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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/16
LAST UPDATED _____

SPONSOR Varela **HB** 89

SHORT TITLE Public Employee Salary Increases **SB** _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	\$35,098.8	Recurring	General Fund
	\$13,619.9	Recurring	Other State Funds

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$35,098.8	\$35,098.8	\$70,197.6	Recurring	General Fund
		\$13,619.9	\$13,619.9	\$27,239.8	Recurring	Non- general fund
Total		\$48,718.7	\$48,718.7	\$97,437.4	Recurring	All

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 State Personnel Office (SPO)
 Higher Education Department (HED)
 Administrative Office of the Courts (AOC)
 Department of Transportation (NMDOT)

SUMMARY

Synopsis of Bill

House Bill 89 makes appropriations to provide state employees with a one percent salary increase. The increase will become effective the first full pay period after July 1, 2016, for

employees in budgeted positions who have completed their probationary period subject to satisfactory job performance.

HB 89 directs the Department of Finance and Administration to provide adequate funding to provide a 1 percent salary increase to employees whose salaries are derived from a fund other than the general fund.

FISCAL IMPLICATIONS

HB 89 distributes general fund necessary to provide a 1 percent salary increase to all state employees. LFC analysis indicates a non-general fund cost of \$13.6 million associated with this bill. The costs by fund and branch of government are detailed below:

	Percent General Fund	General Fund	Non-General Fund
Legislative	100%	\$ 112.0	\$ -
Judicial	92%	\$ 2,026.2	176.2
Executive*	43%	\$ 6,238.5	6,313.8
Higher Ed	58%	\$ 7,097.2	\$ 5,055.6
Public Ed	89%	\$ 19,624.9	\$ 2,074.4
Total		\$ 35,098.8	\$ 13,619.9

Source: LFC Files

*Executive includes all employees covered by the State Personnel Act as well as State Police, Attorney General employees, and executive exempt employees.

Agencies that pay employee salaries from non-general fund sources, such as the Department of Transportation, would have to budget salary increases from their existing base budget and would not receive additional appropriations as a result of passage of this bill.

SIGNIFICANT ISSUES

Because there is no additional appropriation for non-general funded positions in this legislation, any increase to those salaries will have to be paid for from the existing base budget.

The State Personnel Office notes that a targeted approach to compensation is needed, because the state has many classifications that do not have recruitment and retention issues and that are appropriately compensated. Targeted salary adjustments, rather than across the board salary increases, would improve recruitment and retention efforts in critical areas. To this end, the executive recommended an \$11 million targeted compensation initiative.

The Higher Education Department estimates that the general fund cost of a 1 percent salary increase is \$4.8 million rather than the \$7.1 million contained in HB 89.

OTHER SUBSTANTIVE ISSUES

The Administrative Office of the Courts notes that the request of judicial branch agencies include targeted salary increases for clerks to address a high turnover rate. Additionally, the AOC included an increase in judge pay in the base budget request, and an across-the-board component for all judicial employees.

The provisions of HB 89 would apply to all agencies, even if those agencies received compensation increases as part of their base budgets.

CJ/al