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FISCAL IMPACT REPORT

ORIGINAL DATE 2/24/15

SPONSOR Varela LAST UPDATED _____ HB 353

SHORT TITLE Public Employee Salary Increase SB _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
0.0	\$14,500.6	Recurring	General Fund
0.0	8,749.3	Recurring	Other State Funds

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$14,500.6	\$14,500.6	\$29,001.2	Recurring	General Fund
		8,749.3	8,749.3	17,498.6	Recurring	Non-General Fund
Total		\$23,249.9	\$23,249.9	\$46,499.0	Recurring	All

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Personnel Office (SPO)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 353 provides salary increases of 2 percent to legislative, judicial, and executive employees in budgeted positions and who have completed their probationary period subject to satisfactory job performance. Section 1 (B) of the bill directs the Department of Finance and Administration to provide adequate funding to provide a 2 percent salary increase to employees whose salaries are derived from a fund other than the general fund. The distribution of the

compensation appropriation is as follows:

- \$244.8 thousand for permanent legislative employees.
- \$2,102.2 thousand for all judicial permanent employees, including district attorney employees and child support hearing officers.
- \$12,153.6 thousand for all employees in agencies governed by the State Personnel Act, the New Mexico state police career pay system, attorney general employees, workers' compensation judges, and executive exempt employees.

FISCAL IMPLICATIONS

HB 353 increases state employee salaries by \$14,500.6 thousand, or 2 percent, from the general fund on a recurring basis. The amounts appropriated in this bill would need to be added to agency base budgets in future years.

Analysis indicates that the recurring cost of the 2 percent salary increase incurred by non-general funded agencies will amount to \$8,749.3 thousand.

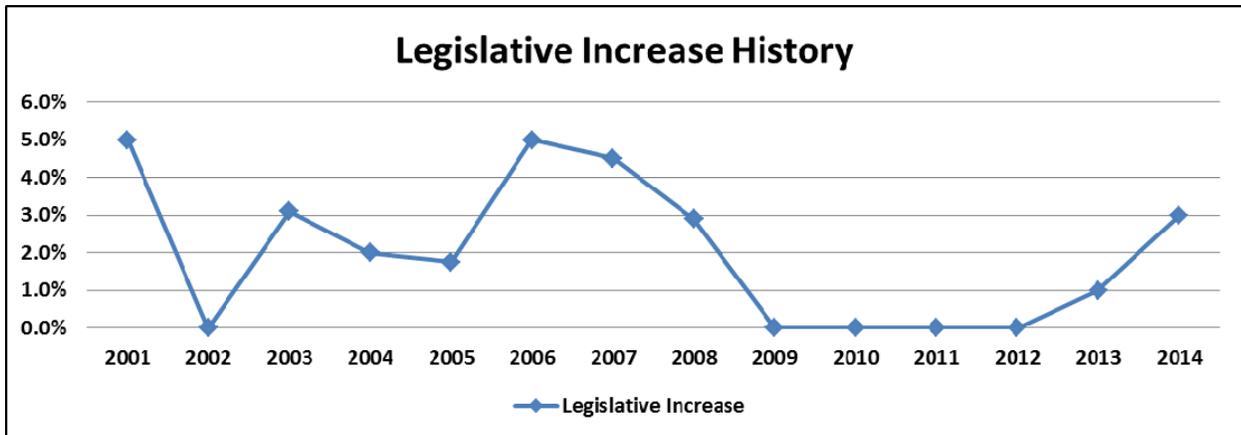
Agencies which pay employee salaries from non-general fund sources, such as the Department of Transportation, would have to budget salary increases from their existing base budgets and would not receive additional appropriations as a result of passage of this bill.

SIGNIFICANT ISSUES

Because there is no additional appropriation for non-general funded positions in this legislation, any increase to those salaries will have to be paid for out of the existing base budget.

SPO states that targeted salary adjustments, rather than across the board salary increases, directed to certain classifications would improve recruitment and retention efforts in critical areas such as social work, in-home care, protective services, healthcare, and information technology.

The graph below shows the legislatively appropriated salary increases for each of the past 14 fiscal years. The salary increase amounts include general salary increases and supplemental increases to employees in specific occupationally-based classifications. During this period, New Mexico has spent over \$111 million in general fund appropriations for annual salary increases with the majority of this funding appropriated prior to FY09.



ALTERNATIVES

SPO states that a possible alternative to an across the board increase would be to direct additional funds for salary increases to DFA to provide salary adjustments in specific job classifications where there is difficulty in employee recruitment and retention.

SPO notes the benefits of providing occupationally based salary increases include:

- providing policy makers with the ability to target occupational groups in the most need of a market adjustment or that face difficulties recruiting and retaining employees;
- providing policy makers with more flexibility in appropriating salary increases when faced with economic instability or resource scarcity; and
- enhancing recruitment and retention and minimizing salary inequities between similar jobs across agencies.

ADMINISTRATIVE IMPLICATIONS

The classified service salary structure would need to be reviewed and adjusted upward by SPO.

CJ/bb/je