

ANALYSIS: House Bill 2831 prohibits the Legislative Assembly from funding any state government employee pay increases granted by the Governor during the eighteen months preceding the passage of this bill. The bill requires the Governor to renegotiate of state government employee contracts in order to eliminate a state budget impact from the Governor's pay increases during the eighteen months preceding the passage of this bill. In addition, the bill suspends all cost-of-living increases, step increases, and upward reclassifications until conditions specified in the bill are met. The bill also mandates a hiring freeze on all executive branch positions that are vacant on the bill's effective date.

There is a fiscal impact to the Department of Administrative Services (DAS) to implement the provisions of this measure. DAS reports that the workload of its Labor Relations Unit and Human Resource Services Division would increase and it would require the addition of 9 positions (2.61 FTE) to work to renegotiate the 32 collective bargaining agreements currently in existence over a period of seven months. These nine positions cost \$522,545 Other Funds for the 2009-11 biennium. DAS reports that it would need to increase agency assessments to generate the funding for the additional staffing to address the workload generated by this bill.

The bill provides for the removal of legislative funding for pay increases that have already been given. Assuming the bill becomes effective in June 2009 and that all salary increases, step increases, and classification increases that have been granted since January 1, 2008 will be impacted, \$188,092,316 total funds that was paid to state government employees would have to be paid back by these employees to the State either through payroll deductions or collections during the 2009-11 biennium. The bill also suspends all future cost-of-living increases, step increases, upward reclassifications and freezes vacant positions until certain economic and unemployment conditions are met. Assuming that these economic conditions will not be met during the scope of this fiscal impact statement, the savings to the State will be \$93 million General Fund/\$229 million total funds due to not funding employee compensation increases, \$3.2 million General Fund/7.6 million total funds due to not funding the supplemental management package, and \$21 million General Fund/\$55 million total funds due to not funding the additional step to the classifications of classified employees. These avoided costs would total \$117,200,000 General Fund and \$291,600,000 all funds for both the 2009-11 biennium and the 2011-13 biennium.