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FISCAL IMPACT REPORT

SPONSOR <u>López/Pope/Pinto/Sedillo Lopez</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/24/2025</u>
SHORT TITLE <u>State Diversity Act</u>	BILL NUMBER <u>Senate Bill 356</u>
	ANALYST <u>Hanika-Ortiz</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$250.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SPO	No fiscal impact	\$275.0	\$275.0	\$550.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
State Personnel Office (SPO)

SUMMARY

Synopsis of Senate Bill 356

Senate Bill 356 (SB356) appropriates \$250 thousand from the general fund to the State Personnel Office to enact and carry out the provisions of the Diversity Act.

Sections 1 and 2 title the act and define terms, among them "council" to mean the workforce diversity and inclusion council; "institutional racism" to refer to differential access to goods, services, and opportunities because of policies or practices that marginalize others, whether intentional or not; and "workforce diversity" to mean the process of recruiting from a diverse, qualified applicant pool. Section 3 creates the "chief diversity officer" (CDO) to help agencies assess barriers and develop strategies to create a diverse, high performing workforce; establish best practices for leading diverse groups; and create strategies to recruit from underserved communities. On or before each December 31, the CDO will analyze data, develop policies to address inequities in hiring, pay or promotions, and conduct anti-institutional racism training.

Section 4 requires the CDO to convene a "workforce diversity and inclusion council" staffed with liaisons from agencies. The liaisons will implement recommendations proposed by agencies and the CDO. The CDO will ensure job postings and personnel reviews reflect council findings. Section 5 says by each July 1, agencies will collect workforce data, assess and update anti-institutional racism policies, analyze demographic data of companies that win contracts and grants; assess accommodations for employees with disabilities, and use data-driven approaches to address solutions. This section also requires the CDO to compile agency reports into one annual report for the governor and Legislature and to be part of each agency's annual budget request submission.

Section 6 requires agency strategic plans to reflect diversity, equity, and inclusion efforts.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

The appropriation of \$250 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the general fund. Although SB356 does not specify future appropriations, establishing a new program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring

The State Personnel Director would hire a CDO who would convene a council of liaisons from state agencies. The council would convene regularly and may form subcommittees as needed. State agencies would compile and analyze workforce data and develop diversity, equity and inclusion plans. The appropriation in the bill should cover the costs for year one, but not for future years.

The State Personnel Office (SPO) estimates the office needs a total of 2 FTE to run the program at an annual cost of \$275 thousand.

SIGNIFICANT ISSUES

The bill provides a framework to support and increase the number of qualified employees in the state government workforce from underserved populations who would also provide meaningful contributions to the state and have better paying jobs and opportunities for advancement.

SB356 convenes a council made up of agency liaisons and provides a CDO to oversee the program. The bill includes data collection and reporting requirements for SPO and the council.

SPO commented that the CDO cannot be both in a classified position, terminated only for just cause, and serve at the pleasure of the State Personnel Director, which is terminable at will. Additionally, the bill establishes job requirements for the position of CDO, but SPO says its office is responsible for adopting the minimum qualifications for classified State employee positions.

There is currently no requirement to collect demographic data on contractors and similar positions.

SPO and agencies will need to be able to redact personally identifiable information in reports.

A copy of the council’s annual report is to be published on the SPO website and maintained in the Legislative Council Service library, the State Library, and the State Records Center and Archives.

ADMINISTRATIVE IMPLICATIONS

Agencies will designate a “diversity and inclusion liaison” to participate in the council, report to respective agency heads, and collaborate with the CDO when tracking data and developing plans.

TECHNICAL ISSUES

SPO believes it would be more fitting for the CDO to “consult with state agencies concerning compliance with laws and rules relevant to diversity, equity and inclusion efforts.” SPO emphasizes that each agency is responsible for their own compliance with state laws and regulations.

SB356 also requires the CDO to “have full access to SPO's human resource management systems,” but SPO suggests “...access to SPO’s human resources management systems necessary to carry out the requirements of the act” is more appropriate. While the CDO needs access to race and gender data, the CDO would not need to access social security numbers, addresses, or time sheets.

The bill does not include a definition for “demographic data,” which SPO said would be helpful.

OTHER SUBSTANTIVE ISSUES

New Mexico is one of three states and the District of Columbia in which ethnic minorities comprise the majority.

AHO/SL2/hj