

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0872H.03C  
Bill No.: HCS for SS for SB 111  
Subject: Office of Administration; State Employees  
Type: Original  
Date: April 17, 2023

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Bill Summary: This proposal modifies provisions relating to the administration of state employees.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
General Revenue Fund*	\$8,567 or (could exceed \$135,073)	\$8,567 or (Unknown)	\$8,567 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$8,567 or (could exceed \$135,073)</b>	<b>\$8,567 or (Unknown)</b>	<b>\$8,567 or (Unknown)</b>

\*This amount reflects programming to include the change into the current SAM II accounting system. ITSD notes that there is a current effort underway to replace the SAM II system, with two week payrolls likely to be included in the new system. If the proposed changes can be delayed until the replacement system is implemented, there would be no fiscal impact for this fiscal note. Oversight notes this change from semimonthly installments to biweekly installments is “as designated by the Commissioner of Administration.” Therefore, Oversight has ranged the fiscal impact from \$0 (such designation change is not implemented within the current SAM II system) to the estimated ITSD costs to make the change immediately.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Highway Fund (0644)*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Water Patrol Fund (0400)*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Gaming Commission Fund (0286)*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Other State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\* Oversight assumes the actual fiscal impact is based on decisions made during the budgeting process. Oversight assumes if these decisions are made, the impact to the state could exceed the \$250,000 threshold.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<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 FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 33.100 – Bi-Weekly Pay Periods

Officials from the **Office of Administration - Information Technology Services Division (ITSD)** assume the proposed legislation would require state employees to be paid every 14 days. Currently, employees are paid on the 15th of the month and the last day of the month, with adjustment for weekend and holidays. The change would require modifications to SAM II. This effort would be a major undertaking in the SAM II system requiring changes to many projects and systems. ITSD would likely see impacts to data and reports along with other errors occur after implementation until all the changes mature because of the complex program interaction and ability to test all possible scenarios that could occur.

ITSD estimated a cost of \$143,640 to the General Revenue Fund in FY 2024. The estimate assumes work for project management coding and testing the changes. The business staff would need to be heavily involved in the analysis and requirements-gathering as well as the testing. ITSD has not accounted for Business staff hours in this estimate.

Officials from the **Office of Administration (OA)** state salaries of all elective and appointive officers 2 and employees of the state shall be paid out of the state treasury, in semimonthly or monthly installments or once every two weeks as designated by the commissioner of administration. Bi-weekly pay periods would be difficult to implement currently in SAM II-HR due to the programming of the payroll system. However, implementing a bi-weekly pay schedule in the future ERP is more feasible – MOVERS is expected to be in place in 2024-2025. If the bill was to pass with “bi-weekly” as an added possibility for frequency for State employees to be paid there would not be a cost in terms of actual payroll. The salaries would be calculated by dividing by 26 pay periods versus 24 pay periods.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out project management coding and testing the changes needed for SAM II. ITSD estimated the project would take 1,512 hours at a contract rate of \$95 for a total cost of \$143,640. Oversight notes that an average salary for a current IT Specialist within ITSD is approximately \$54,641, which totals roughly \$85,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill; however, for fiscal note purposes, Oversight will reflect the ITSD estimated cost of \$143,640 in FY 2024. However, as the bill states, the choice between biweekly, semimonthly, or monthly installments is “as designated by the Commissioner of Administration.” Therefore, Oversight will range the cost

from \$0 (OA Commissioner decides not to shift to biweekly pay installments, or a cost to include upgrading the current SAM II system.

ITSD notes that there is a current effort underway to replace the SAM II system, with two week payrolls likely to be included in the new system. If the proposed changes can be delayed until the replacement system is implemented, (estimated to be 3-5 years) there would be no fiscal impact for this fiscal note.

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** state if this legislation is enacted, it would provide for the option for state employers to pay employees biweekly, in addition to semimonthly or monthly, as the statute already allows. There would be a significant technology programming cost to this potential change (approximately \$100,000). In addition to the actual cost paid to the vendor, there will be a staff overtime attributed to the testing of the programming changes (approximately \$150,000). This change affects almost every aspect of the pension administration system.

MPERS notes The MoDOT & Patrol Employees' Retirement System administers retirement benefits for eligible employees of MoDOT and the Missouri Highway Patrol (includes almost 7,000 active employees).

While members are actively employed, MPERS receives payroll data and employer contributions associated with that payroll from the employers through SAMII. The contributions are calculated and paid based on semimonthly pay periods. Currently, their pension administration system is set up to receive payroll and contributions semimonthly.

In the event the legislation is passed and the state elects biweekly pay, it will impact these process. In addition and perhaps more importantly, it will impact how they calculate final average pay for retirement calculations. Final average pay is a key component to the formula necessary to determining an employee's retirement benefit. Pursuant to the law, the final average pay is based on a person's highest consecutive 36 months of pay. Today, they have "clean" pay periods (1-15, 16-30/31). If this changes, they will no longer have clean pay periods where the pay periods begin or end on the first or last day of the month, respectively, the pay periods will overlap months. Their statutory benefits are calculated based on full months of pay and service. This legislative change will touch almost every aspect of the calculations in the system.

Outside of the costs, MPERS anticipates needing approximately one year to complete the programming changes and subsequent testing. MPERS expects that this would stall any other programming needs (except for emergency changes) they would have otherwise planned during this time.

**Oversight** assumes MPERS is operated as an independent trust fund by a Board of Directors. Therefore, Oversight will reflect a zero impact in the fiscal note for MPERS.

Officials from the **Department of Public Safety - Missouri Highway Patrol** state the Highway Patrol would anticipate a fiscal impact if it implemented a pay plan under the proposed legislation. At this time, the Patrol has not researched a methodology to implement a plan based upon employees' assigned areas. As such, a fiscal impact is unknown.

#### Subsection 36.050.5 – Personnel Advisory Board

Officials from the **Office of Administration (OA)** state this section specifies each public member of the board shall be paid an amount for each day devoted to the work of the board. The total expenditures for the two public members appointed to the Personnel Advisory Board were payments of \$5,040, \$5,308, and \$3,455 in FY2020, FY2021, and FY2022, respectively. The FY2023 per diem for a public member of the board members is \$356.97. If there were twelve meetings held, \$4,283.64 would be paid out to each of the two public board members – a total of \$8,567 projected annual savings.

Additionally, while this proposal does not eliminate any FTE, this legislation would obviate the need for numerous team members to spend hours preparing for and attending monthly Personnel Advisory Board meetings saving additional state resources.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect an annual cost avoidance to the General Revenue Fund of \$8,567.

#### Section 36.140 – Pay Plan

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** anticipate a fiscal impact if it implemented a pay plan under the proposed legislation, to assist with recruiting, hiring, and retention. At this time, the Patrol has not researched a methodology to implement a plan based upon employees' assigned areas. The most likely affected funds have been listed within this response, however, the actual impact to each fund is unknown. Factors influencing the fiscal impact would be the number of personnel, by job title and rank, in the affected area and which fund or funds personnel were paid from. It is estimated the fund most affected by House Bill 298 would be the Highway Fund (0644); however, General Revenue Fund, Water Patrol Fund (0400) and the Gaming Commission Fund (0286), may have some fiscal impact as well. The actual impact to each fund is unknown at this time.

MHP has provided Oversight with a breakdown of how many employees are paid from each fund, per troop and General Headquarters. Since it is unknown if MHP will implement a pay plan that is not uniform across the state, **Oversight** will range the fiscal impact as \$0 (MSHP does not implement a new pay plan) or a negative unknown cost to the most affected funds provided by MHP (Highway Fund, General Revenue, Water Patrol and the Gaming Commission Fund). Oversight will also reflect a cost to Other State Funds. Oversight assumes the unknown cost could exceed \$250,000.

Troop	Location	# of Personnel	Highway Fund (0644)	Water Patrol Fund (0400)	General Revenue (0101)	Federal Funds (152)	Criminal Records System (0671)	Highway Patrol Academy (0674)	Gaming Fund (0286)	Traffic Records (0758)	DNA Profiling (0772)
Troop A	Lee's Summit (13 Counties)	252	242	6	4	0	0	0	0	0	0
Troop B	Macon (16 Counties)	112	108	2	2	0	0	0	0	0	0
Troop C	Weldon Spring (11 Counties)	297	292	0	5	0	0	0	0	0	0
Troop D	Springfield (18 Counties)	238	220	4	14	0	0	0	0	0	0
Troop E	Poplar Bluff (13 Counties)	164	159	1	4	0	0	0	0	0	0
Troop F	Jefferson City (13 Counties)	171	149	3	14	5	0	0	0	0	0
Troop G	Willow Springs (9 Counties)	96	88	1	7	0	0	0	0	0	0
Troop H	St. Joseph (15 Counties)	136	134	2	0	0	0	0	0	0	0
Troop I	Rolla (6 Counties)	96	89	4	3	0	0	0	0	0	0
General Headquarters	Jefferson City	894	415	3	221	20	97	4	130	2	2
<b>Total</b>		<b>2,456</b>	<b>1,896</b>	<b>26</b>	<b>274</b>	<b>25</b>	<b>97</b>	<b>4</b>	<b>130</b>	<b>2</b>	<b>2</b>

Source – MHP

Bill as a whole:

Officials from the **Attorney General's Office**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Natural Resources**, the **Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri National Guard, State Emergency Management Agency and Veterans Commission)**, the **Department of Social Services**, the **Office of the Governor**, the **Joint Committee on Administrative Rules**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Department of Agriculture**, the **Missouri Department of Conservation**, the **Missouri House of Representatives**, the **Office of Prosecution Services**, the **Office of**

**Administration (Administrative Hearing Commission)**, , the **Office of the State Auditor**, the **Missouri Senate**, the **Oversight Division**, the **Legislative Research** and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Department of Health and Senior Services** and the **Department of Corrections** defer to the Office of Administration for the potential fiscal impact of this proposal.

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

Officials from the **Office of the Secretary of State (SOS)** note 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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves the right to request 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE</b>			
<u>Cost Avoidance – OA (p. 5)</u> Elimination of the Personnel Advisory Board §36.050.5	\$8,567	\$8,567	\$8,567
<u>Cost - OA – ITSD §33.100 (p. 3)</u> Coding and Testing Changes	\$0 or (\$143,640)	\$0	\$0
<u>Cost – MSHP §36.140 (p. 5-6)</u> New Pay Plan	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>\$8,567 or (could exceed \$135,073)</u></b>	<b><u>\$8,567 or (Unknown)</u></b>	<b><u>\$8,567 or (Unknown)</u></b>

<b>HIGHWAY FUND (0644)</b>			
<u>Cost – MSHP §36.140 (p. 5-6)</u> New Pay Plan	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY FUND (0644)</b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>
<b>WATER PATROL FUND (0400)</b>			
<u>Cost – MSHP §36.140 (p. 5-6)</u> New Pay Plan	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE WATER PATROL FUND (0400)</b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>
<b>GAMING COMMISSION FUND (0286)</b>			
<u>Cost – MSHP §36.140 (p. 5-6)</u> New Pay Plan	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND (0286)</b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Cost – MSHP §36.140 (p. 5-6)</u> New Pay Plan	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO OTHER STATE FUNDS</b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 or</u></b> <b><u>(Unknown)</u></b>



<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<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 bill allows the salaries of state employees to be paid in biweekly installments, as designated by the Commission of the Office of Administration.

This act eliminates the Personnel Advisory Board and gives all duties and responsibilities previously held by the board to the Director of the Personnel Division and the Commissioner of Administration. The act additionally makes the position of Director of the Personnel Division appointed by the Commissioner of Administration.

The proposed legislation would exempt the State Highway Patrol from the law requiring any change in the state personnel pay plan to be made on a statewide basis.

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

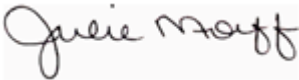
SOURCES OF INFORMATION

- Department of Commerce and Insurance
- Department of Economic Development
- Department of Elementary and Secondary Education
- Department of Higher Education and Workforce Development
- Department of Health and Senior Services
- Department of Mental Health
- Department of Natural Resources
- Department of Corrections
- Department of Labor and Industrial Relations
- Department of Revenue
- Department of Public Safety

Department of Social Services

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Office of the Governor  
Joint Committee on Administrative Rules  
Missouri Lottery Commission  
Legislative Research  
Oversight Division  
Missouri Consolidated Health Care Plan  
Missouri Department of Agriculture  
Missouri Department of Conservation  
Missouri Ethics Commission  
Missouri House of Representatives  
Missouri Department of Transportation  
Missouri State Employee's Retirement System  
MoDOT & Patrol Employees' Retirement System  
Missouri Office of Prosecution Services  
Office of Administration  
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



Julie Morff  
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April 17, 2023



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