

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1250-05
Bill No.: HCS for SS for SCS for SB 255, 249 & 279
Subject: Employees-Employers, Salaries
Type: Original
Date: April 7, 2007

Bill Summary: Would reinstate federal overtime standards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$1,193,597	\$1,362,643	\$1,529,844
Total Estimated Net Effect on General Revenue Fund	\$1,193,597	\$1,362,643	\$1,529,844

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Highway	\$7,388,960	\$7,610,629	\$7,838,948
Gaming Commission	\$683,640	\$704,149	\$725,274
Total Estimated Net Effect on Other State Funds	\$8,072,600	\$8,314,778	\$8,564,222

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Various federal funds	\$370,092	\$458,434	\$472,187
Total Estimated Net Effect on <u>All</u> Federal Funds	\$370,092	\$458,434	\$472,187

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$4,727,044 to Unknown	\$4,727,044 to Unknown	\$4,727,044 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 290.505

Officials from the **Department of Labor and Industrial Relations, the Department of Public Safety, Office of the Director, Division of Alcohol and Tobacco Control, Division of Fire Safety, Missouri Capitol Police, State Emergency Management Agency, Linn State Technical College, Metropolitan Community Colleges, University of Central Missouri, Missouri State University, the University of Missouri, Truman State University, the City of Kansas City, the City of Centralia, and Parkway School District** assumed previous version of this proposal would have no fiscal impact on their organizations.

Officials from the **Office of Administration, Division of Personnel, (OADP)** assumed a previous version of this proposal would affect all state agencies since it addresses the overtime provisions of changes to state law. However, the main impact of the proposed legislation would be upon the Department of Corrections, the Adjutant General of the Department of Public Safety, and the Missouri State Highway Patrol. Those state agencies employ flexible schedules for overtime calculations under federal law.

- * The Department of Corrections would have 185 employees affected at an average salary of \$27,000 per annum.
- * The Adjutant General would have 21 employees affected at an average salary of \$34,400.
- * OADP defers to the Missouri State Highway Patrol for an estimate of the impact to their organization.

The OADP estimate of General Revenue Fund costs which could be avoided if the proposal was implemented totaled \$329,997 for FY 2008, \$372,255 for FY 2009, and \$406,784 for FY 2010. Cost avoided for federal funds were estimated at \$370,092 for FY 2008, \$458,434 for FY 2009, and \$472,187 for FY 2010. The OADP estimate represents the overtime costs if the same number of hours were worked on a forty-hour work week basis as opposed to the current 28-day schedules. Benefits were calculated at 22.69%, instead of 45.26% as the cost estimates affect only existing employees.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** deferred to the Department of Labor and Industrial Relations for an estimate of the fiscal impact of the proposal.

Officials from the **Department of Corrections** (DOC) stated that the recent passage of the minimum wage law inadvertently removed an overtime pay exemption for law enforcement employees. DOC assumed a previous version of this proposal would reinstate the exemption allowing DOC to continue a 12-hour shift schedule for staff without incurring overtime costs. In summary, the positive fiscal impact due to passage of this bill is estimated at approximately \$200,000 in savings for the DOC per annum.

Officials from the **Missouri State Highway Patrol** anticipated that a previous version of this proposal would result in overtime savings of approximately \$5.85 million as follows:

General Revenue	\$500,000 (Members)
Highway Funds	\$4,500,000 (Members)
Highway Funds	\$400,000 (Commercial Vehicle Officers)
Gaming Funds	\$450,000 (Members)

Member overtime total = \$5,450,000

CVO overtime total = \$400,000

The estimate was calculated based on the compensatory time that would have accrued had they worked a 40 hour work week as opposed to a 28 day, 171 hour work period. This method was also used to determine an estimate for the 750 road officers, 90 DDCC officers, 100 Gaming officers and 140 Commercial Vehicle Officers.

In addition to the savings in overtime payments, there would also be a savings in the associated fringe benefits. Those are calculated at 51.92% for members (44.27% for retirement and 7.65% for social security), and 38.14% for CVOs (30.49% for retirement and 7.65% for social security).

Highway =	\$2,488,960
General Revenue =	\$259,600
Gaming =	\$233,640
Total =	\$2,982,200

ASSUMPTION (continued)

Total estimated savings, including overtime savings and fringe benefit savings, are:

Highway =	\$7,388,960	(\$4,900,000 overtime + \$2,488,960 fringe benefits)
General Revenue =	\$759,600	(\$500,000 overtime + \$259,600 fringe benefits)
Gaming =	\$683,640	(\$450,000 overtime + \$233,640 fringe benefits)

Officials from the **City of Columbia** assumed a previous version of this proposal would allow public agencies to follow the special federal overtime provisions. Otherwise, Columbia taxpayers would face either \$800,000 in new costs or diversion of \$800,000 from budgeted services. City officials stated that the Missouri Department of Labor interprets the new state minimum wage law as requiring payment of overtime to firefighters and law enforcement personnel after 40 hours in a seven day period. If this interpretation is upheld the financial impact to the City of Columbia would be significant.

In Columbia, total estimated annual taxpayer costs for overtime pay to public safety personnel could reach \$800,000:

Columbia Fire Department	\$519,200
Columbia Police Department	\$250,000
Columbia Regional Airport Safety Officers	\$ 25,000 - \$30,000

Officials from the **City of St. Louis** assumed a previous version of this proposal would reinstate federal standards for overtime wages paid to public employees, and would allow the City of St. Louis to avoid a potential increase in overtime costs for its Fire Department estimated at \$3.9 million per year.

ASSUMPTION (continued)

This estimate is based on a budgeted uniform force (excluding command personnel) of 685. Subtracting those uniforms already budgeted at 40hrs. /week produces a net total of 670 uniformed fire personnel of which the additional overtime cost can be calculated as follows:

Budgeted total Uniform Personnel affected: 670
Current average work week 52
Total hrs. per year 624
(Currently paid at straight time; additional cost = x 0.5)

547 Privates x \$17.49 avg. per hr x 624 hrs x .5 = \$2,984,913
123 Captains x \$24.55 avg. per hr x 624 hrs x .5 = 942,131

Total Estimate of Avoided Overtime Costs: \$3,927,044

Officials from the **City of West Plains** did not provide an estimate of the overtime cost which could be saved if the proposal was implemented, but stated a previous version of this proposal could have a positive fiscal impact on the city.

Officials at the **Lincoln University** assume there would be a modest to significant fiscal impact in the form of overtime pay if this proposal is not adopted.

Officials at the **City of Maryland Heights** assumes this proposal would have a significant positive fiscal impact on the city.

Oversight assumes this proposal would have unknown positive impact on Local Governments greater than the estimated impact of \$4,727,044 calculated by the City of Columbia and City of St. Louis. Other cities would expect a savings as well so the fiscal note has been ranged from \$4,727,044 to Unknown.

Sections 290.502 & 290.512

Officials at the **Office of Administration, Division of Personnel (OADP)** assume employees who are earning the minimum wage in state agencies are also impacted. If the proposed legislation was adopted, these employees would no longer receive an annual increase based on the annual adjustment to the minimum wage.

The long range implications of the proposed legislation with respect to the minimum wage is that it removes the annual adjustment, thereby establishing a state minimum wage of \$6.50 per until and unless the federal minimum wage would exceed \$6.50 per hour.

Assumptions for the minimum wage estimate:

1. There are 500 state employees paid the minimum wage.
2. Each employee works 1040 hours per year (50% FTE).
3. The minimum wage increased from \$6.50 to \$6.70 (3%) January 1, 2008; to \$6.90 (3%) on January 1, 2009; and to \$7.11 (3%) January 1, 2010.
4. Because the increase is cumulative each year, the first year adjustment costs are included in the second year adjustment costs, and so forth.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Savings</u> - All state agencies savings to minimum wage	\$104,000	\$208,000	\$317,200
<u>Savings</u> - Overtime costs to Dept. of _____ corrections and Adjutant General	\$329,997	\$372,255	\$406,784
<u>Savings</u> - Missouri Highway Patrol	<u>\$759,600</u>	<u>\$782,388</u>	<u>\$805,860</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$1,193,597</u>	<u>\$1,362,643</u>	<u>\$1,529,844</u>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
HIGHWAY FUND			
<u>Savings</u> - Missouri Highway Patrol	<u>\$7,388,960</u>	<u>\$7,610,629</u>	<u>\$7,838,948</u>
ESTIMATED NET EFFECT TO HIGHWAY FUND	<u>\$7,388,960</u>	<u>\$7,610,629</u>	<u>\$7,838,948</u>
GAMING COMMISSION FUND			
<u>Savings</u> - Missouri Highway Patrol	<u>\$683,640</u>	<u>\$704,149</u>	<u>\$725,274</u>
ESTIMATED NET EFFECT TO GAMING COMMISSION FUND	<u>\$683,640</u>	<u>\$704,149</u>	<u>\$725,274</u>
<u>VARIOUS FEDERAL FUNDS</u>			
<u>Savings</u> - Overtime costs to Dept of Corrections and Adjutant General	<u>\$370,092</u>	<u>\$458,434</u>	<u>\$472,187</u>
ESTIMATED NET EFFECT TO VARIOUS FEDERAL FUNDS	<u>\$370,092</u>	<u>\$458,434</u>	<u>\$472,187</u>

<u>FISCAL IMPACT - Local Government</u>	<u>FY 2008</u> <u>(10 Mo.)</u>	<u>FY 2009</u>	<u>FY 2010</u>
LOCAL GOVERNMENTS			
<u>Savings</u> - City of Columbia			
Overtime Costs	\$800,000	\$800,000	\$800,000
<u>Savings</u> - City of St. Louis			
Overtime Costs	\$3,927,044	\$3,927,044	\$3,927,044
<u>Savings</u> - All other cities			
Overtime Costs	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>\$4,727,044 to</u> <u>Unknown</u>	<u>\$4,727,044 to</u> <u>Unknown</u>	<u>\$4,727,044 to</u> <u>Unknown</u>
<u>FISCAL IMPACT - Small Business</u>			

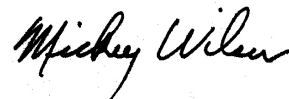
No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act reinstates the Federal overtime standards in place before the passage of Proposition B (2006) including exemptions for firefighters, commissioned employees, and flex-time rates.

SOURCES OF INFORMATION

Office of Administration
 Administrative Hearing Commission
 Division of Personnel
Department of Corrections
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
Department of Public Safety
 Office of the Director
 Division of Alcohol and Tobacco Control
 Division of Fire Safety
 Missouri Capitol Police
 State Emergency Management Agency
 Missouri State Highway Patrol
University of Central Missouri
Linn State Technical College
Metropolitan Community Colleges
Missouri State University
Truman State University
University of Missouri
City of Centralia
City of Columbia
City of Kansas City
City of St. Louis
City of West Plains
Parkway School District
Lincoln University
City of Maryland Heights



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