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FISCAL IMPACT REPORT

SPONSOR Munoz **ORIGINAL DATE** 1/27/16
LAST UPDATED 1/28/16 **HB** _____

SHORT TITLE State Police Officer Retention **SB** 117

ANALYST Rogers

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	\$500.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Public Safety (DPS)

State Personnel Office (SPO)

Responses not Received From:

Department of Finance and Administration (DFA)

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 117 appropriates \$500 thousand to DPS from the general fund for expenditure in FY17, FY18, and FY19 for the purpose of providing bonus payments for the retention of officers with 20 years or more of actual service credit. The bonus payments shall not be counted as part of officer salary in base salary or wages nor be used to determine pensions under PERA.

Any unexpended or unencumbered balance shall revert to the general fund at the end of FY19.

FISCAL IMPLICATIONS

DPS states that \$500 thousand in funding for three years would enable DPS to retain 18 qualifying officers with annual payments of \$12,000 for the three year period.

DPS also explained that although the retained officer will cost more than new recruits in salaries and benefits, this may be offset by a reduction in recruit training costs as a result of higher retention. DPS stated that the impact of the appropriation would be difficult to forecast, as it is in part determined by the amount of funding in the base budget for recruit training, expected to be minimal in FY17, but any savings can be redirected into additional retention bonuses applied to officers eligible for retirement.

Both the executive and the LFC recommendations include funds for hiring additional officers, but neither recommendation addresses retention through bonuses. However, currently, both recommendations include \$3.5 million for phase three of the state police officer pay plan, providing funding to bring NMSP officer starting pay up from 6th to 4th in market to improve recruitment and retention.

SIGNIFICANT ISSUES

DPS has an estimated 37 officers who will be eligible for retirement by January 2017, and an estimated 63 total eligible by January 2019. This is almost 10% of the NMSP workforce.

Officers with more experience tend to make better decisions in the field. Therefore, it can be anticipated that by retaining certified tenured officers, a reduction in liability to the department and general improved performance can be anticipated. This liability reduction falls into many categories i.e. training, equipping, and legal implications.

Historically, DPS has struggled to recruit and retain law enforcement officers due to an uncompetitive salary structure. In the 2013 interim, the department presented a three-phase \$10.8 million proposal to overhaul the state police pay plan. Over the last two years, the department has implemented phases one and two of the pay plan at a cost of \$6.2 million. The first two phases addressed low officer pay and internal pay equity and moved the agency from the 12th to the sixth highest payer in the market out of 14 departments surveyed in the state.

To date, ascertaining the success of the pay plan overhaul is difficult. Since December 2014, vacancy rates have fallen from 15 percent to 10 percent; the department projects a 7 percent vacancy rate in the last half of FY17. The agency would have to hire 75 officers to be fully staffed and 31 officers to meet the 7 percent projection for FY17; however, since FY12, DPS has only netted 38 new officers.

However, SPO referenced a 2004 Advisory Letter from the Attorney General which states that “a retroactive bonus or retroactive one-time salary increase is prohibited by the New Mexico Constitution.” The letter also states that “employees may only be paid a bonus if paid prospectively for future services. In other words, employees may be paid a one-time salary increase or bonus if the one-time salary increase and bonus, and the specific criteria for receiving it, were agreed to before the services were rendered and if the employee did not, going forward, meet those criteria, they would have earned the bonus and not been eligible to receive it.” (Attorney General Advisory Letter #2004 WL 1988102 N.M.A.G)

ADMINISTRATIVE IMPLICATIONS

The retention bonus pay will be handled through payroll entries administered through the DPS payroll section.

RELATIONSHIP

Relates to general appropriation act.

TMR/jle/jo/al/jle