

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1358-01
Bill No.: SB 290
Subject: Department of Corrections; Salaries
Type: Original
Date: February 5, 2007

Bill Summary: This proposal authorizes minimum amounts of compensation for certain corrections personnel.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|--|---|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| General Revenue | \$0 | (\$6,747,237 to \$11,898,674) | (\$3,174,383 to \$6,747,237) |
| Total Estimated Net Effect on General Revenue Fund | \$0 | (\$6,747,237 to \$11,898,674) | (\$3,174,383 to \$6,747,237) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2008 | FY 2009 | FY 2010 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| 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 | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections (DOC)** state this bill proposes an extra \$50 of pay to be given each month per each year of service attained for a Corrections Officer I (CO I) 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, Sergeant), Corrections Officer III (CO III, Lieutenant), Corrections Supervisor I (CS I, Captain) and Corrections Supervisor II (CS II, Major) along with a respective pay grid to supplant the existing merit pay grid. Due to the way this bill is written, 1,294 staff would receive a pay decrease.

The effective date of this bill, should it be passed as law, is July 1, 2008 (FY '09) and it is noted that it is subject to appropriation. Although unclear, it is assumed 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.

It is also assumed the longevity increases are for years of service within the job class and not cumulative years of service to the DOC.

| <u>Class</u> | <u>Annual Total per Class</u> |
|--------------|-------------------------------|
| CO I | \$ 377,791 |
| CO II | \$2,914,749 |
| CO III | \$1,353,941 |
| CS I | \$ 733,637 |
| CS II | \$ 119,301 |
| TOTAL | <u>\$5,499,419</u> |

The costs outlined in the table above represents only a snapshot in time of DOC's tenured staff affected by this proposal and it must be noted it could change dramatically over time and additional funds would then be required.

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

In summary, the DOC assumes the proposal would increase in a cost to the General Revenue Fund of \$5,499,419 to Unknown for fiscal years starting with FY 2009.

ASSUMPTION (continued)

In response to a similar proposal from 2006 (SB 705), officials from the **Office of the Governor** assumed the proposed legislation would have no fiscal impact on their agency.

Officials from the **Office of Administration - Personnel Division (COA)** state this proposed legislation creates an entirely separate pay grid for Corrections Officers and institutes a longevity based pay system that would not be possible for other employees in the Department of Corrections and other agencies under the Uniform Classification and Pay System administered by the Division of Personnel. If passed, the proposed legislation would require that the Director of Personnel recommend to the Personnel Advisory Board a separate pay grid for the classes of Corrections Officer I-II-III and Corrections Supervisor I-II. The pay plan would become effective when approved by the Personnel Advisory Board and the Governor. After the first year, the pay rates for affected employees would increase each year by \$600 for CO Is and by \$360, for the CO II, CO III and Corrections Supervisor I and II, until the top of the pay range is attained. Presumably, adjustments to the pay ranges would continue thereby providing additional longevity payments as time goes on.

In response to this proposal, COA made the following assumptions;

- that each employee in each Department of 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. COA would need to defer to the Department of Corrections for the estimate if the adjustments are based on time in rank. If this results in a lower estimate from the Department of Corrections, COA would suggest the lower estimate be adopted.
- Since the proposed legislation is effective July 1, 2008, to mitigate the potential fiscal impact, COA assumed the affected employees would receive a pay increase of 3.0% effective July 1, 2007 and a 3.0% increase effective July 1, 2008.
- As the proposed legislation is effective July 1, 2008, a full year's fiscal impact was projected beginning in FY 2009. 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 and II.

ASSUMPTION (continued)

- Fringe benefits are calculated at 22.69% (instead of 45.26% as in most fiscal notes where new employees are added). The estimated cost of health care per employee is where the fringe benefit rate is significantly different. Since the affected employees would already have health care coverage, the 22.69% rate is used. The benefits included in this rate is in the fiscal estimate spreadsheet and below.

| TITL-CD | TITLE DESCRIPTION | Grade | # of employees | FY '09 increase | FY '10 increase |
|---------|---|-------|----------------|-----------------|-----------------|
| 5001 | Corr. Officer I | A16 | 4,671 | \$4,019,432 | \$2,406,600 |
| 5002 | Corr. Officer II | A18 | 623 | \$3,247,300 | \$148,320 |
| 5003 | Corr. Officer III | A20 | 212 | \$1,514,627 | \$28,440 |
| 5005 | Corr. SPV I | A23 | 107 | \$777,546 | \$3,960 |
| 5006 | Corr. SPV II | A27 | 23 | \$139,256 | \$0 |
| | | | | | |
| | TOTALS | | 5,636 | \$9,698,161 | \$2,587,320 |
| | | | | | |
| | Benefits in addition to salary (22.69%) | | | \$2,200,513 | \$587,063 |
| | Total Estimate Beginning 7/1/9 | | | \$11,898,674 | \$3,174,383 |
| | | | | | |

In summary, the COA assumes a cost to the General Revenue fund of \$11,898,674 in FY 2009 and \$3,174,383 in FY 2010.

Oversight is unable to determine whether the intent of the legislation is to calculate the length of service based upon the length of service in a specific rank or as the total length of service with Department of Corrections. Therefore, Oversight has reflected the fiscal impact as a range from the cost with length of service calculated based upon the length of service as a specific rank to the cost with length of service based upon the total length of service with Department of Corrections.

| <u>FISCAL IMPACT - State Government</u> | FY 2008 (10 Mo.) | FY 2009 | FY 2010 |
|---|---------------------|---|--|
| GENERAL REVENUE FUND | | | |
| <u>Costs – Department of Corrections</u> | | | |
| Personal Service | \$0 | (\$5,499,419 to \$9,698,161) | (\$2,587,320 to \$5,499,419) |
| Fringe Benefits | <u>\$0</u> | <u>(\$1,247,818 to \$2,200,513)</u> | <u>(\$587,063 to \$1,247,818)</u> |
| <u>Total Costs – Department of Corrections</u> | <u>\$0</u> | <u>(\$6,747,237 to \$11,898,674)</u> | <u>(\$3,174,383 to \$6,747,237)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>\$0</u> | <u>(\$6,747,237 to \$11,898,674)</u> | <u>(\$3,174,383 to \$6,747,237)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2008 (10 Mo.) | FY 2009 | FY 2010 |
|---|---------------------|------------|------------|
| | <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.

FISCAL DESCRIPTION

This proposal authorizes minimum amounts of compensation for certain corrections personnel.

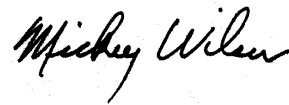
The effective date of this act is July 1, 2008.

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.

L.R. No. 1358-01
Bill No. SB 290
Page 7 of 7
February 5, 2007

SOURCES OF INFORMATION

Office of Administration
Department of Corrections
Office of the Governor

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial 'M' and 'W'.

Mickey Wilson, CPA
Director
February 5, 2007