

**STATE
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 20, 2010)

Drafting Number: LLS 10-0898	Date: April 29, 2010
Prime Sponsor(s): Rep. Rice Sen. Steadman	Bill Status: House Appropriations
	Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING A REQUIREMENT THAT THE STATE TREASURER TRANSMIT MONEYS APPROPRIATED TO DEPARTMENTS OF STATE GOVERNMENT THAT ARE UNEXPENDED AND UNENCUMBERED AT THE END OF A FISCAL YEAR TO THE STATE EMPLOYEE PAYDAY SHIFT FUND SO THAT THE MONEYS MAY BE USED TO PAY SALARIES IN JUNE FOR WORK PERFORMED BY STATE EMPLOYEES DURING THE MONTH OF JUNE.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue			
State Transfers	(\$5.2 million)	(\$5.2 million)	(\$5.2 million)
Transfer from the General Fund to the State Employee Payday Shift Fund	(\$4.3 million)	(\$4.3 million)	(\$4.3 million)
Transfer from the General Fund to the Legislative Department Cash Fund	(\$900,000)	(\$900,000)	(\$900,000)
State Expenditures		<u>\$5.2 million</u>	<u>\$5.2 million</u>
Cash Funds			
State Employee Payday Shift Fund		\$4.3 million	\$4.3 million
Legislative Department Cash Fund		\$900,000	\$900,000
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2010-2011: None required.			
Local Government Impact: None.			

Note: All agencies were canvassed for purposes of this fiscal note, but not all agencies were able to respond with complete information. Therefore this fiscal note should be considered preliminary. It will be revised if further information becomes available.

Summary of Legislation

Currently, state employees whose salaries are funded by General Fund are paid on the first working day in July for work performed during the month of June. The General Fund monies used to pay June salaries are funded in July. Employees whose pay is funded by cash or federal funds are also paid on July 1, but with monies funded in June. As amended by the House Finance Committee, this bill shifts June payroll obligations so that over time, they will be paid in the month of June using June funds. The bill's provisions are described in further detail below:

Executive and Judicial Branches. The state treasurer is required to transfer monies that would otherwise revert to the General Fund at the end of each fiscal year to the State Employee Payday Shift Fund. All monies and any income or interest earned are to remain the fund. Beginning in FY 2011-12, monies in this fund are to be appropriated to first pay the General Fund salaries of employees who are paid on a biweekly basis, with any remaining monies used to pay the General Fund salaries of employees who are paid monthly. Payroll obligations will be fulfilled in this manner until all employees whose salaries are paid with General Fund receive pay for June in the same month. The bill clarifies that until sufficient funding levels are achieved, remaining payroll obligations will continue to be paid on July 1. Unless a state department, office, or agency pays all of its payroll with a source other than General Fund, it is required to satisfy payroll obligations at the same time as payroll made with General Fund.

Legislative Branch. Except for monies otherwise reserved or previously transferred by the annual long bill, the state treasurer is required to transfer monies that would otherwise revert to the General Fund at the end of each fiscal year to the Legislative Department Cash Fund. Any monies transferred will be used to shift payroll obligations in the same manner as described above for the executive and judicial branches. Once all legislative branch payroll obligations have shifted, monies that would otherwise revert will be transferred to the State Employee Payday Shift Fund.

State Transfers

The bill requires all monies that would otherwise revert to the General Fund to be transferred to either the State Employee Payday Shift Fund or the Legislative Department Cash Fund beginning in FY 2010-11. Based on actual reversions from the past 4 fiscal years, the fiscal note assumes that an average of **\$5.2 million** would be transferred annually under the bill, but it should be noted that reversions vary greatly from year to year, as shown in Table 1.

FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
\$4,042,000	\$13,998,546	(\$13,934,308)	\$16,652,668

Under the bill, the first transfer would occur on June 30, 2011. Based on previous reversions, the fiscal note assumes that \$4.3 million will be transferred to the State Employee Payday Shift Fund and \$900,000 will be transferred to the Legislative Department Cash Fund each year.

State Expenditures

Beginning in FY 2011-12, the bill changes the timing of and funding source for certain payroll obligations, as described below. It does not change overall state payroll expenditures.

Paydate shift - \$5.2 million. The bill shifts the timing of an estimated \$5.2 million in General Fund payroll obligations from one fiscal year to another, reversing the paydate shift enacted in 2003. State employees paid biweekly would be addressed first, followed by employees paid monthly. The actual amount available to shift the payroll of state employees will vary depending on the amount to be reverted to each cash fund in any given year, and could be affected by supplemental and other appropriations, as well as the encumbrance of monies by state agencies. This will reduce the amount of General Fund monies available for appropriation or to be held in reserve by an estimated \$5.2 million per year, although the actual amount will likely vary from this estimate. Table 2 shows state payroll by funding source. Total payroll includes insurance and supplemental retirement contributions, but excludes payroll for agencies that are exempt from the bill.

Table 2. Estimated June Payroll for State Employees by Funding Source*			
Funding Source	Bi-Weekly Employees	Monthly Employees	Total Payroll
Executive and Judicial			
General Fund	\$1,433,479	\$86,454,639	\$87,888,118
Non-General Fund	4,496,880	42,176,094	46,672,974
Legislative			
General Fund	\$47,410	\$1,687,831	\$1,735,241
TOTAL	\$5,977,769	\$130,318,564	\$136,296,333

* Note that the Departments of Labor and Employment, State, and Transportation receive no General Fund and are therefore exempt from this bill. Their total payroll is estimated to be \$24,674,000.

The fiscal note assumes that enough General Fund reversions will occur in FY 2010-11 to fund the \$1.5 million of General Fund needed to fully shift employees in the executive, judicial, and legislative branches that are paid on a biweekly basis to a June payroll date in the first year. Depending on the source of the reversions, up to \$3.7 million will be available to appropriate to state agencies in the executive and judicial branches to satisfy their General Fund payroll obligations, which total an additional \$87,888,118 per year. At the time of this writing, the amount of this total that is attributable to each agency was not available. The fiscal note assumes that the legislative branch will have sufficient funding to shift its entire payroll of \$1.7 million after two years. Estimated ongoing June payroll by department is shown in Table 3.

Table 3. Estimated June Payroll Obligations**				
Note the total General Fund portion of Monthly Employees is \$88,142,470, however the funding split by department was not available at the time of this writing				
State Agency	Biweekly FTE	Biweekly GF Portion	Monthly FTE	Total Payroll
Agriculture	\$105,114	\$19,582	\$1,399,147	\$1,504,261
Corrections	41,393	40,964	32,012,419	32,053,812
Education	164,223	139,250	2,884,537	3,048,760
Governor's Office	3,193	2,067	2,546,834	2,550,027
Health Care Policy and Financing	20,549	8,880	1,665,693	1,686,242
Higher Education***	8,262	0	1,312,226	1,320,488
Human Services	2,933,163	713,050	23,201,148	26,134,311
Judicial	7,552	7,032	22,123,575	22,131,127
Law	11,093	3,577	2,618,687	2,629,780
Legislature	47,410	47,142	1,687,831	1,735,241
Local Affairs	13,254	430	1,047,930	1,061,184
Military and Veterans Affairs	127,291	42,441	546,903	674,194
Natural Resources	1,760,039	356,002	8,790,567	10,550,606
Personnel and Administration	4,792	0	2,007,496	2,012,288
Public Health and Environment	71,724	3,918	7,724,418	7,796,142
Public Safety	527,265	50,663	8,139,704	8,666,969
Regulatory Agencies	17,333	0	3,312,889	3,330,222
Revenue	114,119	45,891	7,137,125	7,251,244
Treasury	0	0	159,436	159,436
TOTAL	\$5,977,769	\$1,480,889	\$130,318,564	\$136,296,333

** Note that the Departments of Labor and Employment, State, and Transportation receive no General Fund and are therefore exempt from this bill.

*** This includes the Department of Higher Education only, institutions are not included.

Technical Issues. The bill states that if a state department, office, or agency pays a portion of its payroll with funds other than the General Fund, these obligations are to be paid at the same time that General Fund obligations are satisfied. However, if the payroll is fully funded by a source that is not General Fund, the bill's payroll provisions do not apply. The fiscal note assumes that agencies that do not receive General Fund will not be prohibited from shifting June payroll, currently paid on July 1, to the month of June. It should also be noted that the majority of state entities that receive General Fund also receive other funding sources. To the extent that these agencies are able to shift some General Fund biweekly employees to a June payday, this analysis assumes they will have the discretion to shift all non-General Fund payroll to June, or continue to pay these employees on July 1 with any remaining General Fund payroll until such time as the entire payroll is shifted.

The fiscal note also assumes that due to the difference in the timing between each year's Long Bill and the end of the fiscal year, supplemental budget actions will be required annually to make the appropriations adjustments needed to shift payroll.

Departments Contacted

All departments