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FISCAL IMPACT REPORT

ORIGINAL DATE 03/07/13

SPONSOR SPAC LAST UPDATED _____ HB _____

Public Peace, Health, Safety & Welfare –

SHORT TITLE State Employee 3% Raises SB 633/SPACS

ANALYST Soderquist

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
	FY14		
	\$96,192.6	Recurring	General Fund
	\$31,988.7	Recurring	Other*
Total	\$128,181.3	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$96,192.6	\$96,192.6	\$192,385.2	Recurring	General Fund
		\$31,988.7	\$31,988.7	\$63,977.4	Recurring	Other*
Total		\$128,181.3	\$128,181.3	\$256,362.6	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

**The term "Other" references non-general fund appropriations authorized in Section 1(D) of the proposed legislation.*

Conflicts with Appropriation in HB 2 (General Appropriation Act of 2013)

Relates to Appropriation in HB 2 (General Appropriation Act of 2013)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Personnel Office (SPO)

SUMMARY

Synopsis of Bill

The Senate Public Affairs Committee substitute for Senate Bill 633 appropriates general fund and non-general fund revenues to provide a three percent salary increase to state employees,

including but not limited to incumbents governed by the State Personnel Act, permanent legislative employees, judicial and district attorney permanent employees, executive exempt employees, commissioned state police officers, motor transportation officers, post-secondary educational system employees, public school teachers and transportation employees. The salary increase would be effective the first full pay period after July 1, 2013.

FISCAL IMPLICATIONS

The proposed legislation appropriates approximately \$96.2 million from the general fund and approximately \$32 million from non-general fund sources, for a total cost of approximately \$128.2 million per fiscal year beginning in fiscal year 2014.

State departments and agencies that do not receive general fund revenues through the proposed legislation would be required to implement the salary increase using funds currently included in their operating budget. As an example, the Department of Transportation (DOT) would use revenues from the State Road Fund, Transportation Funds, State Infrastructure Bank Funds, Aviation Funds, Highway Infrastructure Funds, the Local Government Road Fund, federal funds, and other revenues used to fund personal services and employee benefits. The amount required for the implementation of the salary increase would be determined by the Department of Finance and Administration (DFA) in cooperation with the State Personnel Office (SPO) and the human resource staff of state departments and agencies.

SIGNIFICANT ISSUES

According to the *2012 Classified Service Compensation Report* developed by the SPO, although the state remains relatively competitive in the Western region, salaries are lagging in a number of critical “benchmark” jobs. Further, according to the report, salaries for state public employees have not kept pace with inflation or changes in the public and private sector salary market. The SPO analysis indicates both the public and private sector will increase salaries in the coming year, resulting in New Mexico possibly falling even farther behind the salary market. This is harming the state’s efforts at both recruitment and retention.

The average total compensation – salary plus benefits – for classified state employees declined from \$69,853 in FY11 to \$69,240 in FY12, a decrease of 0.9 percent. The average state salary declined slightly from \$41,986 in FY11 to \$41,912 in FY12; the average state benefits declined from \$27,867 in FY11 to \$27,328 in FY12. State public employees have not received a salary increase from the Legislature since July 2008, with the majority of salary increases being appropriated between 2001 and 2007.

The proposed legislation provides for an “average” three (3%) percent salary increase for some state employees. This means some employees may receive more or less than three (3%) percent as long as the average increase for all employees in a group equals three (3%) percent.

PERFORMANCE IMPLICATIONS

According to the response from the SPO, a salary increase for state employees would assist in efforts at employee recruitment and retention, improve employee morale and allow the SPO to adjust its salary schedule that is significantly lagging the comparator salary market.

ADMINISTRATIVE IMPLICATIONS

According to the response from the SPO, the Department of Information Technology (DoIT) would be required to partner with executive, legislative and judicial agencies that have human resource oversight responsibility to modify existing automated programs in the SHARE system and process any authorized salary increases on the specified effective date. This can be accomplished with existing staff.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The proposed legislation conflicts with the House Appropriations and Finance Committee (HAFC) substitute to HB 2 (General Appropriation Act of 2013), that proposes a one percent salary increase to state employees and HB 466 that proposes a \$1.2 million appropriation from the general fund to implement salary increases for non-general fund employees at the DOT.

The proposed legislation includes general fund appropriations for the state equalization guarantee fund and the public school transportation distribution that funds public school teachers, instructional staff, other licensed and unlicensed staff, and transportation employees. In the HAFC substitute to HB 2 this appropriation was included in Public Education in Section 4, not in Section 8 (Compensation) as is done in the proposed legislation.

TECHNICAL ISSUES

The proposed legislation includes general fund appropriations for commissioned police officers of the state police division and commissioned officers in the motor transportation division. The amount appropriated for the salary increase is stated to be 3 percent, but is actually 9 percent.

The SPO provided language for the HAFC substitute to HB 2 (General Appropriation Act of 2013) that strikes the word “average” in certain sections relating to employees governed by the State Personnel Act. The proposed legislation does not strike the word “average”, and as such technical corrections are suggested in the Amendment section below.

Executive exempt employees, including attorney general employees and workers’ compensation judges are included in legislation as governed by the State Personnel Act. This is technically incorrect and these state employees should be located in their own section of the legislation as has been done on the HAFC substitute to HB 2.

ALTERNATIVES

A salary increase of one percent as proposed in the HAFC substitute to HB 2 (General Appropriation Act of 2013).

AMENDMENTS

Strike the word “average” on line 23 on page 2 relating to incumbents in agencies governed by the Personnel Act and strike the word “average” on line 24 on page 3 relating to commissioned officers in the motor transportation division governed by the Personnel Act.

Reduce appropriations in Section 1(5) of the proposed legislation to ensure the amount is consistent with a 3 percent salary increase.