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FISCAL IMPACT REPORT

ORIGINAL DATE 2-6-06

SPONSOR Stewart LAST UPDATED 2-8-06 HB 686/aHGUAC

INCREASE PUBLIC MILEAGE

SHORT TITLE REIMBURSEMENT RATES SB _____

ANALYST Hadwiger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	None		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$1,300.0	\$1,300.0	\$2,600.0	Recurring	Various

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Administrative Office of the Courts (AOC)
 Department of Transportation (DOT)
 New Mexico Department of Agriculture (NMDOA)
 Department of Corrections (DOC)

SUMMARY

Synopsis of HGUAC Amendment

The House Government and Urban Affairs Committee amendment to HB686 would restore language in existing statute, that would have been deleted in the original bill, which allows the governing body of any local public body to eliminate or reduce the rates for per diem and mileage for all or any class of public officials and employees.

Synopsis of Original Bill

House Bill 686 amends the Per Diem and Mileage Act to:

1. Increase mileage paid for use of a personal vehicle from 32 cents per mile to 44.5 cents per mile;
2. Eliminate statutory language that allows the governing body of any local public body to eliminate or reduce the rates for per diem and mileage for all or any class of public officials and employees;
3. Make other technical corrections to existing statute.

FISCAL IMPLICATIONS

HB686 would provide a 39 percent increase in mileage rate paid for use of a private vehicle. According to the Department of Finance and Administration (DFA), object code 421 is used to record costs associated with mileage and fares and is used to pay for mileage reimbursement. FY06 operating budgets for all agencies have \$3.4 million budgeted for this item. With the reimbursement increasing 39 percent, the increased costs are estimated at \$1.3 million which would be absorbed by agencies in FY07 and, presumably, would be requested as in subsequent years. Because the DFA financial system does not account for local expenditures, there is no way to estimate the costs to local governing bodies that were allowed to modify the reimbursement but will not be able to in the future.

The Administrative Office of the Courts (AOC) offered an example of how the bill might affect court budgets in lieu of additional appropriations. AOC spent a total of \$1,2 million on mileage alone in FY05, including about \$1 million for the jury and witness fee fund and the \$126,927 for all other AOC programs. AOC estimated the increase for the jury and witness fee fund to pay jurors and interpreters for in-state mileage for privately owned vehicles is \$412,309; the estimated increase for the remaining AOC programs would be \$49,628, for a total of \$461,937. AOC indicated that, if this percent increase is not funded for FY07, it may have a considerable impact to the AOC budget. The jury and witness fee fund, the AOC, and the entire judiciary may need to request supplemental funding because of this increase.

PED anticipated recurring costs of about \$150 thousand from this bill. Of the increased costs, \$55 thousand would come from the general fund. The remainder would be federal and other funds. This legislation would also have an impact on school district operating budgets as they are under the current 32 cents per mile rules.

SIGNIFICANT ISSUES

DFA indicated that this bill would raise the mileage reimbursement rate to the current federal rate. Transportation costs have increase—particularly for fuel—and employees have complained the current reimbursement rate is too low.

The New Mexico Department of Agriculture (NMDA) commented that NMDA reimburses mileage not only to employees, but also to members of boards, commissions, task forces and committees. NMDA assists 47 soil and water conservation districts (SWCDs), subdivisions of state government governed by local boards of non-salaried public officials. The budgets of those individual districts vary widely, and it is common for a SWCD board to limit their own mileage or per diem rates in order to maximize conservation work in the district. The HGUAC amendment

restores language that would give the boards discretion to adjust per diem and mileage rates, consistent with NMDA's request.

PERFORMANCE IMPLICATIONS

AOC was concerned that shortfalls in appropriations for travel reimbursement might hamper court performance on key strategic measures.

PED indicated the bill would directly affect the agency's core performance measures and benchmarks if the increase is not adequately funded. Agency travel would be reduced.

ADMINISTRATIVE IMPLICATIONS

DFA noted that, in the short run, agencies would have to adjust planned travel to absorb for the increased costs.

AOC was concerned that shortfalls in appropriations for travel reimbursements might hinder court operations.

PED added that, without adequate funding, field functions would be limited, impacting school districts. The PED would be unable to absorb these additional travel costs. School districts would be negatively impacted as well.

DH/mt:yr