



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

VACANCY SAVINGS

WHAT IS VACANCY SAVINGS?

In a budgeting context, the definition of vacancy savings has two different meanings: actual vacancy savings and applied vacancy savings. Actual vacancy savings is the difference between actual agency expenses for personal services and the cost of fully funding all authorized positions for the entire year.

An applied vacancy savings is a rate imposed on agencies either by the legislature or the executive. The rate is applied to projected personal services costs in order to reduce the personal services **budget**. Executive imposed vacancy savings is set during the agency budget preparation phase. Legislative directed vacancy savings policy occurs during the biennial budget deliberations during legislative session.

ARE ANY AGENCIES EXEMPT FROM VACANCY SAVINGS?

Statute stipulates that Montana highway patrol positions, game warden positions, and Montana School for the Deaf and Blind positions are exempt from vacancy savings. Policy exempts agencies with 20 or less full-time-equivalents (FTE); Montana University System faculty; the Judicial Branch; and the Legislative Branch. Other policy exemptions for Executive Branch agencies may be decided by the Governor's Budget Director on a case-by-case basis.

HOW DO STATE AGENCIES USE VACANCY SAVINGS?

Executive agencies must manage both kinds of vacancy savings. Realized or actual vacancy savings occur naturally when a position is vacated during the fiscal year. Actual vacancy savings may be used for personal services costs, other agency expenses, or to meet the budgeted vacancy savings (if any). At times, these management choices can affect the next biennium budget parameters.

Budgeted vacancy savings require the agency to proactively manage personal services costs and stay within budget. Agency management choices to cope with imposed vacancy savings typically include deciding which positions to leave vacant, position classification changes, number of FTE, employee pay, etc.

HOW DO STATE AGENCIES MANAGEMENT CHOICES IMPACT THE BUDGET?

The parameters used to create the budget for the following biennium may be impacted by management choices to manage vacancy savings and other issues that arise over the course of the biennium. The types of choices that may impact the budget parameters include: increased or decreased salary levels for individuals, movement of funds between personal services and other types of expenditures and the actual cost to pay for fixed costs and inflation. The Legislative Fiscal Division and the subcommittees carefully review the application of budget parameters to insure efficient use of state resources.