

LEGISLATIVE FISCAL OFFICE
Streamlining Commission Analysis



Recommendation No. **RECOMMENDATION 174**

Streamlining Draft **AGCSEB 47**

Date: February 22, 2010 10:37 AM	Author:
Dept./Agy.: Statewide	Analyst: Evelyn McWilliams
Subject: Furloughs	

Each agency head should consider furloughs for employees as a cost-saving measure to help delay or eliminate the possibility of layoffs. Agency heads should give due consideration to the timing of such furloughs, seeking opportunities to maximize the savings while avoiding significant adverse effects on the delivery of services. For example, a regular work day immediately following or preceding a holiday seems a promising choice as many state employees take leave on those days, and many agencies experience reduced demand for services.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

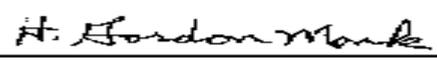
The savings resulting from a 1 day furlough for all nonexempt state employees whose salary is funded in the general appropriation bill is estimated to be at least \$7 million a day (see calculation on page 2). The estimated savings does not include estimated savings from the Department of Health and Hospitals (DHH). Certain personnel in agencies that are required to operate 24-hours a day (i.e. hospitals, prisons, state police) would have to be exempt from any furloughs or reduction in work hours. Since the Department of Health and Hospital did not provide salary information regarding its exempt employees, salary data regarding DHH was not included in the analysis to arrive at the savings reflected above. Assuming not all DHH 's employees would be exempt from a furlough, the savings would exceed the \$7 million a day estimate.

There are three type of holidays for state employees outlined in the revised statues. The three types of holidays are: (1) statutory or legal holidays, (2) proclaimed holidays, and (3) designated holidays. Legal holidays observed each year in state government do not require action on the part of the governor. Legal holidays include: New Year Day, Dr. Martin Luther King's birthday observance, Mardi Gras Day, Good Friday, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day, Christmas Day, and inauguration day once every four years in Baton Rouge, or general election day every two years. Proclaimed holidays are holidays which may be proclaimed by Executive Order of the Governor. The statue contains a list of days to be considered for a proclaimed holiday (i.e. the day after Thanksgiving, Christmas and New Years, Memorial Day, etc.). A designated holiday occurs only when an actual holiday falls on the employee's regular day off. Excluding the holiday for the gubernatorial inauguration and the holiday for the general election, there are 9 legal holidays annually that are mandated by statute for state employees. By Executive Order the governor has traditionally declared 4 proclaimed holidays annually. Therefore a furlough of nonexempt employees on one day either before or following each holiday traditionally recognized in Louisiana would save approximately \$91 million (\$7 million x 13 holidays) in FY11.

CONTINUED ON PAGE TWO

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	H. Gordon Monk Legislative Fiscal Officer
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	

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CONTINUED EXPLANATION from page one:

Civil Service has two specific rules which provide for reducing employees' work hours in order to avoid or reduce layoffs: Rule 17.7 entitled Reduction in Work Hours; and Rule 17.8 entitled Furlough Without Pay. Agencies usually utilize the reduction in work hours rule when the reduction in employees' work hours is temporary or short term in nature. The savings from this rule typically includes only salaries and related benefits. Agencies usually utilize the furlough without pay rule when the reduction in employees work hours is for an extended period of time. The savings resulting from a furlough tend to be greater than the savings realized from a temporary reduction in work hours. In addition to savings from reduced salaries and related benefits, the savings resulting from a furlough also include reductions in operating expenses (i.e. utilities, telephone services, etc.).

The FY10 general and ancillary appropriation bills include approximately \$4.2 billion for salaries. Retirement payments are estimated to be another \$740 million.

Calculation:

\$4,000,000,000	Budgeted Statewide Salaries
<u>\$(544,420,318)</u>	DHH Salaries
\$3,455,579,682	
\$(62,712,889)	Public Safety Essential Personnel
\$(266,338,599)	Corrections Essential Personnel
<u>\$(588,221,187)</u>	Health Care Services Essential Personnel
\$2,538,307,007	
X 1.1%	Percentage of year furloughed (4/365)
<u>\$27,817,063</u>	Annual Savings for a 4 day Furlough

\$27,817,063/4 = \$6,954,266 Savings Per Day

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer