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FISCAL IMPACT REPORT

SPONSOR Varela **DATE TYPED** 1/27/04 **HB** 177

SHORT TITLE Public Employee Cost-of-Living Increases **SB** _____

ANALYST Johnson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	\$86,502.6			Recurring	General Fund
	\$11,628.5			Recurring	Various

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Personnel Office (SPO)

Responses Not Received From

Commission on Higher Education (CHE)

State Department of Public Education (SDE)

Administrative Office of the District Attorneys (AODA)

Administrative Office of the Courts (AOC)

SUMMARY

Synopsis of Bill

House Bill 177 appropriates \$86,502,600 from the general fund and at least \$11,628,500 from various other agency funds to the department of finance and administration for the purpose of providing a 3% salary increase to public employees. The salary increases apply to public school employees, faculty and staff at public post-secondary educational institutions, executive classified employees, executive exempt employees, legislative permanent employees, judicial employ-

ees and district attorney employees. The bill contains language to ensure employees whose salaries are funded from non-general fund appropriations will be covered by the same salary increase provision provided in the bill.

The salary increase would be effective the first pay period after July 1, 2004.

Significant Issues

The salary increase is important to help offset rising expenses, such as the fast growing health insurance premiums. The increase would assist all agencies and public school and higher education institutions to recruit and retain employees and help maintain equity and remain competitive with comparator markets.

The State Personnel Office reports that, as drafted, there is not adequate funding appropriated to provide classified employees with a 3% salary increase. Salary changes, appointments and separations between the initial salary projection in early October, 2003 and an updated January, 2004 salary projection show that it will cost an additional \$334,706, requiring a revised appropriation of \$13,985,606 for the classified service and a total revised appropriation of \$86,837,306 to public employees.

FISCAL IMPLICATIONS

The appropriation of \$86,502.6 from the general fund and at least \$11,628.5 from various other agency funds contained in this bill is a recurring expense to the respective funds. Any unexpended or unencumbered balances remaining at the end of fiscal year 2005 shall revert to the general fund or other designated fund.

ADMINISTRATIVE IMPLICATIONS

Affected agency personnel staff including that of SPO and the Human Resource System Team at the Information Systems Division of the General Services Department can implement the proposed salary increase using the current Human Resource Management System.

COMPANIONSHIP RELATIONSHIP

This bill relates to the compensation increase in the General Appropriation Act, as introduced, which included a 1% compensation increase and a 1% lump-sum salary enhancement for all public employees as referenced above.

This bill relates to HB128 and HB167 which provide for special compensation changes for specifically identified groups.

OTHER SUBSTANTIVE ISSUES

The State Personnel Office notes the following issues with regard to the executive classified system:

- This bill provides for a cost-of-living increase. There is no performance criteria. Each employee would receive a salary increase, even those who have unacceptable performance.

· The current classified service salary structure is set to represent 95% of the comparator salary market. State Personnel Office compensation staff tracks market, industry and economic trends to determine the amount the salary structure should be adjusted each fiscal year. This year's data analysis supports adjusting the salary structure by 2.4% in fiscal year 2005.

AMENDMENTS

The State Personnel Office provided the following amendments:

Section 1, Subsection A: Eighty-six million ~~five hundred two thousand six hundred~~ eight hundred thirty seven thousand three hundred six dollars ~~(\$86,502,600)~~ (\$86,837,306) is appropriated from the general fund to the department of finance and administration for distribution to the appropriate state agency for expenditure in fiscal year 2005 to provide three percent ~~cost-of-living~~ salary increases to public employees who perform at a "successful" level or higher as follows:

Section 1, Subsection B, Part (3), subpart (b): thirteen million ~~six hundred fifty thousand nine hundred~~ nine hundred eighty five thousand six hundred six dollars ~~(\$13,650,900)~~ \$(13,985,606) dollars for classified employees;

CJJ/njw