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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 01/29/01 HB 96
 SHORT TITLE: Change Per Diem and Mileage Rates SB _____
 ANALYST: Patel

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			\$ 1,833.1	Recurring	General
			\$ 1,406.9	Recurring	Federal
			\$ 1,139.1	Recurring	OSF/ISF/IAT
			Indeterminate	Recurring	Local Govt.
			Indeterminate	Recurring	Sch Dists & Inst. Of Higher Ed.

(Parentheses () Indicate Expenditure Decreases)

Relates to HB90

SOURCES OF INFORMATION

LFC File

SUMMARY

Synopsis of Bill

This bill amends language in Section 10-8-1 through 10-8-8 NMSA 1978 to increase per diem and mileage rates as follows:

In-State Travel

- Per diem allowance for non-salaried public officers is increased from \$75 to \$136.
- Per diem allowance for salaried public officers or employees is increased from \$65.00 to \$136.

Out-of-State Travel

- Per diem allowance for salaried public officers or employees is increased from \$75 to \$156.
- If \$156 is inadequate for reimbursement of expenses in a geographical area, the per diem may be raised to \$200 provided that the rate does not exceed the allowed federal government's reimbursement rate for that locality.

General

- The mileage reimbursement rate from travel in a privately owned vehicle is raised from \$0.25 to \$0.40 a mile and a mile from \$0.40 to \$0.50 for each mile traveled in a privately owned airplane. A public officer or employee may receive the cost of the ticket in lieu of the mileage when traveling on a common carrier.
- Reimbursement for actual meal expenses is increased from \$22.50 to \$40 per day for in-state travel and from \$22.50 to \$55 per day for out-of-state travel.
- Reimbursement for actual expenses for lodging with prior approval is still allowable.
- Provisions apply to public officers and employees of local public bodies, state agencies and public post-secondary educational institutions.

The increase would go into effect at the beginning of the next fiscal year on July 1, 2001.

Significant Issues

The bill proposes increased amounts to be reimbursed for per diem and mileage expenses but does not provide an appropriation to provide entities with the resources to do so. Although the total impact seems small in relation to the total budget, it must be viewed in relationship to each agency's budget. Critical travel may have to be curtailed or other savings identified to offset the increased cost, which may affect agency performance.

Several agencies indicated that the increased travel costs could be absorbed into their current FY02 budget which would help minimize the budgetary impact.

The proposed new rates would be fairly close to actual costs. Agencies would pay more to those who travel on behalf of the state, but not as much as may be indicated by simple arithmetic. Since current daily rates often do not cover costs, many who travel on official business request actual expenses to avoid subsidizing their travel. Some people are reluctant to travel for the state when necessary to avoid incurring non-reimbursable expenses.

The proposed per diem and mileage reimbursement rates more accurately reflect the costs associated with business-related travel. They would have a positive impact on agency employees.

LFC staff surveyed the following states for comparative purposes: Texas, Arizona, Colorado, Utah and Louisiana. The federal government and the U.S. Postal Service were also surveyed.

The federal governments per diem rates are linked in detail to geographical location and time of year and range from \$55 to \$215 for lodging. Meal reimbursement, which is separate from lodging reimbursement, ranges from \$30 to \$46 per day. The federal mileage reimbursement is \$0.325 per mile for travel in a privately owned automobile and \$0.88 per mile for travel in a privately owned airplane. The U.S. Postal Service has adopted the federal rates.

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Texas’ in-state meal and lodging reimbursement rates begin at \$25 and \$70, respectively. The top end depends upon the reimbursement schedule adopted by the state comptroller. Out-of-state meals and lodging rates are tied to the federal reimbursement schedule adopted by the comptroller. Mileage reimbursement is limited to \$0.28 per mile.

Arizona has a flat per diem rate for in-state meals (\$29.50 per day). In-state lodging ranges from \$55 through \$107, depending upon location and season. Out-of-state meals and lodging range from \$29.50 to \$50 and from \$55 to \$215, respectively, depending on location and season. The mileage reimbursement rate is \$0.325 per mile.

Colorado combines in-state and out-of-state meals and lodging. Meal allowances range from \$30 per day to \$46 per day. Reimbursement for lodging is reimbursed at the actual cost of reasonable accommodations. Colorado’s mileage reimbursement rate is \$0.28 per mile

At the time of the LFC staff survey, New Mexico’s travel reimbursement rates were, in total, lower than all entities surveyed. Raising travel reimbursement rates to more closely reflect cost increases should have a salutary effect on employee retention and morale.

FISCAL IMPLICATIONS

The fiscal impact is estimated using the Budget Request System and the LFC base recommendation for the following line items:

LFC FY02 Base Recommendation		Estimated % Increase	Estimated Fiscal Impact	Recurring/Non-Recurring
Line Item	Amount			
021-In-State Mileage/Fares	\$ 3,266.0	48%	\$ 1,567.7	Recurring
022-In-State Meals/Lodging	\$ 10,459.1	10%	\$ 1,045.9	Recurring
023-Board Expenses	\$ 1,339.4	64.5%	\$ 863.9	Recurring
096-Out-of-State Mileage/Fares	\$ 1,786.5	24%	\$ 428.8	Recurring
097-Out-of-State Meals/Lodging	\$ 2,039.7	17.6%	\$ 359.0	Recurring
098-Board Mileage	\$ 115.3	24%	\$ 27.7	Recurring
099-Board Meals/Lodging	\$ 489.7	17.6%	\$ 86.2	Recurring
TOTAL FISCAL IMPACT	\$ 19,495.7		\$ 4,379.1	

Total General Fund Recurring	\$ 1,833.1
Total Federal Funds Recurring	\$ 1,406.9
Total OSF/ISF/IAT Recurring	\$ 1,139.1

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The estimated budget increase was derived as follows:

- Line Item 021, In-State Mileage/Fares, was discounted from 60 percent (actual percentage increase) to 48 percent because it contains other types of charges, primarily air fares, in addition to mileage charges.
- Line Item 022, In-State Meals/Lodging, was discounted from 109 percent to 10% because the majority of in-state travel will fall well below the proposed daily maximum of \$136.
- Line Item 023, Board Expenses, accounts primarily for mileage and board per diem charges; therefore, an average 64 percent estimate was used.
- Line Items 097 and 099, Out-of-State Meals/Lodging and Out-of-State Board Meals/Lodging, were discounted from 108 percent (actual percentage increase) to 17.6 percent because some travel is reimbursed at actual rates charged depending on individual agency policy and because it was estimated that only one-fifth of out-of-state travel will involve the proposed allowance of \$156.
- Line Items 096 and 098, Out-of-State Mileage/Fares and Out-of-State Board Mileage, were discounted from 60 percent to 24 percent because actual mileage charges are a minimal component compared with the airfare component.

RELATIONSHIP

House Bill 90 also proposes increases in mileage and per diem rates.

ALTERNATIVES

Attach an appropriation to this bill or increase the general appropriation act for all affected agencies to enable the increased per diem and travel reimbursements.

Provide agencies with budget category transfer authority, which would allow them to increase the travel budget from savings in other areas.

TECHNICAL ISSUES

In order to help contain costs, administrative rules could be amended to allow travel reimbursement only when expenses are incurred and use of Affidavits for Lost Receipt is minimized.

OTHER SUBSTANTIVE ISSUES

Not enacting this bill may make it more difficult for employees to travel on official business. It may also result in lower employee satisfaction and a decrease in agency productivity and efficiency. According to the Crime Victims' Reparation Commission, the meal reimbursement rate of \$22.50 is the lowest of any state in the country.

Current per diem and mileage rates, which were last amended by Laws 1984, have been outstripped by inflation.

PERFORMANCE IMPLICATIONS

A particular agency's performance will depend on its ability to meet the extra travel expenses and to adjust other expenses accordingly. If this bill passes and employees are compensated for travel at reasonable rates, it may increase employee satisfaction, which ultimately results in increased individual productivity and an overall increase in an agency's performance. However, increased travel

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costs without an increase in an agency's total appropriation may negatively affect an agency's performance in other areas as it adjusts its budget to absorb the increased costs.

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