

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1822-01  
Bill No.: HB 1065  
Subject: Merit System; State Employees; Employees - Employers  
Type: Original  
Date: March 27, 2017

---

Bill Summary: This proposal changes the laws regarding the state merit personnel system.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration - Division of Personnel (OA)** assume this proposal removes provisions relating to suspensions, demotions and dismissals under Chapter 36 (State Personnel Law) and removes the rights of Merit System employees to appeal suspensions, demotions and dismissals through the Administrative Hearing Commission. The legislation provides that all employment subject to Chapter 36 shall be at will.

OA states if the number of dismissals remains constant, OA assumes that any costs associated with this proposal could be absorbed with existing resources; however, if there becomes a drastic increase in "at will" dismissals, OA staff may struggle with the increased workload of processing certificates and approving transactions associated with filling these vacant positions.

Officials from the **Department of Transportation (MoDOT)** state this proposal would have an unknown positive impact on their agency. The Department is already an at-will employer, but the elimination of the requirement that state agencies offer post-termination hearings would affect it. MoDOT's current practice requires it to spend attorney and paralegal time on such cases, plus the time of witnesses who are usually other employees. In addition, MHTC uses either in-house counsel or private counsel to act as the Hearing Examiner.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning** defer to the Office of Administration - Personnel Division to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Department of Public Safety - Missouri Veterans Commission** assume this proposal would make employees in the Merit System at-will employees. The fiscal impact is indeterminate.

Officials from the **Department of Natural Resources** defer to the Attorney General's Office to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Department of Agriculture, Department of Economic Development (Public Service Commission, Office of the Public Council, and the Division of Energy), Department of Higher Education, Department of Health and Senior Services, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, Department of Natural Resources, Department of Corrections, Department of Labor and Industrial Relations, Department of Revenue, Department of Public Safety (Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, Missouri National Guard, State Emergency Management Agency) Department of Social Services, Office of the Governor, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Missouri Lottery Commission, Missouri Consolidated Health Care Plan, Missouri Department of Conservation, Missouri Ethics Commission, Missouri House of Representatives, Office of the Lieutenant Governor, Office of Prosecution Services, Missouri State Employee's Retirement System, Office of Administration (Administrative Hearing Commission), Office of the State Courts Administrator, Office of the State Auditor, Missouri Senate, Office of the State Public Defender, Office of the State Treasurer and the State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** assumes this proposal could result in less Administrative Hearing Commission appeals for both merit and non-merit state agencies and less post-termination hearings for non-merit state agencies. Oversight also assumes this proposal would result in more circuit court cases and an increase in recruiting and training of new employees for both merit and non-merit state agencies.

Oversight cannot predict the extent, if any, of the possible impacts. Therefore, the fiscal impact for this proposal would become matters for budget request, if required, after the consequences of the proposal became apparent.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<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 changes the laws regarding the State Personnel Law, Chapter 36, RSMo. In its main provisions, the bill repeals the law that employees subject to the State Personnel Law may only be demoted or dismissed for cause. The bill provides that all employment subject to Chapter 36 shall be at will. The bill further repeals the provision for an administrative hearing in the case of a demotion, dismissal, or disciplinary action.

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

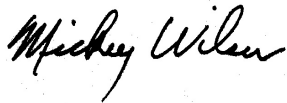
Department of Agriculture  
Department of Economic Development  
    Public Service Commission  
    Office of the Public Council  
    Division of Energy  
Department of Higher Education  
Department of Health and Senior Services  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Mental Health

SOURCES OF INFORMATION (continued)

Department of Natural Resources  
Department of Corrections  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Public Safety  
    Capitol Police  
    Alcohol & Tobacco Control  
    Fire Safety  
    Gaming Commission  
    Missouri Highway Patrol  
    State Emergency Management Agency  
    Veterans Commission  
Department of Social Services  
Office of the Governor  
Joint Committee on Administrative Rules  
Joint Committee on Public Employee Retirement  
Missouri Lottery Commission  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Missouri Ethics Commission  
Missouri House of Representatives  
Office of the Lieutenant Governor  
Department of Transportation  
Office of Prosecution Services  
Missouri State Employee's Retirement System  
Office of Administration  
    Administrative Hearing Commission  
    Division of Personnel  
    Budget and Planning  
Office of the State Courts Administrator  
Office of the State Auditor  
Missouri Senate  
Office of the Secretary of State

SOURCES OF INFORMATION (continued)

Office of the State Treasurer  
State Tax Commission

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

Mickey Wilson, CPA  
Director  
March 27, 2017

Ross Strobe  
Assistant Director  
March 27, 2017