

**BILL SUMMARY**  
1st Session of the 54<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 1717</b>
<b>Version:</b>	<b>Committee Substitute</b>
<b>Request Number:</b>	<b>7224</b>
<b>Author:</b>	<b>Rep. Osborn</b>
<b>Date:</b>	<b>3/4/2013</b>
<b>Impact:</b>	<b>Study Cost: \$200,000;</b>
	<b>Total Performance Payment Cost to Agencies:</b>
	<b>Approx. \$22.2 Million reduced</b>
	<b>by savings from efficiencies</b>

**Research Analysis**

The committee substitute for HB 1717 authorizes the chief executive officer of non-appropriated government licensing entities to receive at least 80% of the mean annual wage, as determined by the U.S. Dept. of Labor, of the professional occupation being licensed. The measure does not apply to a chief executive of an appropriated entity. The legislature will determine the maximum salary for a chief executive of an appropriated agency.

Further, the measure requires the Governor to initiate a state employee compensation study for fiscal years 2013 and 2014.

Finally, the measure creates a state employee performance incentive of \$1,000.

The measure contains an emergency clause.

Prepared By: Kyle Meade

**Fiscal Analysis**

**Sections 1, 4 and 5** address Executive Director Salary Limitations for Appropriated and Non-Appropriated state agencies. The measure provides that the Legislature will prescribe salary limitations for Appropriated agencies yearly. The measure eliminates the current salary schedule for Non-Appropriated agencies, and replaces it with certain salary setting methods. One method allows the employing Board or Commission to set the Executive Director Salary, with Cabinet Secretary approval. The measure modifies the statutory limitations on State Agency Executive Director Salaries, but does not mandate specific increase or decrease. The measure provides authority to Non-Appropriated Boards and Commissions to establish such salaries; and grants authority to future Legislatures to establish such salaries for Appropriated Agencies. For these reasons the sections have no direct fiscal impact on the State Budget and Appropriations.

**Section 2** the Executive Budget Proposed by the Governor in February 2013 estimated the cost of such study to be approximately \$200,000

**Section 3** establishes the framework for a one time performance payment of \$1,000 for certain state employees, effective November 1, 2013. State employees who have received market adjustments in compensation equal to or greater than \$1000 in FY-12, FY-13 or the First Quarter of FY-14 are ineligible for the payment.

Federal Insurance Contributions (FICA) would be applicable to such payments; therefore a tax of 7.65% would be payable by employers. Officials from the Office of Management and Enterprise Services – Capital Management Division estimate approximately 48% of the 43,000 state employees would be eligible for the payment at a total estimated cost of \$22,218,960 ,  $((48,000 * 0.48) * (\$1,000 * (1 + 0.0765)))$ . The measure provides that approximately half of the cost will be offset by required agency efficiency savings in FY-14

Prepared By: John McPhetridge

**Other Considerations**

None at this time

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