



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0725	Amended by the Senate Finance Special Subcommittee on February 23, 2018
Author:	Campsen	
Subject:	Salaries of South Carolina Constitutional Officers	
Requestor:	Senate Finance	
RFA Analyst(s):	Gardner and Shuford	
Impact Date:	February 28, 2018	

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	See Below	\$0
Other and Federal	See Below	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	See Below	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will increase General Fund expenditures by \$3,298,161 in FY 2018-19 because of the increased salaries, employer contributions, employer taxes, and fringe benefits from the proposed salary changes for judges. The expenditure impact of a compensation study on state officers beginning in 2018 by the State Fiscal Accountability Authority is undetermined. However, the General Assembly is required to appropriate sufficient funds for the study. The State Fiscal Accountability Authority is required further to contract for a compensation study of Supreme Court Justices. The expenditure impact of this study, beginning in 2022 is undetermined, but will be paid by the Judicial Department. Local expenditures on masters'-in-equity and magistrates' salaries will not be affected by this legislation since the salaries mandated in this bill are fixed at their current levels.

Explanation of Fiscal Impact

Amended by the Senate Finance Special Subcommittee on February 23, 2018

State Expenditure

This bill as amended requires, beginning in FY 2018-19 and every four years thereafter, the State Fiscal Accountability Authority (SFAA) contract for a study of the following state constitutional officers' compensation: Governor, Lieutenant Governor, Secretary of State, State Treasurer, Attorney General, Comptroller General, Superintendent of Education, Adjutant General, and Commissioner of Agriculture. The General Assembly will provide funds for the study. The Agency Head Salary Commission (AHSC) must review the findings of the study to determine a salary for each of these state officers. The AHSC must make a final determination of

compensation no later than the twentieth day of December in the year immediately preceding the next term of office for the affected officers. The expenditure impact of this provision is undetermined pending the completion of the study and the determined salaries by the AHSC.

Effective July 1, 2018, the General Assembly shall establish the annual salary of the Chief Justice of the Supreme Court. The salary must be set at least \$170,000 and increased in accordance with the allocation plan of the Department of Administration, Executive Budget Office on the first day of July for a fiscal year that compensation is increased for all full-time state-appropriated employees. (The Chief Justice's salary is currently set at 105 percent of the salary of an Associate Justice of the Supreme Court.) The SFAA will use funds provided by the Judicial Department to contract for a compensation study to be conducted every four years for state Supreme Court Chief Justices. By January 15, 2022, and every four years thereafter, the AHSC must review the findings of the study to determine a salary for the Chief Justice and submit its recommendations to the General Assembly for consideration. Approved salary increases will take effect on the first day of July of the corresponding fiscal year.

Adjustment of the Chief Justice's salary will affect the salaries for Associate Justices, who will now be paid 95 percent of the salary fixed for the Chief Justice. Salaries for the chief judge of the court of appeals, judges of the court of appeals, circuit court judges, and family court judges are set at percentages of the salary currently set for Associate Justices and will remain as such; however, the bill's increase of the Associate Justices' salaries will also increase the salaries of the lower judges. This will result in a General Fund expenditure impact of \$2,459,391 for the Judicial Department in FY 2018-19.

As the circuit court judges' salary structure is set to increase under the bill, the salaries of Administrative Law Judges, circuit public defenders, circuit solicitors, and commissioners of the Worker's Compensation Commission will also be increased since they are based on the salary of a circuit court judge. This will result in a General Fund expenditure impact of \$838,771.

The bill's total General Fund expenditure impact for the judicial salary increases is \$3,298,161.

Judicial Department. This bill adjusts the salary structure for the Chief Justice of the Supreme Court, Associate Justices of the Supreme Court, chief judge of the court of appeals, judges of the court of appeals, circuit court judges, and family court judges. The department reports these salary adjustments will increase General Fund expenditures by \$2,988,772 in FY 2018-19. The bill also requires the department to provide funds to cover the cost of the State Fiscal Accountability Authority contracting every four years for a compensation study of state Supreme Court Chief Justices. We anticipate that the department will reimburse SFAA approximately \$2,500 in FY 2021-22.

Administrative Law Court. This bill adjusts the salary structure for Administrative Law Judges. The department reports that the bill will increase General Fund expenditures by \$96,538 in FY 2018-19.

Commission on Indigent Defense. This bill adjusts the salary structure for circuit public defenders. The department reports that the bill will increase General Fund expenditures by \$322,096 in FY 2018-19.

Commission on Prosecution Coordination. This bill adjusts the salary structure for circuit solicitors. The department reports that the bill will increase General Fund expenditures by \$322,096 in FY 2018-19.

Worker's Compensation Commission. This bill adjusts the salary structure for worker's compensation commissioners. The department reports that the bill will increase General Fund expenditures by \$98,041 in FY 2018-19.

Agency Head Salary Commission. The commission will determine state officers' salaries beginning in 2018 and make a recommendation for the chief justice's salary beginning in 2022. These activities are conducted in the normal course of agency business. As a result, this bill does not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Fiscal Accountability Authority. This bill as amended requires, beginning in FY 2018-19, and every four years thereafter, that the State Fiscal Accountability Authority (SFAA) contract for a study of the following state constitutional officers' compensation: Governor, Lieutenant Governor, Secretary of State, State Treasurer, Attorney General, Comptroller General, Superintendent of Education, Adjutant General, and Commissioner of Agriculture. The General Assembly will provide funds for the study, either as a reimbursement for the fiscal year following the completion of the study or for the preceding fiscal year if the actual cost is known. The agency indicates that it will incur additional expenditures of \$27,500 (\$25,000 for statewide constitutional offices and \$2,500 for the Chief Justice) in order to contract with a vendor to conduct the survey every four years.

Public Employee Benefits Authority (PEBA). The agency indicates that the proposed judicial pay raises will increase the funding period of the Judges and Solicitors Retirement System (JSRS) above the 30-year policy set by its board. This will result in an increase in the employer contribution rate. The current employer contribution rate for FY 2017-18 is 49.42 percent. The required employer contribution rate is set to increase to 52.49 percent for FY 2018-19. Absent legislative changes or significantly favorable investment experience, the Actuarial Valuation Report on JSRS indicates that the required contribution rate may need to increase in each of the next three years as \$8.0 million in deferred investment losses are recognized in the actuarial value of assets.

With the proposed pay increases, PEBA actuaries estimate that the employer contribution rate will increase to 53.42 percent in FY 2018-19. These increases are reflected in the agency expenditure impacts described above and total \$904,000 in FY 2018-19 for the four affected state agencies.

In addition, the proposed salary increases to active members of the JSRS will result in a corresponding increase in retirement benefits paid to retired members since retirement benefit amounts are linked to current salaries in JSRS. PEBA actuaries expect that the increase in

retirement benefits will total \$1,080,000 in FY 2018-19. The increased retirement benefits will also result in an expected decrease in the funded ratio to 51.5 percent in FY 2018-19 from 54.2 percent in FY 2017-18. Given the reduction in the funded ratio, the actuaries suggest that the State consider making additional appropriations above the required employer contributions to improve the financial security of the system. The actuaries did not specify the amount of additional appropriations.

State Revenue

N/A

Local Expenditure

The amended bill also modifies the salary structure for masters'-in-equity (effective July 2, 2018) and magistrates (effective July 1, 2018). Currently, the base pay for these positions is based on the salary of a circuit court judge. The bill establishes set salaries based on the current salaries of circuit court judges. This bill will have no effect on local expenditures as the salaries structured for magistrates and masters'-in-equity are fixed in the bill at their current levels.

Local Revenue

N/A

Introduced by Senate on May 11, 2017

State Expenditure

Beginning in fiscal year 2018-19, this bill requires that the salaries for constitutional officers and Supreme Court justices must be based on recommendations made by the Agency Head Salary Commission (AHSC) to the General Assembly. The AHSC shall authorize a study to be conducted every four years to recommend a salary range for each state constitutional officer and Supreme Court justice. Salary increases to the Lieutenant Governor must be based on recommendations by the Governor to the AHSC.

State Fiscal Accountability Authority. This bill requires the agency to conduct a salary and fringe benefit survey for agency heads every four years. The agency indicates that it will incur an expenditure impact of \$30,000 to Other Funds in order to contract with a vendor to conduct the survey every four years.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



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