

Franchise Tax Board

**ANALYSIS OF ORIGINAL BILL**

Author: Steinberg, et al. Analyst: Janet Jennings Bill Number: SBX8 29  
 Related Bills: See Legislative History Telephone: 845-3495 Introduced Date: February 5, 2010  
 Amended Date: March 4, 2010  
 Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** FTB, BOE, & Employees In Positions Funded 95 Percent By Sources Other Than General Fund Exempt From Furloughs

**SUMMARY**

This bill would exempt from furloughs employees of the Franchise Tax Board (FTB), State Board of Equalization (BOE), and employees in positions funded at least 95 percent from sources other than the General Fund.

This analysis addresses only the exemption from furloughs for employees of the FTB.

**SUMMARY OF AMENDMENTS**

The bill as amended March 4, 2010, resolves a technical error and adds co-authors.

This is the department's first analysis of this bill.

**PURPOSE OF THE BILL**

According to the legislative intent language, the purpose of this bill is to eliminate furloughs that are exacerbating the General Fund deficit by furloughing employees at FTB.

**EFFECTIVE/OPERATIVE DATE**

As a special session bill, this provision would become effective and operative 91 days after the adjournment of the special session.

**POSITION**

Pending.

**PROGRAM BACKGROUND**

Executive Order S-16-08 ordered the Department of Personnel Administration (DPA) to do the following: (1) initiate the layoff process for state civil service employees effective January 1, 2009, through June 30, 2010, and (2) adopt a plan to implement a furlough of two days per month effective February 1, 2009, to June 30, 2010.

Board Position:	Department Director	Date
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Executive Order S-13-09 ordered the DPA, effective July 1, 2009, through June 30, 2010, to adopt an amended plan to implement a furlough of represented state employees for three days per month, regardless of funding source.

All state employees covered by the original and amended furlough plans must use their accrued furlough days prior to using vacation, annual leave, personal holiday, holiday credit, personal leave plan credit, and compensatory time off. Unused furlough hours expire on June 30, 2012.

Several court cases are pending to determine the legality of Executive Orders S-16-08 and S-13-09.

## **ANALYSIS**

### **THIS BILL**

This bill would exempt employees of the FTB from furloughs ordered by any state agency, board, or commission. In addition, this bill would prohibit any state agency, board, or commission from directly or indirectly implementing or assisting in implementing a furlough of FTB employees.

### **IMPLEMENTATION CONSIDERATIONS**

FTB would implement the provisions of this bill by ceasing furloughs for its employees.

## **LEGISLATIVE HISTORY**

AB 2008 (Arambula/Solorio, 2009/2010) would exempt from furlough employees of the FTB, Department of Corrections and Rehabilitation, Employment Development Department, and State BOE, unless specifically authorized by the legislature. This bill was introduced on February 17, 2010.

AB 181 (Bass, 2009/2010) would eliminate a third furlough day for state employees when specified conditions are met. This bill is scheduled for its third reading in the Senate.

AB 1215 (De La Torre, 2009/2010) would exempt employees from furlough if 95 percent of their employment funding source is derived from non-General Fund sources. This bill was re-referred to the Senate committee on Public Employees and Retirement.

## **FISCAL IMPACT**

This bill would require additional payroll funding due to ceasing the furlough of FTB employees. Departmental costs to restore payroll are estimated to be approximately \$4 million per month. Lack of an appropriation would delay funding to implement this bill until fiscal year beginning July 1, 2010.

## ECONOMIC IMPACT

Revenue estimate as pertains to the FTB:

This bill would result in the following annual revenue gains beginning in fiscal year 2008-09: Estimated Revenue Impact of SBX8 29 Effective 91 days After Enactment Enactment Assumed After 03/01/10 \$ in Millions		
2008-09	2009-10	2010-11
\$1.4	\$16	\$17

Because the provision would become operative 91 days after the special session is adjourned, this revenue estimate assumes the furloughs of FTB employees would end one month earlier, May 31, 2010, than under current executive orders.

## POLICY CONCERNS

To effectuate General Fund savings for departments that did not comply with Executive Orders S-16-08, and S-13-09, such as the BOE, the Attorney General, the Treasurer, the Controller, the Superintendent of Public Instruction, the Lieutenant Governor, the Secretary of State, and the Insurance Commissioner, the Department of Finance reduced their operational budget by the amount of employees' compensation costs that would have been achieved if the three-day furlough had been implemented. Should a future furlough be ordered and subsequently the FTB's operational budget reduced, there would be a risk to daily operations, the department's ability to maintain mandated activities, and a significant revenue impact.

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