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FISCAL IMPACT REPORT

SPONSOR:	Tsosie	DATE TYPED:	02/13/00	HB	
SHORT TITLE:	Per Diem and Mileage Levels			SB	315
				ANALYST:	Gonzales

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
				Recurring	See below*

*All agency operating budget funds.

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

LFC Files and Legislative Council Service (LCS) Files

The following agencies also submitted an analysis of this bill by the time the fiscal impact was prepared: State Department of Education, Office of Indian Affairs, State Highway and Transportation Department (SHTD), Health Policy Commission, Administrative Office of the Courts, Environment Department, Department of Public Safety, Labor Department, Human Services Department, Gaming Control Board, Commission on the Status of Women, State Personnel Office, Commission for the Deaf and Hard of Hearing, Board of Nursing, Martin Luther King, Jr. Commission, Division of Vocational Rehabilitation, Tourism Department, Retiree Health Care Authority, Game and Fish, Energy, Minerals and Natural Resources Department, Workers' Compensation Administration, Department of Agriculture, Board of Examiners for Architects, Public Regulation Commission, Economic Development Department, and Office of Cultural Affairs.

SUMMARY

Synopsis of Bill

Senate Bill 315 amends the Per Diem and Mileage Act to change the per diem and mileage rates to a level equal to the rates established by the Internal Revenue Service (IRS) based on the destination or closest point of lodging to the destination point. The new rates would affect instate and out-of-state travel for non-salaried public officers, salaried public officers and employees. The specific changes are detailed below:

- Revises current per diem allocation for nonsalaried public officers for travel within the state from up to \$75.00 dollars per day to an amount equal to the internal revenue service per diem rate for the destination or the closest point of lodging to the destination point for the month and year in which the travel or lodging occurs.
- Revises current per diem allocation for salaried public officers or employees for travel within the state from up to \$65.00 dollars or \$75.00 dollars per day to an amount equal to the internal revenue service per diem rate for the destination or the closest point of lodging to the destination point for the month and year in which the travel or lodging occurs.
- Revises current per diem for public officers or employees for travel outside the state from \$75.00 dollars or \$95.00 dollars to an amount equal to the internal revenue service per diem rate for the destination or the closest point of lodging to the destination point for the month and year in which the travel or lodging occurs. Corresponding changes are made for post-secondary institution employees.

- Revises current per diem for accountants traveling on extended three week or more assignments outside the state from \$95.00 to a rate to be set by the Department of Finance and Administration not to exceed the internal revenue services per diem rate plus ten percent.
- Revises current mileage reimbursement rate from \$0.25 cents to the internal revenue standard mileage rate, currently \$0.30 cents per mile.
- Revises current reimbursement for actual expenses for meals from \$22.50 dollars per day to \$40.00 dollars per day.

Significant Issues

According to LCS, when the rates were increased for legislators to the rates adopted by the IRS questions were raised as to what method should be used to determine the IRS rate since there are three different methods at which the IRS rate is can be calculated.

State agency budgets currently being considered for FY01 do not include the increased costs associated with this bill.

State per diem rate have not been increased for several years for lodging, meals and incidentals, but costs have been increased and many times expenses exceed allowable reimbursement. Currently for many areas, many employees have to subsidize work travel costs with their own money due to the currently low per diem and mileage rates.

FISCAL IMPLICATIONS

This bill would impact state agency budgets for the travel line items to compensate the costs of this bill. The IRS rates are higher than those paid by the State of New Mexico. The State of New Mexico in-state per diem rate is \$65.00 dollars, and the IRS standard rate is \$85.00 dollars. However, that rate also varies for other cities as follows: Albuquerque, \$98.00 dollars; Los Alamos, \$105.00 dollars; Santa Fe, \$136.00 dollars and Taos, \$109.00 dollars. According to LCS, any amount paid above the standard rate of \$85.00 is taxed as income for legislators.

For each mile traveled in a privately owned vehicle, mileage rates paid by the State of New Mexico are \$0.25 cents per mile, while the IRS rate is \$0.31 cents per mile. New Mexico's current reimbursement rate

for actual expenses for meals would increase from \$22.50 dollars per day to \$40.00 dollars per day. Therefore, additional appropriations would be needed to cover the increased costs since the budget requests were developed without inclusion of these increases or anticipated travel will be less to keep costs within the budget. The impact is expected to be significant.

The following is a sample of fiscal impact (in thousands) agencies indicated in their analysis either for in-state or out-of-state travel or both:

State Highway and Transportation \$4,244.2

Economic Development \$ 12.0

Administrative Office of the Courts \$ 178.6

Department of Agriculture \$ 75.0

Energy, Minerals and Natural Resources \$ 100.0

Game and Fish \$ 350.0

Labor \$ 157.1

Commission for the Deaf and Hard of Hearing \$ 7.5

State Personnel Office \$ 11.8

Gaming Control Board \$ 27.0

Environment \$ 283.7

Human Services \$ 275.0

If this legislation is enacted into law and the increased rates are not funded, agencies will have to transfer money from other categories to meet the shortfall in travel or cut back on travel.

This bill specifies only automobile mileage and actual meal reimbursement rates with the remaining reimbursement rates tied to the IRS rate, which is adjusted yearly, the on-going fiscal impact of the change is difficult to calculate.

ADMINISTRATIVE IMPLICATIONS

Administrative impact would be to develop new rate schedules and training for staff on the new process and rates. There would be administrative costs associated with determining the appropriate rate of per diem and expenses to pay since the IRS rate is more complicated than the current state process.

POSSIBLE QUESTIONS

How should the IRS rate be calculated? There are three different methods at which the IRS rate can be calculated.

Will the increased costs be funded in FY01 or should the increase be delayed until July 1, 2001 so that agencies can incorporate the increase in their FY02 budget requests?

JG/jsp