

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3666-01
Bill No.: HB 1065
Subject: Department of Corrections; Salaries
Type: Original
Date: January 17, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue*	\$0	(\$23,141,574)	(\$3,291,539)
Total Estimated Net Effect on General Revenue Fund*	\$0	(\$23,141,574)	(\$3,291,539)

***Subject to appropriation.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Corrections (DOC)** assume the proposal authorizes minimum amounts of compensation for certain correctional personnel.

DOC assumes, as a result of the proposal, a Corrections Officer I (CO I, a merit-classification FTE) shall receive, in addition to their current salary, a \$50 increase in salary per month (or \$25 per pay period) for each full year of service with the DOC and establishes a pay grid to supplant the existing merit pay grid.

Likewise, an additional \$30 of pay is to be given each month per each year of service for a Corrections Officer II (CO II, Sergeant), Corrections Officer III (CO III, Lieutenant) and Corrections Supervisor I (CS I, Captain) along with a respective pay grid to supplant the existing merit pay grid.

ASSUMPTION (continued)

The effective date of the proposal, should it be passed as law, is July 1, 2007 (FY 08), and DOC notes it is subject to appropriation. DOC assumes for purposes of this fiscal note that this compensation is an ongoing pay adjustment for affected DOC staff and not a one-time pay out.

DOC assumes the longevity increases are for years of service within the job class and not cumulative years of service with DOC.

The following costs represent a snapshot in time of DOC's tenured staff affected by this proposal. It must be noted this could change dramatically over time and additional funds would then be required.

Class	New Pay Grid Enhancements	Longevity Increase	Annual Total per Class
CO I	\$5,344,280	\$12,029,400	\$17,373,680
CO II	\$3,469,870	\$851,760	\$4,321,630
CO III	\$1,482,135	\$326,520	\$1,808,655
CS I	\$896,832	\$196,560	\$1,093,392
Totals	\$11,193,117	\$13,404,240	\$24,597,357

DOC assumes any changes to the statewide human resources accounting system would be addressed by the Office of Administration – Division of Personnel.

Officials from the **Office of Administration – Division of Personnel** assume the proposed legislation, if passed, would require that the Director of Personnel recommend to the Personnel Advisory Board a separate pay grid to include the classes of Corrections Officer (CO) I-II-III and Corrections Supervisor (CS) I. The pay plan would become effective when approved by the Personnel Advisory Board and the Governor. After the first year, which would result in 10-20% increases for most of the affected employees, the pay rate for affected employees would increase each year by \$600 for CO I and by \$360 for the CO II, CO III, and CS I, until the top of the pay range is attained.

ASSUMPTION (continued)

The Division of Personnel assumes each employee in each Corrections class affected would be paid commensurate with the years of service in the proposed legislation. That means, adjusting the salaries of employees to the pay rates in the proposed legislation the first year, then providing either \$600 or \$360 per annum, based on class, for each successive year of service (up to 11). The years of service adjustments were based on the total state service of the employees affected, not on the length of service of the employees in each rank.

As the proposed legislation is effective July 1, 2007, a full year's fiscal impact was projected in each year beginning in FY 2008. The incremental rates were calculated for the 2nd and 3rd years at \$600 per CO I and \$360 per CO II, CO III, and CS I. Fringe benefits are calculated at 21.0% (instead of 44.06% as in most fiscal notes where new employees are added). The estimate cost of health care per employee is where the fringe benefit rate is significantly increased. Since the affected employees would already have health care coverage, the 21.0% rate is used.

The cost estimate listed is for the Department of Corrections only. The DOC is funded primarily from General Revenue. The Division of Personnel estimates the total cost to the Department of Corrections to be \$23,141,574 in FY 08 and \$3,291,539 in FY 09.

In addition, the Division of Personnel assumes the proposal could result in long-range implications, such as the impact upon the Uniform Classification and Pay System. The Uniform Classification and Pay System is established to maintain internal equity among the various classes of positions. Providing longevity based increases for certain employees would result in leapfrogging of lower paid employees over higher paid employees. This would remove the monetary incentive for employees to seek promotional opportunities and may result in employees wanting to demote to take advantage of the new pay system. Another implication is that other groups of employees will be petitioning the legislature to develop pay rates and pay progression based on longevity. Once established, the various different pay grids could be recommended for different pay increases based on the ability of the employees or their representatives to either negotiate or lobby the legislature. As such, the potential impact upon the Uniform Classification and Pay System and upon internal pay equity throughout the state is significant.

Oversight has used the cost estimates provided by the Office of Administration – Division of Personnel to reflect increased personal service and fringe benefits costs to the Department of Corrections.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Costs – Department of Corrections</u>			
Personal Service*	\$0	(\$19,125,268)	(\$2,720,280)
Fringe Benefits*	\$0	(\$4,016,306)	(\$571,259)
<u>Total Costs – Department of Corrections*</u>	\$0	(\$23,141,574)	(\$3,291,539)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>(\$23,141,574)</u>	<u>(\$3,291,539)</u>
*Subject to appropriation.			

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

The proposed legislation authorizes minimum amounts of compensation for certain corrections personnel. The effective date of the proposal is July 1, 2007.

This legislation is not federally mandated and would not require additional capital improvements or rental space.

The legislation duplicates the Missouri Merit System and the Uniform Classification and Pay System (Chapter 36, RSMo) administered by the Office of Administration – Division of Personnel. The Department of Corrections is included in the Missouri Merit System and the Uniform Classification and Pay System. The Uniform Classification and Pay System includes the Department of Corrections classifications proposed for a longevity pay system in this proposal.

SOURCES OF INFORMATION

Office of the Governor
Office of Administration
 – Division of Personnel
Department of Corrections

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 17, 2006