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FISCAL IMPACT REPORT

SPONSOR <u>SFC</u>	LAST UPDATED <u>3/10/2023</u>
	ORIGINAL DATE <u>3/8/2023</u>
SHORT TITLE <u>Public Peace, Health, Safety & Welfare/Supplemental Salary Increase</u>	BILL NUMBER <u>CS/Senate Bill 521/SFC/aSFC</u>
	ANALYST <u>Simon</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact					

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

Public School Insurance Authority

No Response Received

Department of Finance and Administration

General Services Department

State Personnel Office

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Finance Committee substitute for Senate Bill 521 strikes the appropriation.

Synopsis of Substitute Bill

The Senate Finance Committee substitute for Senate Bill 521 (SB521/SFCS) appropriates \$47.5 million from the general fund to the Department of Finance and Administration to provide state employees, higher education employees, and public school employees with a 1 percent salary increase to offset inflation and increases in insurance premiums.

This appropriation is effective in FY24.

FISCAL IMPLICATIONS

As amended, the bill does not make an appropriation.

SIGNIFICANT ISSUES

The bill declares the Legislature will provide a 1 percent supplemental salary increase for state employees, higher education employees, and public school employees to offset inflation, including increases in insurance premiums. LFC and DFA consensus budget estimates for a 1 percent salary increase are included in the table below.

Estimated Cost of 1 Percent Compensation Increase
(in thousands)

Branch	Total Cost of 1% Increase	Percent GF	GF Cost of 1%
Legislative	\$157.8	100.0%	\$157.8
Executive	\$14,339.0	49.2%	\$7,054.8
Judicial	\$2,689.6	91.9%	\$2,471.7
Higher Education	\$11,831.8	80.0%	\$9,465.4
Public Schools	\$28,273.8	100.0%	\$28,273.8
Total	\$57,292.0		\$47,423.6

Source: LFC and DFA Estimates

For FY24, the House Appropriations and Finance Committee substitute for House Bill 2 (the General Appropriation Act) includes a 10 percent increase in health insurance premiums for state employees and other participants in the state’s group health benefits plan, operated by the General Services Department. The large increase was necessitated by years of flat premium rates, which have not increased since July 1, 2019. This has led to significant deficits in the group benefits fund and one-time appropriations totaling \$96 million to resolve the deficit. For public school employees, the board of the Public School Insurance Authority recently approved a 7.24 percent increase in premium rates, beginning October 1, 2023.

Consumer prices have continued to rise at a rapid rate. According to data from IHS Markits, consumer prices rose by 8 percent in calendar year 2022, although prices are forecast to moderate in 2023. For FY23, state employees, on average, received a 10 percent pay increase, with the minimum hourly rate set at \$15 per hour.

Compensation increases included in the House version of the General Appropriation Act and SB521 would continue investments in public employee pay in an effort to increase recruitment of qualified employees and reduce turnover. According to performance data from the State Personnel Office, only 64 percent of newly hired employees successfully completed their probationary period in the first or second quarters of FY23. Overall vacancy rates for classified state employees were 24 percent, as of December 2022.

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