LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB   328** HLS 12RS   235

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 5, 2012	9:59 AM		**Author:** RICHARD
Dept./Agy.:			
Subject: State Government Reduction Program			**Analyst:** Travis McIlwain

STATE EMPLOYEES   OR DECREASE EX See Note

Requires certain reductions in the number of positions in the executive branch of state government

Proposed legislation creates the State Government Employment Reduction Program, which provides for a reduction of a minimum of 5,000 positions in the executive branch of state government in 3 successive fiscal years, beginning with FY 13 and to accomplish a total savings of at least $500 million by the beginning of FY 16. Proposed bill requires that the commissioner of administration establish the baseline number of positions for each employment reduction unit and the reduction factor applicable to each employment reduction unit no later than September 15, 2012. Proposed bill provides that the reduction factor is the percentage of all authorized and appropriated positions for the executive branch of state government as of July 1, 2012, that were authorized and appropriated for each employment reduction unit on that date. Proposed bill provides that for each of the 3 fiscal years beginning with FY 13, each employment reduction unit shall reduce the baseline number of positions for the employment reduction unit by abolishing a number of positions at least equal to 5,000 multiplied by the reduction factor for the employment reduction unit and effectuate a savings of at least $166.7 million per fiscal year up to $500 million by the beginning of FY 16. Proposed bill requires oversight by the Joint Legislative Committee on the Budget (JLCB). Effective upon governor's signature.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	$0	$0	$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	$0	$0	$0
Ded./Other	DECREASE	DECREASE	DECREASE	$0	$0	$0
Federal Funds	DECREASE	DECREASE	DECREASE	$0	$0	$0
Local Funds	$0	$0	$0	$0	$0	$0
Annual Total				$0	$0	$0

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	$0
Agy. Self-Gen.	$0	$0	$0	$0	$0	$0
Ded./Other	$0	$0	$0	$0	$0	$0
Federal Funds	$0	$0	$0	$0	$0	$0
Local Funds	$0	$0	$0	$0	$0	$0
Annual Total	$0	$0	$0	$0	$0	$0

EXPENDITURE EXPLANATION

Based upon the average state salary and related benefits (30% of salaries) cost of $62,253 for unclassified positions and $54,895 for classified positions (from the State Civil Service Report on State Employment dated 3/09/2012) and that 60% of all positions are classified positions and 40% are unclassified positions, the 5,000 position reduction each fiscal year for the next 3 fiscal years could result in annual savings of approximately <u>$289.2 million in FY 13, FY 14, & FY 15 for a 3-year total savings of approximately $867.6 million</u>. The reduction of 15,000 T.O. positions through attrition could equate to approximately $271.5 million SGF savings over the 3-year period.

The annual cost savings are calculated as follows:

5,000 x 0.4 = 2,002 unclassified positions x $62,253 = $124.6 million

5,000 x 0.6 = <u>2,998</u> classified positions x $54,895 = <u>$164.6 million</u>

          Total   5,000 $289.2 million

The LFO is not able to accurately estimate the savings by means of financing. However, for **illustrative purposes** assuming the ratio for the means of financing as depicted within the FY 13 Executive Budget, and assuming that this ratio would continue in subsequent fiscal years, the savings by means of financing (MOF) would be: $90.5 million SGF (31.3%), $37.2 million SGR (12.9%), $39.3 million statutory dedications (13.6%), $122.2 million federal (42.2%). However, the actual MOF impacted by the 5,000 positions reduced per fiscal year will depend upon the source of funds utilized to fund the positions.

<u>Proposed legislation provides that the reduction in positions should equate to annual expenditure savings of at least $166.7 million per fiscal year. Based upon the LFO calculations above, the projected total expenditure savings could be $289.2 million</u>.

Proposed legislation also provides that the 5,000 per fiscal year T.O. position reduction be accomplished through attrition only and be accomplished without any reduction in the quality or quantity of the work product. In addition, the bill provides

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate	Dual Referral Rules	House	
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}	*H. Gordon Monk*
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}	**H. Gordon Monk** **Legislative Fiscal Officer**

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CONTINUED EXPLANATION from page one:

that each administrative head of each employment reduction unit will conduct appropriate reorganization studies and develop reorganization plans as necessary to accomplish the position abolishment including reducing management layers and the organization entities within a unit with 2 to 5 positions be consolidated.

For **illustrative purposes**, reflected below is a calculation of the employment reduction factor and the personnel expenditure reduction factor if the **baseline** established is the **FY 12 existing operating budget (EOB) as of 12/1/2012** (starting point for FY 13 budget development). The employment reduction factor represents a pro-rata share of the 5,000 T. O. position reduction by department and the personnel expenditure reduction factor represents a pro-rata share to effectuate a $166.7 million minimum expenditure savings.

Although the proposed legislation breaks down Higher Education into specified employment reduction units, the reduction of 1,925 positions would be spread among the various employment reduction units within higher education. The larger percentage an agency of the authorized T.O. positions, the larger calculated reduction factor and personnel expenditure reduction factor.

Department	FY 12 EOB T.O. Positions	Reduction Factor	Positions Reduced	FY 12 EOB Salary/Other	Personnel Factor	Min. $$ Reduced
Executive	2,261	3.14%	157	$174,377,084	3.58%	$5,961,098
Veterans Affairs	830	1.15%	58	$38,959,029	0.80%	$1,331,818
Secretary of State	317	0.44%	22	$23,576,891	0.48%	$805,978
Dept. of Justice	480	0.67%	33	$36,871,118	0.76%	$1,260,443
Lt. Governor	8	0.01%	1	$868,395	0.02%	$29,686
Treasury	59	0.08%	4	$6,845,521	0.14%	$234,015
Public Service Commission	97	0.13%	7	$7,892,662	0.16%	$269,811
Agriculture & Forestry	644	0.89%	45	$49,067,103	1.01%	$1,677,364
Insurance	265	0.37%	18	$22,216,671	0.46%	$759,479
Economic Development	124	0.17%	9	$12,917,873	0.26%	$441,599
Culture, Recreation & Tourism	630	0.88%	44	$37,348,981	0.77%	$1,276,779
Transportation & Development	4,494	6.24%	312	$318,669,147	6.54%	$10,893,737
Corrections	5,284	7.34%	367	$361,796,939	7.42%	$12,368,065
Public Safety	2,675	3.72%	186	$242,099,522	4.97%	$8,276,197
Juvenile Justice	1,056	1.47%	73	$71,054,664	1.46%	$2,429,011
Health & Hospitals	8,458	11.75%	588	$591,427,245	12.13%	$20,218,000
Children & Family Services	4,082	5.67%	284	$296,583,290	6.08%	$10,138,730
Revenue	802	1.11%	56	$34,373,232	0.71%	$1,175,052
Natural Resources	380	0.53%	26	$63,374,286	1.30%	$2,166,456
Workforce Commission	1,191	1.65%	83	$62,695,135	1.29%	$2,143,240
Environmental Quality	805	1.12%	56	$83,115,415	1.70%	$2,841,309
Wildlife & Fisheries	775	1.08%	54	$72,845,266	1.49%	$2,490,223
Civil Service	212	0.29%	15	$18,967,855	0.39%	$648,418
Higher Education	27,703	38.50%	1,925	$1,588,994,219	32.59%	$54,319,928
Other Education	750	1.04%	52	$50,771,858	1.04%	$1,735,641
Education	654	0.91%	45	$159,230,981	3.27%	$5,443,327
LSU Health Sciences Division	6,929	9.63%	481	$448,458,361	9.20%	$15,330,595
TOTAL	71,965	100%	**5,000**	$4,875,398,743	100%	**$166,666,000**

Proposed legislation also provides for the commissioner of administration to calculate the personnel expenditure reduction factor, which is the percentage of baseline personnel expenditures that are attributable to personnel costs for each employment reduction unit.

NOTE: Boards and Commissions (as listed in R.S. 36.4.1) currently under the purview of the Division of Administration/Executive Office are not included within the illustration above. These governmental entities are off-budget. However, the legislation defines position as each authorized/appropriated position as provided in the General Appropriation Act (HB 1), which would presumably exempt these boards & commissions from this bill.

The Higher Education amounts utilized in the illustration above are from the Department of State Civil Service Report on State Employment dated 3/9/2012 and only include salaries information. Not included within the Higher Education data is other compensation and related benefits costs.

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☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}	*H. Gordon Monk*
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