

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/14

SPONSOR Candelaria LAST UPDATED _____ HB _____

SHORT TITLE Retain & Recruit Dept. of Health Staff SM 71

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|------------------------------|------------------|
| FY14 | FY15 | | |
| | NFI | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

State Personnel Office (SPO)

SUMMARY

Synopsis of Bill

Senate Memorial 71 proposes the secretary of the Department of Health (DOH) conduct an agency-wide analysis of its compensation practices for all of its personnel to determine what pay inequities exist between similar jobs within DOH. SM 71 also proposes that DOH should implement compensation policy recommendations resulting from the analysis that enable better recruitment and retention of the highest quality personnel. SM 71 states the secretary of DOH report those findings, recommendations and actions to the Legislative Finance Committee (LFC) by October 1, 2014.

SM 71 also resolves that copies of the memorial be transmitted to the Office of the Governor, DOH, and the Chair and Vice-Chair of the LFC.

FISCAL IMPLICATIONS

SM 71 contains no appropriation.

SPO reports the Executive Budget provided \$14.2 million in general fund appropriations to provide target increases for employees in many hard to fill and retain classifications, to include

healthcare classifications. This plan includes reforming the state's classification and compensation system to provide recruitment, retention and compensation relief.

The House Appropriations and Finance Committee substitute for HB 2, 2014 General Appropriation Act, provides funding in Section 8 that could begin addressing some of the healthcare compensation reform concerns expressed in SM 71. However, HB 2 proposes a flat 3 percent across-the-board salary increase, which does not address the state's need to reduce compaction within pay bands, or the state's need to correct pay disparities that are causing recruitment and retention problems.

Additionally, HB 2 only appropriated \$2 million to address special compensation issues, including implementation of the FY09 union lawsuit, which has an estimated cost to the state of over \$27 million. To try to begin to meet the court ordered obligations of the lawsuit, the entire \$2 million would have to be used to fund Section 8(B)(2)(b), and the goals of SM 71 would not be able to be addressed.

Also, HB 2 provides that, if expended to address employee recruitment and retention issues, each employee may not receive more than a 5 percent salary increase; however, some employees are substantially more than 5 percent below their designated pay band minimums.

ADMINISTRATIVE IMPLICATIONS

DOH indicates the staff time and attention to this project would require significant resources and would make extensive demands on limited staff in the DOH Human Resource Bureau as the department employs over 3,200 employees at any given time. The review would need to begin immediately in order to meet the deadline of submission of findings in October 2014.

SPO indicates the compensation analysis proposed in the memorial is statutorily the province of SPO, as directed by the State Personnel Director and the State Personnel Board, both appointed by the Governor. Compensation analysis in the form of comparative market compensation surveys are an on-going responsibility of SPO.

TECHNICAL ISSUES

SPO indicates SM 71 makes no mention of the analysis of compensation of "classifications," just "personnel," which brings into question whether they will look at the comparative pay of individuals and not their classifications. It is also unclear if the analysis is confined to only internal pay inequities within DOH or if there might be an external comparative market compensation survey that looks at what other similar jobs in surrounding markets are paid. It is also unclear if the compensation analysis includes non-classified positions.

RAE/svb:jl