

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/14

SPONSOR Campos LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Study State Worker Compensation SB SM 65

ANALYST Cerny

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI			Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

State Personnel Office (SPO)

### SUMMARY

#### Synopsis of Bill

Senate Memorial 65 requests the state personnel office (SPO) study the compensation for state employees and analyze any issues that might create greater retention of current employees and improved recruitment of skilled employees and to propose a compensation structure.

SM 65 specifically requests SPO to “propose a compensation structure that brings state employee pay grades in line with salaries paid for similar jobs within the region.”

The bill also requests that SPO work with state universities and colleges to determine the skills and qualifications needed for state employment positions and to help craft curricula to address those job needs.

SM 65 requests SPO submit its findings and recommendations to the appropriate interim committee by December 1, 2014.

### FISCAL IMPLICATIONS

SM 65 carries no appropriation. No fiscal impact was noted in agency analysis.

## SIGNIFICANT ISSUES

Analysis by LFC staff identified recruitment, reward and retention of state public employees as one of the three critical issues facing New Mexico state government administration in its *Report of the Legislative Finance Committee to the Fifty First Legislature, Second Session, January 2014, Volume I, pp. 68-72*. It states:

...prior to the 1 percent average salary increase in the 2013 General Appropriations Act (GAA), state public employees had not received a salary increase from the Legislature since July 2008, with the majority of increases being appropriated between 2001 and 2007. Given the increases in Social Security, health insurance and pension contributions, public employees are actually losing ground when it comes to take-home pay. To address ongoing problems related to equitable and competitive compensation that are hindering recruitment, reward and retention in New Mexico, the Legislature and the executive should revise the classified service salary structure.

The *2013 Classified Service Compensation Report* published by the State Personnel Office (SPO) supports this conclusion, stating: “Absent ongoing maintenance and adjustment to the State’s compensation structure, New Mexico will continue to fall further behind each year in its ability to competitively recruit and retain employees, especially in critical occupations.” The findings in SM 65 recognize that “across-the-board pay increases approved by the legislature in the past may no longer provide the best solution to pay inequities in state government,” and requests SPO to “propose a compensation plan that brings state employee pay grades in line salaries paid for similar jobs within the region.”

In 2012, the LFC, the Department of Finance and Administration (DFA) and SPO funded a study by the Hay Group in 2012 to adjust the state classification structure. The study was completed in February 2013. The recommendations significantly revised job descriptions, minimum qualifications, classifications and pay-bands and, finally, provided a rough market comparison of the revised structure to regional and national salary structures. In presentations before the LFC in August 2013 and October 2013, SPO stated it was making final adjustments to the revised structure and was planning to present a discussion draft to the governor. However, as of the time of this writing, specific executive recommendations concerning salary structure reform – including proposed revisions in job classifications, proposed salaries associated with the classification revisions (paybands), and proposed timeline for implementation – are not available. According to SPO, current projections for the total cost of a salary structure adjustment are as much as \$80 million.

Section 1.7.4.8 (E) NMAC already requires that the SPB annually submit a plan to the Governor and the Legislature prior to the end of each calendar year. The LFC traditionally schedules a hearing during the first week of December each year to allow SPO to provide testimony and answer questions on the status of state employee compensation. The foundation of the presentation comes in the form of the *Classified Service Compensation Report*, the most recent of which can be found on the SPO website at:

[http://www.spo.state.nm.us/uploads/FileLinks/53d55db00cb94925b740ffb870c71b0c/2013\\_Comp\\_Report\\_Final.pdf](http://www.spo.state.nm.us/uploads/FileLinks/53d55db00cb94925b740ffb870c71b0c/2013_Comp_Report_Final.pdf).

SPO analysis states: “There is no need to require the SPO to conduct a duplicative study to arrive at the same conclusion and report its findings to both the LFC and an appropriate committee within a week of each other.” This comprehensive report does provide salary structure comparison to similar jobs within the region. The proposed legislation does not specifically identify what additional comparative information should be required beyond that which is available. Clarification on this issue would assist in the implementation of the proposed legislation.

SM 65 additionally requests SPO to work with state universities and colleges to determine what skills and qualifications are needed for state employment positions and to help craft curricula to address those job needs.

SPO analysis points out that the agency “has an extensive compilation of what skills and qualifications are required for current jobs in its more than 1,000 job classifications; however, it would look forward to partnering with state universities and colleges to ensure established curriculum addresses current job needs and identify the skills and qualifications of future job to ensure New Mexico graduates are prepared to fill these jobs of the future.”

SPO analysis points out that:

Because many of the state’s classifications do not require university or college degrees SPO also uses recognized industry standard methodology to identify and determine what knowledge and skills are required for various job classifications.

- As part of its classification development process SPO Classification and Compensation staff meets with Subject Matter Experts (SME) from departments/agencies to validate job content and job qualifications.
- SPO uses the federal O\*Net system to further validate job content and qualifications. The O\*NET program is the nation's primary source of occupational information. Central to the project is the O\*NET database, containing information on hundreds of standardized and occupation-specific descriptors. The database, which is available to the public at no cost, is continually updated by surveying a broad range of workers from each occupation. Information from this database forms the heart of O\*NET Online, an interactive application for exploring and searching occupations. The database also provides the basis for its Career Exploration Tools, a set of valuable assessment instruments for workers and students looking to find or change careers. Further information on O\*Net can be found at: <http://www.onetcenter.org/overview.html>
- SPO is a founding member of the National Compensation Association of State Governments (NCASG); a professional association of compensation professionals from the central personnel offices of the various state governments. Through this association, classification and compensation staff is in regular communication with their peers in other states who are experiencing similar challenges. This group provides a forum and network for sharing information.

- SPO has a strong relationship with the Workforce Solutions Department (WSD) and stays abreast of its labor market research within New Mexico and nationally. As a note, occupationally based labor market information is interactive with the O\*Net network and the United States Department of Labor.

### **PERFORMANCE IMPLICATIONS**

HED analysis states that “the agency has been involved with discussions with SPO about the training needs of state agencies and has also discussed this need with several of the institutions of higher education (IHEs). In particular, HED and SPO are concerned about the retention of employees of the state and how the post-secondary schools can develop a career curriculum that will better prepare individual for government employment. The bill does not directly pertain to HED, but may have an indirect impact. HED would anticipate the IHE would require assistance from the agency to coordinate curricula changes, if any such changes are needed.”

### **ADMINISTRATIVE IMPLICATIONS**

SM 65 requests SPO submit its findings and recommendations to the appropriate interim committee by December 1, 2014.

### **TECHNICAL ISSUE**

The memorial title can be interpreted as a study of Workers compensation which is a state agency. Suggest striking “worker” in the title and inserting “Employee” in its place.

CAC/jl