Ohio Legislative Service Commission

Nick Thomas

Fiscal Note & Local Impact Statement

Bill: S.B. 20 of the 128th G.A. **Date**: October 16, 2009

Status: As Reported by Senate State & Local Government & Veterans Affairs **Sponsor**: Sen. Carey

Local Impact Statement Procedure Required: No — No Local Cost

Contents: Requires state employers to count military service as state service for the purpose of providing longevity pay supplements and vacation benefits

State Fiscal Highlights

- The bill entitles certain state employees who have prior military service in the armed forces or their reserve components to have that service counted toward service time for earning longevity pay supplements and accruing vacation benefits. These additional benefits would add to state payroll costs.
- The increase in state payroll costs would depend on (1) the base salaries of current and new state employees with prior military service eligible for the benefit, and (2) the amount of state service time remaining for employees with military service to reach existing longevity and vacation benefit caps.
- The number of current state employees with prior military service is unknown, as this information is voluntarily self-reported by individuals applying for state employment to state agencies, and is not uniformly tracked thereafter.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill would require state agencies to consider previous military service, including the military reserves, when determining the salary and amount of vacation for certain state employees. The amount by which the bill would raise benefit costs would depend on how the added benefits would affect (1) the base salaries of current or newly hired employees with prior military service, and (2) the years of state service remaining for existing or newly hired employees with prior military service to reach existing longevity and vacation benefit caps.

There is currently no accurate way to track how many employees with prior military service work for the state of Ohio. An applicant for state employment is able to indicate his or her veteran status on job applications, but such reporting is voluntary and is not centrally tracked by any state agency such as the Department of Administrative Services. According to the federal Bureau of Labor Statistics, approximately 8.2% of the nation's working population is veterans. If this percentage was applied to the state's September 2009 employee headcount of 58,889, it would suggest that there are approximately 4,829 veterans currently working in state government in Ohio. However, it could be that the actual number of state employees with prior military service is considerably higher, as the percentage of government employees with prior military service tends to be greater than that of the country's private sector workforce.

Cost of additional longevity pay supplements

The most common military contract requires an eight-year commitment. This includes four years of active duty and four years of reserve duty. Although it is unclear how much credit employees would receive for reserve duty, since reservists are only on active duty one weekend per month and two weeks per year, this means that under the bill state agencies would have to count at least an additional four years of service for state employees with previous military experience when considering longevity pay supplements and vacation time.

Under section 124.181 of the Revised Code, certain state employees receive longevity pay supplements of 2.5% of their classification salary base after they have completed five years of service. An employee's salary base is defined as the minimum hourly rate of his or her job classification pay range. Each year thereafter, employees receive an additional supplement of 0.5% of the classification base salary until 10% of the employee's salary base is reached; it takes 20 years to reach the 10% cap. Any time working for a political subdivision is counted toward the receipt of this pay supplement. Under the bill, state employees with prior military experience would receive these pay supplements at least four years sooner and correspondingly maintain higher salary levels for a longer period than they would under current law.

Table 1 below provides examples of how the bill is likely to increase state payroll costs for employees with prior military service in four different job classifications. The career payroll costs take into account yearly step increases (although step increases are frozen for FY 2010-FY 2011) and assume employment in the same job classification throughout state service. Not taken into account are possible cost-of-living increases that might occur in the future.

Table 1: Cost of Providing Additional Longevity Benefit, Current Law vs. Bill					
Job Classification	**Career Duration in Years**	**Current Career Payroll Cost**	**Career Payroll Cost Under Bill**	**Difference**	**Percent Increase**
Corrections Officer	30	$1,273,126	$1,290,182	$17,056	1.4%
Highway Patrol Trooper	28	$1,627,787	$1,653,267	$25,480	1.6%
Fire Fighter	15	$570,461	$585,728	$15,267	2.7%
State Procurement Analyst	10	$624,624	$638,248	$13,624	2.2%

As the table shows, the overall increase in state payroll costs for this additional longevity benefit hinges on a qualifying employee's pay and years of state service. There would be no effect on longevity pay costs for state employees with prior military service who have already reached the longevity pay cap. Finally, there would be some effect on state payroll as veteran employees who reached the longevity pay cap retire and are replaced by new employees with prior military experience who would be eligible for the benefit under the bill.

Cost of additional vacation benefits

Similar to the longevity pay supplements, under the bill state employees with prior military service would earn additional vacation benefits more quickly than under current law. Table 2 below shows the current amount of vacation accrual for state employees, as adjusted by H.B. 1, the FY 2010-FY 2011 main operating budget act.

Table 2: Vacation Accrual Rates (Hours)	
Years of Service	**Current Law**
Less than 4	80
4 to 9	120
9 to 14	160
14 to 19	180
19 to 24	200
Greater than 24	240

Table 3 below uses state employees in identical job classifications and years of state service as those in Table 1 to illustrate potential costs associated with providing the additional vacation leave benefit. The figures in the table represent the cost of providing vacation to employees over the course of their careers. These figures were

calculated by multiplying the employee's weekly salary by the number of weeks of allotted vacation for each year and then summing all of the years. Overall, the quicker rate of vacation accrual will increase state payroll expenses, although to a lesser degree than the increased longevity benefit. As before, the data indicate that the cost would be several thousand dollars per employee spread out over the employee's entire career.

Table 3: Cost of Providing Additional Vacation Benefit, Current Law vs. Bill

Job Classification	Career Duration in Years	Current Career Vacation Cost	Career Vacation Cost Under Bill	Difference	Percent Increase
Corrections Officer	30	$83,442	$95,704	$12,263	14.7%
Highway Patrol Trooper	28	$103,406	$119,866	$16,092	15.5%
Fire Fighter	15	$26,663	$33,596	$6,934	26.0%
State Procurement Analyst	10	$26,663	$33,596	$5,729	22.1%

SB0020SR.docx / lb