LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 11, 2011 1:01 PM
Author: RICHARD
Dept./Agy.:
Subject: State Government Employment Reduction Program
Analyst: Travis McIlwain

STATE EMPLOYEES RE 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 and to accomplish a total savings of at least $500 million by the beginning of FY 15. Proposed bill requires that the commissioner of administration to 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 July 1, 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 administrative head of 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 15. Proposed bill provides for the commissioner of administration to establish baseline personnel expenditures and personnel expenditure reduction factor. 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 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 $292.2 million.

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
(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:

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 11 existing operating budget (EOB) as of 12/1/2011 (starting point for FY 12 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 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 and personnel expenditure reduction factor.

Department	FY 11 EOB T.O. Positions		Reduction Factor	Positions Reduced	FY 11 EOB Salary/Other		Personnel Factor	Min. $$ Reduced
Executive	2,312		2.84%	142	$173,467,742		3.48%	$5,797,786
Veterans Affairs	825		1.01%	51	$35,650,947		0.71%	$1,191,556
Secretary of State	335		0.41%	21	$24,435,095		0.49%	$816,691
Dept. of Justice	503		0.62%	31	$36,343,154		0.73%	$1,214,692
Lt. Governor	11		0.01%	1	$1,063,441		0.02%	$35,543
Treasury	61		0.07%	3	$6,475,207		0.13%	$216,420
Public Service Commission	97		0.12%	6	$7,371,343		0.15%	$246,371
Agriculture & Forestry	685		0.84%	42	$47,235,606		0.95%	$1,578,749
Insurance	267		0.33%	16	$20,838,212		0.42%	$696,472
Economic Development	128		0.16%	7	$12,148,447		0.24%	$406,036
Culture, Recreation & Tourism	694		0.85%	43	$37,262,984		0.75%	$1,245,435
Transportation & Development	4,524		5.56%	278	$306,980,068		6.16%	$10,260,149
Corrections	5,761		7.07%	354	$365,823,499		7.34%	$12,226,864
Public Safety	2,862		3.51%	176	$237,184,644		4.76%	$7,927,387
Juvenile Justice	1,111		1.36%	68	$70,597,624		1.42%	$2,359,574
Health & Hospitals	9,398		11.54%	577	$621,037,453		12.45%	$20,756,842
Children & Family Services	4,395		5.4%	270	$285,697,228		5.73%	$9,548,816
Revenue	820		1.01%	50	$60,260,733		1.05%	$1,068,612
Natural Resources	380		0.47%	23	$31,972,502		0.64%	$2,014,085
Workforce Commission	1,219		1.5%	75	$88,362,142		1.77%	$2,452,131
Environmental Quality	847		1.04%	51	$73,366,914		1.47%	$2,953,315
Wildlife & Fisheries	775		0.95%	48	$84,300,934		1.69%	$2,817,577
Civil Service	189		0.23%	12	$9,543,066		0.19%	$318,956
Higher Education	34,569		42.12%	2,122	$1,688,296,530		33.86%	$56,427,681
Other Education	774		0.95%	48	$47,623,386		0.96%	$1,591,709
Education	682		0.84%	42	$160,134,553		3.21%	$5,352,153
LSU Health Sciences Division	7,215		8.86%	443	$453,115,083		9.09%	$15,144,397
Other Requirements	0		0.00%	0	$0		0.00%	$0
TOTAL	81,439	100%	**5,000**		$4,986,588,537	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.

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).

Per the FY 12 Executive Budget, there is $2,220,675,767 in salaries and $157,857,586 in other compensation. However, these expenditures do not include Higher Education amounts.

The Higher Education amounts utilized in the illustration above are from the Department of State Civil Service Report on State Employment dated 4/29/2011 and only include salaries information. Not included within the Higher Education data is other compensation and related benefits costs.

Senate Dual Referral Rules House

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