

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82nd LEGISLATURE 1st CALLED SESSION - 2011

June 6, 2011

TO: Honorable Bill Callegari, Chair, House Committee on Government Efficiency & Reform

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB30 by Callegari (Relating to unpaid furloughs for state employees.), **As Introduced**

Depending upon the number of employees who would be required to participate in the involuntary furlough program, there would be an indeterminate savings to the state.

The bill would authorize state agencies, including institutions of higher education to implement an involuntary furlough program to balance the agency's budget. The governing body of each agency would determine the number of employees who would be required to participate in the involuntary furlough program. A furloughed employee would be required to take unpaid time off and would not be authorized to use paid leave while on an unpaid furlough unless the unpaid furlough exceeded one month. An employee on unpaid furlough would continue to earn leave, and earn service credit toward longevity pay and retirement benefits as if the employee were not on leave without pay. The bill would include amounts by which a person's salary is reduced under an involuntary furlough program in compensation for the purposes of retirement contributions, therefore, the employee's contribution for retirement would be based on their standard monthly compensation, not the reduced salary after the furlough. Any reduction in the employee's hours resulting from the involuntary furlough program would not affect an employee's full-time status for the purposes of the state's health insurance contribution. An employee whose unpaid furlough exceeds one month would be required to make the contributions required for the health coverage or deferred compensation selected by the employee.

The extent of savings is unknown because the governing body of each agency or institution would determine the number of employees who would be required to participate in the program. In fiscal year 2010, the salary expenditure for all state agencies and institutions of higher education was \$10.0 billion in All Funds. If all employees were required to take three unpaid furlough days, agencies and institutions of higher education could reduce salary expenditures by \$115.8 million in All Funds. Three days of unpaid leave in a year would be the equivalent of approximately a 1.2 percent pay cut for affected employees. There would be additional savings to the state for reduced payroll taxes.

Some agencies with 24 hour schedules such as the Texas Department of Public Safety, Texas Department of Criminal Justice, and Health and Human Service agencies that manage state schools and state hospitals are required to maintain certain staffing levels at all times. Furloughed employees may have to be replaced with employees working overtime which would offset any savings that would result from the involuntary furlough program. If the involuntary furlough program did not apply to public safety employees, correctional officers at TDCJ, certain direct care staff at health and human service agencies, and other essential employees, the savings would be reduced. With those exemptions, the annual salary savings associated with three unpaid furlough days at state agencies would be \$50.3 million in All Funds, \$28.0 million in General Revenue Related Funds. The annual salary savings associated with three unpaid furlough days at institutions of higher education would be \$44.4 million in All Funds, \$34.4 million in General Revenue. There would be additional annual savings to payroll taxes of \$3.8 million in All Funds, \$2.1 million in General Revenue Related funds for state agencies, and \$3.4 million in All Funds, \$2.6 million in General Revenue funds for institutions of higher education.

The bill would take effect October 1, 2011.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JOB, KM, SD, DH