

SALARIES AND WAGES APPROPRIATIONS - OTHER STATES

This memorandum provides information on the processes used by state legislatures in North Dakota and selected other states to appropriate funding to state agencies for defraying the cost of state agency full-time equivalent (FTE) personnel.

NORTH DAKOTA

The budgeting process for state employee salaries and wages begins during the spring and summer of even-numbered years. State agencies submit their budget requests to the Office of Management and Budget (OMB). The budget requests include a specific number of FTE positions and the projected salaries of existing employees on July 1 of the following year (the first month of the new biennium). The requests may include additions or deletions of FTE positions and related funding changes. The requests are reviewed and adjusted for inclusion in the executive budget recommendation. When the executive budget recommendation is prepared, funding is added to agency budgets for recommended salary and health insurance premium increases and adjusted for other fringe benefit changes. The executive budget may also recommend the addition or deletion of agency FTE positions and related funding.

The executive budget recommendation is presented to the Legislative Assembly at the organizational session in December of each even-numbered year and submitted to the Legislative Assembly through the introduction of appropriation bills. The appropriation bills contain line items that provide funding for specific purposes, including salaries and wages. The appropriation bills also contain the number of FTE positions an agency is authorized. Most agency appropriation bills include a salaries and wages line item that provides funding for salaries and fringe benefits, such as health insurance premiums, retirement contributions, social security taxes, workers compensation premiums, and unemployment taxes. Funding may also be included in the salaries and wages line item for temporary employee salaries and overtime. Certain agency appropriation bills have line items that are program-based. These line items provide all funding for a program, including salaries and benefits, operating expenses, and capital expenses.

After the appropriation bills are introduced, the Legislative Assembly reviews the bills and makes adjustments as desired. Adjustments may be made to the level of salary increases, the number of FTE positions authorized, and any other funding item.

MINNESOTA

Prior to 1993, Minnesota appropriated funding for state employee salaries and wages based on FTE positions similar to the North Dakota process. In 1993 the Minnesota Legislature changed from this process to a lump sum appropriation process. Under the lump sum appropriation process, the Minnesota Legislature discontinued its reference to FTE positions and specific appropriation line items and began appropriating funds by agency or program in total. The intent of the legislature in making this change was to focus more decisionmaking on agency and program performance and outcomes rather than the specific costs of operating the agency or program. According to representatives of the Minnesota Legislature, the focus on performance and outcomes has not occurred as intended when the change was made in 1993.

In Minnesota, rather than having one appropriations committee in each chamber like North Dakota, the 10 to 12 standing committees in each chamber appropriate funds for state agency operations. For example, the higher education standing committee appropriates funding for higher education and the human services committee appropriates funding for human services programs. Each committee may take a different approach regarding the extent to which budget detail is considered as part of developing each agency's budget.

The starting point for determining an agency's funding level for the following budget year is the previous year's appropriation approved by the legislature. The Governor makes budget recommendations that include reference to the number of FTE positions for each agency or program. The Governor includes those recommendations in appropriation bills introduced to the legislature. The committee developing the budget for the agency may choose to use the bill containing the Governor's recommendations or prepare its own bill. The legislature does not include funds in agency budgets specifically for salary increases or health insurance increases. Those items would need to be provided by the agency within the funding approved by the legislature, usually based on an overall percentage increase for the agency or program. Again, the level of detail varies by the committee assigned to develop the agency's budget.

MONTANA

Montana uses a process similar to North Dakota's for appropriating funds for salaries and wages, including basing the appropriations on FTE positions. Montana does, however, reduce permanent employees' salaries and wages funding by 4 percent for all agencies having more than 20 FTE employees for anticipated savings from vacant positions and employee turnover.

SOUTH DAKOTA

South Dakota uses a process similar to North Dakota's for appropriating funds for salaries and wages, including basing the appropriations on FTE positions. The Governor, in preparing the executive budget recommendation, includes funding for the anticipated salaries and wages, salary increases, health insurance premiums, and other fringe benefits for the authorized number of FTE positions for each agency. Some years, rather than appropriating funds to each agency for salary increases, the funding will be appropriated as a funding pool in the Bureau of Finance and Administration to be allocated to each agency during the fiscal year. The South Dakota Legislature, as part of its review of agency budgets during the session, receives information on each agency's actual salaries and wages expenditures during the previous fiscal year compared to the amount appropriated. The legislature may choose to reduce funding for salaries and wages if the actual expenditures were substantially less than the amounts appropriated.

IOWA

Iowa uses a process similar to North Dakota's for appropriating funds for salaries and wages, including basing the appropriations on FTE positions. However, Iowa does not include funding for salary increases for state employees in each executive branch agency's appropriation. Instead, it appropriates a lump sum amount to the Iowa Department of Management, which is responsible for allocating an appropriate amount to each agency for providing salary increases for state employees in the agency.

NEW MEXICO

New Mexico has been using a process similar to North Dakota's for appropriating funds for salaries and wages. The funding is based on the number of authorized FTE positions. New Mexico is considering changing its process to discontinue basing salaries and wages funding on the number of FTE positions for agencies with fewer than 200 employees. This potential change is the result of legislative concerns with state agencies being authorized FTE positions but not filling the positions, which results in the legislature appropriating more funding than necessary for salaries and wages. If this proposal proceeds, appropriations for salaries and wages will be based on actual salaries and wages spending of the agency for the current fiscal year and adjusted as necessary for the budget year under consideration.

NEVADA

Nevada uses a process similar to North Dakota's for appropriating funds for salaries and wages, including basing the appropriations on FTE positions. Nevada does, however, reduce permanent employees' salaries and wages for each agency by anticipated savings resulting from vacant positions. Salaries and wages funding is reduced by an amount equal to the agency's vacant position savings averaged over the previous three-year period.

WISCONSIN

Wisconsin uses a process similar to North Dakota's for appropriating funds for salaries and wages, including basing the appropriations on FTE positions. However, instead of allowing agencies to project their employee salary levels for the first month of the new biennium, Wisconsin appropriates funding for salaries and wages based on actual salary levels being paid at the time the budget request or the executive budget is prepared. This amount is considered the base level funding for salaries and wages and is the amount appropriated to each agency for next fiscal period. The Governor recommends, and the legislature approves, as adjusted, a lump sum amount that is appropriated to the Wisconsin Department of Administration as a funding pool for executive branch agencies containing funding anticipated to be needed for salary increases, health insurance increases, or other salary-related adjustments. This amount is available for transfer to state agencies, upon request, justification, and approval by the Department of Administration for additional salaries and wages funding needed by the agency if the agency is unable to provide adequate funding for its salaries and wages within its base level funding amount. The amounts and reasons for the transfers are reported to the Wisconsin Legislative Fiscal Bureau.

WYOMING

Wyoming uses a process similar to North Dakota's for appropriating funds for salaries and wages, including basing the appropriations on FTE positions. The Governor, in preparing the executive budget recommendation, includes funding for the anticipated salaries and wages and related fringe benefits for the authorized number of

FTE positions for each agency. Funding for salary increases is appropriated as funding pools to higher education, the executive branch, the judicial branch, and the legislative branch. During the fiscal year, amounts are allocated to each agency from the pools. The Governor recommends and the legislature determines the pool amounts based on the amounts needed to bring employees' salaries to a specified percentage of the market; therefore, salary increases vary by employee occupation based on market conditions.