

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on March 25, 2005 in Room 514-S of the Capitol.

All members were present except:

- Representative Schwartz - excused
- Representative Sawyer - excused

Committee staff present:

- Alan Conroy, Legislative Research Department
- J. G. Scott, Legislative Research Department
- Amy VanHouse, Legislative Research Department
- Reagan Cussimano, Legislative Research Department
- Jim Wilson, Revisor of Statutes
- Mike Corrigan, Revisor of Statutes
- Nikki Feuerborn, Administrative Analyst
- Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

- Duane Goossen, Director of the Budget and Secretary of the Department of Administration

Others attending:

See attached list.

- Attachment 1 Proposed Alternative Plan for **HB 2523** by Duane Goossen

Hearing on HB 2523 - State payroll accounting system, 26 biweekly pay periods, authorizing periodic adjustments.

J. G. Scott, Legislative Research Department, explained that **HB 2523** pertains to the state's payroll accounting system giving the Secretary of the Department of Administration the flexibility to determine the pay dates for the fiscal year in which a 27th payroll period occurs. The legislation has four requirements:

- In FY 2006 and for every year thereafter, the proposal would limit the number of pay periods to 26 pay periods during the year.
- Requires the first pay date to be on the first day of the fiscal year except when that date is on a Saturday, Sunday or holiday.
- Requires 25 biweekly payroll periods chargeable to the fiscal year.
- Secretary of the Department of Administration has the flexibility to length or shorten the ending date for the 26th pay period as necessary.

Duane Goossen, Secretary of the Department of Administration and Director of the Budget, addressed the Committee and presented an alternative possibility for covering the 27th paycheck (Attachment 1). Mr. Goossen stated that the proposed legislation is an attempt by the state to reduce the impact of the 27th paycheck in FY 2006 and any future fiscal year which contains 27 pay periods. Mr. Goossen indicated that one advantage to the proposed alternate to **HB 2523** would leave pay periods in the current format. Mr. Goossen also stated that there are four proposed ways for funds to flow into the payroll adjustment account: (1) released encumbrances; (2) unspent money; (3) excess KSIP balances; and (4) unneeded reappropriations.

Responding to questions from the Committee, Mr. Goossen noted:

- Approximately 70 percent of state employees are hourly and 30 percent are salaried. The 27th payroll period would affect all of these employees.
- Additional expense would be incurred to make changes to the current payroll computer software and the staff time to accomplish those changes.
- The expenditures in the Governor's budget for FY 2006 would still be needed; however, the proposed plan would replace the Governor's recommendation to borrow money from the Pooled Money Investment Board.
- Language would need to be developed directing funds from "released encumbrances", "unspent

CONTINUATION SHEET

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money”, and excess KSIP balances” to the adjustment accounts. Language would also need to define who had the discretion to appropriate funds from “unneeded reappropriations”.

- The current payroll system was put in place in 1995. FY 2006 fiscal year will be the first time the state has been confronted with a 27th payroll period.

The Committee expressed a concern that funds appropriated to the adjustment accounts could be swept by future legislatures and used to fund other aspects of the budget.

The Chair requested a bill draft be prepared to incorporate the provisions of Mr. Goossen’s alternate plan to **HB 2523**.

The meeting was adjourned at 10:00 a.m. The next meeting of the Committee will be held at 9:00 a.m. on March 30, 2005.



Melvin Neufeld, Chair

Alternative Possibility for Covering 27th Paycheck (27th Paycheck Adjustment Plan)

- Recognize accrued State General Fund revenue of \$32.6 million in FY 2006.
- Appropriate \$19.5 million in FY 2006 in agency budgets to cover the 27th paycheck.
- Appropriate \$13.1 million to the Board of Regents to cover 27th paycheck costs at universities.
- Set up a 27th Paycheck Adjustment Account and deposit into that account any released encumbrances. Also, at the beginning of each fiscal year, deposit any unspent SGF money from the previous fiscal year that that the agency has no authority to spend in the new fiscal year, deposit any excess SGF and non-SGF KSIP balances (10 % of any amount over \$50,000), and deposit any unneeded SGF reappropriation.
- Set up a Regents 27th Paycheck Adjustment Account and have the Board of Regents deposit at least \$1.2 million into that account each year from reappropriated balances or other sources at their discretion.
- As money comes into the two accrual accounts, transfer the balances to the State General Fund and offset an equal amount of accrued revenue that was recognized in FY 2006.
- When all of the revenue that was recognized in FY 2006 has been offset, let deposits build in the two accrual accounts for use when the next 27th paycheck is due in FY 2017.

