

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7645**

**BILL NUMBER: HB 1989**

**DATE PREPARED:** Feb 26, 1999

**BILL AMENDED:** Feb 25, 1999

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

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

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

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill entitles an employee with at least 10 years of service with 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 part of any 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 the portion of unused sick days, vacation days, and personal days accrued before retirement according to the schedule specified below.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** (Revised) This bill provides that state employees who retire early with between 10 and 15 years of creditable service are to paid for 20% of the employee's accrued, but unused, sick, vacation, and personal days. The payment rate for employees with between 15 and 20 years of creditable service is 35% and the payment rate for employees with more than 20 years of creditable service is 50% of accrued, but unused, sick, vacation, and personal days. The estimated cost of this provision is approximately \$1,275,000 per year.

The distribution by category for the state employees covered by the bill who are estimated to have retired early in FY98 and the cost of the payout for each of the employee categories are presented in the following table. This annual estimate assumes that the FY 98 retirement experience will apply in future years.

<b>Years of Service</b>	<b>No. Retired</b>	<b>Payment Rate</b>	<b>Cost</b>
<b>Between 10 and 15</b>	47	20%	\$99,955
<b>Between 15 and 20</b>	56	35%	\$218,111
<b>More than 20</b>	178	50%	\$954,814
<b>Total</b>	282		\$1,272,880

These estimates are based on an average value of accrued, but unused, sick days of \$6,868, vacation days (greater than 30 days) of \$3,574, and personal days of \$196 for those state employees whose current age and years of creditable service is greater than 75.

After rules are adopted, the value of the employee's sick, vacation, and personal days are converted to pay insurance premiums for the employee or the employee's spouse. 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 3 to 5 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 Employees Retirement Fund data; State Auditor data.**