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FISCAL IMPACT REPORT

ORIGINAL DATE 1/18/2008

SPONSOR Varela LAST UPDATED _____ HB 10

SHORT TITLE Public Employee Salary Increases SB _____

ANALYST Moser

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$140,458.1	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 7

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Personnel Office (SPO)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 10 appropriates one hundred forty million four hundred fifty-eight thousand one hundred dollars (\$140,458,100) from the general fund for the purpose of providing salary and benefit increases to public employees based on employee job performance. The salary increases apply to public school employees, faculty and staff at post-secondary educational institutions, executive classified employees, executive exempt employees, legislative permanent employees, judicial employees, district attorney employees and state police.

The bill ensures that employees whose salaries are funded from non-general fund appropriations will be covered by the same salary increase provisions in the bill. It also provides benefit increases for public and higher education employees and funds increasing the employer contribution to the educational retirement fund by three-fourths of a percent

FISCAL IMPLICATIONS

The appropriation of \$140,458,100 contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2009 shall

revert to the appropriate fund. The amount in the bill is based upon consensus numbers reached with DFA regarding general fund costs for classified employees.

SIGNIFICANT ISSUES

House Bill 10 proposes a 4 percent salary increase for state employees, and a 3 percent salary increase for all public and higher education employees. The bill also provides for an additional 2 percent increase for staff attorneys of the offices of the district attorneys and an additional 1 percent increase for public education secretarial, clerical, technical assistant, custodial warehouse and delivery employees. The bill funds the statutorily mandated 0.75 percent increase for educational retirement contributions. The salary increases would be effective July 1, 2008.

The State Personnel Office (SPO) indicates that this bill does not reflect the pay package negotiated between the Governor and Labor. Under the Public Employee Bargaining Act, the agreements negotiated between the executive and the unions must be included in the Governor's budget request. The Legislature, however, is not mandated or obligated to comply with the agreement.

The Governor's recommended pay package provides a 2% of pay band midpoint salary increase in July 2008 and a 1% to 3.5% of actual pay increase in January 2009. The Governor's pay package would cost the equivalent of 2.9% for FY09, but would result in average salaries projected to be slightly higher (4.15%) by the end of the fiscal year. Under the Governor's pay package 36.2% of classified employees (those with a compa-ratio less than 94%) would realize a salary that is greater than 4% higher by the end of FY09.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 10 conflicts with HB 7.

TECHNICAL ISSUES

SPO expresses concern that the effective date of the salary increase is July 1, 2008 which is not the effective date of the pay package negotiated between the Governor and Labor. This is different from past legislation that stated salary increases would be effective the first day of the next full pay period following July 1 of a specified year. In line with the prior language the 2006 and 2007 salary increases became effective July 15 and July 14 which meant that they did not reach employees paychecks until the end of July.

SPO indicates concern with the terminology "budgeted positions" and employees in temporary budgeted positions receiving a salary increase. For example, there are many budgeted temporary positions for employees who work in the PIT processing tax returns during tax season at the Taxation and Revenue Department. Usage of the term would restrict increases to those employees whose positions are in fact budgeted by the legislature and not employees in unbudgeted and unauthorized positions.