

State of Iowa
Full-Time Equivalent Positions and Personnel Costs

ISSUE

This **Issue Review** provides background on the establishment of full-time equivalent (FTE) positions and examines how FTE positions are used in the State's budgeting process. This **Issue Review** also provides historical information regarding FTE positions and personnel costs and the current status and outlook of FTE positions and salary expenditures for FY 2011. In addition, this **Issue Review** outlines the new requirements included in SF 2088 (Government Reorganization Efficiency Act) that will impact FTE levels and expenditure of salary dollars for FY 2011.

CODE AUTHORITY

Section 8.36A

BACKGROUND

FTE Positions Defined: Language defining an FTE position was added to the Iowa Code in the 1990 Legislative Session with the enactment of SF 2427 (Budgetary and Financial Procedures of State Agencies Act). 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, 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 in order for a State agency to expend funds for personnel costs. However, the State's centralized payroll system calculates FTE utilization for agencies that use the system. In addition, for budgeting purposes, all State agencies enter FTE data in the State budget system regardless of whether or not the FTE positions had previously been authorized in prior year legislation.

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

- **Actual utilized positions** – At the close of a fiscal year, FTE positions are calculated for all positions of departments that use the centralized state payroll system. This includes all departments and agencies except for the Regents institutions and the judicial district departments (a.k.a., community-based corrections agencies). The actual FTE usage is calculated by taking the actual hours worked during the fiscal year and dividing the number by 2,080 hours. For example, if a department has budgeted a full-time position (equating to 1.0 FTE) 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 would be 0.5 ($1,040 \div 2,080$). The calculation of the actual FTE takes into account the vacancies that occur throughout the fiscal year.
- **Budgeted positions** – At the beginning of each fiscal year, State agencies enter budget 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 levels. However, there may be instances when an agency adds a vacancy factor if they are certain that the position will not be filled on July 1.
- **Authorized positions** – Authorized FTE positions 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 they are typically positions that are tied to 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 generally has been used as a way for the General Assembly to control or limit personnel costs relating to appropriated funds. In addition, there are numerous programs that are 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 authorization levels, they are allowed to fund salaries and benefits for employees working in those programs.

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 at the close of each fiscal year to accommodate requirements of the State budget system.

The institutions have difficulty in calculating FTE positions for their employees due largely to the nature of the work involved. Most faculty members are counted as full-time employees; however, many do not have jobs based on the standard 2,080 hours. In addition, the institutions employ a large number of seasonal employees and students that are difficult to convert to FTE positions.

However, the institutions do keep an accurate head count of employees. On an annual basis, the three Regents institutions and two special schools employ approximately 45,000 individuals. Of the total, approximately 46.0% represent full-time employees and the remainder consist of

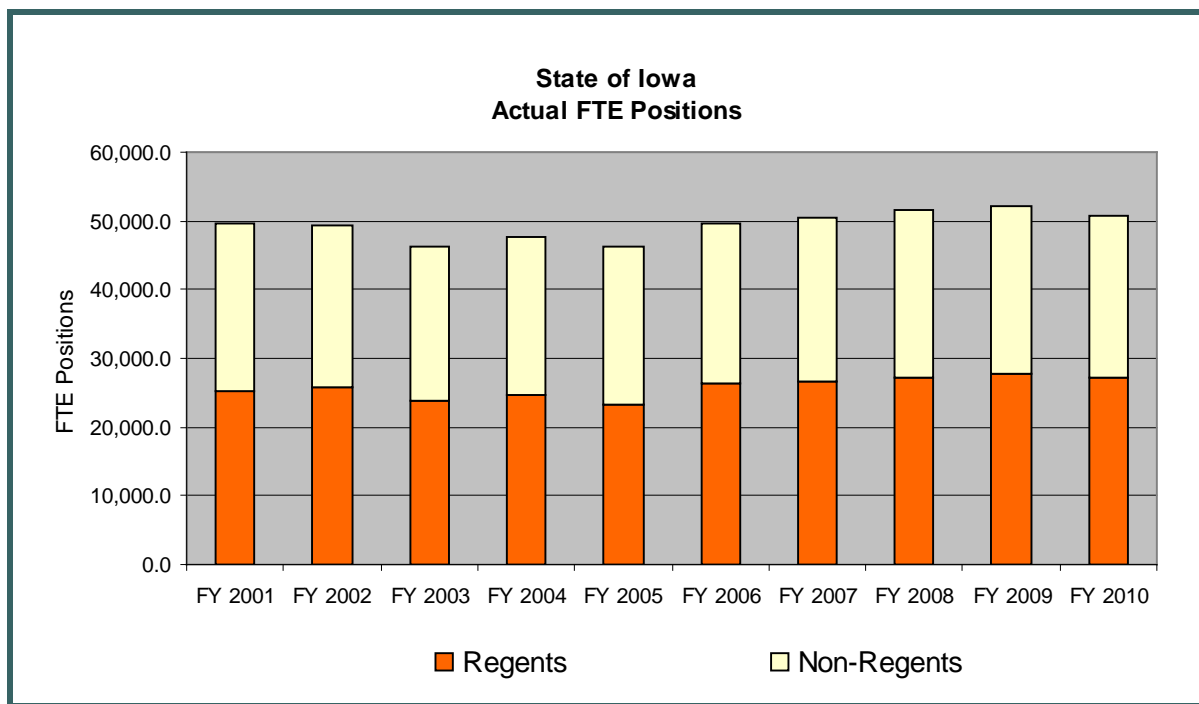
part-time, student, and temporary employees. Additional information regarding Regents staffing levels can be found in an **Issue Review** titled “Regents Employees FY 2001 – FY 2010” (<http://www.legis.state.ia.us/Isadocs/IssReview/2010/IRMDF000.PDF>).

FTE Positions and Personnel Costs: Once the appropriations have been enacted, agencies begin putting their budgets together for the coming fiscal year. The finalized budget becomes the Adopted Budget of the department and the numbers in this budget do not change throughout the fiscal year. Any changes to a department’s budget are reflected in the Department Revised Budget. 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 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 appropriated to cover the costs of the collective bargaining agreements, or the funds that are appropriated are not sufficient to fully fund the agreements.

HISTORICAL TRENDS

FTE Positions – FY 2010 Comparison to FY 2001: Between FY 2001 and FY 2010, the total number of actual FTE positions in State government increased 1,180.5 positions (from 49,607.6 to 50,788.1), an increase of 2.4%. The Board of Regents comprises approximately 54.0% of the State’s total FTE positions. During this ten-year period, the growth in FTE positions for the Board of Regents increased 2,068.8 (8.2%) while FTE positions for the rest of State government decreased 888.3 (3.6%).



Three agencies had relatively significant reductions in positions during this period. The Department of Corrections, Department of Transportation, and the Judicial Branch experienced

a combined reduction totaling 1,074.3 positions (10.8%) over this ten-year period. The Department of Veterans Affairs and Iowa Workforce Development had increases in FTE positions of 71.7 (8.5%) and 80.4 (10.0%) respectively from FY 2001 to FY 2010. The majority of positions in these two agencies are federally funded.

FTE Positions – FY 2010 Comparison to FY 2009: In comparison to FY 2009, the actual FY 2010 FTE positions were 1,497.2 (2.9%) below the FY 2009 level. Nearly every State agency experienced a decrease in FTE positions in FY 2010. This was largely the result of the Governor's 10.0% across-the-board reduction as well as the State Early Retirement Program that was implemented toward the end of FY 2010.

The Board of Regents FTE positions in FY 2010 decreased by 467.0 positions (1.7%), while all other State agencies experienced a decrease of 1,030.2 positions (4.2%) compared to FY 2009. State agencies that had a significant reduction from FY 2009 to FY 2010 were the Department of Human Services, the Department of Corrections, and the Judicial Branch. These three agencies had a combined decrease of 666.1 positions (5.5%) in FY 2010 compared to FY 2009.

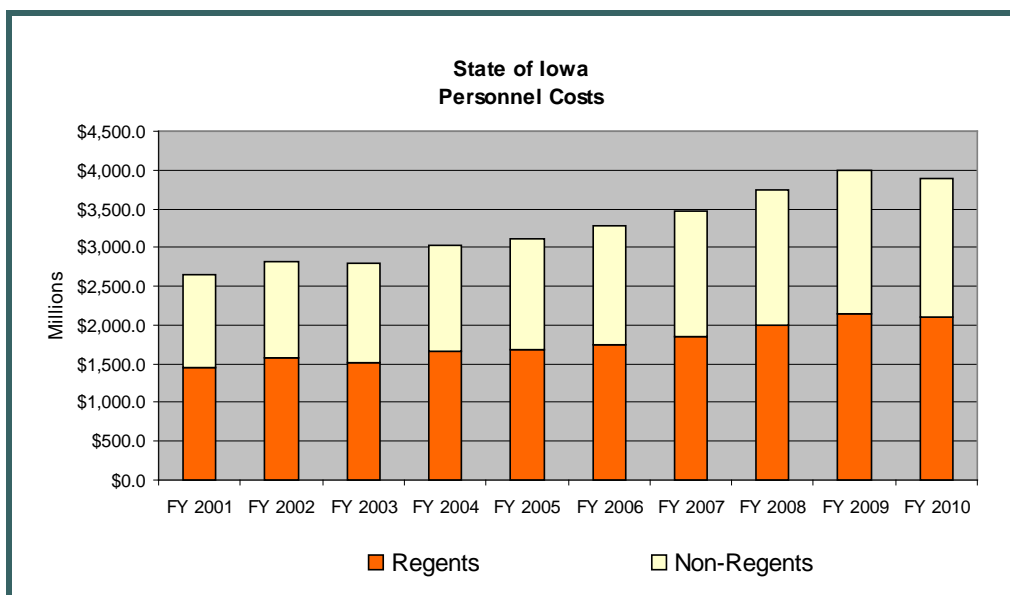
The following table provides a comparison of the FY 2010 FTE positions to FY 2001 and FY 2009 for the ten largest State agencies.

State of Iowa FTE Positions							
	FY 2001	FY 2009	FY 2010	FY 2010 vs FY 2001		FY 2010 vs FY 2009	
				Change	Percent Change	Change	Percent Change
Board of Regents	25,136.4	27,672.2	27,205.2	2,068.8	8.2%	(467.0)	-1.7%
Human Services	5,523.3	5,881.5	5,594.8	71.5	1.3%	(286.8)	-4.9%
Corrections	4,180.0	4,269.7	4,065.7	(114.3)	-2.7%	(204.0)	-4.8%
Transportation	3,707.4	3,125.0	3,054.3	(653.1)	-17.6%	(70.8)	-2.3%
Judicial Branch	2,053.5	1,921.9	1,746.6	(306.9)	-14.9%	(175.3)	-9.1%
Natural Resources	1,025.8	1,105.9	1,019.9	(5.9)	-0.6%	(86.0)	-7.8%
Public Safety	961.0	997.8	961.2	0.2	0.0%	(36.7)	-3.7%
Veterans Affairs	847.9	938.5	919.6	71.7	8.5%	(18.9)	-2.0%
Workforce Development	807.9	818.9	888.3	80.4	10.0%	69.4	8.5%
Education	741.3	770.9	761.5	20.2	2.7%	(9.3)	-1.2%
Other Departments	4,623.2	4,782.9	4,571.1	(52.1)	-1.1%	(211.8)	-4.4%
Subtotal	24,471.2	24,613.1	23,582.9	(888.3)	-3.6%	(1,030.2)	-4.2%
Total	49,607.6	52,285.3	50,788.1	1,180.5	2.4%	(1,497.2)	-2.9%

NOTE: Totals may not add correctly due to rounding.

Personnel Costs – FY 2010 Comparison to FY 2001: From FY 2001 to FY 2010, personnel costs for all of State government increased \$1.240 billion, from \$2.659 billion to \$3.899 billion, an increase of 46.6%. This represents an average annual increase of 4.4%. Of the increase, \$650.5 million was associated with the Regents institutions and \$589.2 million was for the rest of State government.

As with FTE positions, the Board of Regents personnel costs comprise about 54.0% of the total for State government. The total personnel cost of the Board of Regents has increased from \$1.445 billion in FY 2001 to \$2.095 billion in FY 2010, an average annual increase of 4.3%. The total cost of the rest of State government has increased from \$1.214 billion in FY 2001 to \$1.804 billion in FY 2010, representing an average annual increase of 4.5%.



Personnel Costs – FY 2010 Comparison to FY 2009: Overall personnel costs for all State agencies decreased \$91.4 million (2.3%) in FY 2010 when compared to the previous year. The Board of Regents experienced a \$59.9 million (2.8%) reduction; while the rest of State government had a \$31.5 million (1.7%) decrease. Other agencies with significant reductions in personnel costs include: the Department of Human Services (\$8.7 million) and the Department of Corrections (\$10.1 million).

The following table provides a comparison of the FY 2010 personnel costs to FY 2001 and FY 2009 for the ten largest State agencies.

	FY 2001	FY 2009	FY 2010	FY 2010 vs FY 2001		FY 2010 vs FY 2009	
				Change	Percent Change	Change	Percent Change
Board of Regents	\$ 1,444.7	\$ 2,155.2	\$ 2,095.3	\$ 650.5	45.0%	\$ -59.9	-2.8%
Human Services	257.2	400.1	391.4	134.2	52.2%	-8.7	-2.2%
Corrections	203.4	317.4	307.3	103.9	51.1%	-10.1	-3.2%
Transportation	174.7	234.2	232.4	57.7	33.0%	-1.7	-0.7%
Judicial Branch	104.2	145.7	144.0	39.8	38.1%	-1.7	-1.2%
Natural Resources	57.4	84.7	83.5	26.1	45.4%	-1.3	-1.5%
Public Safety	50.5	82.8	80.1	29.7	58.8%	-2.7	-3.2%
Veterans Affairs	39.7	60.0	65.1	25.5	64.2%	5.1	8.5%
Workforce Development	39.1	64.2	64.8	25.7	65.8%	0.6	0.9%
Education	38.0	61.5	60.8	22.8	60.1%	-0.7	-1.1%
Other Departments	250.3	384.6	374.2	123.9	49.5%	-10.4	-2.7%
Subtotal	1,214.5	1,835.2	1,803.7	589.2	48.5%	-31.5	-1.7%
Total	\$ 2,659.2	\$ 3,990.3	\$ 3,899.0	\$ 1,239.8	46.6%	\$ -91.4	-2.3%

NOTE: Totals may not add due to rounding.

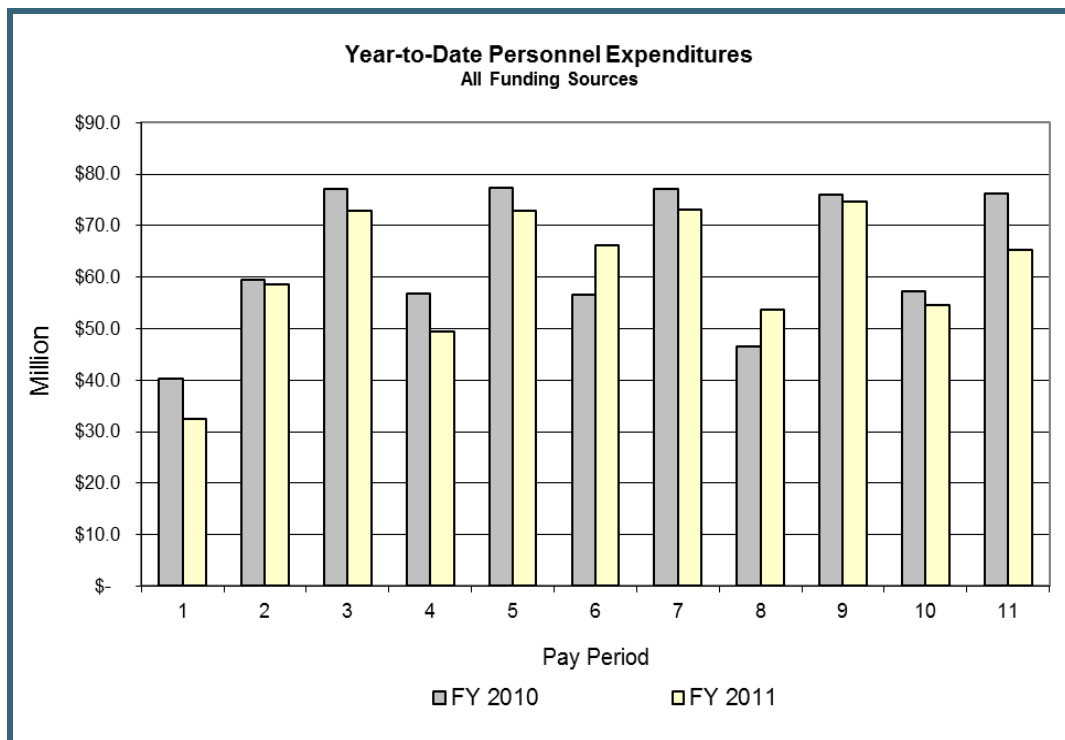
STATUS OF FY 2011

Data used for FY 2011 Analysis: *The following analysis is based on information from the State centralized payroll system and the State’s I-3 budget system. The information compares year-to-date personnel expenditures and FTE utilization to the departments’ revised budgets for personnel costs and FTE positions.*

The information is updated each pay period with actual year-to-date personnel expenditures and FTE utilization. The personnel costs and FTE utilization for the remainder of the fiscal year are also estimated using a salary projection model. This projection is then compared to the revised department budgets and shows if a department is projected to be over or under budget at the end of the fiscal year based on their current rate of spending and FTE utilization.

The information described above only includes the State agencies that use the State centralized payroll system and, therefore, does not include data for the Regents institutions or the Community-Based Corrections departments. In addition, the data does not include the Legislative Branch as the General Assembly does not use the State budget system for purposes of budgeting FTE positions.

FY 2011 Personnel Costs: Year-to-date personnel costs from all funding sources, for agencies that use the state centralized payroll system, through the first 11 pay periods of FY 2011 totaled \$673.8 million. This is a decrease of \$27.0 million (3.9%) compared to the amount expended for the same period of FY 2010. The following chart compares the year-to-date personnel expenditures for each of the first 11 pay periods for FY 2010 and FY 2011. The FY 2011 personnel expenses have been less than FY 2010 for nine of the first 11 pay periods. The sixth and eighth pay periods for FY 2011 were higher than the previous year due to SERIP payments being made in these pay periods.



The majority of the \$27.0 million reduction in personnel costs was the result of reduced General Fund spending. Year-to-date personnel costs funded from the General Fund through the first 11 pay periods of FY 2011 totaled \$328.0 million, a decrease of \$23.8 million (6.8%) compared to the amount expended for the same period of FY 2010. Year-to-date personnel expenses from other funding sources in FY 2011 were \$3.2 million below FY 2010. The following table compares the personnel expenditures for each of the first 11 pay periods for FY 2010 and FY 2011.

Personnel Costs									
(Dollars in Millions)									
Pay Period	General Fund			Other Funds			All Funds		
	FY 2010	FY 2011	Diff.	FY 2010	FY 2011	Diff.	FY 2010	FY 2011	Diff.
1	\$ 20.3	\$ 14.4	\$ -5.9	\$ 20.0	\$ 18.0	\$ -2.0	\$ 40.3	\$ 32.4	\$ -7.9
2	28.1	22.7	-5.4	31.5	36.0	4.5	59.6	58.7	-0.9
3	38.6	39.7	1.1	38.6	33.1	-5.5	77.2	72.8	-4.4
4	28.2	25.4	-2.8	28.5	24.1	-4.4	56.7	49.5	-7.2
5	38.6	35.5	-3.1	38.7	37.3	-1.4	77.3	72.8	-4.5
6	28.1	29.8	1.7	28.5	36.4	7.9	56.6	66.2	9.6
7	38.4	35.6	-2.8	38.7	37.6	-1.1	77.1	73.2	-3.9
8	27.4	26.1	-1.3	19.2	27.5	8.3	46.6	53.6	7.0
9	37.9	35.7	-2.2	38.1	38.9	0.8	76.0	74.6	-1.4
10	28.1	26.9	-1.2	29.1	27.7	-1.4	57.2	54.6	-2.6
11	38.1	36.2	-1.9	38.1	29.2	-8.9	76.2	65.4	-10.8
Total	\$ 351.8	\$ 328.0	\$ -23.8	\$ 349.0	\$ 345.8	\$ -3.2	\$ 700.8	\$ 673.8	\$ -27.0

Projected FY 2011 Personnel Costs vs. Budget: For FY 2011, State agencies that use the State centralized payroll system have budgeted \$1.763 billion for salaries and benefits from all funding sources and 22,904.3 FTE positions. Based on current projections, it is estimated that agencies will expend \$1.640 billion for personnel costs and utilize 20,829.7 FTE positions. This results in agencies being an estimated \$122.8 million (7.0%) and 2,074.6 FTE positions (9.1%) below budget for FY 2011.

From the General Fund appropriated dollars, State agencies budgeted \$831.4 million for salaries and benefits and 10,875.6 FTE positions. Based on current projections, it is estimated that agencies will expend \$802.2 million and utilize 10,096.4 FTE positions, resulting in \$29.2 million (3.5%) and 779.2 FTE positions (7.2%) below budget. Many State agencies may be holding back on filling General Fund positions until the Department of Management provides agencies with guidance on how an \$83.8 million reduction to General Fund appropriations will be allocated to State agency operating budgets. This reduction was enacted in HF 2531 (FY 2011 Standing Appropriations Act).

Agencies also budgeted \$931.1 million for salaries and benefits and 12,028.7 FTE positions from other funding sources for FY 2011. Current projections indicate agencies will expend \$837.5 million and utilize 10,733.3 FTE positions, resulting in \$93.6 million (10.1%) and 1,295.4 FTE positions (10.8%) below budget.

The following table compared the projected personnel costs and FTE positions to the department revised budgets for FY 2011.

FY 2011 Projected Personnel Costs		
(Dollars in Millions)		
General Fund	Salaries/Benefits	FTE Positions
Budget	\$ 831.4	10,875.6
Projected	\$ 802.2	10,096.4
Under(Over)	\$ 29.2	779.2
Other Funds		
Budget	\$ 931.1	12,028.7
Projected	\$ 837.5	10,733.3
Under(Over)	\$ 93.6	1,295.4
All Funds		
Budget	\$ 1,762.6	22,904.3
Projected	\$ 1,639.7	20,829.7
Under(Over)	\$ 122.8	2,074.6

Reasons for Unspent Salary Funds: A common question and concern of policy makers is what happens to the funds that an agency may budget for personnel costs but is not expended at the end of the fiscal year. Because agencies generally have the flexibility to move money between expenditure line-items, it is difficult to precisely determine why they may not expend all of the funds they initially budgeted for personnel costs at the beginning of the fiscal year. The following are some of the more common reasons agencies may end the year with unspent salary funds.

- Funds are shifted to cover unanticipated expenditures or expenditure increases that were not originally included in an agency's budget.
- Positions may be left vacant to reduce costs due to appropriation reductions such as mid-year deappropriations or across-the-board reductions ordered by the Governor.
- Agencies may leave some positions vacant to fund negotiated salary and benefit increases due to insufficient funds being appropriated to cover collective bargaining costs.
- Positions may be left vacant to fund vacation and sick leave buyouts of retiring employees.
- Agencies may inadvertently over-budget personnel costs for certain programs, and as a result, the budget is not reflective of the actual cost of the program.

NEW REQUIREMENTS RELATED TO FTE POSITIONS FOR FY 2011

The Government Reorganization and Efficiency Act (SF 2088) included two significant provisions relating to FTE positions. The first requires State agencies to eliminate FTE positions that have been vacant for at least six months. However, departments can request the DOM to reauthorize an FTE position if the department can establish that the position is difficult to fill and is critical for fulfilling the duties of the department.

The second provision requires moneys appropriated to a department and included in the department's adopted budget for salaries and benefits to be used only for FTE positions and not for other purposes. These two requirements apply only to FY 2011.

The DOM is working with the Department of Administrative Services to develop an automated process to identify when an FTE position has been vacant for more than six months. The DOM was required to submit a report to the General Assembly by December 1, 2010, including the progress of implementation of these two provisions. As of the date of this publication, the report has not yet been submitted.

CONCLUSION

When analyzing information regarding FTE positions, it is important to understand the distinction between actual, budgeted, and authorized FTE positions. 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 levels.

Since FY 2001, actual FTE positions for all State agencies have ranged from 46,000 to 52,000, with the numbers fluctuating from year to year. Much of the fluctuation has occurred with the Board of Regents, comprising approximately 54.0% of all the State's FTE positions. Over this ten-year period total FTE positions peaked at 52,285.3 positions in FY 2009 and total personnel costs reached the highest level of \$3.990 billion. In response to the sharp decrease in General Fund tax revenues in FY 2010, brought about by the economic recession, General Fund budgets were significantly reduced and the General Assembly enacted the State Early Retirement Incentive Program. As a result, the FY 2010 personnel costs (from all funding sources) decreased by \$91.4 million (2.3%) compared to the FY 2009 level. In addition, the number of FTE positions decreased by 1,497.2 (2.9%).

In monitoring the status of the FY 2011 budget for personnel costs and FTE positions, the Legislative Services Agency (LSA) used information from the State's centralized payroll system. While this information does not include the Regents institutions or community-based corrections departments, it does provide a useful analytical tool for monitoring all other State agency personnel budgets. Through the first 11 pay periods of FY 2011, personnel costs from all funding sources are \$27.0 million below the same period of FY 2010. In addition, State agency personnel costs are projected to be \$122.8 million and 2,074.6 FTE positions below budget for FY 2011. The LSA will continue to monitor the status of the personnel costs and utilization of FTE positions of State agencies throughout the fiscal year.

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