

MINUTES OF  
Budget and  
Control Board  
Meeting  
June 14, 1985

028715

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

JUNE 14, 1985

1 P. M.

The Budget and Control Board held an emergency meeting at 1 p.m. on Friday, June 14, 1985, in the Governor's conference room in the State House with the following members in attendance:

Governor Richard W. Riley, Chairman;  
Mr. Grady L. Patterson, Jr., State Treasurer;  
Mr. Earle E. Morris, Jr., Comptroller General;  
Representative Tom G. Mangum, Chairman, House Ways and Means Committee.

Senator Rembert C. Dennis, Chairman of the Senate Finance Committee, absent due to injuries sustained in an auto accident, was represented by Senator James M. Waddell, Vice Chairman of the Senate Finance Committee.

Also attending were Executive Director William T. Putnam; Board Secretary William A. McInnis; Governor's Executive Assistant William Prince; Budget Division Director Jesse A. Coles; and Assistant to Board Secretary Donna K. Williams.

**BUDGET DIVISION: BRIEFING ON 1985-86 APPROPRIATIONS BILL**

Governor Riley announced that the purpose of this emergency meeting of the Board is to ask staff of the Board to share with the Board where things now stand with regard to the 1985-86 appropriations bill. He called particular attention to the Board's responsibility to maintain the operation of State government and to find the means to pay for its operation.

Governor Riley expressed the view that the Board is not in position today to make any decisions on these matters and that no crisis exists today. He emphasized that the idea is to understand where we are today and where we would be next week if no budget has been approved by the General Assembly before then.

Governor Riley then called upon Budget Division Director Jesse Coles to present a review of the situation as it now exists.

Dr. Coles distributed a two-page document which presented the impacts if no appropriations bill and no continuing resolution were to be passed and the impacts if only a continuing resolution were to be adopted by the General Assembly.

Dr. Coles indicated that the State has not yet faced this exact situation. He noted that the Board in three of the last fiscal years did have to make mid-year budget reductions.

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Dr. Coles focused initially on the payroll situation and noted that State employees who came to work on June 2 were earning pay which would be paid on July 1 out of 1985-86 funds. He recounted how the State had gotten to the situation where a one-month lag exists by reminding the Board that half of the full month of unfunded personal service liability came about as a result of the shift from twenty-six pay periods to twenty-four pay periods several years ago and that the other half resulted from the introduction of the lag-time payroll last year. He noted that the pay rate from the General Fund for the State government is about \$3.1 million per day.

Dr. Coles pointed out that the law also provides that funds other than General Funds used for salaries and related items are subject to the same regulations as General Funds. He noted that the pay rate would go to about \$5 million per day if the same problem exists with regard to federal and other funds.

Governor Riley urged that staff secure an opinion from the Attorney General's Office on the question of federal and other funds by Monday.

Dr. Coles then noted that about \$21 million in lapsed funds have been identified to date and he expressed the view that the Board has control over the use of those funds. He also noted that the Board of Economic Advisors had earlier in the year identified a \$30 million surplus which, adjusted downward by the \$11 million the Board of Economic Advisors most recent statement indicates would not materialize, would result in a \$19 million surplus. That figure added to the \$21 million of potential lapse funds would provide the Board with about \$40 million. Dr. Coles then noted that some ten working days have elapsed in June which would use about \$31 million of the \$40 million identified.

Dr. Coles then pointed out that there is considerable uncertainty about the Board's authority to use surplus funds which have not yet been appropriated for any purpose by the General Assembly.

Dr. Coles then called the Board's attention to the brief analysis of essential services of the State government and their cost included in the materials distributed. This listing reflected a daily payroll cost of about \$503,000 for operation of prisons, hospitals, youth services institutions, the State Law Enforcement Division, the judicial system and the John de la Howe

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School. Dr. Coles noted that this list could be greater or lesser once further detail has been developed on this subject.

Mr. Morris emphasized that today's meeting is not a decision-making meeting. He recalled that the Board looked ridiculous previously when it was ordering layoffs and the General Assembly shortly after advanced tax payments which made layoffs unnecessary. Governor Riley agreed that no serious consequences are presented if a budget bill is adopted today or tomorrow.

Mr. Patterson urged that the Board's staff develop over the weekend a contingency plan to cover the situation if a bill is not passed before then. Governor Riley agreed that staff should go ahead so that the Board could be in position to adopt such a plan if it is necessary.

A discussion of the joint resolution now under consideration by the General Assembly ensued. Dr. Coles expressed the view that the existing resolution under consideration severely restricts what can be done. He did indicate that salaries would not be a problem if that resolution were to pass, but he noted that adoption of a continuing resolution which would maintain spending at the 1984-85 level would mean that about \$65 million of obligated items for 1985-86 would have to be authorized for expenditure. He indicated that, if that situation persists, the Board then would have to face the necessity for making reallocations within the budget.

Dr. Coles then reviewed the situation relating to new funding which would have been included in the appropriations bill. He noted that a number of commitments, including those relating to the Nelson suit and to the Mental Health situation, could not be met in the absence of a bill. He also noted that Education Finance Act formula increases and Education Improvement Act increases would not be authorized and that no State employee pay increases or teacher pay increases would be authorized.

Governor Riley noted that no funds would be available for the dental program and Dr. Coles pointed out that the 2,600 new employees included in the bill, including 800 for the prison system, would not be authorized under a continuing resolution.

Mr. Putnam noted that the largest single budget cut he could recall was in the \$75 million range and that this situation approaches that magnitude and that it could be worse.

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Governor Riley asked that Board staff work on these issues over the weekend and develop options for consideration in response to the questions raised at this meeting.

The Board agreed to meet at 4 p.m. on Monday to receive a report from the staff on these issues. The Board also agreed that that meeting would be cancelled automatically if the budget bill were to be adopted in the interim.

Governor Riley expressed appreciation to the members for attending this meeting on such short notice. He urged Senator Waddell and Mr. Mangum to inform members of the General Assembly of this situation. He indicated that we are getting to the point where appropriate actions by the Board will have to be taken. He noted that the membership of the General Assembly faces an enormous responsibility when the entire appropriations bill is considered and that some of the issues now blocking passage of the appropriations bill are small when compared to the entire bill. He urged members of the General Assembly to reach a compromise on those matters.

Information relating to this matter has been retained in these files and is identified as Exhibit 1.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the meeting was adjourned at 1:50 p.m.

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# EXHIBIT

JUN 14 1985 NO. 1

## STATE BUDGET & CONTROL BOARD

Assumption 1 - The passage of no Appropriation Bill and no Continuing Resolution

With the assumption that an Appropriation Bill is not passed by June 30 and a Continuing Resolution to maintain spending at the FY 1984-85 level is not adopted, the Legislature would be faced with an incurred personal service unfunded liability of one month. This translates into \$3.1 million a day, including employer contributions, which must be provided from the General Fund payroll.

The one-month personal service liability is a result of two factors:

The conversion of the payroll system from 26 pay periods to 24 pay periods caused the State to incur an unfunded liability of one-half month;

The lag-time payroll procedure approved by the Legislature during the 1983-84 session created an additional one-half month liability.

The State Budget Division has identified an unobligated lapse of State funds which will approximate \$21 million. This amount would not be sufficient to cover the lag-time payroll checks of state-funded employees who worked during the June 2 - June 16 pay period, since a typical payroll approximates \$34 million. The lapsed funds would cover approximately seven days of this payroll, after which the incurred cost would be an additional \$3.1 million per day. The obvious implication is that payroll costs for only essential State services could be continued after this time.

In such an emergency, the Budget and Control Board would be responsible for identifying essential state services which must be provided from the General Fund. It appears that these services would be identified for hospitals, prisons, SLED, and the court system. The approximate cost of maintaining the payroll costs for essential services per day is as follows:

Prisons	\$160,919
Hospitals (including mental health and mental retardation residential facilities)	221,837
Youth Services (institutions only)	23,235
SLED	35,123
Judicial System	58,567
John De La Howe	<u>3,644</u>
Total Payroll Costs for Essential State Services	<u>\$503,325</u>

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# EXHIBIT

JUN 14 1985 NO. 1

## Assumption 2 - Adoption of a Continuing Resolution

STATE BUDGET & CONTROL BOARD

Assuming that a Continuing Resolution would be adopted to maintain spending at the FY 1984-85 level, a number of obligated items for FY 1985-86 must be authorized for expenditure. The following requirements would impact the Continuing Resolution at the 1984-85 spending level by a negative \$65.2 million.

### REQUIREMENTS:

#### Mandatory

Debt Service	\$ 760,364
Total Mandatory	<u>760,364</u>

#### Annualization-Statewide

24th Pay Period	1,753,925
Merit Increments 84-85	7,377,612
50% New Positions	8,806,628
Part IV Supplemental	22,885,873
Total Annualization Statewide	<u>40,824,038</u>

#### Employer Contributions Rate Increase

Health Insurance	
State Employees	3,699,457
Public Schools	3,772,191
Social Security	
State Employees	284,404
Public Schools	363,936
Worker's Compensation	910,436
Dental Insurance-State & Retirees	6,681,083
Public School Employees	6,588,000
General Assembly Retirement	400,000
Total Rate Increases	<u>22,699,507</u>

#### Part III Supplemental

Alcohol & Drug Abuse Block Grant	<u>1,000,000</u>
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TOTAL FOR FY 1986	<u>\$65,283,909</u>
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Prepared by  
State Budget Division  
June 14, 1985

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**THE END**

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