

PRELIMINARY FISCAL NOTE
SR 4/HR 3

Appropriations Committee
Meeting

February 20, 2014



OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building
Hartford, CT 06106 • (860) 240-0200

E-Mail: ofa@cga.ct.gov
www.cga.ct.gov/ofa

SR 4 and HR 3 - Resolution Proposing Approval of an Interest Arbitration Award between the State of Connecticut and the Connecticut State Police Union, NP-1 Bargaining Unit.

Summary - The resolution proposes approval of an Interest Arbitration Award between the State of Connecticut and the Connecticut State Police Union, NP-1 Bargaining Unit. This award covers three years for the period July 1, 2012 through June 30, 2015.

Total General Fund (GF) estimated costs associated with this award are \$646,272 in FY 13; \$4,591,830 in FY 14; and \$11,617,378 in FY 15. Upon adoption of the award, the FY 13 costs will be paid in FY 14. In addition to the GF, 26 employees are paid out of non-appropriated funds. A summary of the estimated GF contract costs is provided below:

Cost Estimate of Arbitration Award

	FY 13 \$¹	FY 14 \$	FY 15 \$	Total Value of Contract	Annualized FY 15 Costs
FY 14 - 2% General Wage Increase (GWI) (delayed to 10/1/2013)	-	1,336,936	1,829,491	3,166,427	1,829,491
FY 14 - 4.2% Average Annual Increment (AI) (delayed 3 months)	-	2,299,796	3,847,371	6,147,167	3,847,371
FY 15 - 3% GWI (on time)	-	-	2,802,445	2,802,445	2,914,543
FY 15 - 2.3% Average AI (on time)	-	-	1,634,632	1,634,632	2,045,815
Premium Holidays (Double Time and a Half)	597,822	622,180	663,993	1,883,995	663,993
Fitness Fund	2,000	2,000	2,000	6,000	2,000
Social Security Cost	45,733	325,807	824,512	1,196,052	864,543
Unemployment	717	5,111	12,934	18,762	13,561
Sub-Total	646,272	4,591,830	11,617,378	16,855,480	12,181,317
State Employee Retirement System (SERS) ²	64,864	462,092	1,169,406	1,696,361	1,226,182
TOTAL	711,136	5,053,922	12,786,784	18,551,841	13,407,499

¹The costs associated with FY 13 are retroactive and are anticipated to be paid in FY 14.

²The increased costs to the pension plan will not be recognized until FY 16.

Source: CoreCT Roster Run as of November 1, 2013.

Wage Increases - The current contract expired on June 30, 2010, but was extended to June 30, 2012 through mutual agreement between the State and NP-1. This bargaining unit participated in the pension and health care elements of the Revised 2011 SEBAC Agreement, but it did not agree to the contract changes with regards to compensation.¹

This arbitration award establishes wage increases for the duration of the agreement. Under the arbitration award, there are: (1) no salary increases in FY 13; (2) a 2% general wage increase (GWI) delayed to 10/1/2013 and an annual increment (AI) increase delayed 3 months in FY 14; and (3) a 3% GWI increase on time and AI increase on time in FY 15. The arbitration award allows for retroactive pay increases for FY 14.

¹Those state employees covered by the Revised 2011 SEBAC Agreement had accepted a two-year hard wage freeze in FY 12 and FY 13, followed by 3% general wage increases plus step increases, annual increments or their equivalent in FY 14 through FY 16.

Bargaining unit members last received a pay increase in FY 12. The wage increase costs are estimated to be \$3,636,732 in FY 14 and \$10,113,939 in FY 15.

Premium Holidays - The arbitration award also makes changes to the holiday pay structure for members. Currently, members who work holidays are paid straight time plus extra pay at straight time or compensatory time off for hours worked (double time). Under the arbitration award, employees who work on a premium holiday will be paid at time and a half for their regular scheduled hours plus extra pay at straight time or compensatory time off for hours worked (double time and a half). Premium holidays are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Individuals who work on a non-premium holiday will continue to be paid at straight time plus extra pay at straight time or compensatory time off for hours worked (double time). The additional estimated wage costs associated with the new premium holiday pay structure are estimated to be \$597,822 in FY 13; \$622,180 in FY 14; and \$663,993 in FY 15. The costs associated with FY 13 premium holiday pay are retroactive and are anticipated to be paid in FY 14.

Fitness Fund - Additionally, the arbitration award increases the funding for the joint labor-management committee for eliminating and/or reducing stress and enhancing or improving physical fitness among officers by \$2,000 each fiscal year. The current contract allows for unexpended funds to be carried over from year to year, but not beyond the expiration of the contract. The \$2,000 increase in FY 13 would be carried forward into FY 14 based upon the timing of this arbitration award.

Fringe Benefits - Social security and unemployment related fringe benefit costs will be incurred based on the wage related provisions negotiated in the contract. The current social security rate is 7.65% of salary. The current unemployment rate used is 0.12% of salary. The social security and unemployment costs are estimated to be \$46,450 in FY 13; \$330,918 in FY 14; and \$837,446 in FY 15.

State Employee Retirement System - The pension impact of the wage related provisions is based on the FY 14 average normal cost rate for Tier II and Tier IIA Hazardous duty employees, and assumes all other actuarial assumptions remain the same. The estimated normal cost for SERS is \$64,864 in FY 13; \$462,092 in FY 14; and \$1,169,406 in FY 15. However, increased costs to the pension plan attributable to the identified wage provisions will not be recognized in the state's annual required contribution (ARC) until FY 16, as the FY 14 and FY 15 ARC are set based on the June 30, 2012 actuarial valuation.

Funding Availability - Funding was not provided in the Department of Emergency Services and Public Protection in the FY 14 and FY 15 budget for this purpose. However, the Reserve for Salary Adjustments (RSA)² account has funding for collective bargaining costs associated with unsettled contracts and other related costs. The FY 14 and FY 15 budget appropriated \$30.4 million in FY 14 and \$36.3 million in FY 15 in the

²The RSA account is used to finance collective bargaining and related costs that are not included in individual agency budgets.

RSA GF account. Of the RSA funding available, \$20 million is transferred to agency GF budgets in each year to reimburse agencies for the 2nd and 3rd installment of the 2009 RIP accrual payouts. In addition, \$20.3 million was carried forward from FY 13 into FY 14 in the RSA GF account. There is sufficient funding in the RSA GF account to cover the contract costs of \$5,238,102 in FY 14 and \$11,617,378 in FY 15. Please note this does not include SERS costs as this contract does not modify the FY 14 and FY 15 SERS ARC. Lastly, the provisions of this agreement remain in effect until a subsequent agreement is negotiated by the parties.

Member Overview - There are 1,079 bargaining unit members filling five job classifications as of November 1, 2013. There are 85 Trooper Trainee's, 556 Trooper First Class, 251 Trooper's, 171 Sergeant's, and 16 Master Sergeant's. Of this total, 1,053 members are paid out of the GF, with 1,052 members being full-time and 1 member part-time. The remaining 26 members are full-time employees paid from a non-appropriated fund. All employees in this bargaining unit are hazardous duty employees and are eligible to retire after 20 years of state service.