

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Governmental Oversight and Accountability

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BILL: SB 1114

INTRODUCER: Senator Montford

SUBJECT: Cost-of-living Adjustments to State Employee Salaries

DATE: January 10, 2020      REVISED: \_\_\_\_\_

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	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	McVaney	McVaney	GO	<b>Pre-meeting</b>
2.	_____	_____	AP	_____
3.	_____	_____	RC	_____

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**I. Summary:**

The bill creates an annual salary adjustment for eligible state employees filling established positions in the executive and judicial branches, contingent upon an appropriation by the Legislature. The pay adjustments are equivalent to the percentage increase in the Consumer Price Index during the third quarter over the prior year's third quarter. The percentage increase for 2020 is estimated to be two percent.

The fiscal impact of a pay adjustment implemented pursuant to this bill is estimated to be \$62.5 million for FY 2020-21 and \$125 million annually thereafter.

The bill takes effect July 1, 2020.

**II. Present Situation:**

**State Employment**

***Pay Plans***

The Department of Management Services (DMS) is granted broad authority to establish and maintain a classification and compensation program for the Career Service, Selected Exempt Service, and Senior Management Service pay plans.<sup>1</sup> These pay plans apply to most of the employees of the executive branch. While DMS is required to provide broad, market-based pay bands for occupations and guidelines to move employees through the pay bands, the employing agencies are authorized to determine the appropriate salary within the pay bands and guidelines developed by DMS.<sup>2</sup>

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<sup>1</sup> Section 110.2035, F.S.

<sup>2</sup> Section 110.2035(6)(a), F.S.

Other entities have been granted authority to establish and maintain pay plans for employees of the state court system<sup>3</sup>, the Department of Lottery,<sup>4</sup> state attorney offices,<sup>5</sup> public defender offices,<sup>6</sup> the Justice Administration Commission and its related entities,<sup>7</sup> and the Florida School for the Deaf and Blind.<sup>8</sup>

**Positions**

Section 110.107(8), F.S., defines an “established position” to be an authorized position that has been classified in accordance with a classification and pay plan as provided by law.

Section 110.107(1), F.S., defines an “authorized position” as a position included in an approved budget. The legislature includes in the general appropriations act for each fiscal year the number of authorized positions for most state agencies in the executive and judicial branches. A notable exception is that the legislature does not indicate authorized positions for the state university system or the state college system.

**Salary Adjustments**

Section 216.251(3), F.S., prohibits an agency from providing general salary increases unless authorized by the Legislature. In the general appropriations act each year, the legislature typically grants state agencies the authority to provide merit pay increases to employees providing exemplary performance of duties.

On occasion, across-the-board salary adjustments have been specifically authorized by the legislature in the annual general appropriations act. The chart below shows the across-the-board pay increases authorized by the legislature.

**Chart A. History of Across-the-Board Salary Increases**

<b>Fiscal Year</b>	<b>Amount of the Increase in Base Rate of Salary</b>
2005-06	3.6%
2006-07	3.0%
2007-08	None
2008-09	None
2009-10	None
2010-11	None
2011-12	None
2012-13	None
2013-14	\$1,400 for employees making \$40,000 or less, and \$1,000 for employees making more than \$40,000

<sup>3</sup> Section 25. 382(3), F.S.

<sup>4</sup> Section 24.105(18)(d), F.S.

<sup>5</sup> Section 27.25(1), F.S.

<sup>6</sup> Section 27.53(1), F.S.

<sup>7</sup> Sections 27.705(4) and 43.16(4)(a), F.S.

<sup>8</sup> Section 1002.36(4)(f), F.S.

<b>Fiscal Year</b>	<b>Amount of the Increase in Base Rate of Salary</b>
2014-15	None
2015-16	None
2016-17	None
2017-18	\$1,400 for employees making \$40,000 or less, and \$1,000 for employees making more than \$40,000
2018-19	None
2019-20	None

In addition to these across-the-board adjustments, the legislature has authorized pay adjustments for various occupations. Law enforcement officers, correctional officers, military command staff, and attorneys are the occupations that have received targeted pay adjustments to address recruitment, retention, and pay equity issues.

**Consumer Price Index for Urban Wage Earners and Clerical Workers**

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.<sup>9</sup> Chart B below shows the CPI and the percentage point change from year to year over the same period of time as Chart A shows for the across-the-board salary increases authorized by the legislature. This data is based on third quarter data for each calendar year.

**Chart B. Consumer Price Index<sup>10</sup> and Annual Percentage Change**

<b>Calendar Year</b>	<b>Third Quarter Average of CPI-W</b>	<b>Change over Prior Year</b>
2005	192.700	4.1%
2006	199.067	3.3%
2007	203.596	2.3%
2008	215.495	5.8%
2009	211.001	(-2.1%)
2010	214.136	1.5%
2011	223.233	3.6%
2012	226.936	1.7%
2013	230.327	1.5%
2014	234.242	1.7%
2015	233.278	(0.4%)
2016	235.057	0.3%
2017	239.668	2.0%
2018	246.352	2.8%
2019	250.200	1.6%

<sup>9</sup> “Consumer Price Index Frequently Asked Questions,” [https://www.bls.gov/cpi/questions-and-answers.htm#Question\\_1](https://www.bls.gov/cpi/questions-and-answers.htm#Question_1), (last visited on December 27, 2019).

<sup>10</sup> Average CPI by Quarter and Year, <https://www.ssa.gov/OACT/STATS/avgcpi.html>, (last visited on December 27, 2019).

Chart C below shows the forecasted annual change in CPI for the next five fiscal years. This data is based on second quarter data (rather than third quarter data).

**Chart C. Forecast of CPI Change<sup>11</sup>**

<b>Fiscal Year Ending</b>	<b>Percentage Change</b>
2020	2.0%
2021	1.5%
2022	2.3%
2023	2.5%
2024	2.5%

### **III. Effect of Proposed Changes:**

The bill creates s. 110.195, F.S., to establish annual salary adjustments for eligible state employees filling established positions in the executive and judicial branches, contingent upon an appropriation by the Legislature. State officers, including judges and statewide elected officers, and employees of the state university and college systems are not eligible for these adjustments.

The pay adjustments are equivalent to the percentage increase in the Consumer Price Index during the third quarter over the prior year's third quarter.

The bill takes effect July 1, 2020.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

#### **D. State Tax or Fee Increases:**

None.

<sup>11</sup> Economic Estimating Conference, National Economic: Long Run, December 10, 2019, <http://edr.state.fl.us/Content/conferences/useconomic/LongRunTables.pdf>, page 2. (last visited on December 27, 2019).

E. Other Constitutional Issues:

None identified.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Based on the forecasted growth in CPI for calendar year 2020 over calendar year 2019, this bill will authorize a two percent pay adjustment for each eligible state employee working for the executive or judicial branch. The first year cost, based on a January 2021 effective date, is estimated to be \$62.5 million for FY 2020-21 and \$125 million for FY 2021-22.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill creates section 110.195 of the Florida Statutes.

**IX. Additional Information:**

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.