

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2284-01
Bill No.: Perfected HB 1087
Subject: State Employees; Salaries
Type: Original
Date: April 15, 2015

Bill Summary: This proposal increases the allowable monthly amount to be credited to each participant's state employee deferred compensation account from up to \$75 to up to \$100.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 or Up to (\$5,638,557)	\$0 or Up to (\$6,766,268)	\$0 or Up to (\$6,766,268)
Total Estimated Net Effect on General Revenue	\$0 or Up to (\$5,638,557)	\$0 or Up to (\$6,766,268)	\$0 or Up to (\$6,766,268)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Other State Funds	\$0 or Up to (\$3,137,015)	\$0 or Up to (\$3,764,418)	\$0 or Up to (\$3,764,418)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Up to (\$3,137,015)	\$0 or Up to (\$3,764,418)	\$0 or Up to (\$3,764,418)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal Funds	\$0 or Up to (\$1,311,293)	\$0 or Up to (\$1,573,551)	\$0 or Up to (\$1,573,551)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or Up to (\$1,311,293)	\$0 or Up to (\$1,573,551)	\$0 or Up to (\$1,573,551)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer** and the **Public School and Education Employees Retirement System** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Missouri State Employees Retirement System** state that employer contributions to the Deferred Compensation Incentive Plan were suspended in March 2010 and no state contributions have been made to the incentive plan since that time. This proposal would have no fiscal impact unless Deferred Compensation Incentive Plan contributions are reinstated and the related appropriations allow for contributions exceeding \$75 per month.

Officials from the **Office of Administration - Division of Accounting (OA)** state the increase of expenditures related to increasing state match to the state employee deferred compensation program is based upon the current number of employees contributing to the program. Currently, there are 4,833 state employees contributing \$100 or more monthly. With the current number of employees, the cost would be \$1,449,900 yearly to the state. This is based upon the following computation:

Number of employees contributing:	4,833
Increase in amount of deferred compensation:	\$25
Monthly cost to the state	\$120,825
Yearly cost to the state per 12 months	\$1,449,900

FY 2016 would be a partial year as this legislation would be effective August 28. Future cost could increase based upon the number of state employees enrolling into the state employee deferred compensation program in order to receive the match. Such increase in the number of state employees increasing their match is undetermined at this point. Currently the State's contribution to the deferred compensation plan is \$0. If this were to be fully implemented the cost to the state would be \$5,799,600.

OA split the \$1,449,900 costs between three funds:

General Revenue	\$810,300 (55.9%)
Federal Funds	\$188,100 (13.0%)
Other Funds	<u>\$451,500 (31.1%)</u>
Total	\$1,449,900

ASSUMPTION (continued)

Oversight assumes this proposal increases the maximum deferred compensation incentive plan match by the state to employees from \$75 to \$100 (a \$25 increase). The State of Missouri has not appropriated funds for the deferred compensation match for employees since FY 2010. Therefore, increasing the maximum amount the state may contribute will probably not have a fiscal impact on the state. If the match were reinstated, Oversight assumes many state employees would join the program up to the state match.

If the state were to appropriate monies for this purpose, this proposal would allow the state to appropriate more funding. **Oversight** will reflect a fiscal impact of \$0 (state currently doesn't fund the deferred compensation program, and raising the maximum monthly cap would not create a fiscal impact) to a possible expense of \$12,104,237

According to the Office of Administration's Fund Activity Reports, the state expended the following amounts for deferred compensation payments in the last three fiscal years it was funded:

FY 2008	\$11,018,943;
FY 2009	\$14,671,513; and
FY 2010	\$10,622,255
Average	\$12,104,237

During this time, the state was matching between \$25 and \$35 monthly of the employee's contributions. Therefore, Oversight will assume this change could, if appropriated, increase the cost to the state of matching an employee's monthly contribution from \$75 to \$100. For simplicity, Oversight will utilize the average of the last three years of the program's funding, or \$12,104,237. Oversight will utilize the same percentages as used by OA to break out the possible expenditure between General Revenue, Federal Funds, and Other State funds.

General Revenue (55.9%)	\$ 6,766,268
Federal Funds (13.0%)	\$ 1,573,551
Other Funds (31.1%)	<u>\$ 3,764,418</u>
Total	\$12,104,237

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs</u> - Potential increase in employer contribution to the Deferred Compensation Plan	<u>\$0 or</u> <u>(\$5,638,557)</u>	<u>\$0 or</u> <u>(\$6,766,268)</u>	<u>\$0 or</u> <u>(\$6,766,268)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or</u> <u>(\$5,638,557)</u>	<u>\$0 or</u> <u>(\$6,766,268)</u>	<u>\$0 or</u> <u>(\$6,766,268)</u>
FEDERAL FUNDS			
<u>Costs</u> - Potential increase in employer contribution to the Deferred Compensation Plan	<u>\$0 or</u> <u>(\$1,311,293)</u>	<u>\$0 or</u> <u>(\$1,573,551)</u>	<u>\$0 or</u> <u>(\$1,573,551)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0 or</u> <u>(\$1,311,293)</u>	<u>\$0 or</u> <u>(\$1,573,551)</u>	<u>\$0 or</u> <u>(\$1,573,551)</u>
OTHER STATE FUNDS			
<u>Costs</u> - Potential increase in employer contribution to the Deferred Compensation Plan	<u>\$0 or</u> <u>(\$3,137,015)</u>	<u>\$0 or</u> <u>(\$3,764,418)</u>	<u>\$0 or</u> <u>(\$3,764,418)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0 or</u> <u>(\$3,137,015)</u>	<u>\$0 or</u> <u>(\$3,764,418)</u>	<u>\$0 or</u> <u>(\$3,764,418)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal changes, from up to \$75 to up to \$100, the monthly amount that the state can match a contribution from a qualified participant in the State Employee Deferred Compensation Program if it does not exceed the amount appropriated by the General Assembly for each participant.

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

Office of the State Treasurer
Missouri State Employees Retirement System
Public School and Education Employees Retirement System
Office of Administration



Mickey Wilson, CPA
Director
April 15, 2015

Ross Strobe
Assistant Director
April 15, 2015