

PRELIMINARY FISCAL NOTE
SR 26 / HR 23

Appropriations Committee
Meeting

April 1, 2019



OFFICE OF FISCAL ANALYSIS

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RESOLUTION PROPOSING APPROVAL OF A TENTATIVE AGREEMENT BETWEEN THE STATE OF CONNECTICUT AND THE ADMINISTRATIVE AND RESIDUAL (P-5) BARGAINING UNIT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
Department of Revenue Services	GF - Cost	17,075	34,183	69,392	74,876
State Comptroller- Fringe Benefits	GF - Cost	2,996	5,997	12,173	13,136

Municipal Impact: None

Explanation

The resolution proposes approval of an agreement between the State of Connecticut and the Administrative and Residual (P-5) Union. This agreement covers five fiscal years from July 1, 2016 through June 30, 2021.

This agreement places six employees in the classifications of Tax Attorney 1, Tax Attorney 2, and Tax Attorney 3 into the P-5 Union. The agreement will utilize the salary range schedules in the current management pay plan for these employees and adjust the P-5 salary plan to accommodate the transfer of these employees. The estimated impact to FY 19, FY 20, and FY 21 associated with this agreement is reflected in the table on the following page. There is no fiscal impact in FY 17 or FY 18.

Tax Attorneys Cost Estimate (General Fund)¹

Cost	FY 19 \$	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
Retroactive Payments:				
\$2,000 Bonus/\$1,000 plus top step	9,000	-	-	-
Lump Sum at Maximum	2,561	-	-	-
Longevity	5,515	-	-	-
FY 20 - 3.5% General Wage Increase (GWI)	-	22,518	22,518	22,518
FY 20 - 2% Annual Increment	-	5,339	10,678	10,678
FY 21 - 3.5% General Wage Increase (GWI)	-	-	23,680	23,680
FY 21 - 2% Annual Increment	-	-	5,484	10,968
Lump Sum at Maximum	-	2,650	2,743	2,743
Longevity Payments	-	3,677	4,289	4,289
Total Wages	17,075	34,183	69,392	74,876
Social Security, Medicare, and Unemployment	1,310	2,623	5,324	5,745
Retiree Health Contribution	512	1,026	2,082	2,246
State Employee Retirement System (SERS) ²	1,173	2,348	4,767	5,144
Total Fringe Benefits	2,996	5,997	12,173	13,136
TOTAL COST OF CONTRACT	20,071	40,180	81,566	88,012

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

²The 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. In both FY 20 and FY 21, employees will receive a General Wage Increase (GWI) of 3.5% as well as an Annual Increment of 2%. Employees at the top step will receive a lump sum payment of 2% of their annual salary. Members who were employed as a Tax Attorney on or before July 1, 2018 will receive a one-time bonus payment of \$2,000; or a top step payment plus \$1,000 for employees that are at the maximum of their salary range.

The current Tax Attorneys will be eligible for longevity payments in accordance with the P-5 contract. These employees shall be deemed to be in salary group AR 32 to determine their longevity amounts. For those employees who would receive longevity or a top-step bonus, these shall be retroactive to January 1, 2018. These payments are anticipated to be made in FY 19.

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 current social security rate is 7.65% of salary. The current unemployment rate is 0.23% of salary. The current state contribution towards retiree health is 3%. The estimated fringe benefit costs are \$1,822 in FY 19; \$3,648 in FY 20; and \$7,406 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 cost is \$1,173 in FY 19, \$2,348 in FY 20 and \$4,767 in FY 21. 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 Department of Revenue Services (DRS) is currently estimated to have a surplus in FY 19. The Governor's FY 20 - FY 21 Biennial Budget for DRS has adequate funding to cover the costs of this agreement.

Member Overview – There are six employees classified as Tax Attorneys that would be affected by the terms of the agreement.

The Out Years

The agreement will expire 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.