

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4444-01
Bill No.: SB 1205
Subject: Department of Corrections; Salaries; Employees–Employers
Type: Original
Date: May 6, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$0	(\$11,104,139)	(\$3,504,675)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$11,104,139)	(\$3,504,675)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Office of Administration – Division of Accounting** assume pay increases to bring Corrections Officers up to minimum pay scale would also require an increase in funding for fringe benefits that are based on a percent of salary. The Division assumes an unknown fiscal impact until the cost of the pay increase is determined. Fringe benefits are currently over 40% of salary.

Officials from the **Department of Corrections (DOC)** assume the proposal creates a minimum pay scale for specified correctional personnel.

DOC assumes, as a result of the proposal, a Corrections Officer I (CO I, a merit-classification FTE) shall receive, in addition to their current salary, a \$50 increase in salary per month (or \$25 per pay period) for each full past year of service with the DOC. Ten years is the maximum years of service that can be calculated for salary adjustment which calculates to an annual maximum salary adjustment of \$6,000 per CO I.

ASSUMPTION (continued)

DOC assumes the same methodology above would hold true for the remaining merit classes of CO II, CO III, Corrections Supervisor I (CS I) and CS II noted in the bill except these classes are proposed to receive a \$30 per month adjustment for each year of service up through 10 years of service. \$3,600 would be the annual cap for 10-plus years of service for these classifications. It is unknown however, whether the intent of the bill is for this adjustment to occur on July 1 of each forthcoming fiscal year or is a one-time adjustment for only FY05. This constitutes the unknown factor for the remaining fiscal years covered by this fiscal note.

A snapshot in time shows the following annualized amounts using the assumptions above for salary adjustments:

CO I	\$10,626,600
CO II	\$1,516,680
CO III	\$653,400
CS I	\$379,080
CS II	<u>\$79,200</u>
Total	<u>\$13,254,960</u>

Officials from the **Office of Administration – Division of Personnel** assume the proposed legislation, if passed, would require that the Director of Personnel recommend to the Personnel Advisory Board a separate pay grid to include the classes of Corrections Officer I-II-III and Corrections Supervisor I. The pay plan would become effective when approved by the Personnel Advisory Board and the Governor. The pay rates for these employees would increase each year by \$600 and \$360, for CO Is and the other three classes, respectively.

The Division of Personnel assumes each employee in each Corrections class affected would be paid commensurate with the years of service in the proposed legislation. That means, adjusting the salaries of employees to the pay rates in the proposed legislation the first year, then providing either \$600 or \$360 per annum, based on class, for each successive year of service (up to 10). For example, employees with one year of service were adjusted to the one year rate, two years of service to the two year rate, etc. up to ten years of service. Employees with ten or more years of service were adjusted to the ten year rate. As the proposed legislation is effective July 1, 2005, a full year's fiscal impact was projected each year. The incremental rates were calculated for the 2nd and 3rd years at \$600 per CO I and \$360 per CO II, CO III and Corrections Supervisor I. Fringe benefits are calculated at 18.78% (instead of 41% as in most fiscal notes where new employees are added). The estimate cost of health care per employee is where the fringe benefit rate is significantly increased. Since the affected employees would already have health care coverage, the 18.78% rate is used.

ASSUMPTION (continued)

The cost estimate listed is for the Department of Corrections only. The DOC is funded primarily from General Revenue. The Division of Personnel estimates the cost to the Department of Corrections to be \$11,104,139 in FY 06 and \$3,504,675 in FY 07.

In addition, the Division of Personnel assumes the proposal could result in long-range implications, such as the impact upon the Uniform Classification and Pay System. Leapfrogging of lower paid employees over higher paid employees would occur as Corrections Officers and Supervisors paid according to the proposed pay rates would be earning more than employees in job classifications performing higher level work, both within and outside of the Department of Corrections. This would remove the monetary incentive for employees to seek promotional opportunities. Another implication is that other groups of employees will be petitioning the legislature to develop pay rates and pay progression based on longevity. Once established, the various different pay grids could be recommended for different pay increases based on the ability of the employees or their representatives to either negotiate or lobby the legislature. As such, the potential impact upon the Uniform Classification and Pay System is significant.

Oversight has used the cost estimates provided by the Office of Administration – Division of Personnel to reflect increased personal service and fringe benefits costs to the Department of Corrections.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Costs – Department of Corrections</u>			
Personal Service	\$0	(\$9,348,492)	(\$2,950,560)
Fringe Benefits	<u>\$0</u>	<u>(\$1,755,647)</u>	<u>(\$554,115)</u>
<u>Total Costs – Department of Corrections</u>	<u>\$0</u>	<u>(\$11,104,139)</u>	<u>(\$3,504,675)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$11,104,139)</u>	<u>(\$3,504,675)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2005 (10 Mo.)	 FY 2006	 FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

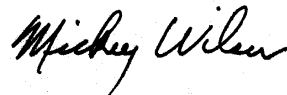
The proposed legislation would create a minimum pay scale for certain corrections personnel, based upon rank and length of service. The pay scale would be subject to appropriations. The legislation would become effective July 1, 2005.

This legislation is not federally mandated and would not require additional capital improvements or rental space.

The legislation duplicates the Missouri Merit System and the Uniform Classification and Pay System administered by the Office of Administration – Division of Personnel. The Department of Corrections is included in the Missouri Merit System and the Uniform Classification and Pay System. The Uniform Classification and Pay System includes the Department of Corrections classifications proposed for a longevity pay system in this proposal.

SOURCES OF INFORMATION

Office of the Governor
Office of Administration
 – Division of Accounting
 – Division of Personnel
Department of Corrections



Mickey Wilson, CPA
Director
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