

PRELIMINARY FISCAL NOTE
SR 23 / HR 21

Appropriations Committee
Meeting

March 18, 2019



OFFICE OF FISCAL ANALYSIS

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PRELIMINARY FISCAL NOTE

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RESOLUTION PROPOSING APPROVAL OF AN ARBITRATION
AWARD BETWEEN THE STATE OF CONNECTICUT AND THE
AMERICAN FEDERATION OF TEACHERS - CONNECTICUT
BARGAINING UNIT (AFT CONNECTICUT, AFT, AFL-CIO).

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
Office of the Attorney General	All Funds - Cost	1,335,777	2,541,909	2,713,948
State Employee Fringe Benefits	All Funds - Cost	296,011	565,146	601,223

Municipal Impact: None

Explanation

The resolution proposes approval of an interest arbitration award between the State of Connecticut and the American Federation of Teachers - Connecticut Bargaining Unit (AFT - Connecticut, AFL, AFL - CIO). This agreement covers five fiscal years for the period of November 16, 2016 through June 30, 2021.

There are two bargaining units involved in this interest arbitration award. The first bargaining unit is comprised of Assistant Attorneys General. This unit was certified by the State Board of Labor Relations in November 2016. The other bargaining unit is Assistant Attorneys General holding the position of Department Head. This unit was certified by Labor Relations in November 2017. Members of the Assistant Attorneys General bargaining unit report to members of the Department Head bargaining unit.

The estimated impact to FY 20 and FY 21 associated with this agreement is reflected in the table below. There is no fiscal impact in FY 17, FY 18 or FY 19.

**Assistant Attorneys General and Department Heads (AFT-CT)
Cost Estimate (All Funds)¹**

	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
\$2,000 Bonus	392,000	-	-
FY 20 - 3.5% General Wage Increase (GWI)	821,134	821,134	821,134
FY 20 - 2% Annual Increment	174,748	349,496	349,496
FY 21 - 3.5% General Wage Increase (GWI)	-	862,105	862,105
FY 21 - 2 % Annual Increment	-	172,039	344,078
Lump Sum at Maximum	144,069	169,135	169,135
\$6,000 Department Head Stipend	84,000	-	-
\$12,000 Department Head Stipend	-	168,000	168,000
Three Furlough Days	(280,175)	-	-
Total Wages	1,335,777	2,541,909	2,713,948
Social Security, Medicare, Unemployment Compensation, and Retiree Health Contribution	141,726	269,697	287,950
State Employees' Retirement System (SERS) ²	154,285	295,449	313,273
Total Fringe Benefits	296,011	565,146	601,223
All Funds Total	1,631,788	3,107,055	3,315,172

¹Source: March 1, 2019 Roster from CORE-CT.

²The full SERS impact will not be recognized until FY 21.

Wage Provisions - This agreement establishes wage increases in accordance with the 2017 State Employee Bargaining Unit Coalition (SEBAC) Agreement. There were no wage increases in FY 17, FY 18, or FY 19. In FY 20, members will receive a bonus payment of \$2,000. In both FY 20 and FY 21, employees will receive a General Wage Increase (GWI) of 3.5% as well as an Annual Increment (AI) of 2%. Employees at the top step will receive a lump sum payment of 2.5% of their annual salary. Department heads will receive stipends of \$6,000 in FY 20, and \$12,000 in FY 21. Members will take three furlough days in FY 20.

Fringe Benefits - Social Security, Medicare, unemployment and retiree health related fringe benefit costs will be incurred based on the wage related provisions negotiated in the contract. The average effective social security rate for individuals governed by the contract is 5.93% and Medicare is 1.45% of salary.¹ The current unemployment rate is 0.23% of salary. The current state contribution towards retiree health is 3%. The estimated fringe benefit costs for all funds is \$141,726 in FY 20 and \$269,697 in FY 21.

Impact to Retirement - Employees covered by this contract are members of the State Employees' Retirement System (SERS). The pension impact of the wage related provisions assume an average normal cost SERS rate of 6.87%. The total estimated retirement costs are \$154,285 in FY 20 and \$295,449 in FY 21. The full impact to all funds resulting from the increased costs to SERS will not be recognized in the state's actuarially determined employer contributions (ADEC) until FY 21, as the FY 20 contribution is set based on the June 30, 2018 actuarial valuation.

Funding Availability - The OAG did not include funding for this contract in their FY 20 - FY 21 budget request. The Reserve for Salary Adjustments² (RSA) General Fund account for collective bargaining costs associated with unsettled contracts and other related costs currently has adequate funding to transfer to OAG. Lastly, the provisions of this agreement remain in effect until a subsequent agreement is negotiated by the parties.

Member Overview - There are 182 employees in the Assistant Attorneys General (AAG) bargaining unit and 14 employees in the AAG Department Head bargaining unit.

¹The Social Security Administration sets an annual maximum on the amount of wages subject to the 6.2% Social Security Tax. For 2019 the maximum taxable earnings is \$132,900. The average effective rate reflects a portion of members with earnings in excess of the maximum taxable earnings limit.

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

The table below shows the anticipated cost of the contract's provisions by funding source. Some employees are assigned to functions and duties paid by non-General Fund resources and therefore a portion of the costs will be paid from these sources.

**Assistant Attorneys General and Department Heads (AFT-CT)
Cost Estimate (by Fund)¹**

	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
General Fund			
\$2,000 Bonus	362,000	-	-
FY 20 - 3.5% General Wage Increase (GWI)	752,583	752,583	752,583
FY 20 - 2% Annual Increment	162,112	324,22	324,224
FY 21 - 3.5% General Wage Increase (GWI)	-	790,270	790,270
FY 21 - 2% Annual Increment	-	161,58	323,165
Lump Sum at Maximum	129,008	146,87	146,872
\$6,000 Department Head Stipend	78,000	-	-
\$12,000 Department Head Stipend	-	156,00	156,000
Three Furlough Days	(256,784)	-	-
Total Wages	1,226,919	2,331,53	2,493,114
Social Security (SS) and Medicare	90,547	172,067	183,992
Unemployment Compensation (UC)	2,822	5,363	5,734
Retiree Health Contribution	36,808	69,94	74,793
State Employees' Retirement System (SERS)	84,289	160,176	171,277
Total Fringe Benefits	214,465	407,55	435,796
General Fund Total	1,441,384	2,739,08	2,928,910
Banking Fund			
\$2,000 Bonus	2,000	-	-
FY 20 - 3.5% General Wage Increase (GWI)	4,102	4,102	4,102
FY 20 - 2% Annual Increment	1,213	2,42	2,426
FY 21 - 3.5% General Wage Increase (GWI)	-	4,331	4,331
FY 21 - 2% Annual Increment	-	1,28	2,561
\$6,000 Department Head Stipend	6,000	-	-
\$12,000 Department Head Stipend	-	12,00	12,000
Three Furlough Days	(1,400)	-	-

	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
Total Wages	11,916	24,140	25,421
Social Security (SS) and Medicare	879	1,782	1,876
Unemployment Compensation (UC)	27	56	58
Retiree Health Contribution	357	724	763
State Employees' Retirement System (SERS)	7,662	15,522	16,345
Total Fringe Benefits	8,926	18,083	19,043
Banking Fund Total	20,842	42,223	44,463
Consumer Counsel and Public Utility Control Fund			
\$2,000 Bonus	10,000	-	-
FY 20 - 3.5% General Wage Increase (GWI)	25,457	25,457	25,457
FY 20 - 2% Annual Increment	5,292	10,584	10,584
FY 21 - 3.5% General Wage Increase (GWI)	-	26,718	26,718
FY 21 - 2% Annual Increment	-	3,217	6,434
Lump Sum at Maximum	3,224	10,012	10,012
Three Furlough Days	(8,686)	-	-
Total Wages	35,287	75,987	79,204
Social Security (SS) and Medicare	2,604	5,608	5,845
Unemployment Compensation (UC)	81	175	182
Retiree Health Contribution	1,059	2,280	2,376
State Employees' Retirement System (SERS)	22,689	48,860	50,928
Total Fringe Benefits	26,433	56,922	59,332
Consumer Counsel and Public Utility Control Fund Total	61,720	132,909	138,536
Non-Appropriated Funds			
\$2,000 Bonus	18,000	-	-
FY 20 - 3.5% General Wage Increase (GWI)	38,992	38,992	38,992
FY 20 - 2% Annual Increment	6,131	12,262	12,262
FY 21 - 3.5% General Wage Increase (GWI)	-	40,786	40,786
FY 21 - 2% Annual Increment	-	5,959	11,918
Lump Sum at Maximum	11,837	12,251	12,251
Three Furlough Days	(13,305)	-	-
Total Wages	61,656	110,251	116,209
Social Security (SS) and Medicare	4,550	8,136	8,576
Unemployment Compensation	142	254	267

	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
(UC)			
Retiree Health Contribution	1,850	3,308	3,486
State Employees' Retirement System (SERS)	39,645	70,891	74,723
Total Fringe Benefits	46,186	82,589	87,053
Non-Appropriated Funds Total	107,842	192,839	203,262
Total Wages - All Funds	1,335,777	2,541,909	2,713,948
Total SS, Medicare, UC, and Retiree Health - All Funds	141,726	269,697	287,950
Total SERS - All Funds	154,285	295,449	313,273
Total Cost of Award - All Funds	1,631,788	3,107,055	3,315,172

¹Source: March 1, 2019 Roster from CORE-CT.

The Out Years

The agreement will expire effective June 30, 2021. The impact of the provisions of this resolution will remain in effect in future years subject to the outcome of the collective bargaining process.