

FISCAL NOTE

This bill eliminates longevity pay for state employees hired on or after the effective day of the bill, July 1, 2021.

The Department of Administration and Information estimates that the elimination of longevity pay for all new hires initially hired after July 1, 2021 could result in a potential savings of \$42,040 per month or \$504,480 per year. This estimate assumes that all new hires do not have service with the state prior to July 1, 2021. It is assumed that this savings would begin five years after July 1, 2021, in FY 2027. This estimate is based on the average number of new hires over the past five years (from FY16 through FY20). The new hire average over that five-year period was 1,051 new hires per year. The above estimate also assumes that initial base pay amounts would not increase to offset the elimination of longevity pay.

This potential savings of \$504,480 per year would be spread over all funding sources. The State Budget Department states that current budgeted longevity is allocated 55.60% General Fund, 15.33% Federal funds, and 28.07% Other Funds. Based on these percentages, the potential savings per year beginning in FY 2027 would be \$285,535 General Fund, \$77,337 Federal Funds and \$141,608 Other Funds.

Prepared by: Dean Temte, LSO Phone: 777-7881
(Information provided by Rory L. Horsley, Dept. of Admin. & Info., 777-5010;
Jess E. Ketcham, State Budget Department, 777-6044)