Senate BILL NO. 330

INTRODUCED BY Van Valkenburg

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE USE OF ACCUMULATED SICK LEAVE TO PURCHASE RETIREMENT SERVICE CREDIT; AND AMENDING SECTION 2-18-618, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 2-18-618, MCA, is amended to read:

"**2-18-618. Sick leave.** (1) A permanent full-time employee earns sick leave credits from the first day of employment. For calculating sick leave credits, 2,080 hours (52 weeks x 40 hours) equals 1 year. Sick leave credits must be credited at the end of each pay period. Sick leave credits are earned at the rate of 12 working days for each year of service without restriction as to the number of working days that may be accumulated. Employees are not entitled to be paid sick leave until they have been continuously employed 90 days.

(2) An employee may not accrue sick leave credits while in a leave-without-pay status.

(3) Permanent part-time employees are entitled to prorated leave benefits if they have worked the qualifying period.

(4) Full-time temporary and seasonal employees are entitled to sick leave benefits provided that they work the qualifying period.

(5) (a) An employee who terminates employment with the agency is entitled to:

(i) a lump-sum payment equal to one-fourth of the pay attributed to the accumulated sick leave; and

(ii) use the remainder of the pay attributed to accumulated sick leave to purchase optional retirement service credit for which the member is eligible.

(b) The pay attributed to the accumulated sick leave must be computed on the basis of the employee's salary or wage at the time ~~he~~ the employee terminates ~~his~~ employment with the state, county, or city. Accrual of sick leave credits for calculating the lump-sum payment provided for in this subsection begins July 1, 1971. The payment is the responsibility of the agency in which the sick leave accrues. However, an employee does not forfeit any sick leave rights or benefits ~~he had~~ accrued prior to July 1, 1971. However, when an employee transfers between agencies within the same jurisdiction, ~~he~~ the employee is not entitled to a lump-sum payment or to purchase retirement credit. In a transfer between agencies, the receiving agency shall assume the liability for the accrued sick leave credits earned after July 1, 1971, and transferred with the employee.

(6) An employee who receives a lump-sum payment or purchases retirement service credit pursuant to this section and who is again employed by any agency may not be credited with any sick leave for which the employee has previously been compensated.

(7) Abuse of sick leave is cause for dismissal and forfeiture of the lump-sum payments and retirement service credit purchase option provided for in this section.

(8) An employee may contribute any portion of ~~his~~ the employee's accumulated sick leave to a nonrefundable sick leave fund for state employees and becomes eligible to draw upon the fund if an extensive illness or accident exhausts ~~his~~ the employee's accumulated sick leave. The department of administration shall, in consultation with the state employee group benefits advisory council, provided for in 2-15-1016, administer the sick leave fund and adopt rules to implement this subsection.

(9) A local government may establish and administer through local rule a sick leave fund into which its employees may contribute a portion of their accumulated sick leave."

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0330, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
A bill authorizing the use of accumulated sick leave to purchase retirement service credit.

ASSUMPTIONS:
1. The following items provide assumptions and a methodology that lead to a calculation of the impact on the Public Employee Retirement System (PERS). Although the fiscal impact on all retirement systems is summarized below, the details for the other retirement systems are not shown to save space and because PERS represents a clear majority of the total. If the additional facts are desired, they are available in the OBPP.
2. This fiscal note assumes that all monies remitted to terminated employees as a result of this bill will be given to their respective retirement systems to purchase additional years of service.
3. One-third of PERS members, statewide, will be eligible to purchase service upon termination of employment. Assume that 3,024 members will terminate each year during the next biennium, producing 1,008 eligible persons.
4. All eligible persons will purchase additional years of service with the available 75% of their accrued sick leave. This is true because: 1) either the employee intends to retire from state government and this will enhance his/her benefit, or 2) if the employee later changes his/her mind and requests a refund of contributions, all this amount would be refunded to the employee.
5. Assume that the average salary of all eligible employees terminating in the 1999 biennium is $27,083 or $32,500 with benefits and taxes of 20%.
6. The average sick leave accrual for state employees with more than 8 years of PERS service is 511 hrs; assume university and local government employees have similar accruals.
7. Assume that of the total covered PERS member payroll, 44.5% are state employees, 8.7% are university system employees, and 46.8% are local government/school district employees. The general fund is estimated to pay 40 percent of the state contributions to PERS for state payroll, with 28% from state special revenue, 29% from federal special, and 3% from other funds. The university system payroll is estimated to be funded from current unrestricted funds in the proportion of 60% general fund and 40% tuition and other funds.
8. In reality, there may be no direct, calculable fiscal impact if agencies absorb this increase as they presently absorb termination costs, with occasional assistance from the state personal services contingency account provided for in HB 2.

FISCAL IMPACT:

	FY98 Difference	FY99 Difference
Expenditures:		
All state agencies:		
Personal services	$3,961,400	$3,961,400
Funding:		
General fund	$1,652,300	$1,652,300
State special	1,075,900	1,075,900
Federal special	787,000	787,000
Other funds	446,200	446,200
Total	$3,961,400	$3,961,400

(continued)

Dave Lewis 2-18-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Fred Van Valkenburg 2-20-97
FRED VAN VALKENBURG, PRIMARY SPONSOR DATE

SB 330

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
Due to all of the variables associated with the fiscal impact of this bill, it is very difficult to present a local government impact with any degree of accuracy. Continuing with the assumptions made above, the local impact would be approximately $4.8 million a year (excluding the teacher's retirement impact).

TECHNICAL NOTES:
1. If it is the sponsor's intent for the payment of the additional 3/4 sick leave to be a tax-deferred transfer from the employers to the retirement systems, and therefore not subject to payroll taxes or the discretion of individual terminating employees, additional amendments to Title 2, Chapter 18, and to the individual retirement systems will be necessary to accomplish such an intent. Such amendments would eliminate the employer's additional cost of 20% payroll taxes on the cashout (a reduction of 16.67% in costs shown in this fiscal note).
2. This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA, provides that bills which have such an impact may not be introduced.