

FISCAL NOTE(Form 4)  
 (Office of Fiscal Analysis)  
 Analyst: GM 2/24/92  
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 Version:

BILL NUMBER: HR 3  
 FILE NUMBER:  
 AMENDMENTS:

TITLE: "RESOLUTION PROPOSING APPROVAL OF A MEMORANDUM OF AGREEMENT BETWEEN THE STATE OF CONNECTICUT AND THE STATE EMPLOYEES BARGAINING AGENT COALITION (SEBAC), AND PROPOSING APPROVAL OF VARIOUS RELATED AGREEMENTS"

FAVORABLY REPORTED BY Appropriations

SUMMARY: Passage of this resolution would implement various Personal Services, pension and other benefit savings resulting from an agreement between the state and unionized state employees.

EFFECTIVE DATE: Upon Passage

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FISCAL IMPACT STATEMENT - BILL NUMBER HR 3

STATE IMPACT Savings, see below (General, Transportation and Industry Supported Funds)

MUNICIPAL IMPACT None

STATE AGENCY(S) Various

	Current FY	1992-93	1993-94
State Cost (savings)	:	:	:
St Revenue (loss)	:	:	:
Net St Cost (savings)	:(329,200,000):	(90,600,000):	:
Municipal Impact	:	:	:

EXPLANATION OF ESTIMATES:

**STATE IMPACT:** The above estimates represent potential achievable savings for the contract items outlined below. It should be noted that although some of the savings are definitive, some of the estimates are uncertain and will ultimately depend on successful implementation of certain savings programs by the executive branch.

The 1991-92 savings estimate of \$329.2 million does not include the impact of \$18.5 million in comparable Personal Services savings which will be realized from

non-collective bargaining employees and a projected \$9.7 million from unionized health care workers (1199) for whom savings agreements have not been finalized. If the \$9.7 million savings from unionized health care workers is achieved, the total resulting savings would be \$357.4 million or \$3.2 million higher than the \$354.2 million anticipated in the 1991-92 budget. The Governor's 1992-93 budget recommendations have been adjusted to reflect the \$90.6 million savings.

Summary of Contract Items

Contract Items

Savings  
Fiscal Year  
1991-92

Savings  
Fiscal Year  
1992-93

1. Personal Services Savings

\$ 43,900,000 GF  
5,400,000 TF  
300,000 ISF  
\$ 49,600,000

\$ 57,900,000 GF  
8,300,000 TF  
500,000 ISF  
\$ 66,700,000

These savings include: the impact on agency budgets of wage and other salary increase deferrals; elimination of certain Annual Increments, lump sum or equivalent payments; and other related savings including overtime and the impact on part-time employees. The table which follows this summary indicates these Personal Services savings by bargaining unit.

2. Pension Reduction (Past Service Liability)

215,000,000 GF

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The state and SEBAC negotiated the FY 1991-92 pension contribution reduction of \$215,000,000. Non-payment of this past service liability will add to the unfunded liability of the State Employees' Retirement Fund. The system's actuary has calculated that this reduction will require an amortized payment of \$20.1 million per year beginning in fiscal 1992-93 for 40 years. This cost will be offset by \$38.0 million in reductions to the 1992-93 actuarial requirement including negotiated decreases such as a change in the amortization period from 30 to 40 years (\$11.8 million) and a decrease due to postponement of funding the 1989 Retirement Incentive Bonus program until fiscal 1994-95 (\$11.9 million), as well as a decrease due to lowering the assumed salary increases for fiscal 1991-92 from 8% to 5% (\$14.3 million). Subject to actuarial recertifications, these reductions will be ongoing except for the decrease associated with the funding postponement for the 1989 Retirement Incentive program which will likely be amortized over 40 years.

3. Savings due to Early Retirement Program

9,300,000 GF  
700,000 TF  
10,000,000

Unknown

While the full impact of the Early Retirement Program is not known at this time, it is estimated to save \$10,000,000 in 1991-92. This estimate is based upon two key assumptions:

- a. A participation rate of 25% of eligible employees.
- b. A replacement rate of 50%.

The participation rate assumption of 25% is the national average for participation in public sector early retirement incentive plans. The replacement rate assumption of 50% is considered realistic, but is ultimately controlled by the executive branch.

Though no precise figures are available at this time, it appears that participation in the Early Retirement Program will be greater than originally anticipated due at least in part to the Governor's proposals to eliminate the automatic COLA and require co-payments for health insurance premiums for employees retiring on or after 7/1/94. The SEBAC agreement provides that most payments for accrued sick and vacation days will be made in fiscal 1992-93 and 1993-94, thus enhancing the 1991-92 savings.

The Governor's budget for fiscal 1992-93 proposes a decrease in Personal Services accounts of \$122 million, to be achieved through a combination of early retirement and workforce reductions. Because the full impact of the Early Retirement Programs is not known at this time, no savings estimate for 1992-93 is included.

4. Health Insurance Savings

44,540,000 GF  
460,000 TF  
45,000,000

11,540,000 GF  
460,000 TF  
12,000,000

The 1991-92 health insurance savings of \$45,000,000 includes three components. The SEBAC agreement calls for the State to self-insure and a one-time savings of

Contract Items

Savings  
Fiscal Year  
1991-92

Savings  
Fiscal Year  
1992-93

\$28,000,000 will result from the lag in claims due to the change to self-insurance. The original 1991-92 appropriation for health insurance costs was based upon zero percent rate increase. The actual 1991-92 rates decreased by 5.4%, resulting in an ongoing savings of \$12,000,000. Additionally, the SEBAC agreement calls for the unions to forgo their managed care savings of \$5,000,000 in 1991-92.

5. Savings (Social Security) due to Health Insurance Paid on Pretax Basis	1,000,000 GF	1,900,000 GF 100,000 TF <u>2,000,000</u>
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The SEBAC agreement calls for health insurance premiums to be paid on a pre-tax basis, as allowed by IRS code. The state, as employer will achieve Social Security savings of approximately \$2,000,000 annually. The 1991-92 figure of \$1,000,000 is based upon 6-month implementation.

6. Savings (Workers' Compensation) due to Expansion of Safety Program and Other Cost Avoidance Programs	2,000,000 GF	2,000,000 GF
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The application of the managed care program and large case management principles to workers' compensation medical treatment providers and the establishment of a preferred provider network are anticipated to have a significant impact on the current \$20 million per year the State pays for workers' compensation medical bills. While a specific savings figure cannot be calculated, the \$2 million annual savings shown (10%) is feasible and reasonable.

7. Savings due to Voluntary Leave Program	3,000,000 GF	3,000,000 GF
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This savings is uncertain and will ultimately depend upon the number of participants and the duration of individual leaves.

8. Savings in Social Security due to Wage Reductions	3,214,000 GF 363,000 TF 23,000 ISF <u>3,600,000</u>	4,285,000 GF 577,000 TF 38,000 ISF <u>4,900,000</u>
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Cost reductions in the state's Personal Services account will result in Social Security savings of approximately \$3,600,000 in 1991-92 and \$4,900,000 in 1992-93.

TOTAL SAVINGS General, Transportation and Industry Supported Funds	\$329,200,000	\$ 90,600,000
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FUND SUMMARY		
General Fund	\$321,954,000	\$ 80,625,000
Special Transportation Fund	\$ 6,923,000	\$ 9,437,000
Industry Supported Funds [1]	\$ 323,000	\$ 538,000

[1] Includes Insurance, Public Utilities, Workers' Compensation Commission, etc.

Personal Services Savings  
by Bargaining Unit

<u>Bargaining Unit</u>	<u>Fiscal Year 1991-92</u>	<u>Fiscal Year 1992-93</u>
State Police NP-1	\$(1,550,679)GF - TF <u>(1,550,679)</u>	\$(1,096,798)GF <u>(1,251,902)TF</u> (2,348,700)
Services, Maintenance NP-2	(3,890,135)GF (2,752,974)TF (3,347)ISF <u>(6,646,456)</u>	(4,601,554)GF (3,256,482)TF (3,923)ISF <u>(7,861,959)</u>
Administrative Clerical NP-3	(5,625,533)GF (510,396)TF (103,547)ISF <u>(6,239,476)</u>	(6,617,598)GF (600,430)TF (121,896)ISF <u>(7,339,924)</u>
Correction Officers NP-4	(4,922,357)GF	(6,297,789)GF
Protective Services NP-5	(754,704)GF (172,568)TF <u>(927,272)</u>	(1,542,791)GF (352,718)TF <u>(1,895,509)</u>
Social Services P-2	(3,859,230)GF (3,875)TF <u>(3,863,105)</u>	(4,603,360)GF (4,572)TF <u>(4,607,932)</u>
Education Administrators P-3A	(252,361)GF	(395,459)GF
Education Professionals P-3B	(1,051,428)GF	(1,677,832)GF
Engineering, Scientific P-4	(1,282,286)GF (1,525,249)TF (40,154)ISF <u>(2,847,689)</u>	(1,702,507)GF (2,024,897)TF (53,343)ISF <u>(3,780,747)</u>
Administrative & Residual P-5	(2,927,884)GF (392,299)TF (172,894)ISF <u>(3,493,077)</u>	(6,018,606)GF (806,409)TF (355,419)ISF <u>(7,180,434)</u>
Vocational Technical Schools - Faculty	(1,743,061)GF	(3,752,084)GF
Vocational Technical Schools - Directors	(164,645)GF	(315,585)GF
Technical Colleges - Faculty	(548,800)GF	(495,900)GF
Technical Colleges - Administrators	(98,948)GF	(205,000)GF
State University - Faculty	(2,752,200)GF	(4,141,300)GF
State University - Administrative Faculty	(489,893)GF	(686,514)GF

<u>Bargaining Unit</u>	<u>Fiscal Year 1991-92</u>	<u>Fiscal Year 1992-93</u>
Community Colleges	(1,900,000)GF	(3,365,200)GF
Charter Oak College Professional	(15,400)GF	(15,100)GF
DHE Directors	(41,500)GF	(40,500)GF
DHE Professionals	(32,400)GF	(33,100)GF
UConn-Faculty (AAUP)	(5,017,645)GF	(4,287,881)GF
UConn-Administrative Professional (UCPEA)	(846,860)GF	(928,967)GF
Criminal Justice Inspectors	(155,700)GF	(168,800)GF
Criminal Justice Prosecutors	(509,200)GF	(564,100)GF
Criminal Justice Employees	(163,000)GF	(195,300)GF
Judicial - Professional	(1,564,499)GF	(2,030,475)GF
Judicial - Non-Professional	<u>(1,748,444)GF</u>	<u>(2,109,499)GF</u>
<b>TOTAL PS SAVINGS</b>	<b>(49,586,095)</b>	<b>(66,721,590)</b>
<b>FUND SUMMARY</b>		
General Fund	(43,908,792)	(57,889,599)
Transportation Fund	(5,357,361)	(8,297,410)
Industry Supported Funds [1]	(319,942)	(534,581)

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[1] Includes Insurance, Public Utilities, Workers' Compensation Commission, etc.

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