

State of Iowa FY 2014 FTE Positions and Personnel Costs

ISSUE

This **Issue Review** provides background on the establishment of full-time equivalent (FTE) positions, examines how FTE positions are used in the State's budgeting process, and how the positions and personnel costs have changed over time. The background information provides a general explanation and understanding of the various aspects of FTE positions.

In analyzing FTE position trend data, the report examines changes in FTE utilization for all of State government. The **Issue Review** makes a distinction between FTE positions of the Board of Regents¹ institutions and all other State agencies. The reason for this distinction is twofold: 1) the Regents FTE positions are not calculated in the same manner as other State agencies that use the Centralized State Payroll System, and 2) as the Regents institutions comprise nearly 60.0% of the total FTE positions in state government, fluctuations in Regents numbers can suppress or distort trends of non-Regents agencies.

CODE AUTHORITY

Iowa Code section [8.36A](#)

BACKGROUND

FTE Positions Defined: Language defining an FTE position was added to the Iowa Code in 1990 with the enactment of the Budgetary and Financial Procedures of State Agencies Act (1990 Iowa Acts, chapter 1247). Iowa Code section [8.36A](#) defines an FTE position as:

...a budgeting and monitoring unit that equates the aggregate of full-time positions, part-time positions, a vacancy and turnover factor, and other adjustments. One full-time equivalent position represents two thousand eighty working hours, which is the regular number of hours one full-time person works in one fiscal year. The number of full-time equivalent positions shall be calculated by totaling the regular number of hours that could be annually worked by persons in all authorized positions, reducing those hours by a vacancy and turnover factor and dividing that amount by two thousand eighty hours.

During the 1987-1989 Legislative Sessions, language defining an FTE position that was nearly identical to the codified language was included annually in session law. Prior to the 1987 Legislative Session, FTE positions were not authorized in legislation for most State agencies. However, there were instances when the General Assembly authorized FTE positions for certain programs as a means of controlling the personnel costs of certain appropriated funds.

There are no provisions in the Iowa Code that require FTE positions to be authorized by the General Assembly in order for a State agency to expend funds for personnel costs. However, the State's centralized payroll system calculates FTE position utilization for agencies that use

¹ For purposes of this **Issue Review**, reference to the Board of Regents encompasses the Regents' institutions that include the University of Iowa, Iowa State University, University of Northern Iowa, Iowa Braille and Sight Saving School, and the Iowa School for the Deaf.

the system. In addition, for budgeting purposes, all State agencies enter FTE position data in the State budget system regardless of whether or not the FTE positions were authorized in prior legislation.

Definitions of FTE Position Categories Used in State Budget Documents: In order to analyze FTE position data, it is important to understand how FTE position information is categorized and reported on State budget documents. The FTE position data can be divided into the following categories:

- **Actual utilized positions** – At the close of a fiscal year, FTE positions are calculated for all departments that use the Centralized State Payroll System and for the Department of Transportation. This includes all departments and agencies except for the Board of Regents institutions and the judicial district departments (i.e., Community-Based Corrections agencies). The FTE position usage is calculated by taking the actual hours in paid status² during the fiscal year and dividing the number by 2,080 hours. The calculation of each actual FTE takes into account the vacancies that occur throughout the fiscal year. For example, if a department budgeted a full-time position (equating to 1.0 FTE position) and this position is vacant for six months of the fiscal year, at the close of the fiscal year, the calculation of the actual FTE position is 0.5 ($1,040 \div 2,080 = 0.5$). The calculation of an FTE position does not include overtime hours worked.
- **Budgeted positions** – At the beginning of each fiscal year, State agencies enter information in the budget system for the fiscal year beginning July 1. In the budget system, these positions are generally referred to as estimated. State agencies also enter budget information for the fiscal year beginning July 1 of the next fiscal year. This becomes part of the department request and the Governor's recommendation for the General Assembly to consider during the next legislative session. Budgeted FTE positions typically reflect full staffing of agency FTE position levels. However, there may be instances when an agency adds a vacancy factor if they are certain that a position will not be filled on July 1.³
- **Authorized positions** – Authorized FTE positions (sometimes referred to as appropriated) refer to positions that are specifically authorized by the General Assembly in session law. The General Assembly only authorizes a portion of state government's FTE positions, and these are typically positions that are associated with annual line-item appropriations. Authorized positions differ from budgeted positions in that departments will include budgeted FTE positions for all funding sources that have salary expenditures; whereas, authorized positions only relate to FTE positions specifically authorized in legislation. Departments typically include authorized positions in the budget at the level authorized in legislation.

The authorization of FTE positions is generally used as a way for the General Assembly to control or limit personnel costs relating to appropriated funds. In addition, there are numerous programs established in the Iowa Code that receive operating revenues from a source other than an annual appropriation. While these programs do not receive annual appropriations or FTE position authorization levels, departments fund salaries and benefits for employees working in those programs.

Board of Regents Positions: The payroll systems used by the Regents institutions do not calculate FTE positions for their employees. However, each of the institutions calculates FTE positions for the fiscal year to accommodate requirements of the State Budget System. Furthermore, each institution has a different methodology for calculating FTE positions.

The institutions do keep an accurate count of employees based on the number of paychecks issued. On an annual basis, the three Regents institutions and two special schools employ

² Paid status refers to an employee actively employed by the State and receiving regular pay.

³ This practice is discouraged because, depending on how the department reflects the vacancy factor, it can have an adverse impact on the calculation of salary adjustment.

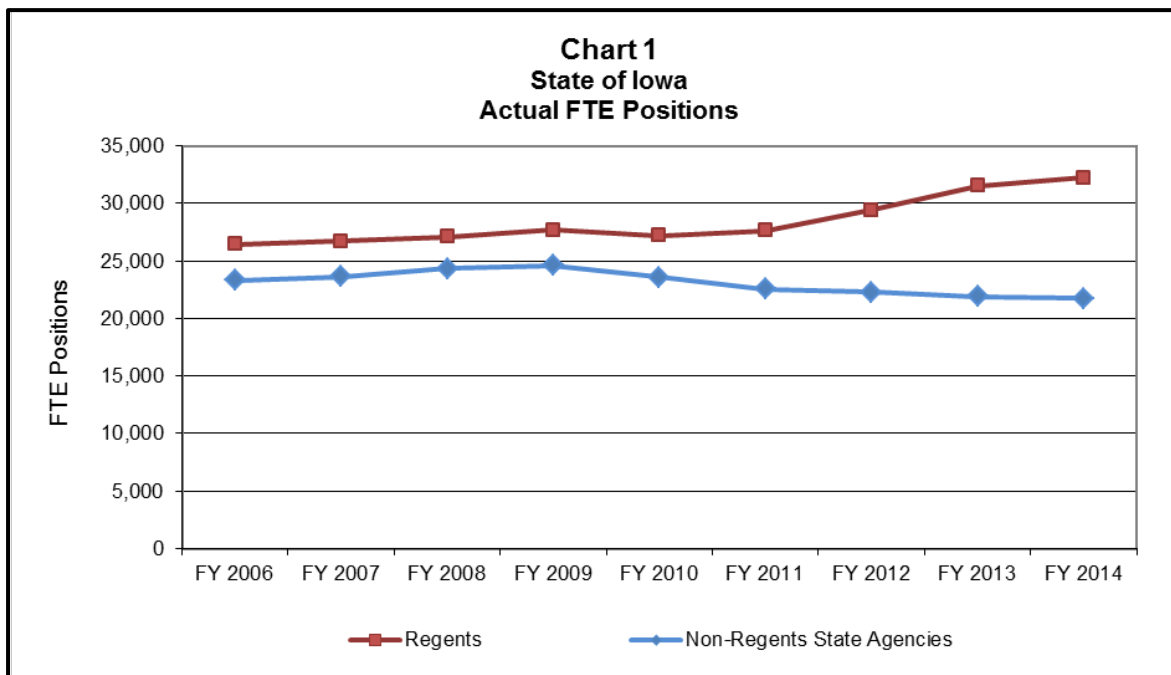
approximately 45,000 individuals; however, this number fluctuates throughout the course of the year and is generally lower during the summer months. Of the total, approximately 46.0% represent full-time employees and the remainder consist of part-time, student, and temporary employees.⁴

FTE Positions and Personnel Costs: Once the appropriations have been enacted, departments determine their budgets for the coming fiscal year. The finalized budget becomes the Adopted Budget and the numbers in this budget category do not change throughout the fiscal year. Any changes to a department’s budget are reflected in the Department Revised Budget category. Additionally, the line item in the budget for salaries and benefits is referred to as Personal Services.

Departments can, and often do, revise their budgets throughout the fiscal year. It has become common practice for departments to move budgeted dollars for personal services available from vacant funded positions to fund expenditure increases in other expenditure line items. It also has become necessary for departments to leave authorized or budgeted positions vacant to fund the negotiated salary and benefit increases for existing staff. This occurs when additional funds are not available to cover the increased costs of salary and benefits.

TRENDS — FTE POSITIONS

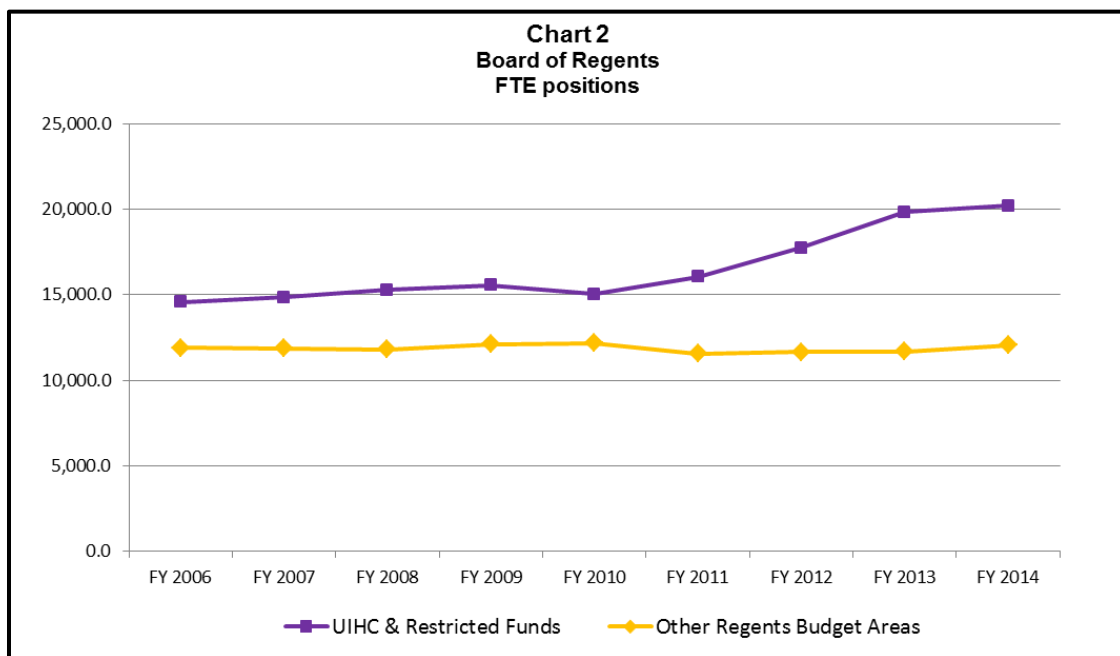
Over the last nine years,⁵ actual FTE positions for all of State government have increased by 4,232 or 8.5%. While the overall number of FTE positions fluctuates from year-to-year, the growth has been driven by the Board of Regents, which comprises nearly 60.0% of the State’s total positions. During this nine-year period, FTE positions for the Board of Regents increased 5,775 (21.8%) while FTE positions for all other non-Regents agencies decreased by 1,543 (-6.6%) (**Chart 1**). **Attachment A** provides additional detail regarding FTE positions for the past nine years.



⁴ Additional information regarding Regents staffing levels can be found in an *Issue Review* titled "[Regents Employees FY 2001 – FY 2010](#)."

⁵ A 10-year historical comparison was not possible due to incomplete FTE position data for FY 2005 for the Board of Regents institutions.

Board of Regents FTE Positions: The areas of the Regents budget contributing to the bulk of the FTE position increase were the University of Iowa Hospitals and Clinics (UIHC), and the restricted funds⁶ at the three universities. The FTE positions for these areas of the budget increased by 5,647 (38.8%) over this nine-year period (**Chart 2**). Furthermore, the majority of this growth occurred after FY 2010 and is associated with the restricted funds at the University of Iowa and Iowa State University. The FTE positions for the restricted funds increased 4,172 positions (50.6%) from FY 2010 to FY 2014. These positions are funded through self-sustaining revenue sources and are not funded with appropriated dollars. The FTEs for the remaining Regents budget areas showed an increase of 129 positions or 1.1% during this nine-year period.



FTE Positions for Non-Regents State Agencies: As previously mentioned, the FTE positions for State agencies, excluding Regents, decreased by 1,543 positions (-6.6%) from FY 2006 to FY 2014. However, during this nine-year period, the number of positions actually increased by 5.7% from FY 2006 to FY 2009. Since FY 2009, the number of FTE positions for these State agencies has steadily declined. In FY 2009, the FTE positions for these agencies reached a peak of 24,613 positions. By FY 2014, the number of positions fell to 21,752, a reduction of 2,861 (11.6%).

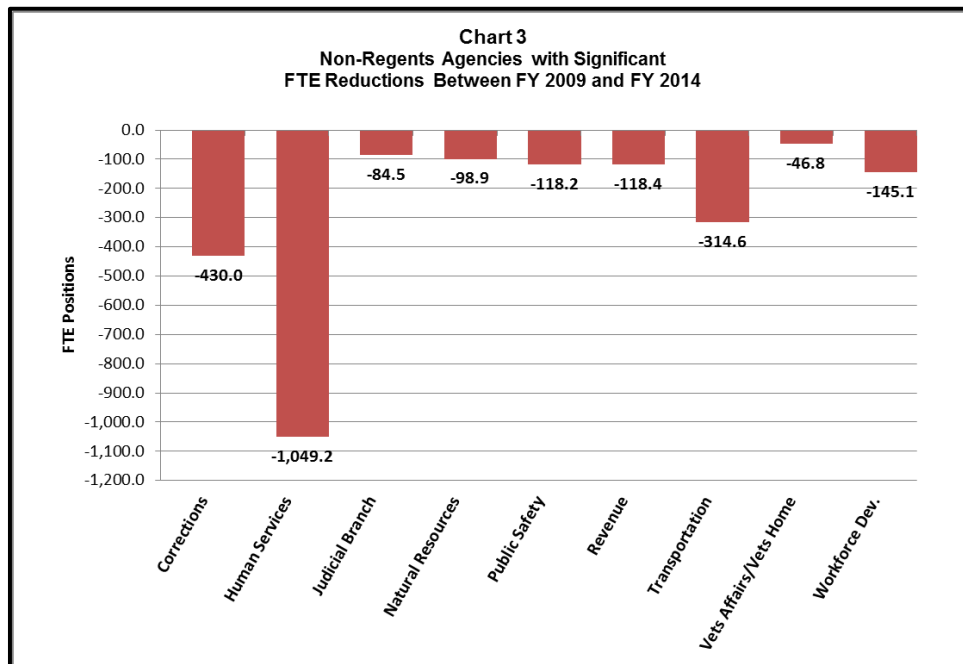
Nearly all non-Regents agencies have experienced FTE reductions since FY 2009, although the majority of the decline (nearly 63.0% or 1,794 FTE positions) has impacted the Departments of Human Services, Corrections, and Transportation. These three departments comprise over 50.0% of the FTE positions for non-Regents agencies. **Table 1** and **Chart 3** show the change in FTE positions from FY 2009 to FY 2014 for the State agencies (excluding Regents) that have experienced the largest reductions.

⁶ Each of the institutions under the purview of the Board of Regents has restricted funds that are specifically designated or restricted for a particular purpose or enterprise and include: gifts, sponsored funding from federal and private sources, athletics, and other auxiliary or independent functions such as residence, parking, and utility systems. The funds cannot be used for the general operating costs of the Regents institutions.

Table 1
Non-Regents State Agencies that Experienced Significant Reductions in FTE Positions

Department	Actual FY 2009	Actual FY 2014	Change	Percent Change
Human Services	5,881.5	4,832.3	-1,049.2	-17.8%
Corrections	4,269.7	3,839.7	-430.0	-10.1%
Transportation	3,125.0	2,810.4	-314.6	-10.1%
Workforce Development	818.9	673.8	-145.1	-17.7%
Revenue	395.8	277.4	-118.4	-29.9%
Public Safety	997.8	879.7	-118.2	-11.8%
Natural Resources	1,105.9	1,007.0	-98.9	-8.9%
Judicial Branch	1,921.9	1,837.4	-84.5	-4.4%
Vets Affairs/Vets Home	938.5	891.7	-46.8	-5.0%
Other Departments	5,158.0	4,702.3	-455.7	-8.8%
Total	24,613.1	21,751.7	-2,861.4	-11.6%

NOTE: The sum of the numbers may not equal totals due to rounding.



Factors that likely contributed to the reduction of FTE positions from FY 2009 to FY 2014 include the Governor’s 10.0% across-the-board reduction in October 2009 and the State Employee Early Retirement Incentive Program (SERIP) enacted in 2010.

In October 2009, the Governor implemented a 10.0% across-the-board reduction to General Fund appropriations in response to action by the Revenue Estimating Conference (REC) that lowered the FY 2010 revenue estimate by 7.1% (\$414.9 million). The revised estimate caused a projected shortfall in the FY 2010 General Fund budget of \$371.8 million.⁷ While the 10.0%

⁷ State of Iowa FY 2010 Year End Report on General Fund Revenues and Expenditures, Legislative Services Agency: <https://www.legis.iowa.gov/docs/publications/GFRA/402735.pdf>.

across-the-board reduction brought the budget back into balance, it reduced appropriations by \$564.4 million and had a significant impact on the operating budgets of State agencies.⁸ During the 2010 Legislative Session that followed, the General Assembly enacted, and the Governor signed into law, [SF 2062](#). This Act created the State Employee Retirement Incentive Program (SERIP) that was designed to incentivize eligible State employees to retire with the purpose of reducing operating budgets and the State workforce. A total of 2,067 individuals participated in the SERIP Program and a total of 807 full-time positions were eliminated.⁹

Another factor that may have contributed to the reduction of FTE positions of non-Regents agencies, although the impact cannot be quantified, includes a change in the way General Fund salary increases have been funded since FY 2009. Prior to FY 2010, the customary practice for funding annual salary increases (referred to as salary adjustment) was for the General Assembly, with approval of the Governor, to provide a separate appropriation to the Department of Management who would then allocate the appropriated dollars to the various state agencies based on their salary adjustment needs. Since FY 2009, a separate appropriation for salary adjustment has not been made and departments have funded salary increases through the normal appropriation process. However, because most state agencies are required to submit status quo budgets, the increased salary costs are generally not included in their annual budget requests. This has required many departments to find savings within their status quo budgets to fund the increased salary costs. The savings have been in the form of holding positions vacant, layoffs, implementing efficiencies that reduce operating costs, and shifting the cost of positions from the General Fund to other funding sources. In addition, some departments have been able to secure increased funding through the legislative process to assist funding increased salary costs.

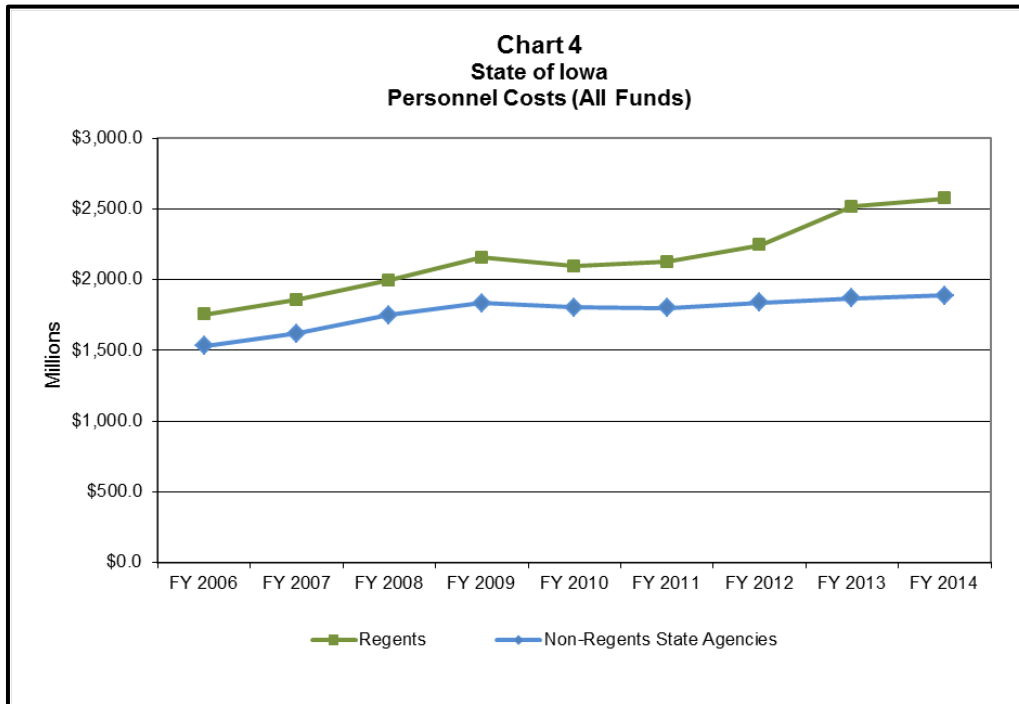
TRENDS — PERSONNEL COSTS

From FY 2006 to FY 2014, personnel costs for all of State government increased \$1.173 billion, representing an average annual increase of 3.9%. From FY 2006 to FY 2009, personnel costs grew at an average annual rate of 6.7%. Since FY 2009, personnel costs have increased at a slower rate of 2.3% annually.

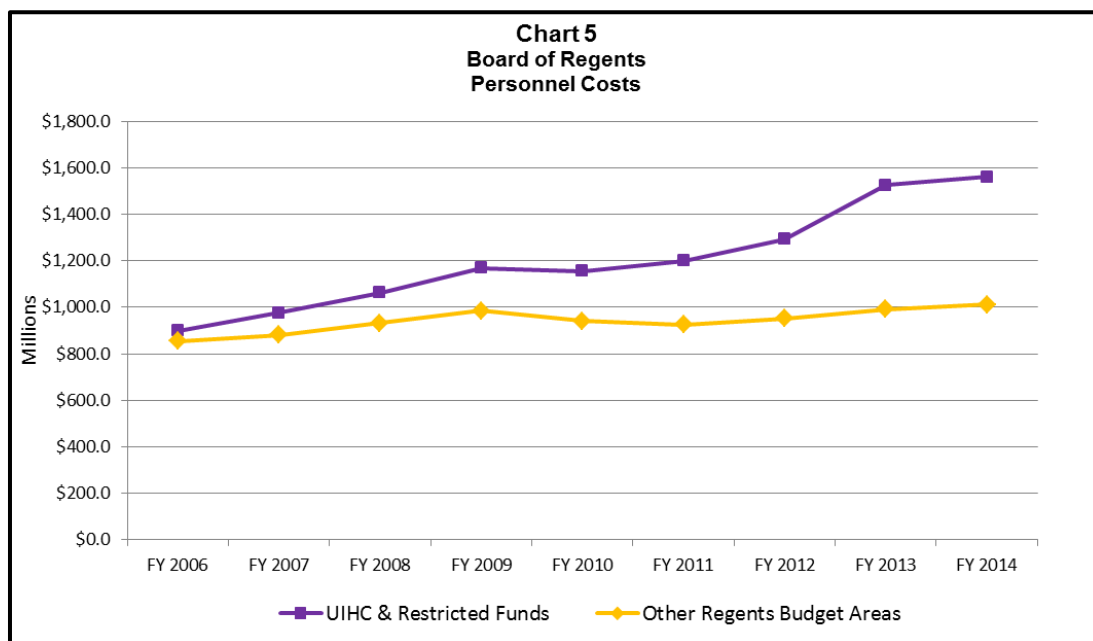
Chart 4 shows the change in personnel costs and compares the Board of Regents with the rest of State government. Of the total increase of \$1.173 billion, the Board of Regents experienced an increase of \$817.5 million while personnel costs for the rest of State government increased \$356.0 million. **Attachment B** provides additional detail on personnel costs for the last nine years.

⁸ See the *Issue Review*; [“State Collective Bargaining in Iowa”](#) published November 13, 2014.

⁹ See the *Issue Review*; [“State Employee Sick Leave Benefits at Retirement”](#) published December 30, 2014.

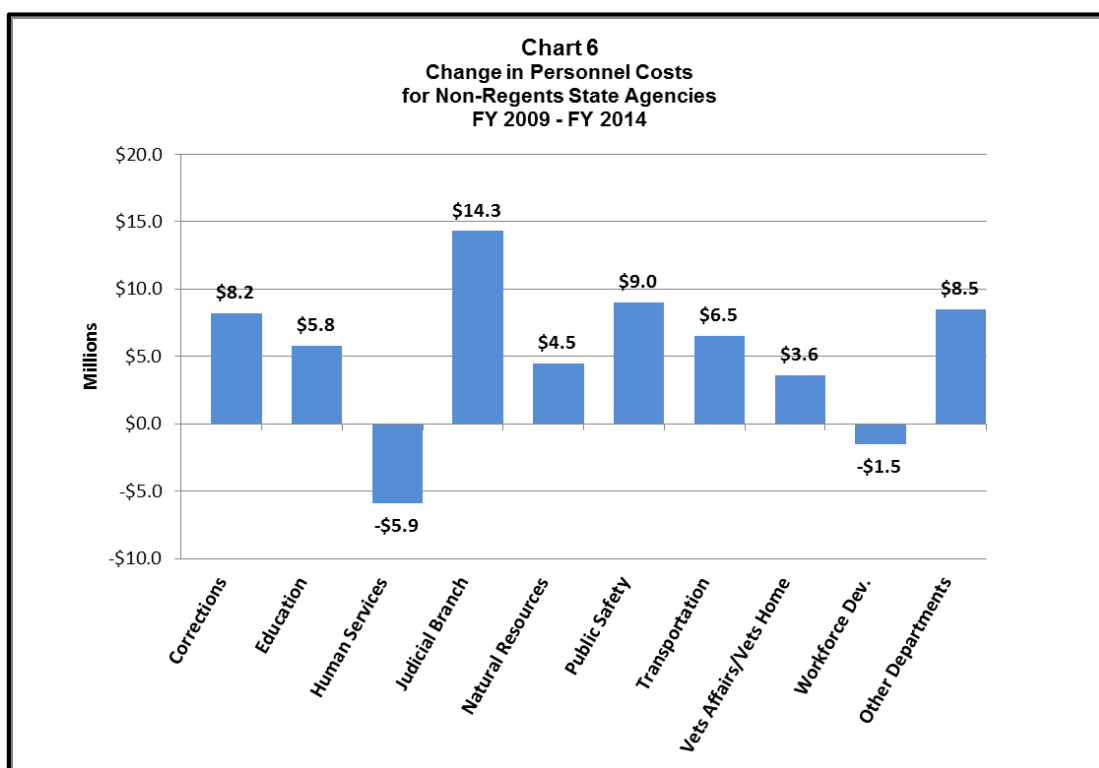


Board of Regents — Personnel Costs: As with FTE positions, the Board of Regents personnel costs comprise nearly 60.0% of the total for State government. The total personnel cost of the Regents has increased from \$1.754 billion in FY 2006 to \$2.572 billion in FY 2014, an average annual increase of 4.9%. The majority of this increase is associated with the UIHC and the restricted funds of the three universities (**Chart 5**). During this nine-year period, personnel costs for these budget areas increased \$661.2 million, equating to an average annual increase of 7.1%. Personnel costs for the remaining Regent’s budget areas increased \$156.2 million for an average annual increase of 2.1%. This is more in line with the 2.6% annual rate of growth experienced by the rest of State government.



Personnel Costs for Non-Regents State Agencies: Personnel costs for State agencies, excluding Regents, increased from \$1.532 billion in FY 2006 to \$1.888 billion in FY 2014, an increase of \$356.0 million. This represents an average annual increase of 2.6% over the nine-year period. Within this nine-year period, the majority of the growth occurred between FY 2006 and FY 2009. During these years, costs increased by \$302.9 million (6.2% annually).

Since FY 2009, the growth in personnel costs for State agencies, excluding Regents, has slowed considerably. By the close of FY 2014, personnel costs increased \$53.1 million compared to FY 2009, representing an average annual increase of 0.6%. **Chart 6** summarizes the change in personnel costs from FY 2009 to FY 2014 for some of the largest State agencies, excluding the Regents, from FY 2009 to FY 2014.



SUMMARY

In analyzing information on FTE positions, it is important to distinguish between actual, budgeted, and authorized. In general, FTE positions categorized as “actual” reflect the actual utilization of the positions and incorporate the vacancies that occur throughout the fiscal year. Budgeted FTE positions typically reflect full staffing of agency FTE position levels. Authorized FTE positions are specifically authorized by the General Assembly in session law as a way to control or limit personnel costs relating to appropriated funds.

At the close of FY 2014, the actual number of FTE positions totaled 53,992 for all of State government, representing an increase of 4,232 positions or 8.5% compared to FY 2006. Although the numbers fluctuate annually, the growth during this nine-year period was driven by the Board of Regents, where positions increased 5,775 (21.8%) while positions for all other State agencies decreased by 1,543 positions (-6.6%). The majority of the increase in Regents positions is associated with the UIHC and the restricted funds at the three universities, whose budgets are generally from self-sustaining revenue sources. When the FTE positions for the

UIHC and the restricted funds are excluded, the positions for the remaining budget areas of the Regents increased at a slower rate of 1.0% over the nine-year period.

While personnel costs for all of State government increased over the last nine years by \$1.173 billion (an average annual increase of 3.9%) the rate of growth slowed substantially after FY 2009. The average annual rate of growth from FY 2006 to FY 2009 of 6.7% was nearly three times that of the 2.3% rate of change from FY 2009 to FY 2014.

The factors most likely responsible for the reduction of FTE positions and slower rate of growth in personnel costs from FY 2009 to FY 2014 include:

- Implementation of the Governor's 10.0% across-the-board reduction in October 2009.
- Implementation of the SERIP Program in 2010.
- A change in how State employees salary adjustment has been funded since FY 2009.

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State of Iowa
Actual FTE Positions

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Board of Regents	26,465.4	26,716.9	27,097.8	27,672.2	27,205.2	27,601.2	29,387.9	31,496.3	32,240.7
Non-Regents									
Corrections	3,966.0	4,038.6	4,267.7	4,269.7	4,065.7	3,876.1	3,778.6	3,752.2	3,839.7
Education	732.6	712.5	747.4	770.9	761.5	727.0	745.3	731.9	720.7
Human Services	5,484.9	5,621.4	5,755.2	5,881.5	5,594.8	5,191.8	5,133.3	5,015.1	4,832.3
Judicial Branch	1,905.7	1,932.5	1,953.7	1,921.9	1,746.6	1,756.6	1,758.8	1,772.6	1,837.4
Natural Resources	1,058.5	1,077.0	1,115.3	1,105.9	1,019.9	1,007.8	1,014.8	1,002.3	1,007.0
Public Safety	891.3	933.0	969.0	997.8	961.2	940.7	928.0	905.4	879.7
Transportation	3,031.2	3,115.4	3,116.1	3,125.0	3,054.3	2,881.6	2,845.0	2,784.4	2,810.4
Vets Affairs/Vets Home	889.1	903.1	954.0	938.5	919.6	831.4	844.2	865.6	891.7
Workforce Development	795.6	768.7	810.0	818.9	888.3	880.0	797.0	734.7	673.8
Other Departments	4,539.7	4,550.1	4,671.7	4,782.9	4,571.1	4,475.3	4,426.6	4,330.2	4,258.9
Subtotal Non-Regents	23,294.6	23,652.4	24,360.1	24,613.1	23,582.9	22,568.4	22,271.7	21,894.3	21,751.7
Total	49,760.1	50,369.2	51,457.8	52,285.3	50,788.1	50,169.6	51,659.6	53,390.6	53,992.4

The sum of the numbers may not equal totals due to rounding.

State of Iowa
Personnel Costs (All Funding Sources)
(Dollars in Millions)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Board of Regents	\$ 1,754.3	\$ 1,857.3	\$ 1,993.3	\$ 2,155.2	\$ 2,095.3	\$ 2,124.4	\$ 2,243.9	\$ 2,516.0	\$ 2,571.8
Non-Regents									
Corrections	\$ 261.9	\$ 279.3	\$ 306.8	\$ 317.4	\$ 307.3	\$ 309.9	\$ 311.0	\$ 319.1	\$ 325.6
Education	53.3	54.8	59.9	64.2	64.8	64.4	68.0	69.6	70.0
Human Services	325.1	349.9	377.5	400.1	391.4	379.2	387.4	396.3	394.2
Judicial Branch	123.9	132.9	140.2	145.7	144.0	146.8	148.6	152.4	160.0
Natural Resources	69.2	73.3	78.3	82.8	80.1	80.4	84.3	86.2	87.3
Public Safety	67.7	73.3	79.5	84.7	83.5	85.9	89.3	91.7	93.7
Transportation	208.1	214.7	225.4	234.2	232.4	229.0	235.0	236.4	240.7
Vets Affairs/Vets Home	50.9	53.8	59.4	61.5	60.8	59.4	61.2	63.3	65.1
Workforce Development	51.8	52.7	57.4	60.0	65.1	66.9	63.9	62.4	58.5
Other Departments	320.3	335.4	366.7	384.6	374.2	378.8	389.4	392.6	393.1
Subtotal Non-Regents	<u>\$ 1,532.3</u>	<u>\$ 1,620.1</u>	<u>\$ 1,751.1</u>	<u>\$ 1,835.2</u>	<u>\$ 1,803.7</u>	<u>\$ 1,800.8</u>	<u>\$ 1,838.2</u>	<u>\$ 1,870.0</u>	<u>\$ 1,888.3</u>
Total	<u>\$ 3,286.6</u>	<u>\$ 3,477.4</u>	<u>\$ 3,744.4</u>	<u>\$ 3,990.3</u>	<u>\$ 3,899.0</u>	<u>\$ 3,925.2</u>	<u>\$ 4,082.0</u>	<u>\$ 4,386.0</u>	<u>\$ 4,460.1</u>

The sum of the numbers may not equal totals due to rounding.