

Personal Services Budgeting

OPTIONS FOR LEGISLATIVE REVIEW
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INTRODUCTION

The purpose of this report is to discuss information that can be provided to the legislature on personal services appropriations included in HB 2 under the current budgeting process.

ESTABLISHING PERSONAL SERVICES APPROPRIATIONS

Since at least FY 1998, personal services have been budgeted based on a “snapshot” of actual salaries for authorized full time equivalent (FTE) as they existed just prior to budget development. The “snapshot” captures:

- Management decisions such as promotions or position reclassifications resulting from restructuring of work between employees, changes in technology that change position requirements, and other structural changes
- Employer benefit changes to items such as workers’ compensation and unemployment insurance
- Annualized costs of legislative pay plans
- Changes to longevity pay

The snapshot is used to establish the level of personal services funding in the Governor’s proposed budget.

OPTIONS FOR INFORMATION ON PERSONAL SERVICE BUDGETS

There are a number of options for providing comprehensive information on the personal services component of the budget including:

- Specifics on pay changes, including reasons for pay changes
- Expanded information on vacant positions
- Agency utilization of budgeted FTE
- Agency hiring efforts
- Figures and narrative that outline the changes included in the statewide present law adjustments including:
 - Legislative changes
 - Management changes
 - Budget modifications
 - Shifts in funding
 - Other items specific to a biennium

Pay Rate Changes

Information on the pay rate changes provided in the most recently completed fiscal year and included in the proposed budget is available. Figure 1 shows an example of the information on pay changes that can be provided. The pay adjustments would be provided for the most recently completed year. For example, for the 2025 biennium the pay adjustments would be shown for FY 2022 as these will be included in the proposed budget.

Figure 1

Department X Pay Adjustments FY 2022	
Reason	FY 2022 Annualized Change
Market Adjustment	96,438
Career Ladder Adjustment	36,443
Correct Inaccurate Pay	(940)
Performance Adjustment	54,659
Reclassification	20,981
Promotion	13,545
Supervisory Pay Adjustment	22,723
Training Assignment Progression	46,754
Total Adjustments	\$ 290,603

The pay adjustments included above give an example of a portion of the management decisions included in the statewide present law adjustments. Management decisions are discussed further, beginning on page 7. The information above can be expanded to include position description and program should the legislature determine that including pay rate changes would enhance legislative understanding and discussion of the personal services budget.

Vacant Positions

The number of positions showing as vacant are measured as of a certain date and show only the positions vacant on that date. It takes time to fill a position once the employee either retires or leaves for another position. Some positions are seasonal and are only filled during a certain time period. The snapshot is taken on one date in July preceding legislative session.

Current budget processes include funding for positions that are vacant on the snapshot date as part of the personal services budget. For the 2023 fiscal year, 8.6% or 1,038.26 FTE out of 12,079.39 FTE budgeted from all appropriation sources were vacant. In the 2023 biennium budget, the majority of positions that were vacant at the time of snapshot were funded at 83.0% of the market rate determined in the most recent salary survey. Figure 2 shows the vacant FTE included in the budget by agency. Figure 2 also includes the proposed funding for the positions.

Figure 2

Vacant Positions Included in Budget Proposal 2023 Biennium						
State Agency	Vacant		State Special	Federal Special	Proprietary	Total
	FTE	General Fund	Revenue	Revenue		
Section A - General Government						
11040 LEGISLATIVE BRANCH	12.40	733,321	209,484	-	-	942,805
11120 CONSUMER COUNCIL	0.04	-	3,038	-	-	3,038
31010 GOVERNORS OFFICE	5.50	508,620	-	-	-	508,620
32020 POLITICAL PRACTICES	2.00	179,034	-	-	-	179,034
34010 STATE AUDITOR	11.50	-	1,053,959	-	-	1,053,959
58010 REVENUE	31.20	2,026,202	-	-	156,297	2,182,498
61010 ADMINISTRATION	5.84	242,473	(227,283)	-	264,738	279,929
65010 COMMERCE	8.70	271,291	297,494	113,023	-	681,808
66020 LABOR AND INDUSTRY	43.00	35,097	2,190,137	773,995	-	2,999,229
67010 MILITARY AFFAIRS	26.41	317,973	28,968	1,584,582	-	1,931,523
Total Section A	146.59	4,314,012	3,555,797	2,471,600	421,035	10,762,444
Section B - Public Health and Human Services						
69010 PUBLIC HEALTH AND HUMAN SERVICES	239.72	11,127,003	1,114,728	4,115,003	-	16,356,733
Total Section B	239.72	11,127,003	1,114,728	4,115,003	-	16,356,733
Section C - Natural Resources and Transportation						
52010 FISH WILDLIFE AND PARKS	74.19	-	3,019,673	1,429,199	-	4,448,872
53010 ENVIRONMENTAL QUALITY	48.73	922,960	1,879,302	1,326,250	-	4,128,512
54010 TRANSPORTATION	191.70	-	9,171,091	5,749,311	-	14,920,402
56030 LIVESTOCK	10.92	39,070	694,623	3,304	-	736,997
57060 NATURAL RESOURCES AND CONSERVATION	37.02	1,149,733	1,614,173	23,965	-	2,787,870
62010 AGRICULTURE	18.85	24,233	906,194	82,222	127,465	1,140,114
Total Section C	381.41	2,135,996	17,285,057	8,614,250	127,465	28,162,768
Section D - Judicial, Law Enforcement and Justice						
21100 JUDICIARY	56.41	3,662,007	176,286	-	-	3,838,293
41100 JUSTICE	77.24	2,157,390	2,204,835	106,180	88,287	4,556,691
42010 PUBLIC SERVICE COMMISSION	1.00	-	83,503	-	-	83,503
61080 PUBLIC DEFENDER	18.50	1,959,578	-	-	-	1,959,578
64010 CORRECTIONS	74.00	4,911,801	-	-	-	4,911,801
Total Section D	227.15	12,690,775	2,464,625	106,180	88,287	15,349,866
Section E - Education						
35010 OFFICE OF PUBLIC INSTRUCTION	17.85	455,622	34,923	888,613	-	1,379,157
51020 COMMISSIONER OF HIGHER ED	12.06	365,943	-	702,091	-	1,068,034
51130 SCHOOL FOR THE DEAF AND BLIND	8.32	613,519	24,675	13,860	-	652,054
51140 ARTS COUNCIL	1.00	32,091	25,672	33,924	-	91,687
51150 STATE LIBRARY	1.66	47,215	-	-	-	47,215
51170 HISTORICAL SOCIETY	2.50	109,023	-	7,952	3,613	120,587
Total Section E	43.39	1,623,413	85,270	1,646,440	3,613	3,358,735
Total Vacant Positions	1,038.26	31,891,198.28	24,505,477.15	16,953,473.59	640,399.07	73,990,548.08

Figure 3 shows additional information on vacant positions that can be provided to the legislature. It also shows the number of HB 2 positions that were vacant, by agency as of May 1, 2022.

Figure 3

HB 2 Vacant Positions 1-May-22			
Agency	Vacant FTE	HB 2 FTE	% Vacant
A - General Government			
11040 LEGISLATIVE BRANCH	12.10	137.32	8.8%
11120 CONSUMER COUNCIL	0.00	5.50	0.0%
31010 GOVERNORS OFFICE	8.07	54.57	14.8%
32020 POLITICAL PRACTICES	0.00	6.00	0.0%
34010 STATE AUDITOR	12.50	71.50	17.5%
58010 REVENUE	48.20	659.67	7.3%
61010 ADMINISTRATION	13.24	139.67	9.5%
65010 COMMERCE	7.67	46.05	16.7%
66020 LABOR AND INDUSTRY	90.86	670.23	13.6%
67010 MILITARY AFFAIRS	<u>14.21</u>	<u>221.25</u>	<u>6.4%</u>
Total Section A	206.85	2011.76	10.3%
B - Public Health and Human Services			
69010 PUBLIC HEALTH AND HUMAN SERVICES	<u>581.41</u>	<u>2830.02</u>	<u>20.5%</u>
Total Section B	581.41	2830.02	20.5%
C - Natural Resources and Transportation			
52010 FISH WILDLIFE AND PARKS	97.46	756.89	12.9%
53010 ENVIRONMENTAL QUALITY	56.49	366.04	15.4%
54010 TRANSPORTATION	241.37	2016.27	12.0%
56030 LIVESTOCK	19.30	132.87	14.5%
57060 NATURAL RESOURCES AND CONSERVATION	43.40	539.61	8.0%
62010 AGRICULTURE	<u>28.10</u>	<u>119.06</u>	<u>23.6%</u>
Total Section C	486.12	3930.74	12.4%
D - Judicial Branch, Law Enforcement and Justice			
21100 JUDICIARY	47.16	400.94	11.8%
41100 JUSTICE	71.26	819.65	8.7%
42010 PUBLIC SERVICE COMMISSION	3.00	31.00	9.7%
61080 PUBLIC DEFENDER	35.50	302.44	11.7%
64010 CORRECTIONS	<u>182.50</u>	<u>1281.17</u>	<u>14.2%</u>
Total Section D	339.42	2835.20	12.0%
E - Education			
35010 OFFICE OF PUBLIC INSTRUCTION	35.84	153.52	22.0%
51010 BOARD OF PUBLIC EDUCATION	0.00	3.00	0.0%
51020 COMMISSIONER OF HIGHER ED	5.43	50.22	10.8%
51130 SCHOOL FOR THE DEAF AND BLIND	4.42	83.47	5.3%
51150 STATE LIBRARY	0.66	31.46	2.1%
51140 ARTS COUNCIL	0.00	7.00	0.0%
51170 HISTORICAL SOCIETY	<u>4.31</u>	<u>54.38</u>	<u>7.9%</u>
Total Section E	50.66	383.05	13.2%
Total Vacant FTE	1664.46	11,990.77	13.9%

In addition to the agency and number of FTE associated with the vacant positions, the Legislative Fiscal Division (LFD) is able to establish the types of positions that are vacant and the length of time

of the vacancy, as shown in the human resource system. Figure 4 shows the types of positions and programs that might have vacancies for Department X.

Figure 4

Department X Vacant Positions 1-May-22			
Program	Position	FTE	Date of Vacancy
Program 1			
	Administrative Specialist 2	1.00	3/25/2022
	Administrative Specialist 2	0.75	7/1/2021
	Budget Analyst Supervisor	1.00	3/12/2022
	Business All Other	1.00	2/12/2022
	Employment Specialist 1	1.00	11/2/2021
	Program Specialist 1	1.00	1/1/2022
	Total	5.75	
Program 2			
	Claims Examiner 1	1.00	4/9/2022
	Claims Examiner 2	0.11	2/27/2021
	Collections Agent 2	1.00	3/12/2022
	Collections Agent 2	1.00	4/9/2022
	Compliance Specialist 3	1.00	12/21/2021
	Compliance Technician 1	0.50	1/15/2022
	Customer Service Assistant 2	1.00	3/14/2022
	Tax Examiner 3	1.00	11/13/2021
	Total	6.61	
Program 3			
	Public Relations Specialist 2	1.00	7/2/2017
	Total	1.00	
Program 4			
	Administrative Assistant 2	1.00	2/28/2022
	Compliance Specialist 3	1.00	2/26/2022
	Compliance Specialist 3	1.00	6/28/2019
	License Permit Technician 2	1.00	4/30/2022
	Safety Officer 1	1.00	4/10/2021
	Safety Supervisor	1.00	1/22/2022
	Trainer 2	1.00	11/1/2021
	Total	7.00	
Agency Total		20.36	

As shown in Figure 4, the expanded data table allows the reader to examine which programs within the Department X have vacancies and the length of time the positions have been vacant as recorded in the human resource system. Information presented above could allow legislators to discuss issues such as recruitment and retention of staff with agency representatives at budget meetings.

It should be noted that:

- In certain cases, an agency will use a single individual to fill multiple positions. While one of the positions will show as filled, the other positions will show as vacant even though there may be an individual filling a portion of the position
- Some agencies move current FTE into different position numbers throughout the year so that the length of time reported that a position is vacant may not reflect the overall length of time positions have been vacant

To address issues with positions that are partially filled or filled by current staff on a rotating basis, the legislature may wish to examine the budgeted hours for all HB 2 positions in an agency compared to the hours used during the last completed fiscal year.

UTILIZATION

As previously discussed, the information on vacant positions is limited as it reflects only the positions that are vacant on a specific day. Information on the annual utilization of FTE hours is also available. Figure 5 shows the utilization of FTE hours budgeted in HB 2 from July 1, 2021 through May 1, 2022. State employees are paid every two weeks. In FY 2022, payroll is budgeted for 2,088 hours.

Figure 5

State Agency Utilization of Budgeted HB 2 FTE Hours July 1, 2021 through May 1, 2022			
	Utilized Hours	Available Hours	Percent Utilized
A - General Government			
11040 LEGISLATIVE BRANCH	214,663	236,117	90.9%
11120 CONSUMER COUNCIL	6,796	9,396	72.3%
31010 GOVERNORS OFFICE	84,027	98,487	85.3%
32020 POLITICAL PRACTICES	8,728	11,872	73.5%
34010 STATE AUDITOR	102,942	122,960	83.7%
58010 REVENUE	1,051,426	1,118,800	94.0%
61010 ADMINISTRATION	224,192	236,880	94.6%
65010 COMMERCE	66,034	84,885	77.8%
66020 LABOR AND INDUSTRY	1,046,631	1,136,710	92.1%
67010 MILITARY AFFAIRS	379,889	375,240	101.2%
Total Section A	3,185,327	3,431,347	92.8%
B - Public Health and Human Services			
69010 PUBLIC HEALTH AND HUMAN SERVICES	4,232,455	4,799,714	88.2%
Total Section B	4,232,455	4,799,714	88.2%
C - Natural Resources and Transportation			
52010 FISH WILDLIFE AND PARKS	1,224,149	1,283,685	95.4%
53010 ENVIRONMENTAL QUALITY	523,603	620,804	84.3%
54010 TRANSPORTATION	3,202,852	3,419,594	93.7%
56030 LIVESTOCK	213,747	227,044	94.1%
57060 NATURAL RESOURCES AND CONSERVATION	968,878	915,179	105.9%
62010 AGRICULTURE	172,425	201,926	85.4%
Total Section C	6,305,653	6,668,231	94.6%
D - Judicial Branch, Law Enforcement and Justice			
21100 JUDICIARY	716,693	785,570	91.2%
41100 JUSTICE	1,370,029	1,391,822	98.4%
42010 PUBLIC SERVICE COMMISSION	54,581	61,056	89.4%
61080 PUBLIC DEFENDER	486,656	512,938	94.9%
64010 CORRECTIONS	1,935,746	2,172,864	89.1%
Total Section D	4,563,705	4,924,251	92.7%
E - Education			
35010 OFFICE OF PUBLIC INSTRUCTION	221,346	260,370	85.0%
51010 BOARD OF PUBLIC EDUCATION	4,241	5,088	83.4%
51020 COMMISSIONER OF HIGHER ED	76,607	85,173	89.9%
51130 SCHOOL FOR THE DEAF AND BLIND	156,444	141,565	110.5%
51140 ARTS COUNCIL	11,870	11,872	100.0%
51150 STATE LIBRARY	49,594	53,356	93.0%
51170 HISTORICAL SOCIETY	88,241	92,228	95.7%
Total Section E	608,342	649,653	93.6%
Total HB 2 Hours	18,895,481	20,473,196	92.3%

As shown in Figure 5, utilization of FTE hours reflects the usage of positions throughout the year, thus giving a more complete picture of the use of the FTE and associated personal services funding in the most recent fiscal year. Figure 5 shows the data for 10 months of FY 2022 by agency. The information can also be provided by program. This information would allow legislators to make informed decisions on the need for additional FTE or have a discussion on the continued need for the level of FTE included in the proposed budget.

One consideration regarding vacancies is that, as a budgeting tool, the legislature applies a reduction to personal services budgets to recognize the savings that may occur in a budget year due to turn over. This is referred to as applied vacancy savings. The applied vacancy savings doesn't

allow an agency to operate with all positions filled in all programs throughout a fiscal year. In FY 2022 the applied vacancy savings rate was 4.0%.

HIRING EFFORTS

Using data from the State of Montana’s job posting site, LFD is able to provide information on agencies hiring efforts. When a position becomes vacant the agency has to decide how and when they would like to advertise for a replacement. Information from this data source includes:

- Whether a vacant position is being actively recruited
- Length of time a job has been posted
- The pay rate on hiring

There are some limitations to this data. For example, if a position is pooled and advertises for many people to fill this position then there may be a perpetual job posting.

STATEWIDE PRESENT LAW ADJUSTMENT CHANGES

Using the “snapshot” to establish the level of personal services funding in the biennial budget proposal results in a variety of changes that are included in the request for statewide present law adjustments. The following narrative describes the information currently provided to the legislature that synthesizes the changes that are included in the adjustment.

Break Down of Statewide Present Law Adjustment for Personal Services

The Legislative Fiscal Division provides information on the various changes that were the basis of the statewide present law adjustment for personal services. This analysis breaks the adjustment into multiple categories including:

- Legislative changes calculated independent of agency decisions, such as annualizing personal services costs included in the statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers’ compensation and unemployment insurance
- Personal services management decisions that adjust employee pay. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or authorizes a pay increase (please note any legislative approved funding for pay increases is not included in this calculation)
- Other changes specific to a biennium including:
 - Changes to the applied vacancy savings rate
 - Budget impacts of other legislation
- Budget modifications includes changes to the personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim or vice versa, or agencies transferring positions between programs. These transfers may impact the overall size of the personal services present law adjustment

The above explanation and related adjustments will be provided, by state agency, in the Legislative Fiscal Division’s Budget Analysis. Figure 6 shows an example of the analysis that would be included in the budget analysis for Department X.

Figure 6

Personal Services Present Law DP 1 - FY 2022						
Program	Legislative Decisions	Management Decisions	Biennium Specific	Budget Modifications	DP 1 SWPL	
Program 1	\$ 100,819	\$ (88,350)	\$ 318,267	\$ 373,296	\$ 704,032	
Program 2	429,832	159,453	(538,475)	-	50,810	
Program 3	40,243	42,633	177,792	263,562	524,230	
Program 4	135,085	55,753	(121,191)	498,781	568,428	
Program 5	46,822	(20,585)	141,803	-	168,040	
Agency Total	\$ 752,801	\$ 148,904	\$ (21,804)	\$ 1,135,639	\$ 2,015,540	

As reflected in Figure 6, information on the changes includes legislative decisions, management decisions, applied vacancy savings and other reinstatements, and budget modifications provided by program.

In addition, the LFD presents narrative discussion on the changes included in the personal services figures. Depending upon the information revealed by such an analysis, this narrative would be designed to further clarify questions or issues that arise.

SUMMARY

The LFD can provide the Joint Appropriation Subcommittees further detailed information on personal services that can be used in making decisions on the executive’s proposed budget. Information can be summarized at the agency level or provided by program including:

- Specifics on pay changes
- Expanded information on vacant positions
- Utilization of budgeted FTE hours
- Agency hiring efforts
- Figures and narrative that outline the changes included in the statewide present law adjustments

PERSONAL SERVICES QUESTIONS FOR AGENCY BUDGET SUBMISSIONS

The LFD regularly submits questions to OBPP for inclusion in the agency budget submission instructions. The questions below would be included for agencies to respond to in the September 1 agency budget submission.

To assist the agencies in answering these questions, LFD intends to make their personal services analysis, utilizing the aforementioned data, available to agencies. It is assumed that agencies will have additional information that can provide context or explain what is happening in cases where the data may have limitations.

(1) How many vacant FTEs exist in your agency? Identify the vacant positions by program and job title.*

(2) For each vacant FTE, state when the position was last filled.*

(3) For each vacant FTE, state when the position was last advertised/posted in an attempt to hire a person to fill it.*

(4) To the extent possible, state whether contractors are performing the duties that would be performed if employees were in the place. If a contractor is performing the duties, state (a) the amount paid per week to engage the contractor for this work and (b) whether the contractor is performing duties beyond those that would be performed by an employee if the position were filled.

*The Legislative Fiscal Division will provide access to consistent data across all state agencies, to assist in responding to these questions.