

# Vacancy Factors and Personal Services Costs

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# GOAL OF THIS PRESENTATION

- Provide legislators and staff with the following information:
  - Vacancy Factors
    - Define vacancy factors
    - Why positions are purposely underfunded
    - Who recommends the appropriate vacancy factor
    - How to find an allocation's vacancy factor
  - Vacant Positions
    - How to find out *which* positions are vacant, *how long* they've been vacant and *why* they are vacant
  - Funding for positions
    - Determining which funding sources are used for positions
  - Potential Impacts of Deleting Vacant Positions

# What is a vacancy factor?

*Vacancy Factor = Cost of Filling All Positions – Budgeted Funding*

alternately, and perhaps more enlightening

*Budgeted Funding = Cost of Filling All Positions – Vacancy Factor*  
Why are positions purposely underfunded?

Underfunding positions (i.e., having a vacancy factor) is intended to account for savings attributable to staff turnover.

# Who determines the appropriate vacancy factor?

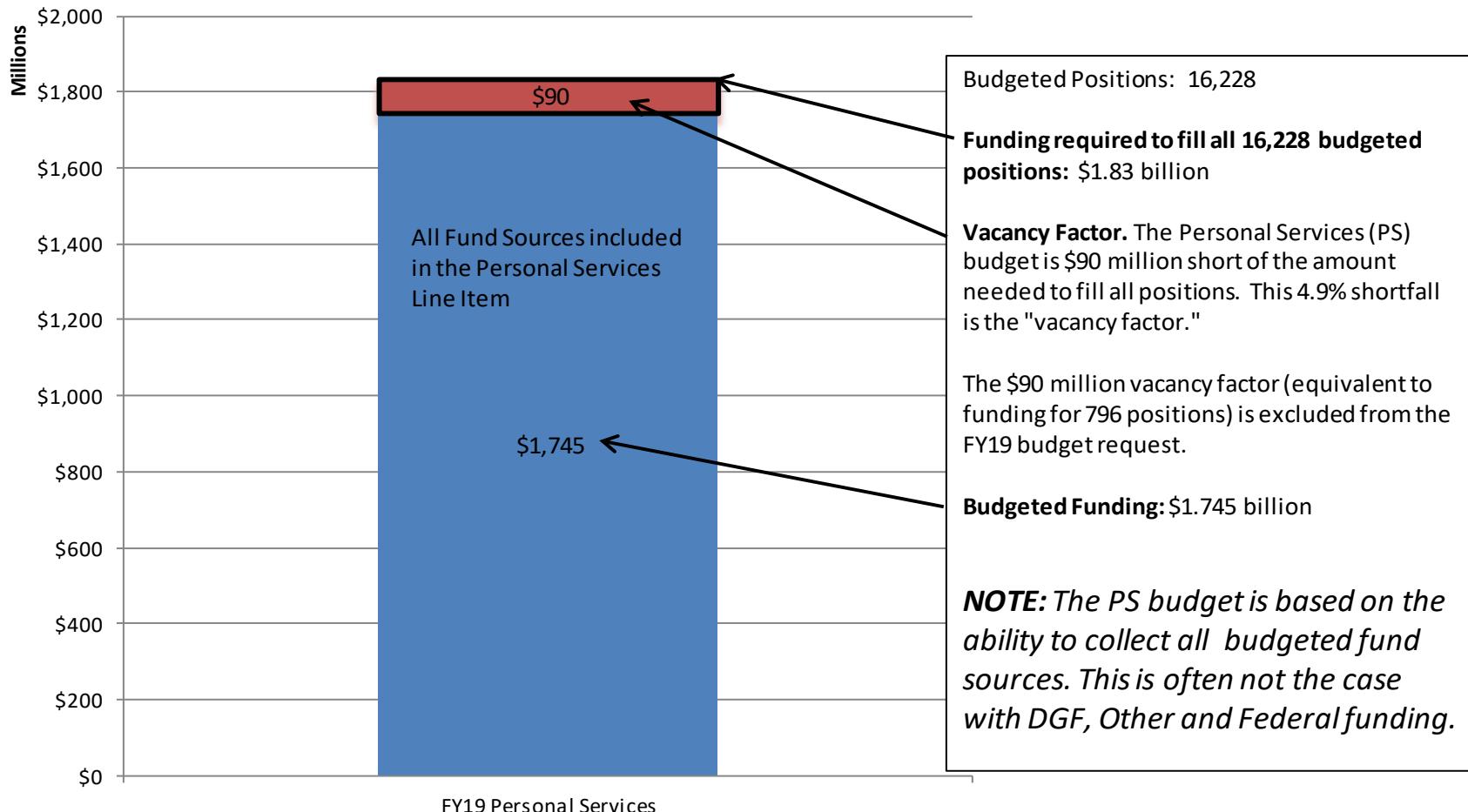
The Office of Management and Budget (OMB) provides minimum and maximum vacancy factor guidelines.

<b>Number of Full Time Positions</b>	<b>Minimum Vacancy Factor *</b>	<b>Maximum Vacancy Factor</b>
10 or less	0%	3%
11 to 20	1%	4%
21 to 30	2%	5%
31 to 50	3%	6%
51 plus	4%	7%

\*Per OMB, the minimum vacancy factor is optional.

# FY 19 EXECUTIVE BRANCH PERSONAL SERVICES LINE FUNDING SUMMARY\*

## All Funds



\*Excludes Personal Services Costs for the University, Judiciary and Legislature and the Alaska Marine Highway System.

# How do I find the vacancy Factor?

The vacancy factor for each allocation with positions is included in the Governor's Budget Detail Books and on OMB's web site. An example of the Personal Services Expenditure Detail Report is below.

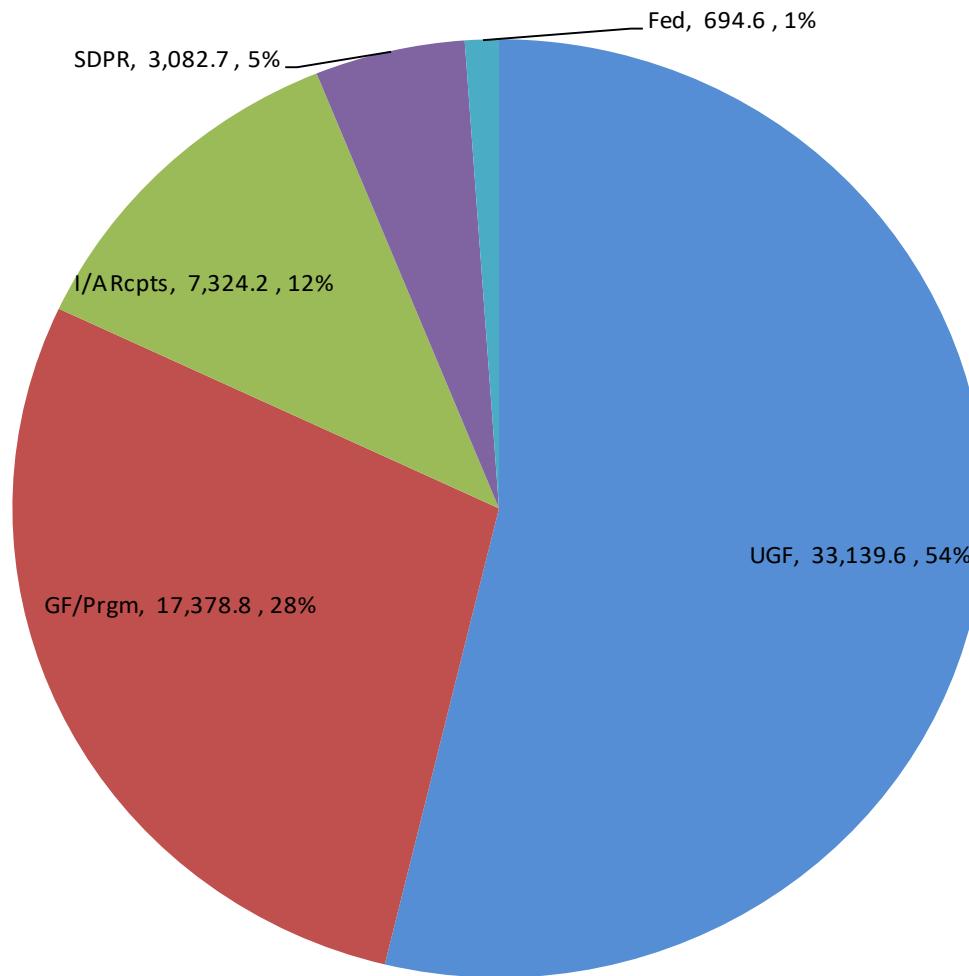
Personal Services Expenditure Detail														Department of Health and Social Services		
PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	UGF Amount	
	Total Positions	New		Deleted										Total Salary Costs: 28,478,799		
Full Time Positions:	541	0		0										Total COLA: 0		
Part Time Positions:	33	0		0										Total Premium Pay: 2,067,840		
Non Permanent Positions:	24	0		0										Total Benefits: 20,343,825		
Positions in Component:	598	0		0												
Total Component Months:	6,999.1															
														Total Pre-Vacancy: 50,890,464		
														Minus Vacancy Adjustment of 1.45%: (739,064)		
														Total Post-Vacancy: 50,151,400		
														Plus Lump Sum Premium Pay: 0		
														Personal Services Line 100: 50,151,400		
<b>PCN Funding Sources:</b>																
1002 Federal Receipts						1,062,790		1,047,356		2.09%						
1004 General Fund Receipts						14,681,811		14,468,592		28.85%						
1005 General Fund/Program Receipts						13,488,811		13,292,918		26.51%						
1007 Interagency Receipts						4,953,948		4,882,003		9.73%						
1037 General Fund / Mental Health						16,266,957		16,030,718		31.96%						
1108 Statutory Designated Program Receipts						436,147		429,813		0.86%						
Total PCN Funding:						50,890,464		50,151,400		100.00%						
<b>Funding Sources Budgeted for Personal Services</b>																
Pre-vacancy Funding (funding needed to fully fund all positions) is multiplied by the vacancy factor (1.45%) to determine the Post-Vacancy funding.																
Post vacancy funding is included in the budget.																

## Myth: There is \$300 million to \$400 million of “slush funds” associated with vacant positions

- If this were true, about 14% of personal services funding would be diverted for other purposes.
- This is simply untrue. Perhaps some of the confusion is the result of “uncollectible” or “hollow” authorization existing in the budget.
- Funding for budgeted positions is based on the assumption that 100% of the funding authorization is collected and expended. For agencies with non-UGF funds in their budget, this is rarely the case.

# Pioneer Homes 17 Final Budget Funding Sources

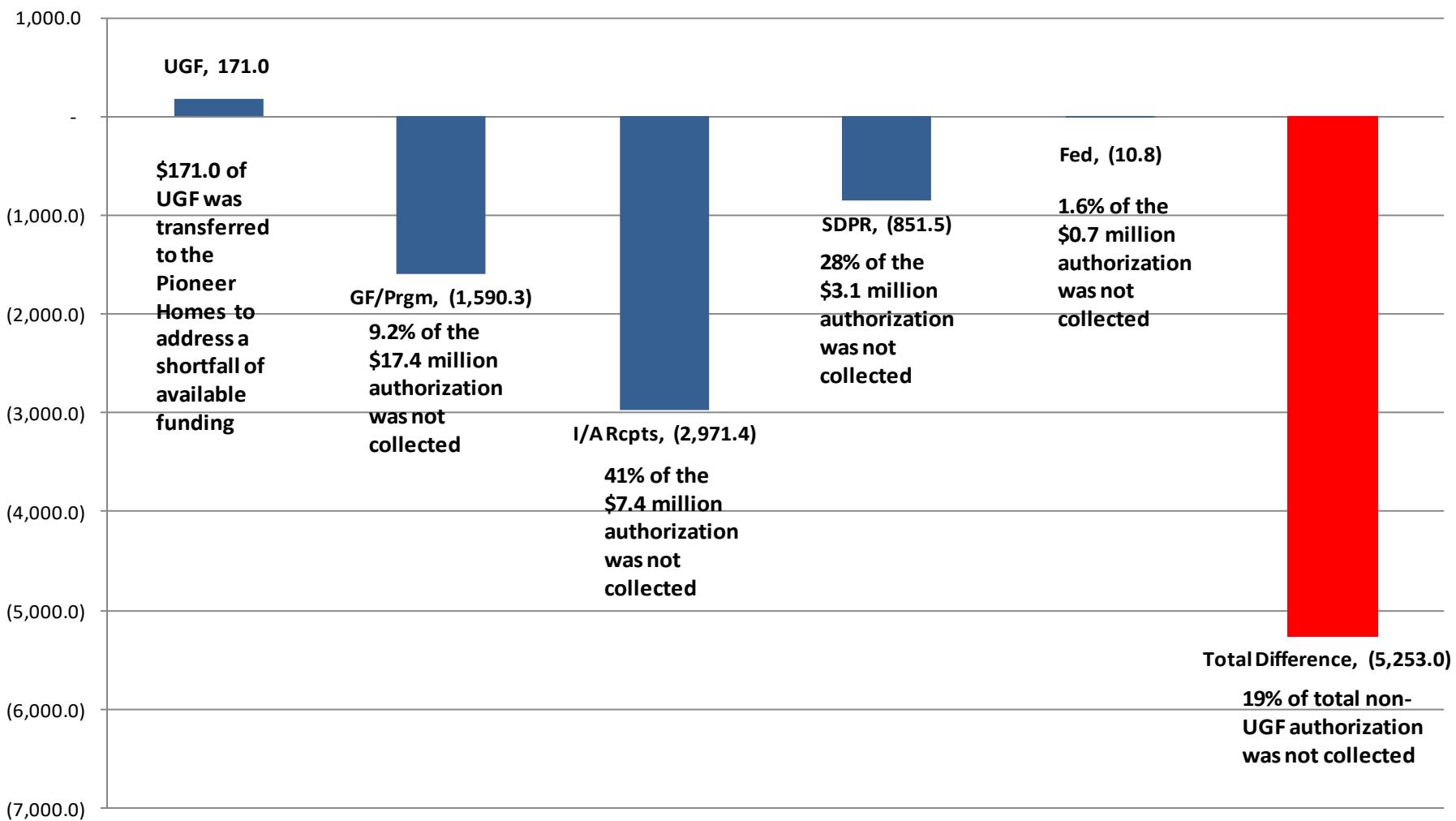
Total FY17 Authorized Budget is: \$61,619.9  
(\$ thousands)



# Pioneer Homes FY17 Authorized Budget vs. Actual Expenditures

## All Fund Sources

(*\$ thousands*)



# The Impact of Unrealized Funding Sources on Vacancy

Pioneer Homes FY19 Personal Services Funding Sources	Pre-Vacancy (Full Cost of Filling All Positions)	Less Vacancy Factor	Post-Vacancy (Money Requested in the Budget)	Realized Revenue / Budgeted Funding (Based on FY17)	Projected Available Funding (Based on FY17)	Additional Forced Vacancy
1002 Federal Receipts	1,062,790	(15,434)	1,047,356	98%	1,031,071	(16,525)
1004 General Fund Receipts	14,681,811	(213,219)	14,468,592	100%	14,468,592	-
1005 General Fund/Program Receipts	13,488,811	(195,893)	13,292,918	91%	12,076,509	(1,234,335)
1007 Interagency Receipts	4,953,948	(71,945)	4,882,003	59%	2,901,393	(2,009,798)
1037 General Fund/Mental Health	16,266,957	(236,239)	16,030,718	100%	16,030,718	-
1108 Statutory Designated Program Receipts	436,147	(6,334)	429,813	72%	311,091	(120,472)
<b>Total PCN Funding</b>	<b>50,890,464</b>	<b>(739,064)</b>	<b>50,151,400</b>		<b>46,819,374</b>	<b>(3,381,129)</b>
<i>Vacancy Factor</i>			<i>(739,064)</i>		<i>(4,120,193)</i>	
Vacancy Factor Percent			1.45%		8.00%	
Required Vacant Months			102		567	
Full Time Position Equivalent			8		47	

# Takeaways:

## In FY17

- The true vacancy factor can be much higher than indicated on the OMB personal services report.
- Funding that does not materialize cannot create slush funds. Funding that does not exist cannot be spent for personal services or for any other purpose.
- Be extremely careful with decrements. Fund sources are critical; deleting or adding incorrect fund sources may have unintended consequences.
- Before acting, know which positions are vacant, how long they have been vacant and why they are vacant.

How am I supposed to find out which positions are vacant, how long they have been vacant and why they are vacant?

- A new report from OMB provides information on vacancy at the level of individual positions.
- Only the department can answer questions regarding *why* positions are vacant.

# OMB's Personal Services Report is on the LFD's web site under the “Analysis Tools” tab

## Personal Services Filled vs Vacant (1734)

### Health & Social Svcs

**Scenario:** FY2018 Management Plan (14331)

**RDU Name:** Alaska Pioneer Homes (503)

**Component:** Pioneer Homes (2671)

FY2018 Management Plan		Total cost if every PCN was filled for an entire year (calculation start only, not component's authorized budget)*:	FY2018 Management Plan	FY2019 Governor	Change
Budgeted	Deleted		\$50,149,993	\$50,890,464	
FT: 541	0	Minus budgeted vacancy rate**: (\$708,593) 1.4%	(\$708,593)	(\$739,064) 1.5%	
PT: 33	0	Personal Services lump sum and boards budgeted amount:	\$0	\$0	
NP: 24	0	Budget Request (Line 1000 Authority):	\$49,441,400	\$50,151,400	\$710,000

**On average, this component must maintain 91.7 months of vacant PCNs to stay within FY2018 Management Plan budget.**

PCN	Count	Status	Filled in Payroll by Month		Prior Year Filled Months	PCN Budgeted Months	PCN Budgeted Amount*	Split	Job Title	Percent UGF						
			1/15/2017	12/15/2017												
02-7007	FT	<input checked="" type="checkbox"/>	12	12.0	152,748	Pioneers Home Admin I	54.1%									
02-7016	FT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	12.0	73,976	Certified Nurse Aide I	59.1%
02-7100	FT	<input checked="" type="checkbox"/>	12	12.0	142,751	Pioneers Home Admin I	59.1%									
02-7101	FT	<input checked="" type="checkbox"/>	12	12.0	86,661	Administrative Assistant II	59.1%									
02-7102	FT	<input checked="" type="checkbox"/>	12	12.0	105,438	Supply Technician II	59.1%									
02-7104	FT	<input checked="" type="checkbox"/>	12	12.0	113,398	Maint Gen Foreman	59.1%									
02-7105	FT	<input checked="" type="checkbox"/>	12	12.0	101,039	Certified Nurse Aide I	59.1%									
02-7106	FT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11	12.0	143,734	Nurse II	59.1%							
02-7108	FT	<input checked="" type="checkbox"/>	12	12.0	95,938	Recreation Therapist I	59.1%									
02-7109	FT	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	12.0	71,394	Certified Nurse Aide I	59.1%
02-7110	FT	<input checked="" type="checkbox"/>	12	12.0	125,178	Nurse III	59.1%									
02-7111	FT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2	12.0	128,738	Nurse III	59.1%
02-7112	FT	<input checked="" type="checkbox"/>	12	12.0	136,302	Nurse II	59.1%									

So how am I supposed to find out what kind of money is used to pay for positions?

## Start with

- Allocation Totals reports in the Subcommittee Books. Compare FY17 Actuals and the FY18 Mgmt Plan to the FY19 request. (See next slide.)
- Personal Services Detail (pcns, location, cost of salary & benefits, vacancy factors, and the amount of UGF budgeted for each position). (See slide 6.)
- Then talk to your LFD analyst and department staff.

## 2018 Legislature - Operating Budget Allocation Totals - Governor Structure

### Numbers and Language

Agency: Department of Health and Social Services

### Appropriation: Alaska Pioneer Homes

#### Allocation: Pioneer Homes

	[1] 17Actual	[2] 18MgtPln	[3] GovSupp 12/15	[4] 19Adj Base	[5] 19GovAdj	[5] - [1] 17Actual to 19GovAdj	[5] - [2] 18MgtPln to 19GovAdj	[5] - [4] 19Adj Bas to 19GovAdj
<b>Total</b>	56,366.9	61,231.0	0.0	61,416.0	61,941.0	5,574.1	9.9 %	710.0
<b>Objects of Expenditure</b>								
1 Personal Services	46,206.3	49,441.4	0.0	49,626.4	50,151.4	3,945.1	8.5 %	710.0
2 Travel	9.6	18.9	0.0	18.9	18.9	9.3	96.9 %	0.0
3 Services	7,386.4	8,164.3	0.0	8,164.3	8,164.3	777.9	10.5 %	0.0
4 Commodities	2,705.7	3,506.0	0.0	3,506.0	3,506.0	800.3	29.6 %	0.0
5 Capital Outlay	56.5	48.4	0.0	95.6	95.6	39.1	69.2 %	47.2
7 Grants, Benefits	2.4	52.0	0.0	4.8	4.8	2.4	100.0 %	-47.2
8 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0		0.0
<b>Funding Sources</b>								
1002 Fed Recpts (Fed)	683.8	696.7	0.0	699.3	1,224.3	540.5	79.0 %	
1004 Gen Fund (UGF)	17,349.8	16,531.8	0.0	16,579.2	16,579.2	-770.6	-4.4 %	
1005 GF/Prgrm (DGF)	15,788.5	17,477.7	0.0	17,527.2	17,527.2	1,738.7	11.0 %	
1007 I/A Rcpmts (Other)	4,352.8	7,367.6	0.0	7,391.9	7,391.9	3,039.1	69.8 %	
1037 GF/MH (UGF)	15,960.8	16,073.0	0.0	16,132.2	16,132.2	171.4	1.1 %	
1108 Stat Desig (Other)	2,231.2	3,084.2	0.0	3,086.2	3,086.2	855.0	38.3 %	
<b>Positions</b>								
Perm Full Time	541	541	0	541	541	0		
Perm Part Time	33	33	0	33	33	0		
Temporary	24	24	0	24	24	0		
<b>Funding Summary</b>								
Unrestricted General (UGF)	33,310.6	32,604.8	0.0	32,711.4	32,711.4	-599.2	-1.8 %	106.6
Designated General (DGF)	15,788.5	17,477.7	0.0	17,527.2	17,527.2	1,738.7	11.0 %	49.5
Other State Funds (Other)	6,584.0	10,451.8	0.0	10,478.1	10,478.1	3,894.1	59.1 %	26.3
Federal Receipts (Fed)	683.8	696.7	0.0	699.3	1,224.3	540.5	79.0 %	527.6
								525.0
								75.1 %

The FY19 Gov is \$5.6m above 17Actuals. If you cut UGF, will you be able to provide the FY17 levels of services? No

UGF is \$599.2 (1.8%) below the FY17 actuals (despite increased health insurance costs in FY18 of \$397.0)

Some of the non-UGF funding sources may be "uncollectible".

**Myth:** The first thing I should do is ask the department for a list of vacant positions and delete them. Then I should add up the cost of the vacant or deleted positions and delete that much UGF. **Because these are vacant positions, there will be no impact on services.**

Words of caution when using this approach

- Lists of vacant positions are a point in time.
- It may take time to recruit the right individual(s).
- Many divisions are forced to delay hiring for a few months to “live within their budgets.”
- **Deleting 100% UGF may have unintended consequences when positions are funded with a combination of sources.**
- **Positions may be vacant because they are “funded” with uncollectible fund sources.**

# WRAP-UP

- Don't try this at home...
  - Avoid assumptions
  - Use available resources
  - Understand impacts
  - Don't go down the position rabbit hole
  - Available Funding = Cost of Filling All Positions – Vacancy Factor – ***Non-Existent Funding***