

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 FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Rainaldi DATE TYPED 01/27/05 HB _____

SHORT TITLE Full – Time Judicial Employee Salary Increase SB 222

ANALYST Moser

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	1,626.1			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Administrative Office of the Courts

SUMMARY

Synopsis of Bill

Senate Bill 222 appropriates \$1,626.1 million from the General Fund to the Department of Finance and Administration to fund salary increases for full-time judicial employees in the state courts. Of that amount, \$868 thousand is appropriated to bring full-time judicial employees to 90 percent compa-ratio of their assigned salary range and \$758.1 thousand is to implement a one and three-tenths percent compa-ratio restoration for judicial employees to keep pace with salary range adjustments. The salary increases shall be effective the first full pay period after July 1, 2005.

Significant Issues

The following definitions may be helpful to this analysis:

1. Compa-Ratio - Pay expressed as a percentage of the midpoint of a salary range.
2. Midpoint - The salary midway between the minimum and maximum pay rates of a salary range. The midpoint represents the competitive market rate for jobs with the same relative worth in relevant labor markets.
3. Salary Ranges/Salary Structure - The range of pay rates, from minimum to maximum. The Judicial Branch salary range has a minimum value of 80 percent and the maximum value of 125 percent.

90% compa-ratio initiative (\$868.0)

This adjustment would raise the salaries of all employees whose salaries are below the 90th percentile of the salary range to the 90th percentile level. This increase would be without regard to experience, tenure, status or performance. Based on this bill new hires with no experience would be moved in pay to the 90th percentile. Moving inexperienced employees can be viewed as moving the entry level of the salary range from the 80th percentile to the 90th percentile. Such an approach has the potential of creating employee morale issues and compaction between tenured experienced workers and those relatively inexperienced and new to their profession. The 80th percentile exists because it represents the minimum of the salary range. It is where inexperienced employees typically begin their employment. The 90th percentile typically recognizes a competence level slightly below that of an employee who is fully trained to perform all of the functions of the position. In structuring such movements in pay plans a phased approach is utilized with increases being staggered to the 90th percentile recognizing employees' overall tenure, skill, and job performance. If such an approach were developed, the same result could be achieved of moving employees upward in the salary range without as significant a cost.

The AOC states that thirty-eight percent of Judicial Specialists statewide are below the 90th percentile. A total of 395 employees of the judiciary located throughout all judicial districts are compensated at less than 90 percent of their compa-ratio, of which 250 are Judicial Specialists. This funding would equalize the pay rate for employees statewide who are in the same positions and are performing the same job duties.

1.3% Compa-Restoration (\$758.0)

The AOC states that the judicial branch salary structure has been adjusted over the past five years by 19.3 percent, and judicial branch employee performance increases on average have increased 18 percent. The structure adjustment is necessary to maintain a salary structure competitive within relevant labor markets.

If salary increases are provided by the General Appropriations Act they may be in addition to these salary increases.

FISCAL IMPLICATIONS

The appropriation of \$1,626.1 million contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY 2006 shall revert to the General Fund.

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

ALTERNATIVES

Recognition of experience, job skill, and performance should be utilized in moving employees forward towards the 90th percentile.

EM/lg:sb