

SF9105 - 0 - FTE Freeze and Unfilled Position Reduction

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 Committee: **State Government Finance and Policy and Elections**
 Date Completed: **6/19/2020 2:49:20 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

Dollars in Thousands	Biennium		Biennium		
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	(809)	(809)	(809)
Parks And Trails Fund	-	-	(54)	-	-
Health Care Access	-	-	(39)	(39)	(39)
Total	-	-	(902)	(848)	(848)
Biennial Total			(902)		(1,696)

Full Time Equivalent Positions (FTE)	Biennium		Biennium		
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
Parks And Trails Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2			Biennium	Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	(809)	(809)	(809)
Parks And Trails Fund	-	-	(54)	-	-
Health Care Access	-	-	(39)	(39)	(39)
Total	-	-	(902)	(848)	(848)
			Biennial Total	(902)	(1,696)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	(809)	(809)	(809)
Parks And Trails Fund	-	-	(54)	-	-
Health Care Access	-	-	(39)	(39)	(39)
Total	-	-	(902)	(848)	(848)
			Biennial Total	(902)	(1,696)
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Parks And Trails Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-
			Biennial Total	-	-

Bill Description

The bill requires:

-The commissioner of Minnesota Management and Budget (MMB) to determine the number of full-time equivalent (FTE) positions employed by each executive branch state agency, as defined in the bill, by June 30, 2020, and agencies must not use appropriations from FY 2021 to pay salaries and benefits to employ more than this determined number of FTEs.

-Reductions to executive branch state agencies general fund and nongeneral fund appropriations in the FY20-21 biennium due to savings that result from any positions that have not been filled within 180 days of the posting of the position, starting in FY 2020. Appropriation reductions made in FY20-21 must be reflected as base reductions in FY 2022-23. This section does not apply to positions requiring law enforcement training.

-The commissioner of MMB to report by September 1 of each year on the amount of reductions in spending by each agency.

Assumptions

Section 1. Full Time Equivalent Freeze

- MMB will determine the number of FTEs employed by each executive branch state agency on June 30, 2020. This number will serve as the FTE cap for each agency in FY 2021. Agencies must not use appropriations in FY2021 to pay salaries or benefits for FTEs beyond this cap.
- MMB will send quarterly reports, which are already published on MMB's website, out to each agency to notify them on the trend in compensated hours for each quarter. The report will project, based on that quarter's results, the FTE count for the remainder of the fiscal year.
- MMB will ask agencies for a furlough plan, if the above-mentioned report shows an agency is projecting to exceed the FTE cap. MMB may need to require an agency to activate the plan as the end of the fiscal year approaches and the

agency is approaching the FTE cap.

- MMB anticipates significant time commitments of its enterprise human resources staff to guide agencies through the process of furlough and lay-off in FY 2021, if it will be necessary. Similarly, this will result in significant time commitments for the applicable state agencies, particularly their human resources, finance, and executive office units. Each collective bargaining agreement and compensation plan has detailed rules and specifications regarding layoff and bumping rights in the event of staff reductions, and agencies will require additional support to ensure these provisions are followed, in order to avoid grievances. In addition, MMB enterprise HR staff will need to devote additional time to advising agencies on how to meet their statutorily required business needs if funding cuts require a reduction in staff. This is anticipated to be particularly acute at agencies with minimum staffing requirements (e.g., the Department of Corrections and Department of Human Services). The specific amount of additional MMB enterprise HR staff time necessary to meet these needs is unknown, particularly because it is unknown which agencies may or may not need to activate their furlough plan, and what the extent of the lay-offs may be. However, MMB's enterprise human resources staff provide a wide range of HR services to state agencies currently. MMB's assistance with furlough and lay-off requirements in this bill would be prioritized over those other services.

Section 2. Reduction in Appropriation for Unfilled Positions, Subdivision 1

- The fiscal/savings impact of this bill only applies to direct appropriations, in both the general fund and nongeneral funds, because dedicated appropriations do not have appropriation amounts to be reduced (e.g., federal funds).
- "Posting" is assumed to mean the public notice of a vacancy.
- A "filled position" is assumed to mean when an offer is accepted.
- Positions that require law enforcement training are not subject to the requirements in section 2. It is assumed that law enforcement training means peace officer certification.
- Effective date is July 1, 2020
- It is assumed that an agency may not have salary and benefit savings that result from any positions that have not been filled within 180 days of the posting if the agency had to hire contractors, use overtime, or had another employee work out of class (WOOC) to fulfill the job responsibilities of the vacant position.
- If a position has not been filled within 180 days of posting in FY 2020, and the agency has not used overtime, hired a contractor or WOOC to fulfill job responsibilities of the vacant position, savings could result if the position is funded from direct appropriations. The savings would be reflected as an appropriation reduction in FY 2021, and ongoing base reduction in FY 2022-23.
 - To complete this fiscal note, MMB worked with executive branch state agency (as defined in the bill) staff to identify vacancies of 180 days or more between July 1, 2019 and February 27, 2020. We assume that agencies will not have vacant positions of 180 or more after February 27 as result of agency knowledge of this bill and the subsequent change in hiring and posting practices.
- Savings are calculated by salary and benefits between date of position posting and date vacancy is filled.
- If a position that fulfills the aforementioned assumptions is funded by a combination of direct appropriation and dedicated appropriation sources, the fiscal note shows the savings for the portion of the position funded by the direct appropriation.
- The Parks & Trails Fund appropriations are onetime; therefore, there is no base appropriation to be reduced in FY 2022-23.
- Beyond what is shown in the table for applicable vacancies through February 27, 2020, it is assumed that there would be no additional savings in the biennium ending June 30, 2021, due to agencies using 180 days as a time limit for open positions; in other words, agencies will not have positions vacant for 180 days or more. Below are some strategies agencies could use to fill postings within 180 days:
 - Active recruitment and informal review of candidates and qualifications prior to posting a position.
 - Shortened posting times to fill positions more quickly.
 - Increased likelihood of hiring candidates when hiring managers would have otherwise not under current conditions (for example, due to qualifications or salary requirements).
 - Use of interagency agreements to request staff from other agencies to fill vacancies.
 - Not post positions known to be hard to fill.

Section 2. Reduction in Appropriation for Unfilled Positions, Subdivision 2

- MMB will report on spending reductions made under this section. This will result in minimal administrative effort. MMB

produces reports similar to the one required in this bill during its ordinary course of business.

Expenditure and/or Revenue Formula

Open positions X (Days Open X 8 Hours) X Avg. Hourly Wage, 30% added for benefits

Post Date	Agency Name	Filled/Closed or Cancelled Date	Jobcode Desc	Target Openings	Available Openings	Days Open	Avg. Hourly Wage	Hours per Day	Revised Wage + Benefit Savings	Notes
8/15/2019	Administration Dept		Agency Chief Financial Officer	1	1	196	49.23	8	88,408.73	88.1% of this position is charged to a general fund direct appropriation. Changed hourly rate to mid-range for classification.
8/12/2019	Arts Board		State Prog Admin Sr	1	1	199	31.01	8	64,178.37	Savings in general fund
7/9/2019	Corrections Dept		Clinical Program Therapist 2	3	2	233	28.74	8	208,939.40	General fund
8/24/2019	Corrections Dept		State Prog Admin	1	1	187	25.41	8	49,412.66	General fund
7/3/2019	Human Services Dept		Research Analysis Spec	1	1	239	29.46	8	73,235.14	General fund
7/20/2019	Human Services Dept	2/26/2020	Clinical Program Therapist 2	3	1	221	28.74	8	66,059.53	Only one position exceeded duration; general fund
8/21/2019	Human Services Dept	2/19/2020	Human Svcs Prog Consultant	1	1	182	41.59	8	78,730.84	50% general fund; 50% HCAF fund
8/28/2019	Mn Management & Budget		Training & Development Spec 3	1	1	183	31.59	8	60,117.91	General fund
7/9/2019	Natural Resources Dept		NR Spec Sr Eco Svcs	1	1	233	32.16	8	77,928.69	General fund
7/19/2019	Natural Resources Dept	1/23/2020	Information Officer 2	1	0	188	27.85	8	54,461.06	Parks & Trails Fund
8/6/2019	Public Safety Dept		State Prog Admin Prin	1	1	205	36.59	8	35,108.87	45% funded by general fund, 45% federal, 10% spec. rev. fund
7/23/2019	Revenue Dept	1/29/2020	Human Resources Specialist 1	1	0	190	26.82	8	46,656.41	HR has expended \$6,336.42 in overtime costs due to staffing shortages, including multiple at the HR spec 1 class. General fund

Agency	Wage + Benefit	General	Other Funds
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	Savings		
Administration Dept	\$88,408.73	\$88,408.73	
Arts Board	\$64,178.37	\$ 64,178.37	
Corrections Dept	\$258,352.06	\$258,352.06	
Human Services Dept	\$218,025.51	\$178,660.09	\$39,365.42
Mn Management & Budget	\$60,117.91	\$ 60,117.91	
Natural Resources Dept	\$132,389.74	\$77,928.69	\$54,461.06
Public Safety Dept	\$35,108.87	\$35,108.87	
Revenue Dept	\$46,656.41	\$46,656.41	
Total All Agencies	\$903,237.61	\$809,411.13	\$93,826.48

The assumed reductions for FY2021-23 is \$903,238. The fiscal note assumes that agencies will not have additional vacancies of 180 days or more from the day of posting that would result in additional appropriation reductions in FY2021-23 due to changes in hiring practices to avoid having vacancies for this length of time. If hiring practices were not to change, we would estimate the additional appropriation reductions to be at least \$903,238 in each year.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

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