

MEMORANDUM



JOINT BUDGET COMMITTEE

TO JBC Members
FROM JBC Staff
DATE March 15, 2018
SUBJECT Comeback Packet 3

Included in this packet are staff comeback memos for the following items, scheduled to be considered on March 15, 2018:

Compensation (Alfredo Kemm): Payday Loan Program

Education (Craig Harper): Computer Science Education Grants for Teachers Line Item (*Technical Change*)

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
 FROM Alfredo Kemm, JBC Staff (303.866.4549)
 DATE March 15, 2018
 SUBJECT Statewide Compensation figure setting comeback – Payday Loan Program

House Bill 15-1392 authorized the creation and transition to a twice-monthly, lag-pay payroll system for all state employees from the current monthly, current-pay payroll system. On March 5th, staff began reviewing the bill draft requested by the Department of Personnel regarding technical changes to the future, twice-monthly, lag-pay payroll system. Staff has, as a result, become aware that the Department has announced in broadcast emails to executive branch employees its intended transition to a biweekly, lag-pay payroll system beginning in July 2018. These emails include the announcement of the availability of the loan program created in H.B. 15-1392.

Staff is addressing the requested bill draft as potential Committee legislation separately. However, the fiscal note for H.B. 15-1392 identified a fiscal impact related to the payday loan program and stated that the funding and spending authority would be addressed through the budget process. The Legislative Council Staff fiscal note for H.B. 15-1392 includes the following passage in the State Expenditures section.

***Employee loan program.** Approximately \$65 million in state employee wages across state agencies could potentially be loaned out to state employees to mitigate the impact of the transition to a twice-monthly pay system. It is assumed that this loan program will be centrally managed by the Department of Personnel and Administration. Assuming about 40 to 50 percent of employees choose to take a loan, the Department of Personnel and Administration would have a one-time cost of approximately \$30.0 million General Fund to fund employee loans in FY 2017-18. Employee loans will be repaid with interest over a period of up to three years. While employee wages are funded from a variety of sources, including General Fund, cash funds, and federal funds, it is assumed that General Fund is required to set aside funding for the loan program. Actual costs of the loan program will vary depending on employee participation. It is assumed that the Department of Personnel and Administration will conduct research to identify the likely number of participants in the loan program and request funding through the annual budget process.*

Staff is aware that the Department has not requested an appropriation for the payday loan program related to the implementation of the twice-monthly, lag-pay payroll system for FY 2018-19. **Staff recommends that the Committee include a line item in the Department of Personnel, Division of Accounts and Control, Financial Operations and Reporting (Office of the State Controller) to provide spending authority for the payday loan program.**

The following table outlines the estimated salary base for regular gross pay; this excludes amounts included in the larger base salary estimate for employer contributions for PERA and Medicare.

FY 2018-19 Estimated Salary Base (excluding employer contributions for PERA and Medicare)					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Estimated Salary Base	\$1,754,667,548	\$962,225,256	\$425,461,473	\$193,384,011	173,596,808

Staff has estimated the appropriation necessary based on the assumption included in the LCS fiscal note that 50 percent of employees may take the loan. Current law specifies: "The amount of the loan shall not be more than an amount equal to the employee's net pay for a one-half month pay period." Staff's analysis includes the assumption that employee net pay is equal to 75 percent of gross pay. The following table outlines the amount of General Fund estimated to be necessary to fund the payday loan program pursuant to current law, which specifies a twice-monthly payroll system.

Payday Loan Program - Current Law	
	TOTAL FUNDS
FY 18-19 Estimated Salary Base - all fund sources	\$1,754,667,548
Monthly Salary	146,222,296
Twice-monthly Salary	73,111,148
Employees taking loans - 50%	36,555,574
Net Pay at 75%	\$27,416,680

The Department's proposed biweekly pay system, as emailed to executive branch employees, specifies that the first payroll period would include July 1st through July 6th, paid on July 20th. The payday on July 20th would function as the only biweekly payday for state employees in the month of July. The following table outlines the amount of General Fund estimated to be necessary to fund the payday loan program under the Department's proposed biweekly pay system.

Payday Loan Program - Department Proposed Biweekly	
Days Paid in July 2018	6
Percentage of Pay in July	19.4%
Percentage of July 2018 pay required for loan	80.6%
Monthly Salary	\$146,222,296
Monthly Salary to be replaced	117,921,206
Employees taking loans - 50%	58,960,603
Net Pay at 75%	\$44,220,452
Difference from current law	\$16,803,772
Percentage difference	61.3%

Regardless of the percentage of state employees who take loans, it appears that the Department's proposed biweekly pay system will increase the cost of the payday loan program by 61.3 percent. Additionally, the proposed biweekly pay system will equivalently increase the interest cost and principal amount included in monthly deductions from state employees' paychecks for three years for those employees who require the loan.

Staff recommends that the Committee appropriate a minimum of \$27.4 million General Fund for the payday loan program for FY 2018-19, based on staff's current estimate. Alternatively, based on the impact identified in the LCS fiscal note for H.B. 15-1392, the Committee may wish to appropriate \$30.0 million General Fund for that purpose for FY 2018-19.

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Craig Harper, JBC Staff (303-866-3481)
DATE March 14, 2018
SUBJECT Education Line Item Creation: Computer Science Education Grants for Teachers

During figure setting for the Department of Education, staff inadvertently omitted a new line item requested by the Department from the narrative portion of the figure setting document.

Department Request: The Department is requesting a line item called “Computer Science Education Grants for Teachers” to support appropriations for a grant program created in S.B. 17-296 (School Finance). The request proposes an appropriation of \$548,375 cash funds from the State Education Fund and 0.4 FTE to support the program, which aligns with the appropriations anticipated in the Final Legislative Council Staff Fiscal Note for S.B. 17-296.

Staff Recommendation: Staff recommends approving the creation of the line item and the requested appropriation of \$548,375 cash funds from the State Education Fund and 0.4 FTE. The request aligns with the appropriations anticipated in the Fiscal Note.