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## FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 01-26-01 HB 8  
 SHORT TITLE: Public Employee Salary Increases SB \_\_\_\_\_  
 ANALYST: Gonzales

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 160,275.1			Recurring	GF
	\$ 10,318.0			Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB68/Relates to Appropriation in The General Appropriation Act, House Bill 2

### SOURCES OF INFORMATION

LFC Files

The following agencies also provided an analysis of this bill: State Personnel Office (SPO), Administrative Office of the Courts (AOC), Administrative Office of the District Attorneys (AODA), Commission on Higher Education (CHE), Department of Public Safety (DPS) and Gaming Control Board.

### SUMMARY

#### Synopsis of Bill

House Bill 8 appropriates \$160,275.1 from the general fund and at least \$10,318.0 from various other agency funds 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 FY02.

Additionally, this bill directs the Administrative Office of the Courts and the State Personnel Office to provide a report to the legislature no later than January 15, 2002 on a plan to move employees to the appropriate position within a salary range or pay band.

#### Significant Issues

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

**House Bill 8 -- Page 2**

adopted by the State Personnel Office, the Administrative Office of the Courts and the Administrative Office of the District Attorneys. Additionally, the appropriations contained in the bill are in recognition of the importance and critical need to increase salaries to help New Mexico become more competitive in its salaries and address recruitment and retention problems, particularly for some critical positions including positions in public education and higher education institutions. The language contained in the bill recognizes the revisions to current classification and pay plans that are currently on-going.

**FISCAL IMPLICATIONS**

The appropriation of \$160,275.1 from the general fund and at least \$10,318.0 from various other agency funds contained in this bill is a recurring expense to the respective funds. The increases are effective on the first full pay period after July 1, 2001 or the first full pay period after an employees anniversary date as indicated in the bill. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the general fund or other designated fund.

The table below indicates how the salary increases are appropriated to the various entities:

<b>Employee Group</b>	<b>Type of Increase</b>	<b>% of Increase</b>	<b>Appropriation</b>
Judicial Employees	bring employees to new minimums; merit pay increase using a performance salary matrix	Variable, with at least 2% for merit performance. Based on cost of an avg. 7% funding level.	\$1,765.6
Judges and Justices	salary	7%	\$1,009.4
District Attorney Employees	bring employees to new minimums; merit pay increase using a performance salary matrix	Variable, with at least 2% for merit performance. Based on cost of an avg. 7% funding level.	\$1,358.6
District Attorneys	salary	7%	\$96.6
Executive Classified Employees	bring employees to new minimums; merit pay increase using a performance salary matrix	Variable, with at least 2% for merit performance. Based on cost of an avg. 7% funding level.	\$12,112.4
State Police	step increase & COLA	approx. 5%	\$945.6
Executive Exempt Employees	merit based on job performance	average 7%	\$2,030.2
Legislative Employees (permanent)	merit based on job performance	average 7%	\$496.8
Social Workers at CYFD	salary upgrade	5%	\$1,500.0
Corrections Officers and Specialists	salary upgrade	\$0.50/per hour	\$1,780.8

Employee Group	Type of Increase	% of Increase	Appropriation
Tax Account Auditors at TRD	salary upgrade	variable	\$640.0
Public School Teachers	statewide avg. merit	8%	\$65,733.6
Public School Personnel	statewide avg. merit	7%	\$36,906.8
Higher Education Faculty and Staff	salary	7%	\$33,898.7
<b>TOTAL</b>			\$160,275.1

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 all agencies and public school and higher education institutions to recruit and retain competent and productive employees.

The automated anniversary increase program in the HRS system is currently being re-written due to impacts from the NM.HR.2001 project. According to the State Personnel Office, the SPO and other state agencies can implement the performance-based compensation program and some special salary adjustments, however other special salary adjustments would need to be processed manually by existing staff at the specified agencies and the SPO.

#### **DUPLICATION/RELATIONSHIP**

This bill is a duplicate of Senate Bill 68 and relates to House Bill 2, The General Appropriation Act which establishes the LFC recommendation, in that it contains the same amount of funding for salary increases yet provides a more detailed language description on how the salary increases will be implemented in accordance with the various pay plans.

#### **OTHER SUBSTANTIVE ISSUES**

The State Personnel Office indicates the appropriation contained in this bill is not the compensation package supported by the Executive for classified employees, although the bill generally supports the Executive's performance-based reward philosophy. The Executive's compensation package includes funding for providing an average 3.5% performance matrix and an additional bonus component to be awarded to the agencies top performers.

While the bill provides special increases for social workers in the Protective Services Division of the Children, Youth and Families Department, it does not address other social workers within the department or in other departments.

The bill provides special increases for correctional officers in the Corrections Department. The SPO worked with the department to implement an interim solution for correctional officers using temporary retention increases for correctional officers only, however, this bill also provides the special increases for correctional officer specialists.

## House Bill 8 -- Page 4

Additionally, the bill provides special increases for tax account auditors within the Taxation and Revenue Department as a result of salary grade changes approved by the State Personnel Board via a comparative market pricing study in 1999. The Gaming Control Board indicates a concern that the bill does not address auditors at the Gaming Control Board who are responsible for gaming taxes and who experience a high rate of turnover.

JMG/ar