MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: January 11, 2023

TO: Section A – General Government Subcommittee

FROM: Molly DelCurto, Fiscal Analyst

RE: Personal Services Calculations

The 2025 biennium personal services budget was created by taking a snapshot of the state agencies personal services information. This snapshot is then used to create the personal services budget for the upcoming biennium. This memo details the snapshot process and how SWPL DP 1 is formulated.

Salary

The snapshot captured each state position as of July 13, 2022, including whether the position was filled or vacant, number of FTE associated with each position number, and salary. A vacant position in the Executive Branch has a salary budgeted at 85.0% of the market midpoint.[1] Filled positions will be budgeted at the salary shown in the snapshot plus any anticipated pay adjustments. Anticipated adjustments may include legislatively approved changes such as the previously approved pay plan in HB 13 or management approved pay adjustments such as a career ladder pay adjustment. The equation below provides the formula to calculate each position's annual salary and an example:

$$Salary = (Wage\ Rate\ During\ Snapshot + Adjustments) * FTE * Hours\ in\ Fiscal\ Year$$
$$53{,}040 = (\$25.0/hour + \$0.5/hour) * 1.00 * 2{,}080$$

Longevity

Employees receive a longevity increase added to their base pay for every five-year increment of continuous employment with the State of Montana. If a position is scheduled to receive a longevity pay increase during the upcoming biennium this increase will be budgeted into SWPL DP 1. An example of how longevity is calculated is below for an employee with ten years of continuous employment:

$$Longevity = Salary * Longevity\ Rate * \left(\frac{Days\ Longevity\ Will\ Be\ in\ Effect}{Days\ in\ FY}\right)$$
$$1{,}856.40 = 53{,}040 * 3.5\% * \left(\frac{2080}{2080}\right)$$

[1] The market midpoint is determined from the market rate salary survey. This survey compares state employee pay for each position type to neighboring states employees pay including Wyoming, Idaho, North Dakota, and South Dakota.

Benefits

After determining the salary and longevity amount for each position the benefits are calculated. Below are benefit calculations for workers compensation, retirement, social security, Medicare, and unemployment benefits:

$$Workers\ Compensation = (Salary + Longevity) * Workers\ Compensation\ Rate$$
$$Public\ Employees\ Retirement = (Salary + Longevity) * PERS\ Rate$$
$$Social\ Security = (Salary + Longevity) * Social\ Security\ Rate$$
$$Medicare = (Salary + Longevity) * Medicare\ Rate$$
$$Unemployment\ Insurance = (Salary + Longevity) * Unemployment\ Insurance\ Rate$$

All positions with FTE greater than or equal to 0.50 FTE receive $12,648 in annual health care benefits.

Vacancy Savings Rate

After determining each position's salary, longevity, and benefits the executive imposed a vacancy savings rate. The vacancy savings rate is a budgeting tool to account for agencies not operating at 100.0% fully staffed during the entire biennium. This rate is applied to each positions salary and benefits:

$$Vacancy\ Savings = (Salary + Longevity + Sum\ of\ All\ Benefits) * Vacancy\ Savings\ Rate$$

SWPL DP1

Each position's salary, longevity, benefits, and vacancy savings are summed to get the total amount of personal services needed for each agency to continue to operate at their current level in the upcoming biennium. To calculate the SWPL DP1 calculation, the executive takes the projected budget created through the snapshot process and subtracts the agencies personal services base budget. For this biennium, the personal services base budget is the FY 2023 base budget. The SWPL DP1 calculation is below:

$$SWPL\ DP1 = FY\ 2024\ (or\ FY\ 2025)\ personal\ services\ budget - FY\ 2023\ personal\ service\ base\ budget$$

This change in personal services authority is influenced by many factors that can be grouped into the following three categories:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal services funding to or from other expenditure categories (e.g., moving funding from operating expenses to personal services)