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### FISCAL IMPACT REPORT

|              |                          |             |          |          |          |
|--------------|--------------------------|-------------|----------|----------|----------|
| SPONSOR:     | Varela                   | DATE TYPED: | 01/27/00 | HB       | 9        |
| SHORT TITLE: | Public Employee Salaries |             |          | SB       |          |
|              |                          |             |          | ANALYST: | Gonzales |

### APPROPRIATION

(in thousands)

| Appropriation Contained |             | Estimated Additional Impact |      | Recurring<br>or Non-Rec | Fund<br>Affected |
|-------------------------|-------------|-----------------------------|------|-------------------------|------------------|
| FY00                    | FY01        | FY00                        | FY01 |                         |                  |
|                         | \$ 95,691.8 |                             |      | Recurring               | GF               |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to HB2, SB2, and HB23

### SOURCES OF INFORMATION

LFC Files

State Personnel Office (SPO)

Administrative Office of the District Attorneys

State Highway and Transportation Department

Commission on Higher Education.

## **SUMMARY**

### Synopsis of Bill

House Bill 9 appropriates \$95,691.8 from the general fund to the Department of Finance and Administration, the State Department of Public Education, and the Commission on Higher Education to be distributed to state agencies, public schools and higher educational institutions for the purpose of providing salary increases and associated benefits to public employees for FY2001. This bill appropriates funds for salary increases as follows: eligible classified employees in agencies governed by the Personnel Act, judicial and district attorney permanent employees a salary increase equal to a 3% salary structure adjustment effective the first full pay period after July 1, 2000 and an average 1.5% merit pay anniversary date increase; exempt executive branch employees, legislative branch employees, judges and justices and district attorneys a 4.5% salary increase; New Mexico state police commissioned officers a step increase of approximately 3% in accordance with the career pay system of the New Mexico state police; teachers in public schools a 5% salary increase; other certified and noncertified staff in public schools a 4% salary increase; faculty of higher educational institutions a 5% increase; and other staff of higher educational institutions a 4% salary increase.

### Significant Issues

This bill supports the merit pay provisions for employees covered by the State Personnel Act, and permanent employees of the judiciary and district attorney offices; maintains the integrity of the state personnel merit system and maintains the integrity of the "Hay system" which has been adopted by the State Personnel Office, the Administrative Office of the Courts and the Office of District Attorneys.

Increases in salaries will help New Mexico become more competitive in its salaries.

**FISCAL IMPLICATIONS**

This bill appropriates \$95,691.8 in recurring general fund to provide salary increases as follows:

**SALARY INCREASE MERIT PAY**

**TYPE OF EMPLOYEE PROVISIONS PROVISIONS APPROP.**

|  |                        |           |                    |
|--|------------------------|-----------|--------------------|
| Executive Classified Employees             | 3%                     | avg. 1.5% | \$10,820.7         |
| Executive Exempts                          | 4.5%                   |           | 1,239.3            |
| State Police Officers                      | step increase, avg. 3% |           | 359.9              |
| Legislative Employees                      | 4.5%                   |           | 333.0              |
| Judges, Justices and<br>District Attorneys | 4.5%                   |           | 689.4              |
| Judicial Branch Employees                  | 3%                     | avg. 1.5% | 1,619.0            |
| District Attorney<br>Employees             | 3%                     | avg. 1.5% | 1,092.8            |
| Public School Teachers                     | 5.0%                   |           | 38,384.5           |
| Other Public School<br>Employees           | 4.0%                   |           | 19,402.4           |
| Higher Ed, Faculty                         | 5.0%                   |           | 14,048.0           |
| Higher Ed, Staff                           | 4.0%                   |           | 7,702.8            |
| <b>TOTAL</b>                               |                        |           | <b>\$ 95,691.8</b> |

This bill contains language to ensure employees whose salaries are funded from non-general fund appropriations will be covered by the same salary increase provisions provided in this bill.

**ADMINISTRATIVE IMPLICATIONS**

This bill will assist public school and higher education administrators and directors of state agencies to recruit and retain competent employees.

## **CONFLICT**

This bill conflicts with the bills listed below which provide for different amounts of salary increases.

House Bill 2 and Senate Bill 2 which establish the LFC recommendation (duplicate bills) provide for a 1.75 percent salary grade structure adjustment for executive classified employees and a one percent increase for all other employees except judges and district attorneys. The bills also provides a 5% increase for public school teachers, a 2.5% increase for all other public school personnel, a 4.25% for faculty of higher education institutions, and 2% for staff of higher education institutions.

House Bill 23, the executive recommendation, provides approximately a 2% increase for all employees, including educational employees.

## **TECHNICAL ISSUES**

According to SPO, in order for meaningful monetary distinctions to be made across the different levels of performance and compa ratios, SPO has determined that the lowest percentage increase on which a viable performance based salary matrix can be constructed is 2 percent. The variable merit increase provided for employees covered by the Personnel Act would result in a very flat matrix that would provide little incentive for employees to exceed performance standards.

## **OTHER SUBSTANTIVE ISSUES**

While SPO recognizes salary grade structure adjustments (as provided in this bill) should be part of a long-range compensation system strategy, SPO does not support a salary grade structure adjustment at this time. "SPO is currently conducting a review of the compensation system with the [Personnel] Board the agencies, the LFC and other stakeholders. This review includes revisiting the current philosophy and policies that underlie the classified range structure. This study will result in recommendations and possible changes that will be presented to the LFC in the December 2000 annual compensation report. Thus SPO feels that

implementing a range structure adjustment before the study is completed time would be premature."

JMG/gm