

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6001-02
Bill No.: SCS for SB 1007
Subject: Office of Administration; Boards, Commissions, Committees and Councils;
Department of Corrections; Department of Economic Development; Department
of Health and Senior Services; Department of Labor and Industrial Relations;
Department of Mental Health; Merit System; Department of Natural Resources;
Department of Public Safety; Department of Social Services; State Employees
Type: Original
Date: March 30, 2018

Bill Summary: This proposal modifies the merit system.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(Less than \$100,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	(Less than \$100,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Personnel (DOP)** assume this bill provides significant changes to the applicability of the merit system and to the operation of both the merit system and pay administration under the Uniform Classification and Pay (UCP) system. The bill impacts appointments, pay administration and discipline of state employees. It limits the applicability of some provisions to only those agencies, positions and employees where selection based on merit is required by the Missouri State Constitution (Article IV, Section 19) or for federal grant in-aid programs.

Some of the changes are listed below:

Section 36.025, in conjunction with other sections, establishes the employment relationship for many employees as "at-will."

Section 36.030, in conjunction with other sections, redefines those agencies, positions and employees to be included under provisions related to hiring, classification and discipline of employees.

The UCP system, primarily authorized and explained through sections 36.031, 36.100, 36.110, 36.120, 36.130, 36.140, and 36.180, is maintained in this bill.

Section 36.340 of this bill removes the requirement that employees must rank in the top 15/15% of eligible applicants. Employees required to be selected on the basis of merit need only meet the minimum requirements of the particular job class. Upgrades to the Management and Application Information Resources System (MAIRS) may be needed to accommodate this change.

Section 36.140 of this bill modifies the state's pay plan to allow for increased use of open, or stepless, pay ranges. Within the current UCP System, only broad banded managers are paid on stepless ranges. The Division of Personnel is responsible for preparing and maintaining the UCP pay grids/ranges. If this bill were passed, DOP staff would be responsible for developing and implementing the new stepless system and submitting it to the Personnel Advisory Board for approval. Sections 36.100 and 36.140 of this bill authorize the use of broad banding for non-management classes as well.

In section 36.220, veteran and parental preference points are removed and new language inserted which allows hiring preference only when all relevant job-related factors are equal.

ASSUMPTION (continued)

Administrative rules will need to be promulgated by the Personnel Advisory Board and the Office of Administration. The Division of Personnel would also need to ensure agencies were made aware of statutory and regulatory changes.

OA/DOP state upgrades to the Management and Application Information Resources System (MAIRS) may be needed because of this bill. Also, although not essential to implement the provisions of this bill, ITSD services could be useful to refine or re-develop existing systems used to collect online applications and to manage registers and certificates used for merit appointments. The elimination of the top 15/15% requirement could allow for improving and simplifying those current systems. While it is unknown what the technological costs may be, OA/DOP assumes other costs associated with this proposal could be absorbed with existing resources.

Oversight assumes costs to upgrade and maintain payroll and application computer systems would not exceed \$100,000 in any given year during the period covered in this fiscal note. Oversight also assumes for fiscal note simplification that the aforementioned costs will be charged to the General Revenue Fund and will be made in FY 2019.

Officials from the **Department of Transportation (MoDOT)** assume this proposal modifies and repeals several provisions in the state merit system laws. In general, it appears to narrow the scope of the merit system. Many of the changes proposed in this bill will not impact MoDOT; however, this bill removes the language in RSMo section 36.390 which currently requires MoDOT to adopt dismissal procedures substantially similar to those provided for merit employees.

As such, MoDOT would no longer be required to provide its employees the right to a post-termination hearing. This would likely result in an unknown positive fiscal impact on MoDOT.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request

ASSUMPTION (continued)

funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the State Courts Administrator** assume there may be some fiscal impact but there no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Office of the State Auditor** assume any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Office of Administration - Budget and Planning** assume that this bill deletes Section 36.470 which allows a fine not to exceed \$100 against division heads to fail to comply with the section. TSR could be reduced to the extent such fines would no longer be collected.

For fiscal note purposes, **Oversight** assumes this reduction would be minimal; therefore, will not show a fiscal impact.

Officials from the **Department of Social Services, Department of Insurance, Financial Institutions and Professional Registration, Department of Public Safety - Missouri Veterans Commission, Department of Mental Health, Department of Natural Resources, Department of Corrections and Department of Health and Senior Services** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

FISCAL DESCRIPTION (continued)

Officials from the **Department of Economic Development**, the **Department of Higher Education**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety (Missouri Highway Patrol, Directors Office, Missouri Gaming Commission, Capitol Police, Division of Alcohol and Tobacco, State Emergency Management Agency)**, the **Missouri Department of Conservation**, the **Office of Administration (Division of Accounting, Administrative Hearing Commission)**, the **Department of Revenue**, the **Missouri Ethics Commission**, the **Department of Elementary and Secondary Education**, the **Department of Agriculture**, the **Office of Prosecution Services**, the **Missouri Consolidated Health Care Plan**, the **State Tax Commission**, the **Missouri Senate**, the **Office of the State Public Defender**, the **Missouri Lottery Commission**, the **Office of the State Treasurer**, the **Office of the Lieutenant Governor** and the **MoDOT & Patrol Employees' Retirement System** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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GENERAL REVENUE FUND

<u>Costs - OA ITSD - changes to payroll systems</u>	<u>(Less than \$100,00)</u>	\$0	\$0
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>
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STATE ROAD FUND

<u>Savings - MoDOT (\$36.390) post-termination hearing removal</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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ESTIMATED NET EFFECT TO THE STATE ROAD FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Local Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal modifies the merit system.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
 Public Service Commission
 Office of the Public Council
 Division of Energy
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Revenue
Department of Public Safety
 Office of the Director
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 State Emergency Management Agency
 Veterans Commission
 Capitol Police
 Missouri Division of Alcohol and Tobacco Control
Department of Social Services
Joint Committee on Administrative Rules
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
 Administrative Hearing Commission
 Budget and Planning

SOURCES OF INFORMATION (continued)

Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
Department of Higher Education
Department of Labor and Industrial Relations
Attorney General's Office
Office of the State Auditor

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized, flowing script.

Acting Director
March 30, 2018