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FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/10

SPONSOR Nava LAST UPDATED _____ HB _____

SHORT TITLE Temporary 4-Day Work Week for Some Employees SB 191

ANALYST Varela

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Total		Indeterminate*	Indeterminate*	Indeterminate*		General Fund

(Parenthesis () Indicate Expenditure Decreases)

* See Fiscal Impact

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

Public Education Department (PED)

State Personnel Office (SPO)

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 191 requires that all state agencies, including legislative and judicial, adopt a four day work week consisting of four, ten hour days. The bill excludes state police, correctional officers and other law enforcement personnel and required administrative or other staff necessary to support those employees; and health care personnel in state facilities that provide continuous care and required administrative or other staff necessary to support those employees. The bill allows the Governor to declare by executive order, other positions for which it is necessary to maintain a standard or other schedule, including the need to keep a standard work week for state parks, museums and monuments and other tourist-oriented venues and for maintenance

employees. The State Personnel Office (SPO) will work with the Governor's Office to implement the law and coordinate other elected offices participation.

FISCAL IMPLICATIONS

The fiscal implications of Senate Bill 191 would be largely related to operational costs with in each department. Without the input from every agency, it is difficult to assess what the total savings of implementing a four day work week would be statewide.

According to SPO, the anticipated decrease in resources associated with General Appropriations Act which decreases the State Personnel Office budget by almost 8%), statutory duties above and beyond those currently being completed will be difficult.

DOT states that approximately \$533 thousand in utility savings would result from the implementation of the proposed legislation.

PED reports that the department could potentially save from utility costs of approximately 17 percent or \$12 million, assuming the use of utilities would be reduced by one day each week at 100 percent. These savings are based on a 30-day reduction from 180- to 150-day contracts after taking statewide estimated costs of utilities from budgeted expenditures for school districts currently operating on five-day work weeks. Transportation savings are estimated at \$445 thousand per day or a \$13.3 million savings based on a 30-day reduction. Food services could potentially see a savings of approximately \$10 million, assuming there is a reduction of 30 breakfasts and 30 lunches served over one year's time. Food service's estimated costs include both the operational and food service funds combined.

SIGNIFICANT ISSUES

Subsequent to Executive Order 2008-028, executive agencies are required to adopt written policies that define specific criteria and procedures for alternative work schedules. Four, ten hour days in a work week would be considered an alternative work schedule.

According to SPO, proponents of 4-day work weeks claim that there are many benefits including: reduced fuel costs, decreased absenteeism, increased productivity, improved job satisfaction and morale, reduced personnel turnover, reduced energy costs, improved work-life balance, and reduced traffic congestion.

SPO reports that those who oppose a 4-day work week disagree with the proponents indicating that there is in-fact decreased productivity due to diminishing returns, no fuel savings, issues with child care and public transportation, decreased family time, decreased quality of life, decreased morale, and perpetual exhaustion.

SPO states that there are no direct personnel savings based on the number of hours worked. In a 40 hour work week, the public employer continues to operate a total of 40 hours. It is irrelevant whether they are open 10 hours a day for four days or open 8 hours a day for five days – the total remains 40 hours. The building must still be heated or cooled and electricity is used for 40 hours a week.

According to SPO, a change to agencies and schools has a direct affect on private sector businesses must adjust when they are open and how they do business. The nature of work must be conducive to this type of schedule. Line work is different from staff work. Some work can

be performed at any time, while other work must be performed when customers require service or when other service providers are open for business.

Many public and private sector employers have switched to a four-day a week schedule with mixed results. The State of Utah has operated under this system for about a year and a half and reports many positive results. The State of Ohio also made an attempt at four-day workweeks, with less than stellar results, and has reverted back to five-day work weeks.

Subsection G of Section 1 requires the Department of Finance and Administration or the Public Education Department to adjust budgets upon implementation of this section of the bill. Any savings from this bill would not be realized until the end of the fiscal year. For example, there may or may not be reduced utility expenses, but an allowance should be made to determine part of any savings was due to mild weather conditions, lack of special projects, or other external factors as to not hinder agencies performance in future fiscal years.

PED reports potential savings from utilities were calculated using the following assumptions:

- Statewide budgeted utility costs for 2009-2010 from the Operational Fund based on 180 days = \$72,005,591
- Estimated cost per day $\$72,005,591/180 = \$400,031$
- Estimated cost for 150 days $\$400,031*150 = \$60,004,659$
- Estimated savings assuming 30-day complete reduction in utility usage $\$72,005,591 - \$60,004,659 = \$12,000,932$

After speaking with some districts who have implemented a four-day work week for some rural schools within the district, they report that they did not see a significant savings in utilities over the year.

The potential savings from food services in the operational and food service funds were calculated using the following assumptions:

- Statewide budgeted food services cost for 2009-2010 from the operational and food service funds combined based on 180 days = \$60,036,392
- Estimated cost per day $\$60,036,392/180 = \$333,535.51$
- Estimated cost for 150 days $\$333,535.51*150 = \$50,030,327$

Estimated savings assuming 30 days complete reduction of breakfast and lunch $\$60,036,392 - \$50,030,327 = \$10,006,065$

DOH reports that approximately 55 percent of the department would be exempted from the provisions of the bill. This bill exempts the seven state run facilities, so cost savings for the department would be derived from saving on utility expenditures through the closing of state offices and the public health offices throughout the state.

However, SB191 may not provide significant savings to DOH and could impact their ability to provide services throughout the rural communities that rely on the availability of services throughout the week. DOH also notes that many state employees currently car pool or use public transportation, these services may not be available in the later hours of the evening thus creating a hardship. Additional, child care issues need to be considered for employees with children.

PERFORMANCE IMPLICATIONS

It is unclear how the performance of agencies would be affected by the implementation of Senate Bill 191.

PTV/svb:mew