Department of Administrative Services

OFFICE OF COLLECTIVE BARGAINING
Senate Bill 5 Fiscal Analysis

In an effort to assist state and local officials and members of the General Assembly in understanding the potential fiscal impact of Senate Bill 5, the Department of Administrative Service's Office of Collective Bargaining examined provisions of the bill in its current form, with a focus on three provisions for which the Office had access to reliable data:

- Limiting state and local government payments for health insurance premiums to 80 percent of cost;
- Eliminating Step pay increases once current contracts expire;
- Eliminating longevity pay once current contracts expire.

Using FY2010 data for State of Ohio Exempt/Collective Bargaining Payroll Costs the Office was able to estimate that:

- The State of Ohio would have saved at least an estimated $216,871,804 in FY2010 from these three provisions, or $3,739 for each of the approximately 58,005 employees the state had that year. Additional provisions would likely provide other direct and indirect savings through improved efficiencies and workforce management flexibilities, though estimates of those savings cannot be immediately be calculated;

- Local governments would have saved at least an estimated $1.1 billion in FY2010 from these three provisions, based on an extrapolation of state per-employee costs to the number of local government employees. A more complete figure would require a detailed analysis of the provisions of the more than 3,000 local government collective bargaining contracts, therefore the Office exercised caution in its calculations and actual savings would likely be higher.

STATE GOVERNMENT SAVINGS: $216,871,804

Health Insurance Premium Savings, $25,555,572

In FY 2010, state government employees paid approximately 15 percent of the cost of their health insurance premiums and state government paid the remaining 85 percent. Enactment of Senate Bill 5 would increase state government employees' health insurance premium costs to 20 percent. Given that the state spent $444,444,743 in FY2010 on its share of health insurance to 58,005 employees, increasing employees' share of premiums to 20 percent would save the state approximately $25,555,572.

Step Pay Increases, $75,965,060

The state's current collective bargaining contract contained $75,965,060 in Step pay increases for FY2010, above and beyond the annual pay increases negotiated in the union contract. While Ohio's severe economic and fiscal crisis mandated the elimination of these costs for half of FY2010, the state otherwise would have incurred them. Senate Bill 5 eliminates Step increases and would have saved the state $75,965,060 in FY2010 in potential costs if it was enacted.

Longevity Pay, $115,351,172

State workers currently receive longevity pay of ½ percent a year after serving for five years. This continues until they reach their 20th year of service. In FY2010, the state spent $115,351,172 on longevity pay. Under Senate Bill 5, longevity pay would be eliminated, saving the state the complete figure of $115,351,172.

FY2010 State of Ohio Savings under Senate Bill 5

Health Insurance Cost Decrease	$25,555,572
Step Pay Elimination	$75,965,060
Longevity Pay Elimination	$115,351,172
	$216,871,804 Total Savings

These are savings that the state would have realized if Senate Bill 5 had been in law and applicable to the current state contract. Though Senate Bill 5 would only apply to collective bargaining agreements reached with bargaining unit employees, provisions of the contract are typically applied to all employees, therefore figures for all employees have been used in these calculations.

LOCAL GOVERNMENT COST SAVINGS: $1,121,000,000

According to the State Employment Relations Board (SERB) FY 2010 Annual Report, local governments employ approximately 300,000 workers statewide. Though the Ohio Legislative Service Commission's Fiscal Note and Local Impact Statement on Senate Bill 5 does not contain comprehensive wage information for employees of local governments, the Office of Collective Bargaining has made conservative calculations to help evaluate the bill's potential savings to local government.

Given that the basic elements of state and local government union contracts are generally in line with one another, multiplying the state's per-employee savings of $3,739 [$216,871,804 /58,005] by the approximate number of local employees [300,000] results in an estimated savings for local government of $1,121,700,000. This savings figure is likely far higher, however, as local government employees often enjoy lower health insurance premium costs and "pension pick-up" benefits in which their local government employer pays for a portion of the employees' share of pension expenses. Provisions of Senate Bill 5 would reduce costs on both fronts as described below.

Local Government Health Insurance Costs

Whereas state employees pay 15 percent of their health insurance premiums, local government employees generally pay less. According to SERB's 2010 Annual Report on the Cost of Health Insurance in Ohio's Public Sector, county, city, township, school, college and university, transit, and port authority employees pay an average of 7 percent of their health insurance premiums. If Senate Bill 5 was enacted and this figure was raised to 20 percent for all 300,000 local government employees, this would significantly increase the savings that local governments would realize under the bill beyond the current estimate. Given the difficulty of calculating this actual cost, the Office used a more conservative figure of $132,200,000.

Additional, Uncalculated Savings Likely from Elimination of "Pension Pickups"

State of Ohio employees pay 10 percent of their salaries to a public employee retirement fund and state government pays 14 percent. According to the LSC Fiscal Note on Senate Bill 5, more than 2,532 local governments currently pay all or part of the employee's share of pension contributions. Senate Bill 5 would free local governments from paying any portion of the employees' share and require employees to pay the full 10 percent of their pension contributions. No estimates of this savings can be reliably made, but it is reasonable to expect that they would be significant and that they would increase the overall savings of $1.1 billion that local governments would realize if Senate Bill 5 was enacted.

FY2010 Estimated Local Government Savings under Senate Bill 5

Health Insurance Cost Decrease	$132,200,000
Step Pay Elimination	$392,700,000
Longevity Pay Elimination	$596,400,000
	$1,121,000,000 Estimated Total Savings

These are estimated savings that local governments would have realized inFY2010 if Senate Bill 5 had been in law and applicable to their current collective bargaining contracts.

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