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## FISCAL IMPACT REPORT

SPONSOR <u>Pettigrew/Ingle/Lundstrom/Townsend/ Ezzell</u>	LAST UPDATED <u>02/22/23</u> ORIGINAL DATE <u>02/20/23</u>
SHORT TITLE <u>County Official Salary Caps</u>	BILL NUMBER <u>House Bill 410</u>
ANALYST <u>Hitzman</u>	

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>DFA Admin</b>	\$0 - \$50.0	\$0 - \$50.0	\$0 - \$50.0	<b>\$0 - \$150.0</b>	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Relates to HB399

### Sources of Information

LFC Files  
 The Aspen Institute  
 Nebraska Association of County Officials - *2023-2026 Salary Recommendations for County Officials*  
 U.S. Bureau of Labor Statistics

### Responses Received From

New Mexico Corrections Department (NMCD)  
 Administrative Office of the Courts (AOC)  
 New Mexico Association of Counties (NMC)

### No Response Received

County Clerks Affiliate  
 Municipal League  
 Councils of Government  
 Department of Finance and Administration (DFA)

## SUMMARY

### Synopsis of House Bill 410

House Bill 410 (HB410) increases the salary caps for elected county officials and adds new material to provide that, on July 1, 2024 and every year thereafter, salaries shall be adjusted based on the consumer price index (CPI). The bill provides that the Local Government Division of the Department of Finance and Administration (DFA) may assist counties in the calculation of

the CPI if requested. The bill specifies that the CPI as used in this bill is not seasonally adjusted. Increases shall not take effect until the first day of the term of an official office after the effective date of this act.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

## FISCAL IMPLICATIONS

The bill does not make an appropriation and would not have an impact on the state budget because counties are responsible for paying the salaries of county officials.

However, the bill amends the salaries of the following officials:

	Class A			Class B (High Valuation)		
	Old	New	Increase	Old	New	Increase
Commissioners	\$39,106	\$44,895	\$5,789	\$30,196	\$36,982	\$6,786
Treasurer	\$86,626	\$106,095	\$19,469	\$75,733	\$92,754	\$17,021
Assessor	\$86,626	\$106,095	\$19,469	\$75,733	\$92,754	\$17,021
Sherriff	\$90,338	\$110,641	\$20,303	\$78,952	\$96,696	\$17,744
County Clerk	\$86,626	\$106,095	\$19,469	\$75,733	\$92,754	\$17,021
Probate Judge	\$38,114	\$46,680	\$8,566	\$26,482	\$32,433	\$5,951

	Class B (Int.Valuation)			Class H		
	Old	New	Increase	Old	New	Increase
Commissioners	\$21,534	\$26,373	\$4,839	\$15,844	\$19,405	\$3,561
Treasurer	\$64,844	\$79,418	\$14,574	\$7,922	\$9,702	\$1,780
Assessor	\$64,844	\$79,418	\$14,574	\$7,922	\$9,702	\$1,780
Sherriff	\$67,814	\$83,055	\$15,241	\$7,922	\$9,702	\$1,780
County Clerk	\$64,844	\$79,418	\$14,574	\$7,922	\$9,702	\$1,780
Probate Judge	\$38,114	\$46,680	\$3,393	\$26,482	\$32,433	\$1,042

Therefore, counties will incur additional costs for these officials based on their classification, assessed valuation, and number of appointed/elected officials in those positions (for example, some counties have only three commissioners while others must have five). Costs will also then be incurred every year thereafter because the bill provides those salaries to be increased each year in alignment with the consumer price index, likely intended to adjust salaries for inflation.

The New Mexico Association of Counties (NMC) reports the increase to the salary cap could provide benefits to approximately 302 county elected officials over the next four years:

Elected Position	Total
Assessors	33
Clerks	33
Commissioners/County Councilor	137
Treasurers	33
Sheriffs	33
Probate Judges	33
<b>Total County Officials</b>	<b>302</b>

Further, the bill provides that DFA may provide assistance in calculating the CPI, and while the department did not provide an estimated cost for providing that assistance, the expected cost is minimal and likely less than \$50 thousand annually. However, it is likely recurring because the bill provides for adjustments on an annual basis.

## SIGNIFICANT ISSUES

The U.S. Department of Labor Bureau of Labor Statistics finds “compensation costs for state and local government workers increased 2.0 percent for during the 12- month period ending in June 2021.” While this is less than in prior years (compared with 2.8 percent in March 2020), this would likely not reflect those officials whose salaries are set in statute, so many county officials may not be experiencing the same increases in salaries as other state and local workers.

Further, a report published by the Nebraska Association of County Officials provides relevant commentary on the nature of salaries and position attractiveness:

It is understood that all counties face statutory levy and budget limits. It is further understood that the recurring uncertainty regarding property tax revenues, consolidation issues and economic uncertainty are of eminent concern to counties. However, the rate of inflation the state has experienced since 2019 and the current costs of goods and services should be taken into consideration, as well as the growth and decline of populations in certain areas of the State. In order that qualified individuals will continue to be attracted to seek and retain county offices, salaries and benefits should be afforded which reflect the current standard of living...in today's competitive job market.

This echoes concerns regarding salaries being set in statute, which, without adjustments on a regular basis to the statute, will limit the salaries of officials to pre-set levels that may or may not meet the cost of living. HB410 not only provides for salary adjustments within the statute, but also provides for annual adjustments to help meet this need. However, it is unclear whether adjustments made on the non-seasonally adjusted CPI each year will provide for adequate adjustments or if those adjustments may end up being above the average increases seen for state and other local officials, which may create additional disparities in pay between those and other types of workers.

NMC notes that “the salary cap for county elected officials means that often chief deputies or undersheriffs make significantly more than the elected official.” Further, they note the last time the legislature increased the salary cap was in 2018, and that, historically, the “legislation to raise county elected officials' salaries occurred every three to four years” in New Mexico. NMC further notes “raising the cap only gives permission to the board of County Commissions to set the salary within their budget and within the salary cap...County Commissions may choose to not give any salary increases,” and that “current law requires that if a County Commission approves an increase, then the percentage increase must be equal for all elected officials.”

Also of note, NMC reported approximately one-third of the 33 New Mexico counties are at the cap and “the salary cap for county elected officials means that often chief deputies or undersheriffs make significantly more than the elected official.” NMC believes an “indexing increase would reduce or eliminate the need to continually request a cap increase.”

## **PERFORMANCE IMPLICATIONS**

The Aspen Institute finds a correlation between wages and productivity, so an increase in wages for county officials may result in improved productivity and performance.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill relates to HB399, which requires a five member board of county commissioners for counties of a certain classification, valuation, and population threshold.

## **ALTERNATIVES**

Instead of adjusting the base salaries for each official, there could be an established increase of a certain percentage provided for in the language of the bill that could accomplish a similar outcome without adjusting each official's salary individually in statute.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If not enacted, the salaries of these county officials would be set in statute at the current levels and would not be automatically adjusted for inflation every year.

JH/al/ne