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FISCAL IMPACT REPORT

ORIGINAL DATE 3/09/17

SPONSOR Morales LAST UPDATED _____ HB _____

SHORT TITLE Salary Increases SB 458

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	\$96,192.6	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SB458 relates to HB2, General Appropriation Act of 2017; HB238, General Appropriation Act of 2017; SB130, General Appropriation Act of 2017.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Administrative Office of the Courts (AOC)
 Higher Education Department (HED)
 New Mexico State University (NMSU)
 State Personnel Office (SPO)
 University of New Mexico (UNM)

SUMMARY

Synopsis of Bill

Senate Bill 458 would appropriate \$24,177,900 from the general fund to the Department of Finance and Administration for expenditure in FY18 to provide an average three percent salary increase to employees in budgeted positions who have completed their probationary period subject to satisfactory job performance. The salary increases would be effective the first full pay period after July 1, 2017 and distributed as follows:

- \$348,300 for the legislative branch of government;
- \$3,600,900 for the judicial branch of government;
- \$7,938,546 for executive branch classified employees not covered by a collective bargaining agreement;
- \$7,194,066 for executive branch classified employees covered by a collective bargaining

agreement in effect on July 1, 2017;

- \$338,448 for executive branch adjustments as necessary;
- \$2,123,640 for executive exempt employees, including Attorney General employees and workers' compensation judges;
- \$2,289,000 for commissioned state police officers in accordance with the New Mexico state police career pay system;
- \$345,000 for commissioned officers in the Motor Transportation Division;
- \$17,534,400 for the Higher Education Department to provide an average three percent increase for faculty and staff of four-year and two-year public post-secondary educational institutions;
- \$53,151,900 for the public school fund state equalization guarantee distribution and \$1,328,400 for the public school fund transportation distribution to provide an average three percent salary increase for all teachers, other instructional staff and other licensed and unlicensed staff, including transportation employees. This amount does not include and is in addition to salary increases due to licensure advancement pursuant to the School Personnel Act.

Prior to the approval of the school district or charter school's budget, the secretary of public education shall verify that each school district or charter school is providing an average three percent salary increase for all teachers and other licensed school employees and an average three percent salary increase for all unlicensed school employees.

Any unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the general fund or other appropriate fund.

The bill includes a severability clause such that if any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

FISCAL IMPLICATIONS

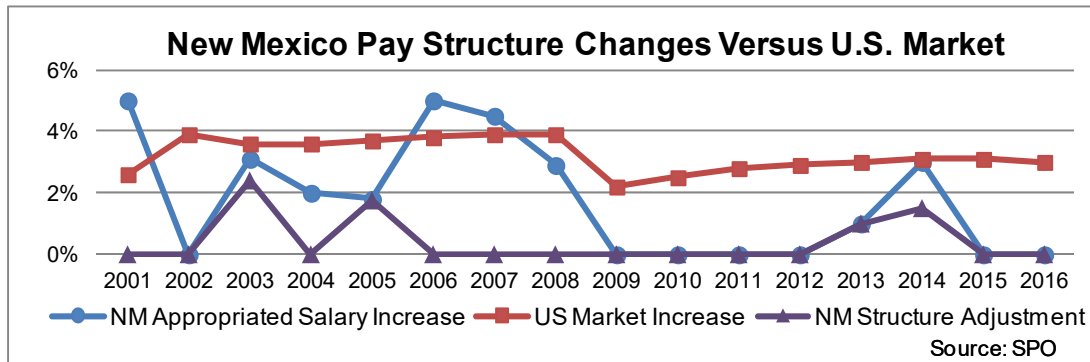
The bill would appropriate \$96.2 million from the general fund to provide an average three percent salary increase in FY18 for all state employees in public education, higher education, and in the judicial, executive and legislative branches of government.

For those state employees whose salaries are referenced in or received as a result of nongeneral fund appropriations in the General Appropriation Act of 2017, the Department of Finance and Administration would transfer from the appropriate fund to the appropriate agency the amount required for the salary increases equivalent to those provided for from the general fund.

Any unexpended or unencumbered balance remaining at the end of FY18 would revert to the general fund or other appropriate other state or internal service funds/interagency transfers fund.

SIGNIFICANT ISSUES

The last three percent salary increase state employees received was in FY12-FY13.



HED reports SB458 appropriates \$17,534,400 to provide an average three percent salary increase for the staff and faculty of New Mexico's public higher education institutions (HEIs). According to FY16 HEI financial reports, New Mexico's 25 public HEIs (not including the special schools of the New Mexico School for the Blind, the New Mexico School for the Deaf, and the New Mexico Military Institute) utilized multiple revenue sources and expended \$1,268,562,021 on salaries for 25,486.8 faculty and staff FTE. Three percent of \$1,268,562,021 equates to \$38,056,861. Based on this most currently available financial data, the appropriation contained in SB458 for higher education faculty and staff is insufficient to provide an average three percent salary increase for all higher education personnel in FY18.

SPO reports SB458 appropriates insufficient funding to provide an average three percent salary increase to classified service employees. SPO cost projections indicate it would require \$16,402,415 to provide an average three percent increase to classified state employees and the bill provides \$15,471,060.

TECHNICAL ISSUES

HED notes SB458 does not specify how appropriations should be allocated across personnel in the event that an appropriation amount is not sufficient for an average three percent salary increase for FY18.

SPO notes the bill is unclear if employees in the Office of the Public Defender are included in the salary increase proposal.

OTHER SUBSTANTIVE ISSUES

NMSU reports the average annual compensation increase for NMSU employees over the last 7 years has been 0.6 percent with the last salary increase provided in FY15 (1.5 percent). Employee compensation for NMSU employees and other state employees has failed to keep up with cost of living adjustments and other costs increases placed on employees. Failure to provide a compensation adjustment to salaries places a financial hardship on employees and leaves NMSU, as well as other state agencies with the continued risk of losing valuable employees.

ALTERNATIVES

SPO suggests adopting compensation strategies that provide targeted salary increases for occupations demonstrated as critical labor needs.