

STATE

CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 12-0671 **Date:** March 7, 2012
Prime Sponsor(s): Rep. Ferrandino; Vaad **Bill Status:** House SVMA
 Sen. Johnston; King K. **Fiscal Analyst:** Kerry White (303-866-3469)

TITLE: CONCERNING THE STATE PERSONNEL SYSTEM, AND, IN CONNECTION THEREWITH, ENACTING THE "MODERNIZATION OF THE STATE PERSONNEL SYSTEM ACT".

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Transfers and Diversions Multiple accounts to the State Employee Reserve Fund	Potential increase.	Potential increase.
State Expenditures	Potential increase.	
FTE Position Change		
Effective Date: September 1, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed. Sections 5, 9, 10, and 12 of the act only take effect if House Concurrent Resolution 12-1001 is approved by the voters at the next general election and becomes law.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

Provided voters approve an amendment to the state constitution under HCR12-1001, this bill creates the Modernization of the State Personnel System Act. The bill does not apply to tenured or tenure track faculty, an employee of a unit of local government, or any certified employee who is separated from state service and receives post-employment compensation or other benefits.

The bill allows personnel appointments and promotions to be based on a comparative analysis of the candidates using objective criteria developed by the State Personnel Director of the Department of Personnel and Administration (DPA) rather than competitive tests. It clarifies requirements for appointments and elections to the State Personnel Board in order to align with the proposed constitutional changes. Procedures for appointing, classifying, and separating employees, as well as the pay system are also modified. Specifically, the bill does the following:

Appointments, classifications, and separations

- requires DPA to develop procedures to exempt a position from the state personnel system and to separate or demote a certified employee who is not eligible for retirement within five years of January 1, 2013;
- allows the top six persons on an employment eligibility list to be considered for an appointment rather than only the top three persons;
- extends the constitutional limit on temporary employment from six to nine months and establishes a four-month waiting period between temporary appointments for the same position;
- requires appointing authorities from departments to consider qualified certified employees that were separated from service for any vacant, funded positions; and
- directs DPA to establish by a rule a layoff plan for use by departments to provide, within certain parameters, post-employment compensation or other benefits to employees separated from state service.

Merit pay system

- requires DPA to develop a new merit pay system, instead of the current system of pay-for-performance, for employees in the state personnel system using specified criteria;
- specifies that merit pay increases must be based on the relationship between performance rating and salary range distributions;
- directs DPA to review the effectiveness of the system on or after September 1, 2015, and each successive two years, and to make any necessary adjustments;
- requires DPA to establish annually one or more groups of employees that have priority to receive merit pay increases based on available moneys;
- allows institutions of higher education to create a separate, consistent, merit pay system;
- specifies that an employee who is at or above the maximum amount of his or her salary range is not eligible for a merit pay salary increase, but may receive a non-base building merit payment; and
- requires DPA to include specified merit pay information and recommendations in the annual compensation report.

State Transfers and Diversions

The bill creates the State Employee Reserve Fund, with subaccounts for each state department. It provides that any allowable annual reversions of money appropriated for personal services-related line items and other moneys may be credited to the respective subaccount of each department. Up to \$2 million may be reallocated between departments by the Governor. Each department is granted continuous spending authority to use these moneys, subject to approval from the Governor's Office of State Planning and Budgeting, for providing merit pay increases to eligible certified employees.

State Expenditures

The bill will increase workload within the Department of Personnel and Administration by a minimal amount. Specifically, the department is tasked with completing certain rule-making and reporting procedures. It is also possible that caseload within the State Personnel Board may be increased as a result of employee challenges to a new pay system. These amounts are anticipated to be minimal and can be accomplished within existing appropriations.

Departments Contacted

All Departments