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## FISCAL IMPACT REPORT

SPONSOR Cervantes/Munoz LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 1/24/2023  
SHORT TITLE Judicial Salary Increases BILL NUMBER Senate Bill 2  
ANALYST Gray

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

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$293.6	\$5,072.8	\$335.1 to \$1,675.8	\$5,701.5 to \$7,042.2	Recurring	General fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent version of this legislation.

Relates to appropriation in the General Appropriation Act

### Sources of Information

LFC Files

#### Responses Received From

Administrative Office of the Courts (AOC)

## SUMMARY

### Synopsis of Senate Bill 2

Senate Bill 2 increases the salary of a New Mexico Supreme Court justice to be the same as a New Mexico federal magistrate judge. Because all judicial salaries follow a formula based on the salary paid to Supreme Court justices, the bill would increase salaries for court of appeals judges and district court judges in addition to justices.

SB2 removes the salary calculation for magistrate judges that ties their salaries to that of metropolitan court judges, so that the salary increases in SB2 would not apply to magistrate judges. Instead, magistrate judge salaries would be set by the Legislature.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

## FISCAL IMPLICATIONS

SB2 would require the salary of a Supreme Court justice to be equal to that of a New Mexico federal magistrate judge. According to the Administrative Office of the Courts, the current

federal magistrate judge salary is \$214 thousand. Per federal statute, federal magistrate judge salaries are 92 percent of the salary of federal district judges, whose salaries are set by Congress.

State statute mandates that judges in New Mexico be paid relative to a Supreme Court justice—a Court of Appeals judge receives 95 percent the salary of a Supreme Court justice, a district court judge receives 95 percent of the salary of a Court of Appeals judge, and a Metropolitan Court judge receives 95 percent the salary of a district court judge.

Increasing the salary of a Supreme Court justice by \$33.2 thousand, or approximately 18 percent, would result in an added salary cost of \$4.1 million to courts statewide. Because employer-paid benefits are paid as a rate of the base salary, courts would also see an increase in \$1 million for retirement, FICA, and retiree health contributions. The total impact to the operating budget of courts statewide would be \$5.1 million.

If the proposed salary match is enacted, New Mexico associate justices would make the 6<sup>th</sup> highest adjusted salary compared with their counterparts in all other states. Associate justice and other states’ court-of-last-resort judge salaries were compiled from a 2022 National Center for State Courts survey. This analysis adjusts these salaries based on the U.S. Bureau of Economic Analysis’ regional price parity index to compare salaries nationally.

The fiscal implication for subsequent years will vary based on federal magistrate salary increases, which are 92 percent of federal district court judge salaries. Past data suggest between \$335.2 thousand and \$1.7 million will be required for operating cost increases in FY25. Over the subsequent 10 fiscal years, the average operating cost increase will be between \$776.8 thousand and \$2.3 million. This analysis assumes that salaries will annually increase by at least 1 percent and at most 5 percent. See further discussion on historical salary increases in *Significant Issues*.

Forecasted fiscal impact of matching judge salaries to federal magistrate judge salaries

Fiscal year	(in thousands)		
	Baseline estimate (2.5%)	Lower estimate (1%)	Higher estimate (5%)
FY24	5,072.8	5,072.8	5,072.8
FY25	837.9	335.17	1,675.84
FY26	854.2	337.78	1,741.08
FY27	870.9	340.41	1,809.57
FY28	888.1	343.07	1,881.50
FY29	905.6	345.76	1,957.02
FY30	923.6	348.48	2,036.31
FY31	942.1	351.22	2,119.57
FY32	961.0	353.99	2,207.00
FY33	980.4	356.79	2,298.79
FY34	1,000.3	359.61	2,395.18
<b>Average</b>	<b>1,294.4</b>	<b>776.8</b>	<b>2,290.4</b>

Note: Both salary and employer-paid benefits are included.

The introduced version of the General Appropriations Act includes \$3.2 million in additional funding for judicial salaries in FY24.

This bill does not specify an effective date, therefore if passed the increase in judicial salaries would be effective 90 days after the session ended, or on approximately June 16, 2023. According to the Administrative Office of the Courts, the cost to implement the increases from that pay period begin date through the start of FY24 would be \$293,644.

## **SIGNIFICANT ISSUES**

Since 1988, yearly salary increases for federal magistrate judges have ranged from zero to 34 percent and have increased annually by 3 percent on average. Some periods have seen greater volatility. For example, from 1988 to 1998, salaries increased 5 percent on average; between 2013 and 2015, salaries expanded 16 percent.

If the salary provisions of SB2 were enacted, judges would receive automatic pay increases regardless of the financial resources available, potentially creating a circumstance where judges receive salary increases in years when state agency budgets are shrinking.

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