

Fiscal Note Request SB0239, As Amended Second Time in Senate Committee
(continued)

8. Expected Salaries without SB 239:

300 employees are expected to retire as a result of SB 239 (assumption #4), and 63 employees would normally retire without SB 239 (assumption #5), which means that 237 employees would be at current salaries in the 2005 biennium without SB 239. The average salary per hour in FY 2002 for those employees with 23-28 years of service is \$21.368 per hour. Assuming no raises in the 2005 biennium would equate to the same average salary of \$21.368 in FY 2004 and FY 2005 for these 237 employees. The 63 employees that would have retired without the incentive would be replaced at an average of 90 percent below market, or \$15.54 per hour (assumption #5). As shown in the table below, the costs without SB 239 would be \$12,569,970 in both FY 2004 and FY 2005.

9. Projected Salaries as a result of SB 239:

The 300 eligible employees expected to retire under this incentive would all be replaced at an average of 90 percent below market, or \$15.54 per hour (assumption #5), as opposed to only the 63 included in assumption #8. As shown in the table below, the costs as a result of SB 239 would be \$9,697,147 in both FY 2004 and FY 2005.

	Salary Cost with Incentive		Salary Cost without Incentive			
	(Assumption # 9)		(Assumption # 8)			
	SFY2004	SFY2005	SFY2004	SFY2005	SFY2004	SFY2005
# employees	300	300	63.00	63	237.00	237.00
New Hire at 90% of market	15.5403	15.5403	15.5403	15.5403	21.368	21.368
Hours in year	2080	2080	2080	2080	2080	2080
	\$9,697,147	\$9,697,147	\$2,036,401	\$2,036,401	\$10,533,569	\$10,533,569
			Total cost without incentive		\$12,569,970	\$12,569,970

10. There will be savings in personal services as a result of filling new positions at lesser salaries. The difference between the amounts in assumptions #8 and #9 equate to a savings of \$2,872,823 (9,697,147 - 12,569,970) per year in personal services. Allocation of the funding splits in assumption # 6 results in the savings indicated in the table below, by fund type, for hiring at lesser salaries than the salaries of the retirees. The amounts indicated in FY 2006 through FY 2008 assume that the savings would decrease by five percent per year.

		SFY2004	SFY2005	Assumes a 5% decrease in savings per year		
		(2,872,823)	(2,872,823)			
Funding	Fund split	SFY2004	SFY2005	SFY2006	SFY2007	SFY2008
GF	0.37	(1,062,945)	(1,062,945)	(1,009,797)	(959,307)	(911,342)
FF	0.16	(459,652)	(459,652)	(436,669)	(414,836)	(394,094)
Other	0.11	(316,011)	(316,011)	(300,210)	(285,200)	(270,940)
SSR	0.36	(1,034,216)	(1,034,216)	(982,505)	(933,380)	(886,711)
	100.00%	(2,872,823)	(2,872,823)	(\$2,729,182)	(\$2,592,723)	(\$2,463,087)

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Commissioner of Higher Education

11. The University System employs approximately 298 individuals with 25 or more years of service and 296 employees age 60 or more with at least five years of service.
12. It is assumed that 50 percent of those eligible will take the early retirement incentive offered by this bill, resulting in 149 individuals with 25 or more years of service and 148 employees age 60 or more with at least five years of service. It is also assumed that the average length of service for 149 employees is 25 years, making them eligible for five years of coverage. It is also assumed the average length of service for 148 employees is 20 years, making them eligible for four years of coverage.
13. The benefit cost is \$410 per month per employee, or \$4920 per year, in FY 2004. It is estimated that inflationary increase for health insurance benefits will continue at 12 percent annually. The total costs will be \$1,461,240 in FY 2004 (4920 x 297) and \$1,636,589 in FY 2005 (1,461,240 x 112%).
14. As in assumption # 10, there will be savings in personal services as a result of filling new positions at lesser salaries. The average decrease in salary is \$4.60 per hour. This is obtained by taking the savings per year in assumption # 10, dividing by 300 (# individuals taking the incentive), and dividing by 2080 hours per year ($\$2,872,823 / 300 / 2080 = \4.60). This hourly figure applied to the total number of University employees accepting the incentive results in a savings of \$2,841,696 (297 retirees x \$4.60/hr x 2080 hours) in both FY 2004 and FY 2005.
15. It is projected that the general fund would pay 50 percent and that other current unrestricted funds would pay the other 50 percent.

Increase in Benefits Payments

	Employees 25+ years	Employees 60+ years	Total Employees	Benefit Cost per employee	Additional Benefits Costs
FY 04	149	148	297	\$4,920	\$1,461,240
FY 05	149	148	297	\$5,510	\$1,636,589
FY 06	149	148	297	\$6,172	\$1,832,979
FY 07	149	148	297	\$6,912	\$2,052,937
FY 08	149	0	149	\$7,742	\$1,153,516

New Hire at 90%

	Total Employees	Difference in hourly salary @90%	Savings for filling positions at lesser salaries
FY 04	297	4.6	(\$2,841,696)
FY 05			(\$2,841,696)
FY 06			(\$2,699,611)
FY 07			(\$2,564,631)
FY 08			(\$2,436,399)

Savings decreases 5% per year

TOTALS

	General fund	Unrestricted fund	Total Cost / (savings)
FY 04	(\$690,228)	(\$690,228)	(\$1,380,456)
FY 05	(\$602,554)	(\$602,554)	(\$1,205,107)
FY 06	(\$433,316)	(\$433,316)	(\$866,632)
FY 07	(\$255,847)	(\$255,847)	(\$511,694)
FY 08	(\$641,442)	(\$641,442)	(\$1,282,884)

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FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
Department of Administration		
<u>Expenditures:</u>		
Personal Services	(\$2,579,495)	(\$2,543,963)
<u>Funding of Expenditures:</u>		
General Fund (01)	(\$954,413)	(\$941,266)
State Special Revenue (02)	(928,618)	(915,827)
Federal Special Revenue (03)	(412,719)	(407,037)
Other	(283,744)	(279,836)
TOTAL	(\$2,579,495)	(\$2,543,963)
Commissioner of Higher Education		
<u>Expenditures:</u>		
Personal Services	(\$1,380,456)	(\$1,205,107)
<u>Funding of Expenditures:</u>		
General Fund (01)	(\$690,228)	(\$602,553)
Other Current Unrestricted (01)	(690,228)	(602,554)
TOTAL	(\$1,380,456)	(\$1,205,107)
Statewide		
<u>Revenues:</u>		
General Fund (01)	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$1,644,641	\$1,543,819
Current Unrestricted (01)	690,228	602,553
State Special Revenue (02)	928,618	915,827
Federal Special Revenue (03)	412,719	407,037
Other	283,744	279,836

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LONG-RANGE IMPACTS:

1. Salary savings, less the cost of providing health benefits to retirees under this bill, will continue until FY 2009. Savings to the general fund are projected at \$1,306,834 in FY 2006, \$1,062,521 in FY 2007, and \$1,381,835 in FY 2008.

LONG-RANGE FISCAL IMPACT

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>	<u>FY 2008</u> <u>Difference</u>
Department of Administration			
<u>Expenditures:</u>			
Personal Services	(\$2,360,859)	(\$2,180,201)	(\$2,001,062)
<u>Funding of Expenditures:</u>			
General Fund (01)	(\$873,518)	(\$806,674)	(\$740,393)
State Special Revenue (02)	(377,737)	(348,832)	(320,170)
Federal Special Revenue (03)	(259,694)	(239,822)	(220,117)
Other	(849,909)	(784,872)	(720,382)
TOTAL	(\$2,360,859)	(\$2,180,201)	(\$2,001,062)
Commissioner of Higher Education			
<u>Expenditures:</u>			
Personal Services	(\$866,632)	(\$511,694)	(\$1,282,884)
<u>Funding of Expenditures:</u>			
General Fund (01)	(\$433,316)	(\$255,847)	(\$641,442)
Other Current Unrestricted (01)	(433,316)	(255,847)	(641,442)
TOTAL	(\$866,632)	(\$511,694)	(\$1,282,884)
Statewide			
<u>Revenues:</u>			
General Fund (01)	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>			
General Fund (01)	\$1,306,834	\$1,062,521	\$1,381,835
Current Unrestricted (01)	433,316	255,847	641,442
State Special Revenue (02)	377,737	348,832	320,170
Federal Special Revenue (03)	259,694	239,822	220,117
Other	849,909	784,872	720,382