

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4263-01
Bill No.: SJR 45
Subject: Judges; Constitutional Amendments; Courts; Counties
Type: Original
Date: February 9, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$110,520)	(\$9,329,568)	(\$18,924,439)
Total Estimated Net Effect on General Revenue Fund	(\$110,520)	(\$9,329,568)	(\$18,924,439)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined such legislation is a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof. Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representative, 2) the Secretary of the Senate, and 3) the Joint Committee on Public Employee Retirement as public information for at least five legislative days before final passage of the bill.

Officials from the **Office of State Courts Administrator** stated that there are 186 associate court judges and 30 court commissioners who are paid at the rate of associate court judges. Circuit court judges are paid at the rate of \$108,000, \$12,000 more than associate court judges and the court commissioners. The six-month cost for the conversion of 216 judges and commissioners in FY 06 would be \$1,361,610 and the full year cost in FY 07 would be \$2,791,301 at the present rate of compensation. Additionally, each circuit court judge is authorized a court reporter (\$485.040). The cost of 186 additional court reporters who are currently paid a salary of \$48,660 would be \$4,754,477 for six months in FY 06 and \$9,746,679 in FY 07 at the current rate of pay.

ASSUMPTION (continued)

Since judicial salaries are above the social security cap and there would be no change in health insurance costs, the cost of fringe benefits on judicial salaries will be limited to Medicare, long-term disability, and any incremental retirement costs. All fringe benefits and retirement costs, \$2,705,439 in FY 06 and \$5,546,149 in FY 07, would appear in appropriations for the Office of Administration.

Additionally, the circuit court budget has a provision for paying temporary court reporters to replace those who are ill or otherwise unable to perform their duties temporarily. Presently, the appropriation for these reporters is \$100,000 per year (the approximate cost of two court reporters). With the additional court reporters, that appropriation would increase approximately 2 ½ times, or about \$128,750 in FY 06 and about \$265,225 in FY 07.

Presently, the Central Transcribing Service in the Office of State Courts Administrator transcribes sound recordings for associate circuit court judges with 7.50 FTE assigned to this function. The transcribing service would gradually be eliminated at a cost avoidance of approximately \$30,513 in FY 06 and approximately \$189,765 in FY 07, including salaries, fringe benefits, and expense and equipment.

Expense and equipment costs for the court reporters could include possible office space and related office expense per \$476.270. CTS is unable to accurately estimate the fiscal impact to local governments to implement this legislation since it is unknown whether local governments could provide additional office space for additional court staff.

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposal would require an increase in the employer contribution rate. The following table illustrates the computed increase in the employer contribution rate that would be necessary to fund the proposed benefit on a level cost basis:

Valuation Payroll	Present Benefit (% of Payroll)	Proposed Benefit (% of Payroll)	Increase (% of Payroll)	Increase (Contributions)
\$41,655,070*	54.51%	56.43%	1.92%	\$799,777

*Current annual payroll for the June 30, 2003 valuation has been projected forward one year at 0% and one year at 4%.

ASSUMPTION (continued)

Based upon the annual payroll for the June 30, 2003 valuation projected forward two years (one year at 0% due to the state pay freeze and one year at 4%, the long-term assumed annual rate of payroll growth), the increase in total contribution necessary to fund the proposed benefit would be approximately \$800,000 in the first year after the benefit change.

Officials from the **Office of Secretary of State (SOS)** assume advertisement costs for the proposal would be \$3,684 per column inch for three printings of the text of the proposal, the introduction, fiscal note summary, and affidavit. SOS estimates the total cost to be \$110,520.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Savings</u> – Office of State Courts Administrator (CTS)			
Personal Service (7.5 FTE)	\$0	\$16,878	\$158,251
Fringe Benefits	\$0	\$3,494	\$65,516
Expense and Equipment	<u>\$0</u>	<u>\$225</u>	<u>\$925</u>
<u>Total Savings</u> – CTS	\$0	\$20,597	\$224,692
<u>Costs</u> – CTS			
Personal Service (216 Salary Increase)	\$0	(\$1,361,610)	(\$2,791,301)
Fringe Benefits	\$0	(\$737,085)	(\$1,511,024)
Personal Service (186 FTE)	\$0	(\$4,754,477)	(\$9,746,679)
Fringe Benefits	\$0	(\$1,968,354)	(\$4,035,125)
Expense and Equipment	<u>\$0</u>	<u>(\$128,750)</u>	<u>(\$265,225)</u>
<u>Total Costs</u> – CTS	<u>\$0</u>	<u>(\$8,950,276)</u>	<u>(\$18,349,354)</u>
<u>Net Effect</u> – CTS	\$0	(\$8,929,679)	(\$18,124,662)
<u>Costs</u> – Increased contributions		(\$399,889)	(\$799,777)
<u>Costs</u> – Office of Secretary of State Newspaper Advertisements	<u>(\$110,520)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$110,520)</u>	<u>(\$9,329,568)</u>	<u>(\$18,924,439)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLITICAL SUBDIVISIONS			
<u>Costs – Counties</u>			
Facilities for additional court employees	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposed constitutional amendment, if approved by the voters, would eliminate the requirement of one associate circuit judge per county and convert all associate circuit judges to circuit judges, effective January 1, 2006.

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 State Courts Administrator
Joint Committee on Public Employee Retirement
Missouri State Employees' Retirement System
Office of Secretary of State



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