

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2018 REGULAR SESSION**

**MEASURE**

2018 BR NUMBER **1241**

**HOUSE** BILL NUMBER **341**

RESOLUTION NUMBER \_\_\_\_

AMENDMENT NUMBER \_\_\_\_

**SUBJECT/TITLE** **AN ACT relating to unclassified state employees.**

**SPONSOR** **Representative James Kay**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: **All budget units with KRS 18A.115 (1) (d), (e), (g), (h), (i), and (k) unclassified employees.**

FUND(S) IMPACT:  GENERAL  ROAD  FEDERAL  RESTRICTED AGENCY \_\_\_\_\_  OTHER

**FISCAL SUMMARY**

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES		Indeterminable	(Indeterminable)	
NET EFFECT		(Indeterminable)	Indeterminable	

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The purpose of this measure is to limit the number of certain unclassified state employees to 500 and to restrict their salaries to no more than \$85,000 unless approved by the General Assembly.

**PROVISIONS/MECHANICS:** Section 1 amends KRS 18A.155 to restrict the number of specific unclassified state employees enumerated in KRS 18A.115 (1) (d), (e), (g), (h), (i), and (k) to 500 in total number and also to limit the salaries of the enumerated to \$85,000 unless approved by the General Assembly.

**FISCAL EXPLANATION:** HB 341 has an indeterminable, yet significant, fiscal impact. The legislation impacts the personnel costs of various state agencies, including constitutional offices, boards and commissions, that employ unclassified employees falling under the KRS 18A.115 (1) (d), (e), (g), (h), (i), and (k) exceptions to classified service, which may be funded by General Fund, Restricted Funds and Road Fund dollars. The amount of expenditures and type of fund is dependent upon and subject to implementation of the legislation.

The Personnel Cabinet (the Cabinet) reports that there are currently 876 unclassified employees that fall within the KRS 18A.115 (1) (d), (e), (g), (h), (i), and (k) exceptions to classified service. Of these 876 filled positions, 783 are unclassified executive branch employees and 93 are unclassified constitutional office employees. HB 341 caps the total number of those enumerated unclassified executive branch employees to 500, resulting in 376 of the existing 876 positions being eliminated to meet the required reduction.

The legislation provides no mechanism to direct how the eliminations would be determined, thus the various cost driving factors associated to the severance costs (e.g. unemployment benefits, compensatory and annual leave payouts, etc.) of the 376 eliminated employees are indeterminable, yet substantial.

Furthermore, the calculation of the savings, as it relates to the \$85,000 salary limit, would require definitive knowledge of the positions not being eliminated and the corresponding salary and benefit detail of those positions. For these reasons, the Cabinet states that any foreseeable savings realized by eliminating positions would be offset by the severance costs.

Other cost driving factors of the legislation include potential replacement and reorganization costs associated to the 376 eliminated positions. KRS 18A.115 (1) (d), (e), (g), (h), (i), and (k) includes unclassified employees who perform duties where a statutory obligation to perform the functions exists. Therefore, dependent on which specific positions are eliminated, replacement classified and/or unclassified positions may be required.

Additionally, using the same rationale and recognizing that some constitutional offices are primarily made up of unclassified positions included in the enumerated classified exclusions, reorganizations may be required. These possible replacement and reorganization costs, in addition to the previously described severance costs, further offset any anticipated savings in the short-term and support the conclusion that this legislation would result in expenditures. Dependent upon implementation, savings could be seen in in the long-term, although without complete information the breakeven timing is indeterminable.

**DATA SOURCE(S): Personnel Cabinet and LRC staff.**

**PREPARER: Liz Columbia NOTE NUMBER: 106 REVIEW: JAB DATE: 2/21/2018**