

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0407
Prime Sponsor(s): Rep. Kerr A.; Conti
 Sen. Steadman

Date: February 7, 2011
Bill Status: House Finance
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 SPECIFIED FUNDS 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 2010-11	FY 2011-12	FY 2012-13
State Revenue			
State Transfers or Diversions	<u>(\$7,710,288)</u>	<u>(\$7,710,288)</u>	<u>(\$7,710,288)</u>
Transfer from the General Fund to the State Employee Payday Shift Fund	(5,946,288)	(5,946,288)	(5,946,288)
Transfer from the General Fund to the Legislative Department Cash Fund	(1,764,000)	(1,764,000)	(1,764,000)
State Expenditures			
Cash Funds		<u>\$7,710,288</u>	<u>\$7,710,288</u>
State Employee Payday Shift Fund		5,946,288	5,946,288
Legislative Department Cash Fund		1,764,000	1,764,000
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2011-2012: See State Appropriations section.			
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

This bill establishes a process to undo the payday shift enacted in 2003 for budget balancing purposes. Under current law, the General Fund portion of June payroll is shifted to the next fiscal year and paid with July moneys, while payroll funded with cash and federal funds is paid with June moneys in the current fiscal year. Regardless of their funding source, most employees receive their June paycheck on July 1. Under HB11-1056, the June payday reverses over time, as described below:

Funding sources - beginning in FY 2010-11

- For the executive and judicial branches, moneys that would otherwise revert to the General Fund are instead transferred into the new Employee Payday Shift Fund;
- in the legislative branch, moneys that would otherwise revert to the General Fund are transferred to the Legislative Department Cash Fund;
- transferred moneys remain in their respective cash funds and are used to shift payroll, although the General Assembly may appropriate moneys in the Employee Payday Shift Fund for other purposes; and
- once payroll is fully shifted, the legislative branch may use moneys in the Legislative Department Cash Fund for other lawful purposes, while the Employee Payday Shift Fund is abolished.

Payday shift - beginning in FY 2011-12, subject to available appropriations

- The Office of State Planning and Budgeting (OSPB) is to submit an annual budget request requesting appropriations for the executive and judicial branches, while the legislative branch may shift payroll directly from its cash fund;
- available moneys are used first to satisfy the General Fund payroll of employees paid on a bi-weekly basis, and then the payroll of employees paid on a monthly basis;
- payroll will continue to shift each year, until all General Fund payroll is satisfied in the current fiscal year with June moneys; and
- 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.

State Transfers

The bill requires all moneys 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 five fiscal years, an average of \$7,710,288 million will be transferred annually under the bill. However, it should be noted that reversions vary greatly from year to year, as shown in Table 1.

Table 1. Net General Fund Reversions				
FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
\$4,042,000	\$13,998,546	(\$13,934,308)	\$16,652,668	\$17,792,535

Under the bill, the first transfer would occur on June 30, 2011. Based on previous reversions, beginning in FY 2010-11, \$5,946,288 will be transferred to the State Employee Payday Shift Fund and \$1,764,000 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.

Use of General Fund transfers for payroll - \$7.7 million. Assuming the full amount of reversions is available for payroll, this bill shifts the timing of an estimated \$7.7 million in General Fund payroll from one fiscal year to another. 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 moneys by state agencies. 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	\$3,331,937	\$86,714,153	\$90,046,090
Non-General Fund	4,251,494	58,354,536	62,606,030
Legislative Branch			
General Fund	0	1,845,402	1,845,402
TOTAL	\$7,583,431	\$146,914,091	\$154,497,522

* Note that the Departments of Labor and Employment, State, and Transportation receive no General Fund and are therefore exempt from the bill. Their total payroll is estimated to be \$25,135,912.

The fiscal note assumes that there will be enough General Fund reversions in the current fiscal year to fund the \$7.6 million needed to fully shift all employees paid on a biweekly basis to a June payroll date in FY 2011-12. Employees in the executive and judicial branches that are paid on a monthly basis will shift over time, based on recommendations by the OSPB and subject to available appropriations. The fiscal note assumes that the legislative branch will have sufficient funding to shift its entire payroll of \$1.8 million within two years.

Reduction of moneys available for other purposes. This bill will also reduce the amount of General Fund moneys available for appropriation or to be held in reserve by an estimated \$7.7 million per year, although the actual amount will likely vary from this estimate.

Estimated ongoing June payroll by department is shown in Table 3, below.

Table 3. Estimated June Payroll Obligations**					
Department	Total	GF	CF	RF	FF
Agriculture	\$1,676,096	\$365,634	\$1,184,334	\$0	\$126,128
Corrections	35,727,343	34,725,333	1,002,010	-	-
Education***	1,330,665	1,330,665	-	-	-
Governor's Office & OIT	19,941,837	5,323,783	5,033,876	6,813,994	2,770,184
Health Care Policy & Financing	1,993,000	787,500	150,000	46,000	1,009,500
Higher Education (Dept only)	276,963	-	46,236	165,329	65,398
Human Services	26,628,771	17,143,761	3,608,995	-	5,876,015
Judicial	17,464,556	17,464,556	-	-	-
Law	3,670,901	3,664,498	6,403	-	-
Legislative Branch	1,845,402	1,845,402	-	-	-
Local Affairs	802,039	-	160,194	360,972	280,873
Military & Veterans Affairs	674,194	600,033	-	-	74,161
Natural Resources	10,600,485	1,687,446	7,569,957	275,369	1,067,713
Personnel	2,188,402	236,288	311,983	1,640,131	2,770,184
Public Health & Environment	7,255,211	700,621	2,508,177	591,899	-
Public Safety	10,023,540	1,608,459	6,958,735	829,404	3,454,514
Regulatory Agencies	2,802,406	80,192	2,418,555	287,690	626,942
Revenue	7,109,952	2,558,484	4,446,318	105,150	15,969
Treasury	159,436	159,436	-	-	-
TOTAL	\$154,497,522	\$90,046,090	\$35,403,772	\$13,680,263	\$15,367,397

** Note the Departments of Labor and Employment, State, and Transportation are exempt from this bill.

*** Total payroll was not available at this writing, the amount shown is General Fund payroll.

State Appropriations

Beginning in FY 2011-12, the Office of State Planning and Budgeting is required to submit a budget request to the General Assembly to request adjustments in appropriations. The fiscal note assumes that the legislative branch will also address its payroll needs through the annual budget process.

Departments Contacted

All departments