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FISCAL IMPACT REPORT

SPONSOR Rodriguez DATE TYPED 3/10/05 HB _____

SHORT TITLE State Employee Union Member Cost-Of-Living SB 878

ANALYST Moser

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$4,095.8		\$1,038.1	Recurring	General Fund
			\$3,197.7	Recurring	Various Non-General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB940

Relates to: HB48, HB408, SB865, HB279, SB771

Conflicts with General Appropriation Act

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Personnel Office (SPO)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 878 appropriates \$4,095,751 from the General Fund to the Department of Finance and Administration for distribution to state agencies to provide a cost of living salary increase in fiscal year 2006 to state employees who are members of the American Federation of State, County and Municipal employees. Increases include \$2,163,793 for a three and two-fifths percent across the board raise effective July 1, 2005 and \$1,931,958 for a two and one-half percent within-range raise effective January 1, 2006.

Significant Issues

The bill provides for cost of living salary adjustments only to state employees who are AFSCME

bargaining unit members. All other state employees to include employees represented by other unions would not be eligible for this salary increase. The bill does not appropriate any monies for those employees within the bargaining unit that are funded by sources outside of the general fund. It is estimated that this constitutes a shortfall in appropriation of \$3.2 million dollars. The bill conflicts with the Governor's recommendation for a 2% compensation package for state employees.

The proposed appropriation does not fully cover the expected cost of the proposed increases.

PERFORMANCE IMPLICATIONS

This bill addresses only salary increases for AFSCME bargaining unit employees. It does not apply to the majority of state employees not represented by AFSCME. If approved this bill would create serious morale issues within state government.

This bill does not relate the awarding of these salary increases to any measure of satisfactory job performance.

FISCAL IMPLICATIONS

The bill appropriates \$4,095,751 from the General Fund for cost of living salary increases which would be a recurring expense in future years. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund. Projections as to the actual cost of providing this increase were not prepared or reviewed by the State Personnel Office. However, based upon a cursory analysis by the LFC staff there is insufficient funding to support the requested action. There are approximately 7,200 positions, both vacant and filled, within the bargaining unit. It is estimated that from the general fund that there would be a shortfall in funding of \$1.04 million dollars if this bill is passed. The bill does not appropriate any monies for those employees within the bargaining unit that are funded by sources outside of the general fund. It is estimated that this constitutes a shortfall in appropriation of \$3.2 million dollars. If these positions are indeed to be funded the bill would need to be amended to reflect such action.

OTHER SUBSTANTIVE ISSUES

It is the position of the State Personnel Office to administer and support one unified classification system to address all state employees based on market factors and job classification evaluations, not to distinguish between union and non-union represented groups.

This would disrupt the classification and compensation system by creating disparate wage and salary administration based not upon the duties and responsibilities of individuals but rather by bargaining unit membership. This concept is in conflict with a state merit system.

EM/lg:yr