAA) while leaving reserves at 9.0 percent.

Notable spending increases include compensation increases for state and public school employees; an additional \$30 million for early childhood initiatives; and public and higher education funding increases of 5.8 percent and 5.3 percent, respectively. Recurring general fund appropriations added \$2.5 million to the marketing program of the Tourism Department; \$1.5 million for the job training/recruitment program at the Economic Development Department; \$5.5 million for expanding the capacity of graduate nursing education, undergraduate nursing education, and resident physician programs; and \$10 million to match with \$30 million of federal funds to provide a rate increase to hospitals contingent on legislation to continue county support for the Medicaid program.

Nonrecurring general fund appropriations for special, supplemental, and deficiency items totaled \$80.9 million including \$7.7 million for the computer systems enhancement fund. Notable appropriations include \$10 million for economic development projects pursuant to the Local Economic Development Act (LEDA) and \$500 thousand for the MainStreet program, \$4 million for road maintenance, \$4 million to replenish the higher education endowment fund, \$3 million for special education maintenance of effort requirements, \$2.5 million for public education common core state standards, and \$2.9 million to ensure students who received four or more semesters of the legislative lottery scholarship receive awards for full tuition costs for FY15.

The bill authorizes the transfers from the tobacco settlement permanent fund in FY14 and FY15 to the tobacco settlement program fund to replace reduced tobacco settlement revenues.

Section 1, Short Title (page 1);

Section 2, Definitions (pages 1 - 3);

Section 3, General Provisions (pages 3 – 5)

Section 4, Fiscal Year 2015 Appropriations (pages 5 - 191);

Section 5 Special Appropriations (pages 191 - 201);

Section 6, Supplemental and Deficiency Appropriations (pages 201 - 204);

Section 7, Data Processing Appropriations (pages 204 - 208);

Section 8, Compensation Appropriations (pages 208 - 212);

Section 9, Additional Fiscal Year 2014 Budget Adjustment Authority (pages 212 – 216)

Section 10, Additional Fiscal Year 2015 Budget Adjustment Authority (pages 216 – 224)

Section 11, Fund Transfers (page 225)

Section 12. Transfer Authority (page 225– 226)

Section 12, Severability (page 226).

## **FISCAL IMPLICATIONS**

The appropriations contained in this bill can be summarized as follows:

	General Fund	Other State Funds	Internal Service Funds/		Total
			InterAgency Trnsfrs	Federal Funds	
Legislative	\$ 4,335.7	\$ -	\$ -	\$ -	\$ 4,335.7
Judicial	\$ 218,896.7	\$ 23,886.6	\$ 9,024.9	\$ 2,323.5	\$ 254,131.7
General Control	\$ 175,814.5	\$ 1,369,149.7	\$ 80,606.4	\$ 14,062.3	\$ 1,639,632.9
Commerce and Industry	\$ 49,997.3	\$ 70,859.8	\$ 17,650.1	\$ 819.4	\$ 139,326.6
Agric., Enrgy & Ntrl Res	\$ 71,343.2	\$ 97,795.3	\$ 21,460.0	\$ 34,047.6	\$ 224,646.1
Health, Hospitals & Human Svcs	\$ 1,650,549.5	\$ 323,620.4	\$ 282,291.4	\$ 4,927,699.2	\$ 7,184,160.5
Public Safety	\$ 395,139.1	\$ 36,563.3	\$ 8,819.3	\$ 67,456.5	\$ 507,978.2
Transporation	\$ 8,000.0	\$ 453,461.9	\$ -	\$ 408,612.5	\$ 870,074.4
Other Education	\$ 92,620.8	\$ 23,463.4	\$ 36.0	\$ 32,322.5	\$ 148,442.7
Higher Education	\$ 828,633.1	\$ 1,487,130.7	\$ 50,288.1	\$ 691,992.7	\$ 3,058,044.6
Public School Support	\$ 2,625,942.4	\$ 2,175.4	\$ -	\$ 414,202.3	\$ 3,042,320.1
<b>Total Sec. 4 Recurring</b>	<b>\$ 6,121,272.3</b>	<b>\$ 3,888,106.5</b>	<b>\$ 470,176.2</b>	<b>\$ 6,593,538.5</b>	<b>\$ 17,073,093.5</b>
Recurring Special Appropriations	\$ 2,408.9				
<b>Total Sec. 5 Recurring</b>	<b>\$ 2,408.9</b>				
<b>Total Sec. 8 Recurring</b>	<b>\$ 34,543.9</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,543.9</b>
<b>Total Recurring</b>	<b>\$ 6,158,225.1</b>	<b>\$ 3,888,106.5</b>	<b>\$ 470,176.2</b>	<b>\$ 6,593,538.5</b>	<b>\$ 17,110,046.3</b>
Specials	\$ 40,681.7	\$ 11,275.8	\$ 100.0	\$ -	\$ 52,057.5
Specials - Education Lock Box	\$ 4,000.0	\$ -	\$ -	\$ -	\$ 4,000.0
Supplemental & Deficiency	\$ 6,191.5	\$ 14,863.3	\$ 9,750.0	\$ -	\$ 30,804.8
Data Processing	\$ -	\$ 24,818.0	\$ 1,135.8	\$ -	\$ 25,953.8
<b>Total Nonrecurring</b>	<b>\$ 50,873.2</b>	<b>\$ 50,957.1</b>	<b>\$ 10,985.8</b>	<b>\$ -</b>	<b>\$ 112,816.1</b>

Unless otherwise indicated in the bill, appropriations from the general fund revert to the general fund at the end of FY15, or unless otherwise indicated or provided by law. Exceptions include higher education institutions and public schools.

**OTHER SUBSTANTIVE ISSUES**

Section 8 compensation appropriations contained in this bill include public employees represented under collective bargaining and unrepresented public employees and are summarized as follows:

<b>FY15 Public Employee Compensation</b>						
<b>(in thousands)</b>						
	<b>LFC Rec 1.5 Percent COLA</b>	<b>LFC Rec Recruitment, Retention, Compaction, Equity Equivalent</b>	<b>LFC Rec Additional Comp</b>	<b>LFC Rec Total Comp Rec</b>	<b>Exec Rec</b>	<b>H AFC Sufficient for 3% COLA</b>
<b>Section 8 Compensation</b>						
Legislative	\$ 178.3	\$ 178.3	\$ -	\$ 356.6	\$ -	\$ 356.6
Judicial	\$ 2,101.4	\$ 1,584.2	\$ -	\$ 3,685.6	\$ -	\$ 3,685.6
Classified/Exempt (**)(***)	\$ 9,004.0	\$ 9,004.0	\$ -	\$ 18,007.9	\$ -	\$ 15,749.4
<b>Total All Agencies</b>	<b>\$ 11,283.7</b>	<b>\$ 10,766.5</b>	<b>\$ -</b>	<b>\$ 22,050.2</b>	<b>\$ -</b>	<b>\$ 19,791.6</b>
<b>Total Higher Education</b>	<b>\$ 9,689.3</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,689.3</b>	<b>\$ -</b>	<b>\$ 9,689.3</b>
<b>Special Compensation</b>						
State Police & MTD Officers (5% increase)	\$ -	\$ -	\$ 3,000.0	\$ 3,000.0	\$ 4,500.0	\$ 3,000.0
Hard to fill classifications/AFCME	\$ -	\$ -	\$ 2,000.0	\$ 2,000.0	\$ 9,700.0	\$ 2,000.0
Elected Officials 10% w/Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63.0
<b>Total Special Compensation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,000.0</b>	<b>\$ 5,000.0</b>	<b>\$ 14,200.0</b>	<b>\$ 5,063.0</b>
<b>Section 4 Compensation</b>						
<b>Public Schools</b>						
Teachers/Instructional/Other	\$ 28,021.5	\$ 28,021.5	\$ -	\$ 56,043.0		\$ 56,042.9
Transportation	\$ 886.0	\$ 886.0	\$ -	\$ 1,772.0		\$ 1,772.0
Educational Assistants (3% increase)	\$ -	\$ -	\$ 2,651.9	\$ 2,651.9		\$ 2,651.9
Level 1 Teacher Starting Salary	\$ -	\$ -	\$ 4,537.0	\$ 4,537.0	\$ 6,500.0	\$ 10,000.0
Rewarding Highly Effective Teachers & Principals		\$ -	\$ -	\$ -	\$ 12,000.0	\$ -
<b>Total Public Schools</b>	<b>\$ 28,907.5</b>	<b>\$ 28,907.5</b>	<b>\$ 7,188.9</b>	<b>\$ 65,003.9</b>	<b>\$ 18,500.0</b>	<b>\$ 70,466.8</b>
				\$ -		
<b>Judges (5% increase)</b>			\$ 1,171.0	\$ 1,171.0		\$ 1,171.0
<b>District Attorneys (5% increase)</b>			\$ 74.6	\$ 74.6		\$ 74.6
<b>CYFD Protective Service (3% increase)</b>			\$ 636.9	\$ 636.9		\$ 636.9
<b>Juvenile Justice (3% increase)</b>			\$ 969.1	\$ 969.1		\$ 969.1
<b>Correctional Officers (3%)</b>				\$ -		\$ 2,771.4
				\$ -		
<b>Total</b>	<b>\$ 49,880.4</b>	<b>\$ 39,673.9</b>	<b>\$ 15,040.5</b>	<b>\$ 104,595.0</b>	<b>\$ 32,700.0</b>	<b>\$ 110,633.7</b>

The State Personnel Office (SPO) reports the bill does not represent the governor’s proposed pay package that would provide funding for targeted compensation increases for state employees in positions that are traditionally the hardest to recruit and retain including correctional officers, protective services employees, information technology workers throughout state government, and health and engineering professionals. Additionally, SPO notes an across the board 3 percent increase to employees, subject to a satisfactory performance, does not implement a pay package designed to reduce compaction within pay band, nor correct pay disparities that are causing recruitment and retention problems as outlined in SPO’s November 2013 compensation report and in SPO’s December 2013 compensation presentation to the LFC.

Further, SPO notes Section 8(B)(1) does not provide either Department of Public Safety (DPS) or SPO the flexibility needed to implement DPS’s new pay plan system. This appears to be in conflict with Section 8(B)(1)’s requirements that DPS begin implementation of the plan. The DPS plan for the state police career pay system proposed for FY15 provides for targeted pay increases to provide solutions to challenges that exist in a para-militaristic step-based compensation systems found in most police departments. The across-the-board increases proposed conflict with DPS’s ability to address its specific officer needs. Also, Section 8(B)(1) fails to address whether MTD officers are going to stay in the classified system or join the State Police pay plan. Special Investigation Division (SID) Officers and Law Enforcement (LEA) Training Academy Officers would only receive the three percent increase pursuant to Section 8(A), resulting in further pay disparity between commissioned officers at DPS.

However, the LFC notes a separate bill proposes to consolidate all DPS officers into a single pay plan.

**TECHNICAL ISSUES**

SPO reports, Section 8(A)(5) appropriates \$15,749,400 to “provide incumbents in agencies governed by the State Personnel Act and the New Mexico state police career pay system, including attorney general employees and workers’ compensation judges, with a salary increase;” however, attorney general employees and workers’ compensation judges are not covered by State Personnel Act or the New Mexico state police career pay system. Furthermore, executive exempt employees are not included in the allocation language of Section 8(A)(5), but are included in subsection (c) of Section 8(A)(5).

**CONFLICT, RELATIONSHIP**

House Bill 2 conflicts with House Bill 7 which represents the Legislative Finance Committee recommendation for funding operations of state government.

House Bill 2 relates with House Bill 1 (the “Feed Bill”) which funds the operations of most legislative agencies.

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