

PRELIMINARY FISCAL NOTE
SR 12/HR 8

Appropriations Committee
Meeting

March 27, 2014



OFFICE OF FISCAL ANALYSIS

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SR 12 and HR 8 - Resolution Proposing Approval of an Interest Arbitration Award between the State of Connecticut and the Connecticut State Employees Association (CSEA), NP-8 Bargaining Unit.

Summary - The resolution proposes approval of an Interest Arbitration Award between the State of Connecticut and the Connecticut State Employees Association (CSEA), NP-8 Bargaining Unit. This award covers three years for the period July 1, 2012 through June 30, 2015.

Total General Fund (GF) estimated costs associated with this award are \$1,710,636 in FY 14 and \$4,818,032 in FY 15. A summary of the estimated GF contract costs is provided below:

Cost Estimate of Arbitration Award

	FY 13 \$	FY 14 \$	FY 15 \$	Total Value of Contract	Annualized FY 15 Costs
FY 14 - 2% General Wage Increase (GWI) (delayed to 10/1/2013)	-	825,682	1,056,561	1,882,243	1,056,561
FY 14 - 3% Annual Increment (AI) (delayed 3 months)	-	539,931	1,074,152	1,614,083	1,074,152
Holiday Compensatory Time ¹	-	221,689	196,681	418,370	-
FY 15 - 3% GWI (on time)	-	-	1,369,583	1,369,583	1,620,297
FY 15 - 3% AI (on time)	-	-	773,684	773,684	1,054,320
Social Security	-	121,429	342,006	463,434	367,608
Unemployment	-	1,905	5,365	7,270	5,766
Sub-Total	-	1,710,636	4,818,032	6,528,668	5,178,705
State Employee Retirement System (SERS) ²	-	148,169	463,727	611,896	521,378
TOTAL	-	1,858,805	5,281,759	7,140,564	5,700,083

¹This assumes all employees with a holiday compensatory time balance cash out their hours, up to 100 hours. This estimate may be mitigated by reduced overtime costs.

²The increased costs to the pension plan will not be recognized until FY 16.

Source: CoreCT Roster Run as of March 1, 2014.

Wage Increases - The current contract expired on June 30, 2012. This bargaining unit participated in the pension and health care elements of the Revised 2011 SEBAC Agreement, but it did not agree to the contract changes with regards to compensation.¹

This arbitration award establishes wage increases for the duration of the agreement. Under the arbitration award, there are: (1) no salary increases in FY 13; (2) a 2% general wage increase (GWI) delayed to 10/1/2013 and an annual increment (AI) increase delayed 3 months in FY 14; and (3) a 3% GWI increase on time and AI increase on time in FY 15. It is expected that the arbitration award allows for retroactive pay increases

¹Those state employees covered by the Revised 2011 SEBAC Agreement had accepted a two-year hard wage freeze in FY 12 and FY 13, followed by 3% general wage increases plus step increases, annual increments or their equivalent in FY 14 through FY 16.

for FY 14. Bargaining unit members last received a pay increase in FY 12. The wage increase costs are estimated to be \$1,365,613 in FY 14 and \$4,273,981 in FY 15.

Holiday Compensatory Time - The award allows Captains and Counselor Supervisors to: (1) cash out on a calendar basis up to 100 hours of holiday compensatory time; and (2) be paid holiday compensatory time accrued at the time of the employee's separation from State service. These provisions had applied to Lieutenants and Training Officers and were extended to the other two job titles.

Allowing employees in these job classifications to cash out up to 100 hours of holiday compensatory time each year may result in maximum costs of approximately \$221,689 in FY 14, and \$196,681 in FY 15. This estimate is based on an analysis of the 101 employees with holiday compensatory time balances as of March 19, 2014. Approximately 5,820 hours may be paid out at an average hourly rate of approximately \$38.09 (based on the assumption that all employees with a holiday compensatory time balance cashes out their hours, up to 100 hours). The estimated costs may be mitigated by reduced overtime cover costs. Currently, when some captains use holiday compensatory time, another employee may cover that shift, usually at an overtime rate of time and a half.

It should be noted that the Department of Corrections reports that only 15% of lieutenants sought to cash out holiday time in 2013 and, of that group, about one-third cashed out only 1 or 2 days of holiday time.

The award also allows employees in these job classifications to be paid holiday compensatory time accrued at the time of the employee's separation from State service. Currently, employees in these job classifications are paid holiday compensatory time accrued at the time of their separation. Thus, this has no fiscal impact as it does not change current practice.

Fringe Benefits - Social security and unemployment related fringe benefit costs will be incurred based on the wage related provisions negotiated in the contract. The current social security rate is 7.65% of salary. The current unemployment rate used is 0.12% of salary. The social security and unemployment costs are estimated to be \$123,333 in FY 14 and \$347,370 in FY 15.

State Employee Retirement System - The pension impact of the wage related provisions is based on the FY 14 average normal cost rate for Tier II and Tier IIA Hazardous Duty employees, and assumes all other actuarial assumptions remain the same. The estimated normal cost for SERS is \$172,222 in FY 14 and \$485,067 in FY 15. However, increased costs to the pension plan attributable to the identified wage provisions will not be recognized in the state's annual required contribution (ARC) until FY 16, as the FY 14 and FY 15 ARC are set based on the June 30, 2012 actuarial valuation.

Funding Availability - Funding was not provided in the Department of Corrections FY 14 and FY 15 budget for this purpose. However, the Reserve for Salary Adjustments

(RSA)² account has funding for collective bargaining costs associated with unsettled contracts and other related costs. The FY 14 and FY 15 budget appropriated \$30.4 million in FY 14 and \$36.3 million in FY 15 in the RSA GF account. Of the RSA funding available, \$20 million is transferred to agency GF budgets in each year to reimburse agencies for the 2nd and 3rd installment of the 2009 RIP accrual payouts. In addition, \$20.3 million was carried forward from FY 13 into FY 14 in the RSA GF account. There is sufficient funding in the RSA GF account to cover the contract costs of \$1,710,636 in FY 14 and \$4,818,032 in FY 15. Please note this does not include SERS costs as this contract does not modify the FY 14 and FY 15 SERS ARC. Lastly, the provisions of this agreement remain in effect until a subsequent agreement is negotiated by the parties.

Member Overview - There are 462 bargaining unit members filling four job classifications as of March 1, 2014. There is 1 Correctional Training Officer, 108 Correctional Captain's, 286 Correctional Lieutenant's, and 67 Correctional Counselor Supervisor's. All members are full-time employees paid out of the GF. All employees in this bargaining unit are hazardous duty employees and are eligible to retire after 20 years of state service.

²The RSA account is used to finance collective bargaining and related costs that are not included in individual agency budgets.