A.1 SALARY FORECAST AND PIN BUDGETING – OBJECT 01

The first step in building a budget request is to establish the cost of the agency's permanent employee salaries and fringe benefits (object 01). During the summer, agencies are asked to complete a Position Reconciliation exercise in BARS to update the FY 2020 personnel data that will serve as part of the baseline for the FY 2021 personnel budget request. At that time, agencies can make adjustments for any position data elements that need to be updated (step, location, fund split, etc.) During this process, DBM also ask agencies to confirm the 3-year position FTE allocation ("PIN counts") by program, or Position Control (POSCON), to ensure DBM's records are correct. This process must be completed no later than August 23, 2019 or with the submission, whichever comes first.

Before agencies complete the Position Reconciliation exercise, BARS applied across the board updates as follows:

1. BARS updated position data with salaries based on the July 1, 2019 salary schedule (and January 1, 2020 for SLEOLA) and associated fringe values calculated with current rates.
2. BARS populated updated Object 01 data in each respective comptroller object by fund type based on the PIN fund splits provided with the FY 2020 position data.

Like last year, salaries and fringes (0101, 1051, 0161, etc...) will be "Read Only" once the Position Reconciliation exercise has been completed.

OBA provides the following guidance regarding position realignment between programs:

FY 2021: During Position Reconciliation, agencies may realign positions between programs provided the FTE counts are equal to the POSCON agency total. <u>After Position Reconciliation, this action is discouraged and DBM recommends that agencies do not take the additional effort to further realign positions as it complicates the budget submission process.</u>

FY 2020: DBM will limit FY 2020 adjustments to material changes such as DBM approved reorganizations. Agencies may only realign positions between programs through a FY 2020 budget amendment adjustment so that Object 01 position and budget data reconcile. <u>Contact your DBM analyst if you want to implement a FY 2020 position realignment – DBM discourages mid-year reorganizations.</u>

FY 2019: DBM will limit FY 2019 adjustments to material changes such as DBM approved reorganizations. DBM will provide separate guidance in August for completing the FY 2019 CPB actual expenditures and FTE counts.

<u>Agencies can prorate fund splits across all positions within a given subprogram to simplify position revenue data consistent with expenditures in a given program or subprogram. This method has been found to be far easier than managing fund splits on a PIN-by-PIN basis within the budget system.</u>

Salaries Tables for the FY 2021 Budget

Refer to Section A.5 for salary rates.

- The salary schedule effective January 1, 2020 is the basis for FY 2021 salaries in BARS and incorporates:
    - annualized Cost of Living Adjustments (COLA) (as of July 1, 2019),

  - any approved FY 2020 Annual Salary Review adjustments (as of July 1, 2019), and
  - annualized State Law Enforcement Officer's Labor Alliance Bargaining provisions.
- **For FY 2021 and FY 2022, DBM is aware that SLEOLA collective bargaining agreements provide for a 4% COLA and increments. DBM will provide funding in the DBM budget in the Allowance for each year. Non-Generally funded agencies should prepare for the revenue impact of these salary increases.**

FY 2019 Salary Data ("CPB Actuals Review")

Agencies need to review actual amounts expended for regular earnings (subobject 0101) by program and class code for publication in the Governor's Budget Books. DBM will combine the data from Central Payroll Bureau (CPB) with the BARS position inventory FY 2019 Actual FTE as of June 30, 2019. DBM will also provide detailed FTE data by PIN to assist the agency's reconciliation.

Agencies will be asked in August to ensure FY 2019 FTE counts, class codes, and salaries are correct or as accurate possible. These data will not reflect R*STARS adjustments or merging of salaries for a reclassified position. (For example: an Office Secretary II became an Office Secretary III and the two salaries need to be merged with the position record.)

Agencies should create a BARS adjustment(s) to realign position FTE or salary data by program if needed. DBM expects agencies to submit the reviewed FY 2019 salary data with the budget submission and will provide more detailed guidance to agencies in August.

Since the position data is coming from the above referenced data source, DBM does not anticipate that there should be material changes to the data. Total FTE counts for the FY 2019 CPB Actuals should not change. The net adjustments should equal "zero" at the agency level. Agencies should only make an adjustment if it is substantial.

- Reorganizations that have occurred in FY 2019 do not need to be reflected in these FY 2019 figures.
- FTEs are listed by program by class code.
- It is possible that funds (but not FTEs) for temporary positions have been included. Adjust as you see fit, but it is suggested that you remove these from the total.
- Reminder: the CPB figures are as of a specific point in time so as to capture a snapshot of the fiscal year.

If you have adjustments to make, please contact the DBM Budget Processing Team (BPT) at dlbudgethelp_dbm@maryland.gov to obtain your agency's excel file to update for changes. For this budget cycle, BPT will use your file to make all required adjustments in BARS.

A.1.1 ADDITIONAL FY 2021 PERSONNEL BUDGET DATA

Agency budget submissions include both regular earnings (subobject 0101) as well as additional earnings such as additional assistance, overtime, shift differential, miscellaneous adjustments and reclassifications. **It is critical that agencies properly calculate fringes for these different types of earnings and budget the corresponding fringes in the correct subobject.** Detailed guidance on fringe calculations can be found in Section A.2. Below is an outline of which fringes should be calculated on each salaries and wages subobject.

As introduced in FY 2020, DBM is specifying that FICA (subobject 0151) in BARS will only be calculated on regular earnings (0101), while FICA for other earnings subobjects should be budgeted within the subobject. Agencies are encouraged to provide supporting information that outlines the computation of these other earnings subobjects.

<table>
<tr><th rowspan="2">Subobject Name</th><th rowspan="2">Subobject</th><th colspan="4">Fringe Calculations Based on Earnings</th></tr>
<tr><th>FICA/Social Security</th><th>Retirement</th><th>Unemployment Insurance</th><th>Turnover</th></tr>
<tr><td>Regular Earnings</td><td>0101</td><td>0151</td><td>0161-0169</td><td>0174</td><td>0189</td></tr>
<tr><td>Additional Assistance</td><td>0102</td><td>0102</td><td rowspan="5">Do not budget</td><td rowspan="5">Do not budget</td><td rowspan="5">Do not budget</td></tr>
<tr><td>Overtime Earnings</td><td>0104</td><td>0104</td></tr>
<tr><td>Shift Differential</td><td>0105</td><td>0105</td></tr>
<tr><td>Miscellaneous Adjustments</td><td>0110</td><td>0110</td></tr>
<tr><td>Accrued Leave Payouts</td><td>0111</td><td>0111</td></tr>
<tr><td>Reclassifications</td><td>0112</td><td>0112</td><td>0112</td><td>0112</td><td>0112</td></tr>
</table>

Miscellaneous Adjustments (Comptroller Object 0110): This object is for salary adjustments that are not categorized in any of the specific Object 01 Salaries and Wages Comptroller Objects.

Accrued Leave Payout (Comptroller Object 0111): This object is used for accrued leave payout for long-term employees who leave State service. Agencies should use this subobject to account for accrued leave payouts for the FY 2020 budget book appropriation and the FY 2021 budget request. Actual expenditures for FY 2019 will be included in 0101, Salary Payments.

Please adhere to OMB Circular A-87, Title 2 of Code of Federal Regulations, when budgeting for accrued leave payouts related to federal funded positions. Some portions of leave/severance payments cannot be charged directly to federal programs because such charges violate this regulation. The pertinent sections of the regulation are copied below.

> Appendix B to Part 225, 8.d.:
>
> (2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.
>
> (3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/federal_register/FR2005/083105_a87.pdf

Reclassification (Comptroller Object 0112): This is used for reclassifications and/or for funding a position(s) above the base salary reflected in BARS after the Position Reconciliation exercise. Agencies should account for reclassification costs for FY 2020 and FY 2021 (actual expenditures will appear as salary payments) within the FY 2021 budget request. ***Please ensure all fringe benefits associated with any changes in 0112 are budgeted in 0112.***

New Position Requests

Agencies must submit new position requests as an over-the-target request through a BARS Agency Adjustment - Over-the-Target adjustment type. Every effort should be made to meet agency needs within the existing workforce before requesting new positions. ALL new position requests, including contractual conversions, must be requested as over-the-target items. The over-the-target requests must be limited to demands from major workload growth already in effect, new facilities already approved, new mandates, program transfers that cannot be met by reallocations, and federal contracts and grants.

Any new position, if approved, will be updated in BARS through DBM's approval of the agency's over-the-target adjustment item in December. The BARS adjustment requires R*STARS location, number of positions (decimal equivalent), class code, step, increment month, retirement code, fund type percentage and justification. New positions, other than contractual conversions, are to be requested at the base salary even though recruitment for the position may be planned at a higher step. The agency can budget the salary and fringe difference in comptroller subobject 0112 – Reclassifications if the agency plans to hire the position above base. Contractual conversions should be budgeted no greater than one step above the grade/step of the current contract.

All of the following conditions must be met for new position requests to be given consideration:

- There is a justified need for and a benefit from the new position (quantifiable workload).
- The work cannot be absorbed by existing staff, student help, patient/inmate labor, or positions reallocated from other areas (program discontinuations or excessive vacancies).
- The function is expected to be needed for at least three fiscal years.
- The need is for a full-time employee at least 40 weeks during the year.
- The funding for the position (federal/private/local government grant program or student government fees) is reasonably expected to be available for more than three years.
- The budgeted turnover rate for the agency does not exceed 5.9%.

Please feel free to contact your DBM analyst for process clarification as requesting additional positions through BARS is a new process.

Contractual Conversions

Agencies may request contractual conversions as an over-the-target and only as part of an overall staffing plan that eventually significantly reduces the total number of authorized contractual FTEs. New positions may be requested to replace contractual employees (subobject 0220) only when all of the following conditions are met:

- There is a justified need for an employee.
- The employee is not student help, patient labor, or an inmate.
- The function is expected to be needed for at least three fiscal years.
- The need is for a full-time employee, or at least 32 hours a week, for 40 weeks during the year.
- The funding for the position (federal/private/local government grant program or student government fees) is reasonably expected to be available for more than three years.
- The contract position and funding were approved in the FY 2018 legislative appropriation.
- Funding for the conversion is currently included in object 02 within the target and there is a corresponding reduction in contractual services (object 02) if the conversion is approved. The amount for a new position must include health insurance (0152), retiree health insurance (0154), FICA (0151), retirement (0161, 0163, 0165, 0168, 0169), unemployment compensation (0174), and turnover (0189). Do not include any amount for workers' compensation (0175).
- Agencies should give priority for contractual conversions to existing workers who have been working in a contractual capacity for at least two years.
- <u>Agencies are expected to include in the over-the-target request how 1.5 authorized contractual positions will be eliminated for each requested contractual conversion to a PIN, including specific contractual PIN numbers from Workday.</u>