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FISCAL IMPACT REPORT

	ORIGINAL DATE 1/26/07		
SPONSOR <u>McSorley</u>	LAST UPDATED <u>2/22/07</u>	HB	
	DISPUTE RESOLUTION & PREVENTION		
SHORT TITLE <u>OFFICE</u>		SB	<u>479/aSJC</u>
	ANALYST		<u>Propst</u>

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$185.0	Recurring	Public Liability Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 499 Office of Peace

Duplicates appropriation in the General Appropriation Act: funding for three FTE was requested at \$185.0 and included in the Executive request and LFC recommendation at different levels.

SOURCES OF INFORMATION

LFC Files

Responses Received From
General Services Department (GSD)

SUMMARY

Synopsis of SJC Amendment

The amendment provides that parties “may decline to participate in a requested or offered alternative dispute resolution activity.”

Synopsis of Original Bill

Senate Bill 479 would establish an alternative dispute prevention and resolution program in the Risk Management Division (RMD) of GSD to organize and manage use of alternatives to formal litigation in dispute resolution and encourage use of dispute prevention for state agencies insured by RMD. It:

- requires agencies to offer positive alternatives to parties in disputes
- establishes a nine-member council to develop standards for alternative dispute prevention and resolution

- establishes an office of dispute prevention and resolution (ODPR)
- requires development of standards for dispute prevention and resolution
- provides for training standards and schedules
- requires an annual report on ADPR activities and recommendations
- contains a recurring \$185.0 appropriation from the Public Liability Fund to support three permanent staff in RMD to support the work of the Council.

FISCAL IMPLICATIONS

A three-person permanent staff in RMD would be funded with a \$185.0 recurring appropriation from the Public Liability Fund (PLF). The PLF is the requested revenue source for funding this program because effective use of ADPR strategies creates reductions in settlement costs to that fund.

SIGNIFICANT ISSUES

GSD reports that use of alternative dispute resolution strategies can yield dramatic results. In FY98, New Mexico spent \$6.3 million to settle or defend 273 civil rights claims against the state. Training for state supervisors in civil rights and documenting discipline began in FY98. In FY02, mediation training was added. Beginning in FY02, civil rights claims dropped from a three-year average of 269 to 183 in FY02 (a 31% decline) with costs down to \$4,300.0. In FY03, the lower numbers held steady at 182 at a cost of \$4,800.0. The net documented savings in FY02 and FY03 was \$3,500.0.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 499 proposes \$493.6 from the general fund for an office and 10-member council administratively attached to the Department of Finance and Administration. The relationship or overlap with the proposed bureau in RMD is not clearly known at this time. GSD's budget requested \$158.0 from the PLF to support three permanent positions. The Executive request included these three positions and the LFC recommendation included one position.

OTHER SUBSTANTIVE ISSUES

The ADR Council, established by Executive Order 2005-047, recommended this action in an April 2006. GSD included the requested funding and FTE in its September 1, 2006 appropriation request in cooperation with the ADR Council.

RMD Loss Control Bureau does not have adequate resources to provide ADR training and program direction. Only 37 of the 150 insured client agencies have received training in the last three years. Civil rights claims (particularly employment-related litigation) cost nearly \$50,000.0 in the last five years.

WEP/mt:nt