

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7842

BILL NUMBER: HB 1856

DATE PREPARED: Jan 15, 2001

BILL AMENDED:

SUBJECT: Public Officer Salaries.

FISCAL ANALYST: John Parkey

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the annual compensation for legislators is 20% of the Governor's salary, beginning January 1, 2002. The bill provides that the legislator out-of-session subsistence allowance is equal to 40% of the maximum daily amount allowable to employees of the executive branch of the federal government for subsistence expenses while away from home in travel status in the Indianapolis area.

The bill establishes the Public Officers Compensation Commission. The bill allows the Commission to adopt rules to govern the proceedings of the Commission and to set the salaries of the Governor and other elected public officers in the executive branch. The bill permits the General Assembly to establish salaries by statute and to void a salary rule of the Commission. The bill provides for the salary of public officers if the General Assembly voids a salary rule of the Commission or repeals a statute setting the salary of a public officer.

The bill repeals current statutes setting the salaries of public officers in the executive branch.

The bill also increases the annual salaries of local judges and appellate court judges by 5% effective January 1, 2002.

Effective Date: Upon passage; July 1, 2001; January 1, 2002.

Explanation of State Expenditures: This bill repeals current statutes setting the salaries of executive branch public officers. Rather than being based on statute, the salaries of these public officers would be set by the Public Officers Compensation Commission, a Commission created by this bill. The Commission would have the authority to adopt rules to set the salaries of public officials; however, the General Assembly would have the right to void a Commission's rule. The Commission would have nine members who are neither public officers nor public employees. The Commission is charged with receiving information and testimony related to salaries for public officers in the process of deciding if it is necessary to adopt rules to change the salaries

of executive officers.

The Commission would be required to meet at least two times on each odd-numbered year, however, it could meet more frequently, if necessary. Members of the Commission would receive a per diem and be covered for travel expenses (currently \$50 per day and \$.28 per mile, respectively). The bill authorizes the Commission to contract with consultants. The Legislative Services Agency would staff the Commission, with assistance from the State Personnel Department, if necessary. The expenses for the Commission would come from General Fund appropriations to the Legislative Service Agency.

Prior to October 1, 2001, the Commission is charged with adopting rules to set the salaries of public officials to be the same as those listed in IC 4-2-1-1 to take effect on January 1, 2002. After this time, the Commission could begin to study public officer's salaries and adopt, if necessary, rules related to their salaries. Any proposed rules adopted by the Commission could not cause a salary reduction.

Legislator's Salaries: Based on the proposed changes to this bill and the statutes related to the Commission, legislator salaries and their out-of-session per diem would increase as of January 1, 2002. The bill sets legislators' salaries to 20% of the Governor's salary (currently \$95,000, 20% of which is \$19,000) and would set their out-of-session per diem to 40% of the maximum daily amount allowable to federal employees traveling in the Indianapolis area (currently \$112, 40% of which is \$44.80). Legislators currently receive an annual salary of \$11,600 and an out-of-session subsistence allowance of \$25.

Regardless of the future action of the Public Officers Compensation Commission, the minimum this bill will increase the salary of legislators is \$7,400, from \$11,600 to \$19,000. Changes in the out-of-session per diem would be based on federal action. However, under current standards, the per diem would increase by \$19.80 per day. Assuming that the Commission kept the public officers salary the same, and that the federal per diem rate remains at \$112 through FY 2002 and FY 2003, the **impact** of this proposal would be as follows:

| Estimated Costs | FY 2002 | FY 2003 |
|------------------------|---------------------|---------------------|
| Salary and per-diem | \$ 1,852,500 | \$ 2,006,940 |
| Additional Costs | \$ 558,714 | \$ 605,293 |
| Total | \$ 2,411,214 | \$ 2,612,233 |

Note: The additional costs shown in the table include the state's contribution to Social Security, FICA, Life and Disability Insurance premiums, and the Legislators' Retirement System.

Judges Salaries: This bill would also increase judges' salaries by 5%, beginning January 1, 2002. This provision will impact the state's 314 judges, as well as the 268 other court officers whose salaries are tied to those of the judges' by statute. The judges' and officers' current salaries and the proposed changes are shown in the table below.

| Position | # of Employees | Current Salary | Proposed Salary |
|------------------------------|-----------------------|-----------------------|------------------------|
| Supreme Court Justices: | 5 | \$115,000 | \$120,750 |
| Court of Appeals Judges: | 16 | \$110,000 | \$115,500 |
| Trial Court Judges: | 293 | \$90,000 | \$94,500 |
| Magistrates: | 49 | \$72,000 | \$75,600 |
| Juvenile Court Referees: | 17 | \$30,607 | \$34,207 |
| Prosecuting Attorneys | | | |
| Full-Time: | 63 | \$90,000 | \$94,500 |
| Part-Time @ 66% | 10 | \$59,400 | \$62,370 |
| Part-Time @ 60% | 17 | \$54,000 | \$56,700 |
| Deputy Prosecuting Attorneys | | | |
| Full-Time Deputies: | 63 | \$67,500 | \$70,875 |
| Deputies @ 66% | 20 | \$44,550 | \$46,778 |
| Deputies @ 60% | 29 | \$40,500 | \$42,525 |
| Total | 582 | | |

The salaries of magistrates are defined in statute as 80% of the salary of a trial court judge (IC 33-4-7-9.1). The salaries of juvenile court magistrates are also 80% of the salary of trial court judges, but the county pays \$41,393 of the total salary (IC 33-13-12-8.2). The salaries of the prosecuting attorneys are the same as the salaries of the judges of the circuit court (IC 33-14-7-5). Prosecuting attorneys may elect to work part-time. If they do, then their salary will either be 60% or 66% of the salary of a full-time prosecuting attorney, depending on whether there are correctional facilities or state mental facilities located in the county in which they serve. Deputy prosecuting attorneys who are paid by the state may also elect to work on a part-time basis. Part-time deputy prosecuting attorneys are paid 75% of the salary of prosecuting attorneys (IC 33-14-7-2).

The total cost of this proposal includes the judicial officers' increased salaries and the subsequent increase in the state's contribution to Social Security, FICA, Life and Disability Insurance premiums, and retirement programs. The **impact** on the state General Fund is described in the following table.

| Estimated Costs | FY 2002 | FY 2003 |
|------------------------|--------------------|--------------------|
| Salaries: | \$2,347,850 | \$2,347,850 |
| Additional Costs: | \$220,666 | \$220,666 |
| Total | \$2,568,516 | \$2,568,516 |

Explanation of State Revenues: Legislators, judges, and court officers' additional income would be subject to the 3.4% state income tax. Based on the estimated increase in salaries, the state would collect an additional \$142,800 in income taxes in FY 2002 and \$148,100 in FY 2003. Similarly, if half of the additional income is used to purchase taxable items, the state would collect an additional \$105,000 in sales taxes in FY 2002 and \$109,900 in FY 2003.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties with a local option income tax may experience a minimal increase in income tax revenue.

State Agencies Affected: Public Officers; Legislators; Justices of the Supreme Court; Judges of the Court of Appeals; Legislative Services Agency.

Local Agencies Affected: Trial Court Judges; Prosecuting Attorneys.

Information Sources: Division of State Court Administration.