

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1305H.03P  
 Bill No.: Perfected for HCS for HB 471  
 Subject: State Employees; State Departments  
 Type: Original  
 Date: April 13, 2023

Bill Summary: This proposal allows state agencies to create incentive programs for employees.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |            |  |  |
|--|------------|--|--|
| FUND AFFECTED  | FY 2024    | FY 2025  | FY 2026  |
| General Revenue*                                     | \$0        | \$0 to (Could exceed<br>\$369,086,226)         | \$0 to (Could exceed<br>\$369,086,226)         |
|  |            |  |  |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b> | <b>\$0 to (Could exceed<br/>\$369,086,226)</b> | <b>\$0 to (Could exceed<br/>\$369,086,226)</b> |

\*Oversight notes the fiscal impact depends on numerous factors, including an appropriation(s) for the program, formally adopted policies by the state departments, and the number of employees meeting the targets outlined in the adopted policies. All of these considered, the fiscal impact could be substantially less than the stated amounts. As the criteria would have to be stated in writing at least one year before the retention or achievement payments are made, Oversight will not reflect a potential fiscal impact until FY 2025.

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |            |  |  |
|---|------------|--|--|
| FUND AFFECTED   | FY 2024    | FY 2025  | FY 2026  |
| Other State Funds*  | \$0        | \$0 to (Could exceed<br>\$228,823,015)         | \$0 to (Could exceed<br>\$228,823,015)         |
|   |            |  |  |
| <b>Total Estimated Net Effect on <u>Other State Funds</u></b> | <b>\$0</b> | <b>\$0 to (Could exceed<br/>\$228,823,015)</b> | <b>\$0 to (Could exceed<br/>\$228,823,015)</b> |

Numbers within parentheses: () indicate costs or losses.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |  |  |
|---|----------------|--|--|
| <b>FUND AFFECTED</b>  | <b>FY 2024</b> | <b>FY 2025</b>                             | <b>FY 2026</b>                             |
| Federal Funds   | \$0            | \$0 to (Could exceed \$148,171,669)        | \$0 to (Could exceed \$148,171,669)        |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0 to (Could exceed \$148,171,669)</b> | <b>\$0 to (Could exceed \$148,171,669)</b> |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2024</b> | <b>FY 2025</b> | <b>FY 2026</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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2024</b> | <b>FY 2025</b> | <b>FY 2026</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## FISCAL ANALYSIS

### ASSUMPTION

#### §105.1750 – Personnel Incentive Program

In response to a previous version, officials from the **Office of Administration – Office of Personnel (OA)** stated if this proposal was implemented statewide, the proposal could have a potential impact of \$0 to \$746,080,910. The Office of Administration, Division of Personnel based this information on various turnover percentage rates within the executive branch from November 30, 2022 data.

The Division of Personnel assumes that, if this proposal was passed, state agencies could pay out bonuses of up to 20% once every other year. Following this assumption as well as assuming 0% turnover, the potential cost would be up to \$746,080,910 with total regular payroll with fringe benefits.

The potential cost using a turnover rate of 27.4% would be \$541,895,659.00 with total regular payroll with fringe benefits. The potential cost using a turnover rate of 58.6% (percentage of turnover for employees with less than two years of services) would be \$308,767,684.00 with total regular payroll with fringe benefits. Office of Administration, Division of Personnel based this impact purely on longevity requirements, assuming the max of 20% with no consideration for other written criteria that would affect eligibility.

OA assumes the cost will be split as follows

General Revenue (49.47%): \$369,086,226

Federal Funds (19.86%): \$148,171,669

Other Funds (30.67%): \$228,823,015

**Total (100%): \$746,080,910**

**Oversight** will use the cost estimate provided by OA to reflect the potential cost as a result of this proposal for the executive branch of government. However, Oversight assumes this legislation applies to all branches of government and will reflect the cost estimate as “could exceed” to capture potential cost to the legislative and judicial branches.

Oversight also assumes this legislation will not be mandated and therefore will reflect the fiscal impact as \$0 (the program is not utilized) to “Could exceed” the max 20% cost estimate provided by OA split between the General Revenue Fund, Federal Funds and Other Funds beginning in FY 25.

Officials from the **Department of Economic Development (DED)** assume this legislation creates a retention or achievement payment not to exceed 20% of base salary to be awarded on

completion of the retention period and not more frequently than biennially. This may result in the need for additional Personal Service funding to cover these increases; however, it is difficult to determine an estimated cost. DED estimated 25% of the department's FTE receiving the payment and then calculated the 20% increase.

Estimated costs:

General Revenue - \$0 to \$248,009

Federal - \$0 to \$174,683

Other - \$0 to \$92,841

Total - \$0 to \$515,533

In response to a previous version, officials from the **Department of Labor and Industrial Relations** assumed this proposal will have a fiscal impact on their department.

In response to a previous version, officials from the **Department of Revenue (DOR)** stated this legislation would allow the Department to provide monetary incentives for employee retention and reward, not to exceed 20% of salary, and such payment would not be in violation of the Missouri Constitution. If passed, the Department would request appropriate funding for this incentive program through the appropriations process.

Officials from the **Department of Public Safety - Missouri Highway Patrol** anticipate a fiscal impact if it implemented an incentive program under the proposed legislation, to assist with recruiting, hiring, and retention. At this time, the Patrol has not researched a methodology to implement an incentive program. The most likely affected funds have been listed within this response, however, the actual impact to each fund is unknown. Factors influencing the fiscal impact would be the number of personnel granted the incentive. It is estimated the fund most affected by House Bill 471 would be the Highway Fund (0644).

In response to a previous version, officials from the **Office of the State Public Defender** assume to provide an incentive program of a 1% salary increase per successful year of service, the annual current cost to SPD would be approximately \$1,500,000.

Officials from the **Missouri Lottery Commission** assume this proposal this proposal will cost the state \$1.5 million in year 1, \$1.8 million in year 2 and \$1.8 million in year 3. The proposal authorizes bonuses to encourage employee retention or to award exceptional achievement, not to exceed 20% of base salary and not more frequently than annually. The Lottery's base salary \$8.8 million after the Governor's 8.7% statewide pay increase, times 20% is \$1.8 million.

The Lottery would need additional personal services appropriation authority to implement this program. Without additional appropriation authority, they could only offer 1%-2% of base salary, or approximately \$40k to \$80k per year in bonuses.

Officials from the **Department of Economic Development, the Department of Public Safety (Alcohol & Tobacco Control, Fire Safety, Gaming Commission, , State Emergency**

**Management Agency and Veterans Commission), the Department of Social Services, the Department of Elementary and Secondary Education, the Department of Higher Education and Workforce Development, the Missouri Department of Transportation, the Joint Committee on Administrative Rules, the Missouri Consolidated Health Care Plan, the Missouri the Missouri House of Representatives, the Office of the State Courts Administrator, the Office of the Lieutenant Governor, the Office of the State Auditor, the Missouri Office of Prosecution Services the Missouri Senate, Office of Administration - Budget and Planning the Office of the Secretary of State the State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Attorney General's Office, Department of Public Safety – Capitol Police, Missouri National Guard, the Office of the Governor, Department of Conservation, and the Missouri Ethics Commission** assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Department of Commerce and Insurance, the Department of Health and Senior Services, the Department of Mental Health, the Department of Natural Resources, the Department of Corrections, the Department of Public Safety – Directors Office and the Missouri Department of Agriculture** defer to the Office of Administration for the potential fiscal impact of this proposal.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted 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 \$5,000. 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 its 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.

House Amendment 1

§105.1750

**Oversight** assumes House Amendment 1 defines that the retention or achievement payments described in section 105.1750, will not apply to any public employee holding a position of employment for which the salary is set by statute. Oversight assumes OA’s original response to a previous version of this proposal may have included salaries set in statute in their estimate. However, for fiscal note purposes, Oversight will still range the fiscal impact as \$0 to (Could exceed) the estimate provided by OA due to the numerous factors, including an appropriation(s) for the program, formally adopted policies by the state departments, and the number of employees meeting the targets outlined in the adopted policies.

§168.093

**Oversight** assumes House Amendment 1 allows for a school district to award an employee for exceptional employment achievement or to encourage retention. Oversight notes the amendment does not outline how much should be awarded or how often the award will be given. Oversight assumes this legislation will not be mandated and therefore will reflect the fiscal impact as \$0 (the program is not utilized) to “unknown” to local school districts.

House Amendment 2

§168.100

Officials from the **Department of Elementary and Secondary Education** assume House Amendment 1 will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

**Oversight** assumes this proposal would allow school districts the flexibility to increase the pay for teaching positions that are more difficult to fill. Oversight notes there could be increased costs for school districts if teachers in hard-to-staff subject areas receive differentiated placement on the salary schedule to increase compensation; however, this is at the discretion of the school districts.

**Oversight** did not receive any responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

| <u>FISCAL IMPACT – State Government</u>                     | FY 2024<br>(10 Mo.) | FY 2025   | FY 2026   |
|---|---------------------|---|---|
| <b>GENERAL REVENUE</b>                                      |                     |   |   |
| <u>Cost – OA §105.1750 (p.3)<br/>Incentive Programs</u>     | <u>\$0</u>          | <u>\$0 to (Could<br/>exceed<br/>\$369,086,226)</u>        | <u>\$0 to (Could<br/>exceed<br/>\$369,086,226)</u>        |
| <b>ESTIMATED NET EFFECT TO<br/>THE GENERAL REVENUE FUND</b> | <b><u>\$0</u></b>   | <b><u>\$0 to (Could<br/>exceed<br/>\$369,086,226)</u></b> | <b><u>\$0 to (Could<br/>exceed<br/>\$369,086,226)</u></b> |
| <b>OTHER STATE FUNDS</b>                                    |                     |   |   |
| <u>Cost – OA §105.1750 (p.3)<br/>Incentive Programs</u>     | <u>\$0</u>          | <u>\$0 to (Could<br/>exceed<br/>\$228,823,015)</u>        | <u>\$0 to (Could<br/>exceed<br/>\$228,823,015)</u>        |
| <b>ESTIMATED NET EFFECT TO<br/>OTHER STATE FUNDS</b>        | <b><u>\$0</u></b>   | <b><u>\$0 to (Could<br/>exceed<br/>\$228,823,015)</u></b> | <b><u>\$0 to (Could<br/>exceed<br/>\$228,823,015)</u></b> |
| <b>FEDERAL FUNDS</b>  |                     |   |   |
| <u>Cost – OA §105.1750 (p.3)<br/>Incentive Programs</u>     | <u>\$0</u>          | <u>\$0 to (Could<br/>exceed<br/>\$148,171,669)</u>        | <u>\$0 to (Could<br/>exceed<br/>\$148,171,669)</u>        |
| <b>ESTIMATED NET EFFECT TO<br/>FEDERAL FUNDS</b>            | <b><u>\$0</u></b>   | <b><u>\$0 to (Could<br/>exceed<br/>\$148,171,669)</u></b> | <b><u>\$0 to (Could<br/>exceed<br/>\$148,171,669)</u></b> |

| <u>FISCAL IMPACT – Local Government</u>   | FY 2024<br>(10 Mo.)         | FY 2025                     | FY 2026                     |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>SCHOOL DISTRICTS</b>   |                             |                             |                             |
| <u>Costs</u> - differentiated placement of hard-to-staff teachers on the salary schedule - §168.110 (p.6) | \$0 to<br>(Unknown)         | \$0 to<br>(Unknown)         | \$0 to<br>(Unknown)         |
| <u>Cost – Incentive Programs</u> §168.093 (p.6)   | \$0 to<br>(Unknown)         | \$0 to<br>(Unknown)         | \$0 to<br>(Unknown)         |
| <b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>   | <b>\$0 to<br/>(Unknown)</b> | <b>\$0 to<br/>(Unknown)</b> | <b>\$0 to<br/>(Unknown)</b> |

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

In order to encourage retention or exceptional employment achievement, this bill provides for personnel payments to be made according to specific, written criteria, predetermined and approved by the department director in writing, at least one year prior to the exceptional employment achievement. The payments authorized by the bill shall not exceed 20% of the employee's base wages or salary and are awarded upon the completion of the retention period in question and not more frequently than annually. The payments indicated in the bill are not considered as a bonus in violation of Article III, Section 39 of the Missouri Constitution.

The bill also addresses differential pay for difficult-to-fill teaching positions and allows school districts to make payments for exceptional employment achievement.

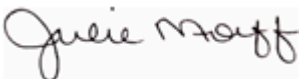
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

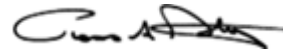
- Attorney General’s Office
- Department of Commerce and Insurance
- Department of Economic Development
- Department of Elementary and Secondary Education
- Department of Higher Education and Workforce Development
- Department of Health and Senior Services



Department of Mental Health  
Department of Natural Resources  
Department of Corrections  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Public Safety  
Department of Social Services  
Office of the Governor  
Joint Committee on Public Employee Retirement  
Joint Committee on Administrative Rules  
Missouri Lottery Commission  
Legislative Research  
Oversight Division  
Local Government Employees Retirement System  
Missouri Consolidated Health Care Plan  
Missouri Department of Agriculture  
Missouri Department of Conservation  
Missouri Ethics Commission  
Missouri House of Representatives  
Office of the Lieutenant Governor  
Missouri Department of Transportation  
Missouri State Employee's Retirement System  
MoDOT & Patrol Employees' Retirement System  
Missouri Office of Prosecution Services  
Office of Administration - Budget and Planning  
Facilities Management, Design and Construction  
Office of the State Courts Administrator  
Office of the State Auditor  
Missouri Senate  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
Public Schools and Education Employee Retirement Systems  
State Tax Commission



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