Legislative Finance Committee

NEW MEXICO

FINANCE FACTS

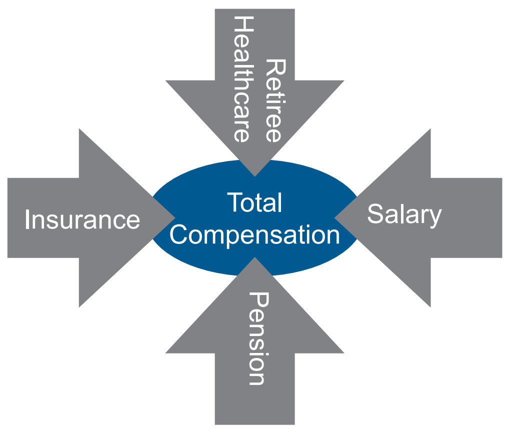
Understanding State Financial Policy

State Employee Compensation

State employee compensation is an important factor in the smooth operations of state government and, through tens of thousands of jobs with a total annual payroll of more than $2 billion, a significant contributor to the state's economy. Employee compensation includes not only pay but also benefits, such as paid leave, retirement and insurance. The appeal of that package greatly impacts state government's ability to recruit and retain qualified and skilled employees.

Total Compensation

While salary is the most visible part of the state's compensation package, it is only about 60 percent of the total cost of an employee's compensation. That means for every dollar in pay, a state employee receives about 70 cents in benefits. In addition to paying for Medicare and social security benefits, the state offers health insurance to all full-time employees, picking up from 60 percent to 80 percent of the cost of the premium, depending on salary level. The state also contributes to employee pension plans and to the retiree healthcare program.



The Legislature has several options for changing state employee compensation. On salaries, the Legislature may fund salary increases targeted to one particular job type or agency, increases based on performance, or across-the-board increases. The Legislature can also impact take-home pay by increasing the state's share of the cost of retirement or medical and other insurance premiums. In addition, the Legislaure can change the value of the benefits package by changing insurance providers, changing the benefits offered, or by changing retirement benefits – increasing the number of years before an employee is elibible, for example. In general, employees tend to value increases in salary more than benefits.

Classifying Jobs

The State Personnel Office classifies jobs based on a point system reflecting the complexity of each job. The system measures the amount of technical, managerial, and problem-solving skills a job requires, as well as the level of accountability for the position.

Once the job is scored, the position is assigned to a pay band, which determines the pay range, or the minimum and maximum possible salary for the position. The middle of the pay range, or mid-point, should reflect the average salary of jobs within the pay band. Salary adequacy is often expressed as a percentage of the mid-point and is called a compa-ratio. The compa-ratio takes the actual salary of the employee divided by pay range mid-point; a salary equal to the mid-point will have a compa-ratio of 1, a salary less than the mid-point will have a compa-ratio of less than 1 and a salary of more than mid-point will have a compa-ratio of more than 1.

Competitiveness

To ensure New Mexico salaries are competitive and attractive to potential employees, the state of New Mexico in 2001 established a policy that provides that mid-points for salary ranges be set at 95 percent of a comparator market made up of Arizona, Colorado, Kansas, Nevada, Oklahoma, Texas, Utah, and Wyoming. Similar jobs in these states are identified and the salaries compared across the eight-state sample to determine if New Mexico salareis are adequate. New Mexico's pay strategy over the past 15 years has been to be the "average payer" in the region. This approach was designed to balance the state's need to pay a competitive public salary with fiscal responsibility.

For More Information:

- For more information on state personnel policy, including a list of job classifications and categories, visit www.spo.state.nm.us.
- For a list of positions and salaries, with cumulative totals and sortable by agency and exempt or classified, visit http://employees.newmexico.gov/Default.aspx?d=1421429085783.98.