

LEGISLATIVE BUDGET BOARD

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Revision 1

May 5, 2011

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

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

IN RE: HB3168 by Callegari (Relating to state personnel and other human resources matters and the disposition of certain state property.), **Committee Report 1st House, Substituted**

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.

ARTICLE 1 of 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 exceeds one month in length. 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.

ARTICLE 2 of the bill would modify state agency human resource (HR) staffing levels and would require the State Council on Competitive Government to determine the cost effectiveness of consolidating HR functions or outsourcing HR functions at small and medium size state agencies. This analysis assumes that this provision would have no significant fiscal impact.

ARTICLE 3 of the bill would restructure the process used to dispose of state surplus or salvage property to improve the efficiency of the program. This analysis assumes that this provision would have no significant fiscal impact.

The bill would take effect September 1, 2011.

Local Government Impact

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

Source Agencies: 303 Facilities Commission, 243 State Law Library, 320 Texas Workforce Commission, 327 Employees Retirement System, 362 Texas Lottery Commission, 405 Department of Public Safety, 411 Commission on Fire Protection, 452 Department of Licensing and Regulation, 454 Department of Insurance, 455 Railroad Commission, 503 Texas Medical Board, 504 Texas State Board of Dental Examiners, 515 Board of Pharmacy, 529 Health and Human Services Commission, 537 State Health Services, Department of, 539 Aging and Disability Services, Department of, 580 Water Development Board, 582 Commission on Environmental Quality, 601 Department of Transportation, 694 Youth Commission, 696 Department of Criminal Justice, 697 Board of Pardons and Paroles, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 802 Parks and Wildlife Department

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