LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 306** HLS 11RS 112
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 7, 2011 7:46 AM
Author: RICHARD
Dept./Agy.:
Subject: State Government Employment Reduction Program
Analyst: Travis McIlwain

STATE EMPLOYEES OR DECREASE GF 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 12. 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, 2011. 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 June 30, 2011, 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 12, 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. Proposed bill requires oversight by the Joint Legislative Committee on the Budget (JLCB). Effective upon governor's signature.

EXPENDITURES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**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**	**$0**	**$0**	**$0**

REVENUES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**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 $65,247 for unclassified positions and $54,937 for classified positions (from the State Civil Service Report on State Employment dated 4/15/2011) and that 66% of all positions are classified positions and 34% are unclassified positions, the 5,000 position reduction each fiscal year for the next 3 fiscal years could result in annual savings of approximately $292.2 million in FY 12, FY 13, & FY 14 for a 3-year total savings of approximately $876.6 million. The reduction of 15,000 T.O. positions through attrition could equate to approximately $280.5 million SGF savings over the 3-year period.

The annual cost savings are calculated as follows:
5,000 x 0.34 = 1,700 unclassified positions x $65,247 = $110.9 million
5,000 x 0.66 = 3,300 classified positions x $54,937 = $181.3 million
Total 5,000 $292.2 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 12 Executive Budget, and assuming that this ratio would continue in subsequent fiscal years, the savings by means of financing (MOF) would be: $93.5 million SGF (32%), $35.1 million SGR (12%), $32.1 million statutory dedications (11%), $131.5 million federal (45%). 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.

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 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. **(continued on page 2)**

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}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
☐ 6.8(F)2 >= $100,000 Annual SGF Cost {H&S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

For **illustrative purposes**, reflected below is a calculation of the employment reduction factor if the baseline established is the FY 11 existing operating budget (EOB) as of 12/1/2011 (starting point for FY 12 budget development). The reduction factor represents a pro-rata share of the 5,000 T.O. position reduction by department. Although the proposed legislation breaks down Higher Education into specified employment reduction units, the reduction of 2,122 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.

Department	FY 11 EOB (12/1/11) T.O. Positions	Reduction Factor	Potential Positions To be reduced
Executive	2,312	2.84%	142
Veterans Affairs	825	1.01%	51
Secretary of State	335	0.41%	21
Dept. of Justice	503	0.62%	31
Lt. Governor	11	0.01%	1
Treasury	61	0.07%	3
Public Service Commission	97	0.12%	6
Agriculture & Forestry	685	0.84%	42
Insurance	267	0.33%	16
Economic Development	128	0.16%	7
Culture, Recreation & Tourism	694	0.85%	43
Transportation & Development	4,524	5.56%	278
Corrections	5,761	7.07%	354
Public Safety	2,862	3.51%	176
Juvenile Justice	1,111	1.36%	68
Health & Hospitals	9,398	11.54%	577
Children & Family Services	4,395	5.4%	270
Revenue	820	1.01%	50
Natural Resources	380	0.47%	23
Workforce Commission	1,219	1.5%	75
Environmental Quality	847	1.04%	51
Wildlife & Fisheries	775	0.95%	48
Civil Service	189	0.23%	12
Higher Education	34,569	42.12%	2,122
Other Education	774	0.95%	48
Education	682	0.84%	42
LSU Health Sciences Division	7,215	8.86%	443
Other Requirements	0	0.00%	0
TOTAL	81,439	100.00%	5,000

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.

Per the FY 12 Executive Budget presentation, as of 2/25/2011, there were 5,194 vacant positions statewide of which approximately 42% are in Higher Education (2,157), approximately 16% are in Health & Hospitals (813), approximately 7% are in Corrections (380) and approximately 8% are in the Health Care Services Division (412).

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