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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/20/16

SPONSOR Rehm LAST UPDATED \_\_\_\_\_ HB 40

SHORT TITLE Contract Provisions for Certain College Staff SB \_\_\_\_\_

ANALYST Mulligan

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Unknown	Unknown	Unknown	Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

- Relates to HB2, Section 4J, Higher Education, appropriations to institutions of higher education

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department

### SUMMARY

#### Synopsis of Bill

HB 40 would enact new provisions of New Mexico law that would mandate certain elements in employment contracts between institutions of higher education and contract employees; require that any contracts that are renewed are done so six months prior to the end of the original contract; and allow termination of a contract with no severance pay, and under certain specified conditions. The bill would limit contracts with university presidents, athletic program directors, and athletic program staff to two years' duration; would limit severance pay to four weeks pay for termination without cause; and would prohibit severance pay for termination with cause.

### FISCAL IMPLICATIONS

The bill appears designed to save money by reducing or severely limiting severance payouts that have existed in the past when university presidents, athletic program directors, or athletic program staff have had their contracts terminated and received significant severance pay or buyouts. In the past, these types of contract terminations have had significant costs in the

hundreds of thousands of dollars in some cases. It appears that, if enacted, the bill would reduce these significant and expensive payouts.

**SIGNIFICANT ISSUES**

The bill would require these employment contracts to be limited to two years in duration and be re-executed every two years. HED indicates that this limitation and other provisions of the bill would hamper recruitment for these positions.

According to media reports, when a head coach at one of the state's institutions of higher education was terminated several years ago, the coach received a \$300,000 buyout under his contract as well as \$450,000 for compensation due to him after he left his position. If similar contract buyout provisions exist in current contracts, those costs would not be incurred by higher education institutions under the bill when contracts are terminated.

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