JOINT BUDGET COMMITTEE

STAFF BUDGET BALANCING FY 2020-21

DEPARTMENT OF PERSONNEL

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **third section** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

DEPARTMENT OF PERSONNEL						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
SB 19-207 (Long Bill)	$210,322,472	$14,980,606	$16,939,500	$178,402,366	$0	426.7
HB 20-1254 (Supplemental Bill)	(79,563)	1,499,330	(2,453,517)	874,624	0	(21.8)
Other legislation	727,130	652,790	0	74,340	0	0.0
TOTAL	**$210,970,039**	**$17,132,726**	**$14,485,983**	**$179,351,330**	**$0**	**404.9**
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	$210,970,039	$17,132,726	$14,485,983	$179,351,330	$0	404.9
R1 Paid family leave	0	0	0	0	0	0.0
R2 Telematics for state fleet vehicles	389,374	0	0	389,374	0	1.0
R3 Core information security audit finding	79,376	0	0	79,376	0	0.0
R4 Streamlining electronic document processing	15,910	3,605	0	12,305	0	0.0
R6 Technical correction SB 19-135 appropriation	0	0	0	0	0	0.0
R7 Unused authority for license plate registrations	(1,000,000)	0	(1,000,000)	0	0	0.0
R8 Collections services refinance and restructure	(1,284,435)	166,394	(1,763,923)	313,094	0	(23.4)
R9 Postage spending authority reduction	(3,000,000)	0	0	(3,000,000)	0	0.0
R10 Statewide planning services unused spending authority	(980,000)	(980,000)	0	0	0	0.0
Centrally appropriated line items	1,859,184	691,998	(403,949)	1,571,135	0	0.0
Annualize prior year budget action	1,478,645	(1,161,227)	2,482,336	157,536	0	21.8
Annualize prior year legislation	297,091	56,057	139,254	101,780	0	0.0
Nonprioritized request items	(138,867)	(11,524)	(242,840)	115,497	0	0.0
R5 Annual fleet vehicle request	1,163,580	0	0	1,163,580	0	0.0
Capitol complex program adjustment	377,785	0	32,188	345,597	0	0.0
Property program adjustment	2,478,647	0	0	2,478,647	0	0.0
Liability program adjustment	(346,570)	0	0	(346,570)	0	0.0
Workers Compensation program adjustment	(1,345,961)	0	0	(1,345,961)	0	0.0
CORE program adjustment	0	0	(763,776)	763,776	0	0.0
Administrative Courts adjustment	0	0	0	0	0	0.0
TOTAL AND SUBTOTAL AS OF 3/16/20 AND	**$211,013,798**	**$15,898,029**	**$12,965,273**	**$182,150,496**	**$0**	**404.3**
INCREASE/(DECREASE)	**$43,759**	**($1,234,697)**	**($1,520,710)**	**$2,799,166**	**$0**	**(0.6)**
Percentage Change	0.0%	(7.2%)	(10.5%)	1.6%	n/a	(0.1%)

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in statewide policy packets.

The Department of Personnel's recommended General Fund appropriation as of March 16, 2020 is $15.9 million, which represents about 7.5 percent of the Department's total appropriation of $11,013,798. Staff was unable to identify any recent program creations or additions funded with General Fund to recommend for the Committee to reconsider.

Staff notes that there is an addition of 21.8 FTE included in the table above included as part of the annualization of prior year budget actions. These FTE are related to the reorganization of the collections program. For FY 2020-21, the current recommendation includes a reduction of 23.4 FTE related to R8 collections services refinance and restructure.

ⓘ FLEET VEHICLE REPLACEMENTS

While much of the Department of Personnel is funded with reappropriated funds, a portion of those payments throughout the state include appropriations from the General Fund. Staff reviewed potential savings to total appropriations if the state fleet program were to forgo replacement vehicles for one year. JBC staff is not recommending any changes to the Department's fleet vehicle appropriation because based on the most recent estimated maintenance cost savings, postponing the replacement the vehicles already approved to be replaced will result in higher maintenance costs being paid from program operating costs line items.

The following tables summarizes the estimated savings to the state based on the FY 2019-20 decision to replace 493 vehicles and compares it to maintenance costs if none were replaced.

IMPACT OF PROPOSED VEHICLE REPLACEMENTS ON MAINTENANCE COSTS IN THE YEAR FOLLOWING THE REPLACEMENTS

	CSP VEHICLES ONLY	NON-CSP VEHICLES	TOTAL VEHICLES	ANNUAL CHANGE IN MAINTENANCE EXPENSE	PERCENT CHANGE	CUMULATIVE CHANGE IN MAINTENANCE	PERCENT CHANGE
FY 19 Baseline	$1,625,596	$5,819,382	$7,444,978				
FY 20 Projected based on replacements in FY 19	1,676,769	5,107,450	6,784,219	(660,78)	(8.9%)	(660,758)	(8.9%)
FY 21 Projected based on FY 22replacements in FY 20	1,469,309	5,585,063	7,054,372	270,152	4.0%	(390,606)	(5.2%)
FY 22 Estimated with 0 replacements in FY 21	2,196,649	7,365,861	9,562,509	2,508,138	35.6%	2,117,532	28.4%
FY 22 Estimated with 493 replacements in FY 21	1,507,529	5,747,521	7,255,050	200,678	2.8%	(189,927)	(2.6%)
Total savings with proposed replacements compared to 0 replacements=				(2,307,459)			
Annual Maintenance Avoided with Proposed Replacements=				(2,307,459)			
Additional Fuel Savings with Proposed Hybrid Replacements=				62,789			
Total Maintenance & Fuel Savings with Approved Replacements=				(2,244,670)			

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED

FY 2019-20 EXPENSE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Statewide Procurement Disparity Study	($650,000)	$0	($650,000)	0.0

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED

FY 2020-21 REVENUE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
Statewide Procurement Disparity Study	($650,000)	$0	($650,000)

➔ POSTPONE STATEWIDE DISPARITY STUDY REQUIRED BY S.B. 19-135

JBC ACTION AS OF 3/16/20: For FY 2019-20, the Committee approved a technical change to the appropriation of $650,000 General Fund to the Department of Personnel to contract for a study of statewide procurement activities and its impact on historical underutilized businesses, which was included in the Department's supplemental bill. The change moved the appropriation from an operating expenses line item to the correct personal services one. For FY 2020-21, the Committee approved the same technical change to be made in the Long Bill. The second $650,000 General Fund appropriation represents the second and final payment.

RECOMMENDATION: Staff recommends the Committee run legislation to postpone conducting the statewide disparity study required by S.B. 19-135.

Key Considerations: Not yet fully implemented for FY 2020-21 and no immediate health, life, or safety impact.

Additional Background: During the FY 2018-19 legislative session, the General Assembly passed SB 19-135 which requires the Department of Personnel to commission an independent study of the state procurement process to determine whether disparities exist between the participation of historically underutilized businesses and other businesses. The study must be completed by December 1, 2020, and the Department must include the findings of the study and any additional recommendations in the Department's State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act hearing.

The Department's original cost estimates for the disparity study ranged from $1.3 million to $5.5 million due to the broad scope of the study. The Department has expressed some concern over whether the resources reserved to implement the study are sufficient.

The appropriation error caused the Department to delay contracting for the study until the supplemental bill had become law. Between the delay the error cause and the Departments reservation about $1.3 million be enough to complete a study of such scope, **JBC staff recommends the Committee run legislation to delay conducting the study required by S.B. 19-135 until at least FY 2021-22 to increase available General Fund for FY 2019-20 and FY 2020-21 by $650,000 each year.**