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F I S C A L I M P A C T R E P O R T

SPONSOR: Sandoval DATE TYPED: 03/03/01 HB 796

SHORT TITLE: Index Minimum Salary Rate of Inflation SB

ANALYST: Gonzales

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	$ 1,251.5			Recurring	General Fund
			$ 1,066.1	Recurring	All Other Funds that pay for Personal Services

(Parenthesis ( ) Indicate Expenditure Decreases)

Conflicts with the Compensation Appropriation in The General Appropriation Act and HB343 that sets the state minimum wage to the federal standard and is a near duplicate of SB 520.

SOURCES OF INFORMATION

Administrative Office of the Courts (AOC)
Bernalillo County Metropolitan Court
Office of the Attorney General (AG)
State Investment Council
New Mexico Public School Insurance Authority
Public Employee Retirement Association (PERA)
Commission of Public Records
State Personnel Office (SPO)
Tourism Department
Economic Development Department
Public Regulation Commission
Board of Nursing
Game and Fish Department
Energy, Minerals and Natural Resources Department (EMNRD)
State Land Office
Office of the State Engineer (OSE)
Office of Cultural Affairs (OCA)
Martin Luther King, Jr. Commission
Labor Department
Department of Vocational Rehabilitation (DVR)

Health Policy Commission
Children, Youth and Families Department (CYFD)
Department of Military Affairs
Corrections Department
Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

House Bill 796 appropriates $1,251.5 from the general fund to the Department of Finance and Administration for the purpose of providing a salary increase to raise the hourly salary for:
(1) state employees covered by the Personnel Act to $7.50 per hour for fiscal year 2002, and
(2) the same employees as well as state educational institution employees a salary increase to $8.00 per hour for fiscal year 2003, and (3) $9.00 per hour for fiscal year 2004. Additionally, this bill provides criteria for the State Personnel Office to determine annually a rate per hour for each fiscal year after 2004 adjusted for inflation based on the consumer price index. The salary increases required by this bill are to be effective the first full pay period after July 1, 2001.

Significant Issues

Approximately 1,020 classified employees would be affected by the provisions of this bill in fiscal year 2002 and approximately an additional 1,066 classified employees that would be affected in fiscal year 2003. This bill also affects student workers (although not in educational institutions), state government interns, summer temporary workers and other temporary workers.

The state is currently behind the market for its jobs on average 13.24%. There is a significant need to provide agencies the resources necessary to recruit and retain employees at all salary levels to make government more productive. The state spends a significant amount of time and resources to hire and train employees who then leave after a short period of time mainly due to low salaries.

A higher mandatory wage rate for lower level jobs will increase the supply of available applicants resulting in a more competitive pool of lower level job applicants which will in turn help agencies attract and retain the more skilled lower-level workers. Affected agencies would be able to deal with a rising cost of living while still addressing performance based pay and, in addition, the state's employee turnover rate may decrease.

PERFORMANCE IMPLICATIONS

Agencies should be able to increase productivity by filling vacancies due to the higher salaries.

FISCAL IMPLICATIONS

The appropriation of $1,251.5 contained in this bill is a recurring expense to the general fund. Additionally, other revenue sources used to pay for salaries and benefits for employees covered by the Personnel Act would be impacted by approximately $1,066.1. Agencies that operate from other state funds or have federal fund matching requirements may or may not have sufficient funding capacity to cover the minimum salary rate increases. Any unexpended or unencumbered balances appropriated from the general fund remaining at the end of fiscal year 2002 shall revert to the general fund. An appropriation is only provided for fiscal year 2002; however, future fiscal year appropriations are not addressed unless agencies would be able to absorb the additional cost. Therefore, the Legislature annually will have to provide increased appropriations to fund the increasing hourly rate for the lowest paying state jobs.

Overtime costs for nonexempt jobs under the Fair Labor Standards Act will be higher, particularly since all jobs below $7.50 per hour and nearly all jobs under $9.00 per hour fall in this category and require overtime hours to be paid at time and one-half for hours worked over 40 hours within a workweek.

Although this bill does not affect judicial employees since these employees are not covered by the Personnel Act, the judiciary currently has no employee paid less than $8.00 per hour, the proposed 2003 hourly minimum rate.

ADMINISTRATIVE IMPLICATIONS

The State Personnel Office (SPO) indicates affected agencies and SPO can implement the special salary adjustments. The Human Resources System team at the Information Systems Division could write a basic program to increase the salaries of each affected employee.

The State Personnel Office reports it would be able to recalculate and adjust the minimum rate as described in the bill without additional staff.

CONFLICT/DUPLICATION/RELATIONSHIP

House Bill 2, Senate Bill 68 and House Bill 8 contain salary increases for all public employees for fiscal year 2002. However the language does not require employees to be paid the minimums as stated in this bill. Senate Bill 520 attempts to provide the same minimum hourly rate for fiscal year 2002 and appropriates the same general fund amount for implementation in fiscal year 2002; However, the minimum salary is increased to $8.50 per hour for fiscal year 2003. Senate Bill 520 does not provide for inflationary adjustments thereafter. House Bill 343 sets the state minimum wage to the federal standard.

TECHNICAL ISSUES

This bill does not specify when the salary increases would be effective after fiscal year 2002, only that the salaries must be increased during the fiscal year.

The bill should include a provision for appropriating funds from other sources to pay employees who are non-general fund supported.

OTHER SUBSTANTIVE ISSUES

The national poverty level wage, stated as the total annual income for a family of four, is approximately $8.20 per hour. Some state employees with existing salaries still quality for food stamps or other welfare payments or work a second part of full-time job to make ends meet.

The proposed salary adjustments will cause salary parity issues between those state employees covered by the State Personnel Act and those that are not.

The State Personnel Office and the Personnel Board would need to consider compression in the current salary schedule. While this bill is intended to provide a “living wage,” it does not consider internal equity and the compaction of salaries at lower levels. Currently, for the executive classified service, the state uses the Hay guide-chart method of job evaluation to determine the worth of jobs to the state. With the increases provided in this bill, “smaller” lower paid jobs would be paid at the same rate as “larger” (more responsibilities) lower paid jobs which can cause morale problems within an agency or across agencies, particularly for those employees who have been in the service for years and whose salaries are barely above the minimum entry level for a newly hired employee.

JMG/ar:lrs