

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4870-01
Bill No.: HB 1211
Subject: State Departments; State Employees; Salaries
Type: Original
Date: March 31, 2014

Bill Summary: This proposal specifies that no employee of a state agency except a director or acting director shall have a higher salary than the lieutenant governor.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Unknown greater than \$1,076,700	Unknown greater than \$1,076,700	Unknown greater than \$1,076,700
Total Estimated Net Effect on General Revenue Fund	Unknown greater than \$1,076,700	Unknown greater than \$1,076,700	Unknown greater than \$1,076,700

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Personnel** assume that as of October 31, 2013 there were 808 full-time state employees that made more than the \$86,484 of the Lt. Governor. While there appears to be a savings from decreasing the salaries which are above the Lt. Governor's salary this proposed legislation would make it difficult, if not impossible, for agencies to recruit and retain staff for some positions. The impact is unknown.

Officials at the **Department of Corrections**, the **Department of Economic Development**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Labor and Industrial Relations**, the **Department of Natural Resources**, the **Department of Revenue**, the **Department of Social Services**, the **Department of Public Safety** and the **Missouri Highway Patrol** each defer to the Office of Administration for fiscal impact.

Officials at the **Department of Mental Health (DMH)** assume the proposed legislation bars any state employee's salary from exceeding the Lt. Governor's salary. Virtually every psychiatrist and physician employed by DMH exceeds the salary of the Lt. Governor. If the department were to reduce their salaries to the level of the Lt. Governor, it is unlikely that these positions would remain filled.

The department would have to hire them back as staffing contracts instead of state employees. Staffing contracts are more expensive than state employees. With potentially decreasing numbers of psychiatrists and physicians available at our facilities, it may become more difficult to maintain services for our clients.

Declining level of care may make some of our certifications, which are necessary for Medicaid reimbursement, more vulnerable. The total amount of Medicaid funding for FY 2013 was over \$941,000,000. While the DMH anticipates the fiscal impact to be unknown greater than \$100,000, the DMH defers to OA Budget and Planning for an overall statewide response.

Officials at the **Department of Elementary and Secondary Education** assume currently there are 10 FTE which would be subject to the requirements of this proposal. The combined excess of those salaries above the calendar year 2013 salary (\$86,484) of the lieutenant governor is \$142,104. This would represent a potential savings in state funds.

ASSUMPTION (continued)

Officials at the **Office of the State Public Defender** assume there are 8 FTE which would be subject to these requirements. The combined excess of those salaries is \$119,928.

Officials at the **Department of Higher Education** assume only one employee, the Deputy Commissioner would be impacted. The potential salary and fringe savings would be \$7,604.

Officials at the **Missouri Department of Transportation** assume that 47 employees would be impacted by this proposal. The reduction in salary is estimated to be \$693,000.

Officials at the **Missouri Veterans Commission** assume they have six employees presently making more than the Lt. Governor. Two of these positions are physicians. The inability to fill the physician positions would create an unknown impact.

Officials at the **Missouri State Employees' Retirement System** assume they have 23 positions that would be impacted by this proposal. More than half of these people work in the investment department. The inability to fill these positions would have an unknown impact.

Officials at the **Missouri Consolidated Health Care Plan** assume they have four employees who earn higher than the Lt. Governor. The reduction of those salaries would save \$14,064.

Officials at the **State Tax Commission** have reviewed the proposal and have determined it would have no fiscal impact on their agency.

Officials at the **Missouri Senate** assume the Senate is not a state agency and therefore, this proposal would have no fiscal impact.

Officials at the **Office of State Courts Administrator** assume no fiscal impact from this proposal as they do not fit the definition of a state agency as defined in this section.

Officials at the **Department of Conservation** assume there is no fiscal impact from this proposal as the Constitution gives the Conservation Commission the authority to determine salaries of its employees.

Officials at the **Office of the State Auditor** assume there is no fiscal impact from the proposal as they do not believe the proposal pertains to the Auditor's Office.

ASSUMPTION (continued)

Officials at the **Missouri House of Representatives** assume they do not have an employee who makes more than the Lt. Governor.

Officials at the **Department of Agriculture**, the **Division of Fire Safety**, the **Capitol Police**, the **Division of Alcohol and Tobacco Control**, the **Missouri Ethics Commission**, the **Office of the Lt. Governor**, the **Office of Prosecution Services**, the **Office of State Treasurer** and the **State Emergency Management Agency** each assume no fiscal impact to their agency as no employee would be affected.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes that several state agencies have employees with current salaries higher than the Lt. Governor's. If implemented those salaries would be reduced to at least the Lt. Governor's salary and would result in a savings to the State. For the simplicity of the fiscal note, Oversight will reflect the savings to General Revenue for all the salaries.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Savings</u> - various state agencies - reduction of salaries	Unknown greater than <u>\$1,076,700</u>	Unknown greater than <u>\$1,076,700</u>	Unknown greater than <u>\$1,076,700</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown greater than <u>\$1,076,700</u>	Unknown greater than <u>\$1,076,700</u>	Unknown greater than <u>\$1,076,700</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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 specifies that an employee of any state agency, except a director or an acting director, cannot receive a salary in excess of that established for the Lieutenant Governor.

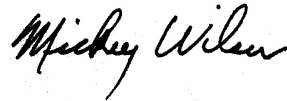
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Revenue
Department of Social Services
Department of Public Safety
 Division of Fire Safety
 Capitol Police
 Division of Alcohol and Tobacco Control
Missouri Consolidated Health Care Plan
Missouri Department of Transportation
Missouri Ethics Commission
Missouri Highway Patrol
Missouri House of Representatives
Missouri Senate
Missouri State Employees' Retirement System
Missouri Veterans Commission
Office of Administration
 Division of Personnel
Office of the Lt. Governor
Office of Prosecution Services
Office of the State Auditor
Office of the Secretary of State

SOURCES OF INFORMATION (continued)

Office of State Courts Administrator
Office of the State Public Defender
Office of State Treasurer
State Emergency Management Agency
State Tax Commission



Mickey Wilson, CPA
Director
March 31, 2014

Ross Strobe
Assistant Director
March 31, 2014