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## FISCAL IMPACT REPORT

SPONSOR: HEC DATE TYPED: 03/05/03 HB 451/HECS

SHORT TITLE: Public School Employee One-Time Salary Raise SB \_\_\_\_\_

ANALYST: Segura

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
\$14,000.0			Non-Rec	Cash Balances

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

State Department of Education (SDE)

### SUMMARY

#### Synopsis of Bill

The House Education Committee Substitute for House Bill 451 appropriates \$14,000.0 from school district and charter school cash balances to provide a two-percent one-time supplemental salary increase to each school employee calculated on one-half of the employee's yearly salary. The superintendent of public instruction is given the authority to grant a waiver to any school district or charter school for whom the requirement would cause a hardship.

The original bill would have appropriated \$14,000.0 from the General Fund to the SDE for expenditure in fiscal year 2003 to provide a two percent one-time, supplemental salary increase to all public school employees.

#### Significant Issues

According to SDE, issues may arise because Article IV, Section 27, of the Constitution of the State of New Mexico prohibits extra or increased compensation for any public officer or servant after services are rendered or contracts made. There is a provision in the approved SBE contracts( Section 22-10-11.A NMSA 1978) for instructional personnel and administrators that allows districts to provide pay increases as mandated by the Legislature; however, because the supplemental salary increase is mandated from district and charter school cash balances, the con-

tract clause may not apply. **Section 22-8-41.C NMSA 1978 prohibits the use of operational fund cash balances for salaries and payroll.**

**FISCAL IMPLICATIONS**

House Education Committee Substitute for House Bill 451 appropriates \$14,000.0 from school district and charter school cash balances to provide a two-percent one-time supplemental salary increase.

The SDE notes that HB2 reflects the deduction of \$16,400.0 in cash balances from school districts' and charter schools' and a redirection of operational expenditures into direct instruction, if more cash balance is utilized for fiscal year 2003, the likelihood of a decrease in unit value for fiscal year 2004 becomes greater due to the shortfall in cash balance credit.

**OTHER SUBSTANTIVE ISSUES**

Based on 2002-2003 Operating Budget the following are estimated costs to met the mandates of the legislation:

Teachers	\$8,331.6
Other Instructional	\$1,526.0
All Others	\$3,570.1
Transportation	<u>\$ 407.5</u>
Total Cost of 2% on ½ Annual Salary	\$13,835.2

**RS/njw**