LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
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FISCAL IMPACT STATEMENT

LS 7645 **DATE PREPARED:** Jan 23, 1999
BILL NUMBER: HB 1989 **BILL AMENDED:**

SUBJECT: Sick, Personal, Vacation Days for Health Insurance.

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FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill entitles an employee of a state agency (other than an employee of a state educational institution, a state elected official's office, or the legislative and judicial branches of state government) who is not eligible for Medicare coverage to convert unused sick days, vacation days, and personal days that accrued before retirement for the payment of state sponsored health insurance coverage for the employee or the employee's spouse.

The bill also provides that if an employee retires after June 30, 1999, and before the State Personnel Department adopts rules to allow the conversion of sick days, vacation days, and personal days, the employee is entitled to compensation for all unused sick days, vacation days, and personal days accrued before retirement.

Effective Date: July 1, 1999.

Explanation of State Expenditures: There will be 6,450 state employees meeting the requirements of the bill and who will be eligible for early retirement on June 30, 1999. The total value of their sick, vacation days (greater than 30), and personal days is about $87.45 million. This represents the total immediate exposure to the state. However, only 285 individuals meeting the requirements of the bill retired early in FY98. The total estimated value of their sick, vacation, and personal days was about $3.86 million.

The bill provides that retiring employees may take the value of their days in cash until the Department of Insurance adopts rules to implement the provisions regarding conversion to health insurance premiums. The estimated average payout would be about $13,560 per employee. This may provide some incentive to the employee to retire earlier than the employee would have before in order to receive the cash. Consequently, the initial annual payout may be greater than the $3.86 million described, above.

After rules are adopted, the value of the employee’s sick, vacation, and personal days is converted to pay insurance premiums for the employee or the employee's spouse. The total exposure to the state described above is slightly overestimated in that, after adoption of the rules, some employees are likely to die before using up all of their payout for health insurance. A retired employee on the state health plan is required to pay both the employee and the employer share of the premium. Based on the current cost of health insurance, the average amount of time required to use up all of the dollars for premium payments will be 4 to 6 years for a single policy and 1 to 2 years for a family policy.

Currently, personnel costs are paid from the state General Fund (about 55%) and from dedicated funds (about 45%).

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected:

Information Sources: Public Employee Retirement Fund data; Auditor's data.