

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5498-01  
Bill No.: HB 1643  
Subject: State Employees; Insurance - Medical; Salaries; Appropriations  
Type: Original  
Date: March 23, 2012

Bill Summary: This proposal requires state employees to receive a salary increase equal to the increased cost of health insurance premiums from the previous calendar year.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0	(\$55,000 to Unknown)	(\$55,000 to Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$55,000 to Unknown)</b>	<b>(\$55,000 to Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration (OA)** assume the proposal will increase state employees' salary in an amount equal to the increased cost of health insurance premiums from the previous calendar year. Statewide, there would be a significant, negative impact on General Revenue, and other funds used to pay personal service costs, although a specific amount cannot be determined. There are currently 55,000 full time employees

At this time the cost can not be determined because it is not possible to know the following factors, or the proposal itself is unclear as to the methodology to accomplish the provisions of the bill:

- 1) Cannot at this time know the increase of health insurance premium costs for any future year, until the MCHCP announces the next year's health insurance plans and costs.
- 2) Do not have the available information on all the employees affected, particularly those employees of the juvenile court system who may or may not be paid by the state, but are specifically included in this bill.
- 3) The bill is unclear as to the exact methodology in determining the increase in premium costs. Since state employees typically have choices of multiple plans, along with options within the plans (such as family plans,) the methodology to determine the "increase" becomes more problematic. Substantial changes in the state plans may make any such comparison even more problematic.
- 4) The bill is unclear as to how the salary increase would be administered. It seems that the intent might be a "flat-dollar" increase, but a percentage-based General Structure Adjustment is also a possibility.

Officials at the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposal applies to the employee's portion of the total premium only. Each year, state employees are offered plan options with varying premiums and out-of-pocket expenses. Employees may also participate in incentive programs to keep the cost of their monthly premiums down. Depending on the plan chosen and incentives earned, MCHCP has provided a path to no increase in employee only medical premiums for the past two years and all rate tiers for this year.

MCHCP makes the following assumptions when calculating fiscal impact:

1. Premium adjustments are based on the employee only premium for the PPO 600 Plan assuming the employee has participated in all available incentive programs. The monthly premium with incentives is \$41.
2. The number of state employees covered under MCHCP remains the same. As of Feb. 1,

ASSUMPTION (continued)

2012, MCHCP provides coverage for 39,471 state employees.

MCHCP calculates that for every one percent increase in the premium rate, it costs them \$4,034,439.

**Oversight** assumes this proposal begins July 1, 2013 and would not impact the state in FY 2013. Oversight has shown the costs beginning in FY 2014.

**Oversight**, for the simplicity of the fiscal note, will show all the fiscal costs to General Revenue. It is possible some of the cost of this proposal would be experienced by Federal Funds and Other State Funds, too.

**Oversight** assumes that at a minimum there are 55,000 state employees who would be affected by this proposal. If this proposal is interpreted that for every one dollar increase in the health care premiums the state employees receive a one dollar salary increase, then this proposal would cost \$55,000 (excluding any administration costs).

If, this proposal is interpreted to mean that for every one percent increase in health care premiums the state employees receive a one percent salary increase, then the impact can not be determined at this time. Therefore, **Oversight** will show the impact of this fiscal note as a cost to General Revenue of \$55,000 to Unknown.

Officials at the **Department of Agriculture, Department of Corrections, Department of Economic Development, Department of Elementary and Secondary Education, Department of Health and Senior Services, Department of Insurance, Financial Institutions and Professional Registration, Department of Labor and Industrial Relations, Department of Mental Health, Department of Natural Resources, Department of Revenue, Department of Social Services** and the **Missouri Highway Patrol** defer to the Office of Administration for fiscal impact.

Officials at the **Office of State Courts Administrator** assume there is no fiscal impact from this proposal.

Officials at the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

ASSUMPTION (continued)

Officials at the **Department of Higher Education** assume this proposal would have a negative fiscal impact on the Department in any fiscal year following a calendar year in which state employee insurance premiums increased. While the negative impact would be equal to the increase in insurance premiums, not knowing future insurance premium increases at this time, the magnitude of the potential impact of this bill in future fiscal years is unable to be determined at this time.

Officials at the **Department of Conservation** assume an unknown negative fiscal impact depending upon whether the salary increase must be equal to the total premium increase or just the employee premium increase.

Officials at the **Office of the State Public Defender** assume they currently have 587.25 authorized FTE. The amount of the increase would be multiplied by this number to determine the impact.

Officials at the **Office of the State Auditor** and the **Office of Prosecution Services** assume the impact is unknown.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE</b>			
<u>Cost- Salary increase of all state employees</u>	<u>\$0</u>	<u>(\$55,000 to Unknown)</u>	<u>(\$55,000 to Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$55,000 to Unknown)</u></b>	<b><u>(\$55,000 to Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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 requires state employees to receive a salary increase equal to the increased cost of health insurance premiums from the previous calendar year.

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

- Department of Agriculture
- Department of Conservation
- Department of Corrections
- Department of Economic Development
- Department of Elementary and Secondary Education
- Department of Health and Senior Services
- Department of Higher Education
- Department of Insurance, Financial Institutions and Professional Registration
- Department of Labor and Industrial Relations
- Department of Mental Health

ASSUMPTION (continued)

Department of Natural Resources  
Department of Revenue  
Department of Social Services  
Missouri Consolidated Health Care Plan  
Missouri Highway Patrol  
Office of Administration  
Office of Attorney General  
Office of Prosecution Services  
Office of State Courts Administrator  
Office of the Secretary of State  
Office of the State Auditor  
Office of the State Public Defender



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