

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2774-01  
BILL NO.: SB 563  
SUBJECT: State Employees  
TYPE: Original  
DATE: January 11, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$1,170,205)	(\$2,340,409)
State Highway Fund	\$0	(\$168,912)	(\$341,916)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$1,339,117)</b>	<b>(\$2,682,325)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	\$0	\$0	\$0

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assumes the cost to implement the proposed basic life insurance benefit change for 48,606 active employees would be approximately \$2.3 million per year. Increasing the present life insurance benefit from \$15,000 to one times annual salary, with a \$15,000 minimum, would increase the annual premium by \$2,340,409. The State's current annual premium equals \$2,554,731 (48,606 employees x \$15,000 / \$1,000 x .292 x 12 months). The new annual premium would be \$4,895,140. Using the annual state payroll of \$1,373,496,000, divided by \$1,000 equals \$1,373,496 in coverage in thousands, multiplied by a premium of .297 per \$1,000 of coverage, multiplied by 12 months is \$4,895,140. Assuming an effective date of January 1, 2002, the total fiscal impact to the General Revenue Fund would be \$1,170,205 for FY 2002 and \$2,340,409 for FY 2003. Officials note that the provision for triple indemnity coverage for duty-related death for all employees was enacted during the 1999 legislative session (SB 308).

Officials from the **Department of Transportation (MoDOT)** assume there would be a fiscal impact to MoDOT from the life insurance provisions of the proposal. Currently, MoDOT pays monthly costs of \$0.17 cents per \$1,000 of coverage for the \$15,000 state paid life insurance. Increasing the coverage to each employee's annual salary would result in total coverage for MoDOT employees of \$216,872,767. Total premiums for this coverage would be \$36,868 per month (\$216,872,767 times \$0.17/\$1,000). MoDOT's currently monthly premiums are \$16,863 (\$15,000 in coverage times \$0.17/\$1,000 times 6,613 employees). Therefore, the annual increase in premium costs would be \$240,060 (\$36,868 less \$16,863 equals \$20,005 times 12 months). Assuming an effective date of January 1, 2002, the total fiscal impact to the Highway Fund would be \$120,030 for FY 2002 and \$240,060 for FY 2003.

Although the proposal allows the Highway Commission to elect whether or not to provide the insurance, MoDOT assumes the Commission would elect to do so.

MoDOT officials note that provisions affecting state holidays conflict with existing provisions in section 9.010, RSMo. They indicate the conflict could result in state offices being required to be open on February 12 and May 8 (designated as holidays in existing law but not in this proposal), which could have fiscal impact on MoDOT if the department is required to pay time and a half for nonexempt employees required to work on these two days.

Officials from the **Missouri Highway Patrol (MHP)** assume this proposal will increase premium costs. Total insurance coverage after increasing individual coverage to annual salary amounts would be \$76,298,704. Currently MHP pays a premium of \$0.17 per month per  
ASSUMPTION (continued)

\$1,000 in coverage, and they assume the rate would not change. MHP's currently monthly premiums are \$5,480 (\$15,000 in coverage times \$0.17/\$1,000 times 2,149 employees). Assuming a 2.5% annual inflation rate in the salary base, monthly premiums would increase by \$8,147 in FY 2002 (to \$13,627 per month) and \$8,488 in FY 2003 (to \$13,968 per month). Assuming an effective date of January 1, 2002, the total fiscal impact to the Patrol would be \$48,882 for FY 2002 and \$101,856 for FY 2003. For fiscal note purposes, the net impact to the Highway Patrol is reflected in the State Highway Fund since the majority of personnel services costs for the Patrol are charged to that fund.

Officials of the **Department of Insurance** assume there would be increased costs to the insurance dedicated fund for providing additional life insurance to employees, but the amount cannot be determined. **Oversight** notes that estimates provided by MOSERS would cover employees of the Department of Insurance as well as state agencies other than MoDOT and the Missouri Highway Patrol.

Officials of the **Office of Administration - Division of Personnel** assume that the holiday provisions in the proposal would have no fiscal impact on their agency.

Officials of the **Department of Public Safety - Director's Office, Divisions of Highway Safety and Fire Safety, Veterans' Commission and Capitol Police** assume no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
		(6 months)	
<b>GENERAL REVENUE FUND</b>			
<u>Cost - State Departments</u>			
Increased basic life insurance coverage	\$0	(\$1,170,205)	(\$2,340,409)
<b>STATE HIGHWAY FUND</b>			
<u>Cost - Department of Transportation</u>			
Increased basic life insurance coverage	\$0	(\$120,030)	(\$240,060)
<u>Costs - Highway Patrol</u>			
Increased basic life insurance coverage	\$0	(\$ 48,882)	(\$101,856)
<b>ESTIMATED NET EFFECT ON</b>			
<b>STATE HIGHWAY FUND</b>	<b>\$0</b>	<b>(\$168,912)</b>	<b>(\$341,916)</b>
	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

Effective January 1, 2001, the proposal would reduce the number of state holidays while allowing employees hired prior to January 1, 2001 to retain the same amount of combined annual leave and holiday leave. In addition, effective January 1, 2002, the proposal increases the amount of state provided basic life insurance to one times the annual pay of each employee, subject to a minimum amount of fifteen thousand dollars. Such life insurance shall provide for triple indemnity payment to employees whose death results from injury or disease related to actual performance of duty.

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

Missouri State Employees' Retirement System  
Department of Transportation  
Missouri Highway Patrol  
Office of Administration - Division of Personnel  
Department of Insurance  
Department of Public Safety



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