

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1220-01  
Bill No.: SB 305  
Subject: Department of Corrections; Salaries  
Type: Original  
Date: February 28, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue*	\$0	(\$21,844,044)	(\$3,358,683)
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$0</b>	<b>(\$21,844,044)</b>	<b>(\$3,358,683)</b>

**\*Subject to appropriation.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Office of the Governor** did not respond to Oversight's request for fiscal impact. However, in response to a similar proposal in the 2004 Session (SB 1205, LR # 4444-01), officials assumed the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Corrections (DOC)** assume the proposal authorizes minimum amounts of compensation for certain 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 year of service with the DOC and establishes a pay grid to supplant the existing merit pay grid.

Likewise, an additional \$30 of pay is to be given each month per each year of service for a Corrections Officer II (CO II), Corrections Officer III (CO III) and Corrections Supervisor I (CS I) along with a respective pay grid to supplant the existing merit pay grid.

ASSUMPTION (continued)

The effective date of the proposal, should it be passed as law, is July 1, 2006, and DOC notes it is subject to appropriation. DOC assumes for purposes of this fiscal note that this compensation is an ongoing pay adjustment for affected DOC staff and not a one-time pay out.

DOC assumes the longevity increases are for years of service within the job class and not cumulative years of service with DOC.

The following costs represent a snapshot in time of DOC's tenured staff affected by this proposal. It must be noted this could change dramatically over time and additional funds would then be required.

<b>Class</b>	<b>New Pay Grid Enhancements</b>	<b>Longevity Increase</b>	<b>Annual Total per Class</b>
CO I	\$5,319,126	\$13,855,800	\$19,174,926
CO II	\$3,490,036	\$995,760	\$4,485,796
CO III	\$1,506,184	\$373,680	\$1,879,864
CS I	\$906,600	\$222,120	\$1,128,720
<b>Totals</b>	<b>\$11,221,946</b>	<b>\$15,447,360</b>	<b>26,669,306</b>

DOC assumes any changes to the statewide human resources accounting system would be addressed by the Office of Administration – Division of Personnel.

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 (CO) I-II-III and Corrections Supervisor (CS) I. The pay plan would become effective when approved by the Personnel Advisory Board and the Governor. After the first year, which would result in 10-20% increases for most of the affected employees, the pay rate for affected employees would increase each year by \$600 for CO I and by \$360 for the CO II, CO III, and CS I, until the top of the pay range is attained.

ASSUMPTION (continued)

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 11). The years of service adjustments were based on the total state service of the employees affected, not on the length of service of the employees in each rank.

As the proposed legislation is effective July 1, 2006, a full year's fiscal impact was projected in each year beginning in FY 2007. The incremental rates were calculated for the 2<sup>nd</sup> and 3<sup>rd</sup> years at \$600 per CO I and \$360 per CO II, CO III, and CS I. Fringe benefits are calculated at 40.71% (instead of 42.66% 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.

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 \$21,844,044 in FY 07 and \$3,358,683 in FY 08.

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. The Uniform Classification and Pay System is established to maintain internal equity among the various classes of positions. Providing longevity based increases for certain employees would result in leapfrogging of lower paid employees over higher paid employees. This would remove the monetary incentive for employees to seek promotional opportunities and may result in employees wanting to demote to take advantage of the new pay system. 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 and upon internal pay equity throughout the state 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 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Costs – Department of Corrections</u>			
Personal Service	\$0	(\$18,096,300)	(\$2,782,440)
Fringe Benefits	\$0	(\$3,747,744)	(\$576,243)
<u>Total Costs – Department of Corrections*</u>	\$0	(\$21,844,044)	(\$3,358,683)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b>\$0</b>	<b>(\$21,844,044)</b>	<b>(\$3,358,683)</b>
<b>*Subject to appropriation.</b>			

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<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, 2006.

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

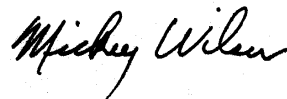
The legislation duplicates the Missouri Merit System and the Uniform Classification and Pay System (Chapter 36, RSMo) administered by the Office of Administration – Division of Personnel. The Department of Corrections is included in the Missouri Merit System and the Uniform Classification and Pay System. 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 Administration  
Department of Corrections

**NOT RESPONDING**

**Office of the Governor**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 28, 2005