

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0872S.01I
 Bill No.: SB 111
 Subject: State Employees; Salaries
 Type: Original
 Date: January 24, 2023

Bill Summary: This proposal allows for payment of state employee salaries every two weeks.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	\$0 or (\$143,640)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (\$143,640)	\$0	\$0

*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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- 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.

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

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 estimates 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.

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.

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) we would have otherwise planned during this time.

Oversight assumes this legislation only applies to state employees. 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 Economic Development, the Department of Elementary and Secondary Education, the Department of Higher Education and Workforce Development, the Department of Labor and Industrial Relations, the Department of Revenue, the Department of Public Safety (Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, Missouri National Guard, State Emergency Management Agency), the Department of Social Services, the Office of the Governor, the Joint Committee on Administrative Rules, the Joint Committee on Public Employee Retirement, Missouri State Employee's Retirement System, the Missouri Lottery Commission, the Missouri Consolidated Health Care Plan, the Missouri Department of Conservation, the Missouri Ethics Commission, the Missouri House of Representatives, the Department of Transportation, the Office of Prosecution Services, the Office of Administration (Administrative Hearing Commission), the Office of the State Courts Administrator, the Office of the State Auditor, the Missouri Senate, the Office of the State Public Defender, 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 Commerce and Insurance, the Department of Health and Senior Services, the Department of Mental Health, the Department of Natural Resources, the Department of Public Safety – (Directors Office and the Missouri Veterans Commission) and the Department of Corrections** defer to the Office of Administration for the potential fiscal impact of this proposal.

Rule Promulgation

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
GENERAL REVENUE			
<u>Cost - OA – ITSD §33.100 p. 3 Coding and Testing Changes</u>	<u>\$0 or (\$143,640)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (\$143,640)</u>	<u>\$0</u>	<u>\$0</u>

<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 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
 Office of the Director
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri National Guard
 State Emergency Management Agency
 Missouri Veterans Commission
Department of Social Services
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

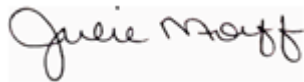
L.R. No. 0872S.011

Bill No. SB 111

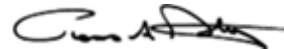
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MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
 Administrative Hearing Commission
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission



Julie Morff
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January 24, 2023



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