

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1443-02  
Bill No.: SB 390  
Subject: Holidays; Retirement; State Employees  
Type: Original  
Date: February 12, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$833,496	\$1,486,009	\$1,295,106
Various State Funds	(\$312,600 to \$937,800)	(\$2,151,240 to \$6,453,720)	(\$2,151,240 to \$6,453,720)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$101,304) to \$520,896</b>	<b>(\$665,231 to \$4,967,711)</b>	<b>(\$856,134 to \$5,158,614)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Department of Public Safety - Capitol Police, Veterans' Commission, Division of Liquor Control, Division of Fire Safety, Missouri State Highway Patrol, Missouri State Water Patrol** and the **Office of the Adjutant General** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Public School Retirement System** assume the proposed legislation does not affect their retirement system nor does it affect The Non-Teacher School Employee Retirement System of Missouri.

Officials from the **Joint Committee on Public Employee Retirement** stated that the proposed legislation is not a "substantial proposed change" in future plan benefits as defined in Section 105.660 (5). Therefore, no actuarial cost statement is required for this legislation.

Officials from the **Department of Conservation** assume the proposed legislation would have insignificant fiscal impact on MDC fund.

Officials from the **Department of Transportation** assume the proposed legislation would result in no fiscal impact due to the removal of three holidays because it also provides additional hours of annual leave, which in most cases, will completely offset the lost holidays for employees as of January 01, 2002.

Officials from the DHT noted that they wish to defer to the Highway and Highway Patrol Retirement System for the estimated impact due to annual leave conversions to the retirement system.

Officials from the **Office of Administration - Division of Personnel** noted that the fiscal estimate was based on actual numbers of present employees that are employed with one, two, etc., years of service and the average annual salary for employees with that tenure. In the first five years of implementation of SB 390, there were would be 425,568 additional man hours made available and no cost to the taxpayer.

	New Hires		Hours Saved Per FTE	Total Hours Saved	Average Hourly Rate of New Hire	Total Saved
First Year	4,925 X	24	=	118,200	@ 10.58	1,250,556
Second Year	3,541 X	24	=	84,984	@ 11.53	979,015
Third Year	3,416 X	24	=	81,984	@ 11.76	964,131

ASSUMPTION (continued)

Fourth Year	3,851	X	24	=	92,424	@ 12.61	1,165,466
Fifth Year	1,999	X	24	=	47,976	@ 12.75	611,694
	17,732	X	24	=			4,970,862

Therefore, including fringe benefits, the Division of Personnel estimate the savings from this proposal to be \$1,666,991 in FY 02, \$1,305,026 in FY 03 and \$1,285,186 in FY 04.

**Oversight** assumes the figures submitted by the Division of Personnel were based on a calendar year. Oversight has recalculated these figures to arrive at a fiscal year impact.

Officials from the **Highway and Transportation Employees' and Highway Patrol Retirement System** noted that their actuary has stated the vacation conversion feature of this proposed legislation would result in an increased contribution of .1% to .3% of payroll. Therefore, they have calculated a "low cost" estimate and a "high cost" estimate.

Assuming an increased contribution rate of .1%, this would result in an annual cost of \$312,600. For DHT, the annual cost would be \$227,800. For the Patrol, the annual cost would be \$84,800. The \$84,800 consists of \$40,500 for Non-Uniformed employees and \$44,300 for Uniformed employees.

Assuming an increased contribution rate of .3%, this would result in an annual cost of \$937,800. For DHT, the annual cost would be \$683,400. For the Patrol, the annual cost would be \$254,400. The \$254,400 consists of \$121,500 for Non-Uniformed employees and \$132,900 for Uniformed employees.

Officials from the **Missouri State Employees' Retirement System (MOSERS)** have provided two cost estimates for the excess annual leave conversion to credited service. The low cost estimate is based on an average of adding one month due to excess leave conversions. The high cost estimate is based on the assumed rates of sick leave conversions used in the annual actuarial valuation. It is probable that the actual costs of the conversions will be between these two estimates.

Assuming an increased contribution rate of .1% and based upon the annual payroll projected forward two years, the increase in total contribution necessary to fund the proposed benefit would be \$1,838,640 in the first year after the benefit change.

Assuming an increased contribution rate of .3% and based upon the annual payroll projected forward two years, the increase in total contribution necessary to fund the proposed benefit  
ASSUMPTION (continued)

would be approximately \$5,515,920 the first year after the benefit change.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Savings</u> - Additional hours made available	<b><u>\$833,496</u></b>	<b><u>\$1,486,009</u></b>	<b><u>\$1,295,106</u></b>

**Estimated Net Effect on  
 GENERAL REVENUE FUND**

	FY 2002 (12 Mo.)	FY 2003	FY 2004
<b>VARIOUS STATE FUNDS</b>			
<u>Cost</u> - Highway Retirement System	(\$312,600 to \$937,800)	(\$312,600 to \$937,800)	(\$312,600 to \$937,800)
<u>Cost</u> - MOSERS	\$0	(\$1,838,640 to \$5,515,920)	(\$1,838,640 to \$5,515,920)
<b>Estimate Net Effect on VARIOUS STATE FUNDS</b>	<b><u>(\$312,600 to \$937,800)</u></b>	<b><u>(\$2,151,240 to \$6,453,720)</u></b>	<b><u>(\$2,151,240 to \$6,453,720)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would remove three state holidays: Lincoln's birthday, Truman's birthday and Columbus day. Employees employed as of January 1, 2002 would receive two extra hours of

annual leave per month. New employees would accrue annual leave at the rate of 10 hours per month for the first five years of employment. Thereafter, they would accrue leave and could carry the following maximum balances of annual leave:

<u>Years of Service</u>	<u>Annual Leave Hours/Month</u>	<u>Max. Leave Balance</u>
Less than 10	12	288
10 but less than 15	14	336
Greater than 15	16	384

On the employees employment anniversary date, an employee who has accrued annual leave in excess of the maximum leave balance may direct the excess hours as follow: 1) to be deposited into an approved departmental shared leave program; or 2) to be deposited for the purchase of additional retirement credits at the rate of 8 hours for 1 day of service. An employee would be limited to purchase 1,000 hours worth of retirement credits and the additional retirement credits will not be used to determine eligibility for retirement.

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 Conservation  
Department of Transportation  
Department of Public Safety - Capitol Police  
Department of Public Safety - Division of Liquor Control  
Department of Public Safety - Division of Fire Safety  
Department of Public Safety - Missouri State Highway Patrol  
Department of Public Safety - Missouri State Water Patrol  
Department of Public Safety - Office of the Adjutant General  
Department of Public Safety - Veterans' Commission  
Highway and Transportation Employees' and Highway Patrol Retirement System  
Joint Committee on Public Employee Retirement  
Missouri State Employees' Retirement System

#### SOURCES OF INFORMATION (continued)

Office of Administration - Division of Personnel  
Public School Retirement System

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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with some loops and flourishes.

Jeanne Jarrett, CPA  
Director

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