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**FISCAL IMPACT REPORT**

SPONSOR:	Lopez	DATE TYPED:	2/11/00	HB	
SHORT TITLE:	Public Employee Salaries			SB	132
				ANALYST:	Gonzales/Dunbar

**APPROPRIATION**

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY 01		
			Significant	Recurring	See Below

(Parenthesis ( ) Indicate Expenditure Decreases)

\* All agency operating funds

**SOURCES OF INFORMATION**

LFC files State Personnel Office

Highway and Transportation Department Department of Finance

Regulation and Licensing Department State Agency on Aging

Department of Game and Fish NM Office of Game and Fish

Division of Vocational Rehabilitation NM Public Regulations Commission

NM Department of Labor Economic Development Department

Administrative Office of the District Attorneys Commission of Public Records

Veteran's Service Commission State Land Office

NM Commission on Higher Education Health Policy Commission

Human Services Department Office of Cultural Affairs

Public Defender Department Energy and Minerals and Natural Resources

## **SUMMARY**

### Synopsis of Bill

SB 132 provides for an adjustment in the minimum wage of certain state employees in the Executive, Legislative and Judicial branches of state government to be paid at least \$8.50 per hour.

## **FISCAL IMPLICATIONS**

There is no appropriation contained in this bill.

According to the State Personnel Office (SPO), the bill would require a general fund appropriation of \$3,906.0 for FY 01 for executive classified employees only. The amount includes basic mandated employer-paid benefits such as retirement, and Social Security. SPO states that the bill would affect 2,178 classified employees.

The State Highway and Transportation Department reports a fiscal impact of \$1,278.5 effecting 505 employees.

The General Services Department (GSD) notes that fewer than 2% of classified employees earn less than \$15.0. GSD states that this increase would bring the annual minimum wage to \$17.6 and this would reduce state agencies group benefits premium contributions from 75% to 70%.

## **ADMINISTRATIVE IMPLICATIONS**

The appropriate branches of government would need to adjust their pay plans accordingly.

## **OTHER SUBSTANTIVE ISSUES**

SPO reports that the personnel system recognizes job worth as an important part of the system. The state uses a job evaluation system that ultimately assigns a job classification to a salary grade. The bill would have a significant impact on the lowest 14 salary grades. These grades would have to be eliminated, consolidated or modified to pay the employees in these grades \$8.50 per hour. SPO further elaborates that the implementation of this bill would lead to significant classification/compaction with 2,200 employees all earning the same pay for jobs that require 14 salary grades to define their relative worth. Therefore, according to SPO, employees in pay grades just above grade 14 will find their jobs valued the same as jobs that were 14 pay grades lower.

Most agencies expressed concerns over the cost of funding this salary increase and the compaction effect on those position included in the bill and those positions that are not included in this bill, whose pay grades are just above grade level 14. Several agencies addressed morale issues pertaining to those employees not included in the increase.

The Commissioner of Public Lands strongly supports passage of the bill.

The Human Services Department indicates that it will make it easier to recruit and maintain employees for affected positions and on the other hand it will make it more difficult to retain employees who are not affected and are close in salary composition to employees who do benefit from an increase.

The Health Policy Commission makes the following points on the bill

- •Government employment constitutes 23.7% of the employment market
- •Low income is correlated with poor health
- •Some state employees take home less than the federal poverty level
- •Increase in minimum wage for employees has a ripple effect with more disposable income to spend in the economy
- •State government has difficulty in hiring and maintaining individuals in many positions because of low wages.

JMG:BD/prr/njw