

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 28, 2015**

**TO:** Honorable Byron Cook, Chair, House Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2836** by King, Susan (Relating to longevity pay for certain state employees.), As Introduced

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2836, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

However, there is estimated to be a savings of \$14,470,612 in All Funds beginning in fiscal years 2018 through 2020.

**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2016        | \$0  |
| 2017        | \$0  |
| 2018        | \$1,157,845  |
| 2019        | \$3,068,290  |
| 2020        | \$5,432,465  |

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable Savings/(Cost) from<br><i>General Revenue Fund</i><br>1 | Probable Savings/(Cost) from<br><i>GR Dedicated Accounts</i><br>994 | Probable Savings/(Cost) from<br><i>Federal Funds</i><br>555 | Probable Savings/(Cost) from<br><i>Other Special State Funds</i><br>998 |
|-------------|--|---|---|---|
| 2016        | \$0  | \$0   | \$0   | \$0   |
| 2017        | \$0  | \$0   | \$0   | \$0   |
| 2018        | \$1,157,845  | \$170,489   | \$197,799   | \$35,569  |
| 2019        | \$3,068,290  | \$451,796   | \$524,166   | \$94,257  |
| 2020        | \$5,432,465  | \$799,913   | \$928,047   | \$166,883   |

| <b>Fiscal Year</b> | <b>Probable Savings/(Cost) from State Highway Fund</b> |
|--------------------|--|
|                    | <b>6</b>   |
| 2016               | \$0  |
| 2017               | \$0  |
| 2018               | \$172,994  |
| 2019               | \$458,434  |
| 2020               | \$811,666  |

## **Fiscal Analysis**

The bill would amend Government Code to exclude employees who first begin state employment on or after September 1, 2015 from receiving longevity pay.

The bill would take effect September 1, 2015.

## **Methodology**

Under the provisions of the bill, employees who begin state employment on or after September 1, 2015 would not be paid longevity pay. Longevity pay is currently part of employees' compensation, generally equal to \$20 per month for every two years of lifetime service credit.

Since longevity pay is not earned until the third year of employment, there would be no cost savings to the State in fiscal years 2016-17. To calculate the savings in subsequent years the following assumptions were used:

- Classification data indicates that approximately 21,239 individuals started state employment at state agencies in fiscal year 2014 with no previous state service. This same amount of new employees was assumed for fiscal years 2016-18.
- The State Auditor's Office reports that turnover in fiscal year 2014 was 17.5 percent. This same turnover rate was assumed in fiscal years 2018-20.
- Under current law, longevity pay is \$20 per month for every two years of service and is paid by the method of finance that agencies use to pay related salaries. Funding decisions at state agencies could impact how the savings would be realized.

Using this methodology, the estimated total savings to the state would be \$14,470,612 All Funds and \$9,658,600 in General Revenue from fiscal years 2018-20.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 308 State Auditor's Office, 327 Employees Retirement System

**LBB Staff:** UP, AG, EP, KFa