A.4 PERSONNEL BUDGETING – OBJECTS 01 AND 02

A.4.1 POSITION RECONCILATION 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 (in Object 01). During the summer, agencies are asked to complete a Position Reconciliation exercise in BARS to update the FY 2022 personnel data that will serve as the baseline for the FY 2023 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 asks 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 27, 2021 or with the submission, whichever comes first.

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

1. BARS updated position data with salaries based on the July 1, 2021 salary schedule (without any FY 2022 salary adjustments) 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 2022 position data.

Like last year, salaries and fringes (0101, 0151, 0161, etc...) will be "Read Only" in the Expenditures tab in BARS once the Position Reconciliation exercise has been completed.

OBA provides the following guidance regarding position realignment between programs:

FY 2023: 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 2022: DBM will limit FY 2022 adjustments to material changes such as DBM approved reorganizations. Agencies may only realign positions between programs through a FY 2022 budget amendment adjustment so that Object 01 position and budget data reconcile. <u>Contact your DBM analyst if you want to implement a FY 2022 position realignment – DBM discourages mid-year reorganizations.</u>

FY 2021: DBM will limit FY 2021 adjustments to material changes such as DBM approved reorganizations. DBM will provide separate guidance in August for completing the FY 2021 Central Payroll Bureau (CPB) actual expenditures and FTE counts.

〽 Position Reconciliation ("PosRec") Guidance

Agencies will begin the Position Reconciliation process for the FY 2023 Budget Submission in July 2021. During the PosRec exercise, agencies will have the ability to process all needed position adjustments in BARS through to the "Released" (i.e., finalized) stage. Position adjustments processed during PosRec will be fully incorporated into the Expenditures grid in BARS and become a final part of the budget request. Once Position Reconciliation is complete, agencies will be instructed to notify DBM that the task is complete by sending an email to dlbudgethelp_dbm@maryland.gov and copying the OBA analyst. Agencies must complete the Position Reconciliation exercise by the due date provided in the DBM guidance letter.

For more detailed guidance regarding PosRec, including how to complete all work in BARS and review prior year actuals, refer to the user guide Position Reconciliation Guidance and Instructions.

Salary Tables for the FY 2023 Budget

Refer to Appendix 1 for salary rates.

- The salary schedule effective January 1, 2021 is the basis for FY 2023 salaries in BARS and incorporates:
    - annualized Cost of Living Adjustments (COLA) (as of January 1, 2021),
    - SLEOLA COLA (as of July 1, 2021)
    - Adjusted Salaries to meet $15 minimum wage rate
- **For FY 2023, DBM will provide funding in the DBM Allowance budget for any FY 2023 salary adjustment for COLA and/or SLEOLA negotiated collective bargaining provisions.**

A.4.2 FRINGE BENEFITS – OBJECT 01

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.1. Below are descriptions regarding a subset of fringes with particularly complicated calculations or nuances.

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 2022 budget book appropriation and the FY 2023 budget request. Actual expenditures for FY 2021 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

⌁ COVID-19 Salary Costs - Comptroller Subobject 0125

BARS validation requires that the salary position data by fund must reconcile to the expenditure data by fund. To the extent that positions are supported by COVID-19 funding, the salary data would need to be updated with fund 25 (CARES), 35 (CRRSA), or 45 (ARPA) to reflect Covid-19 federal funding depending on which stimulus bill the funding came from. To capture COVID-19 salary costs while not requiring each BARS position to be updated using federal relief fund types, DBM has created comptroller subobject 0125 to allow agencies to designate COVID-19 salary and fringe costs. Agencies should use comptroller subobject 0125 to budget for total salary and fringe expenditures (comptroller subobjects 0101, 0151, 0152, 0154, 0161-0170, 0174, 0189), associated with position funding supported with COVID-19 federal fund support.

More specifically, in the agency Position detail within BARS related positions will remain funded by standard federal funds (fund 05). Therefore, the Expenditure grid (which must match Positions) funding will have 05 for all salary and fringe comptroller subobjects. Then, in comptroller subobject 0125 those fund type 05 values will be netted out with a negative, along with a positive in fund type 25 (CARES), 35 (CRRSA), or 45 (ARPA). Example:

- Two positions in a subprogram are to be supported by ARPA funding, fund source 11.111e.
- On the Position tab in BARS, both positions will be listed as 100% federal funds.
- On the Expenditure tab in BARS, comptroller subobjects for these positions are listed under federal funds/fund type 05 (0101, 0161-0169, 0174, and 0189) and net to $200,000.
- In comptroller subobject 0125, the agency would put negative $200,000 in FF/05 and positive $200,000 in fund type 45.
- On the Revenue tab, the program would have $0 in standard federal funds for those two positions as they have been netted out, but there would be $200,000 in 11.111e.

⌁ FICA Contributions (0151)

Subobject 0151 – FICA will be automatically calculated within BARS during the Position Reconciliation process based on each position's class code and step, using the calculation in Section A.1. **As in FY 2022, FICA (subobject 0151) in BARS will only be calculated on regular earnings (0101), while FICA for other earnings subobjects—including 0102, 0104, 0105, 0110, 0111, and 0112—should be budgeted within the subobject.** Agencies are encouraged to provide supporting information that outlines the computation of these other earnings subobjects.

Employee Health Insurance (0152) and Retiree Health Insurance (0154)
BARS will validate that agencies budget employee health insurance (0152) and retiree health insurance (0154) at the same level as the FY 2022 legislative appropriation. Specifically, the agency budget submission for 0152 and 0154 must reconcile agency-wide with FY 2022, by fund type. Like other controlled subobjects, DBM will determine the final health insurance rate, with agency input, for each agency in December. Note that BARS includes these values already populated. **Agencies are encouraged to realign the health insurance request to programs/sub-programs with budgeted positions. Appendix 2 provides your agency's average rate for 0152 and 0154 per FTE based on the FY 2022 legislative appropriation. This rate will assist with allocating costs by budgeted positions.**

As in the past, DBM requests that agencies with health insurance supported by non-general funds prepare for the cost of possible rate increases by setting aside special and federal fund balance for this expense.

A.4.3 ADDITIONAL POSITION REQUESTS – OBJECT 01

Agencies must submit new position requests as an over-the-target request through a BARS 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, unless the request is for less than one full-time equivalent (FTE) position.
- If the agency is not requested general funds for the position, 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%. If the budgeted turnover is 6.0% or greater, the agency should realign existing vacant positions and potentially submit an over-the-target for a turnover reduction.

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 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>

A.4.4 PAY PLAN ADJUSTMENTS AND NEW CLASSIFICATIONS

Agency requests for pay plan and salary adjustments to existing classifications and for the creation of new classifications must be submitted as part of the FY 2023 budget request. Agency requests for pay plan adjustments outside the budget process will be considered only in order to address an immediate necessity that, if not addressed, will significantly impede the agency from achieving its mission, goals, and objectives. Agencies should submit all pay plan adjustments no later than October 15, 2021.

Agencies must complete DA-25A and DA-25B forms when requesting a <u>salary adjustment</u> to one or more job classifications or <u>the creation of one or more classifications</u> in FY 2023. **If salary adjustments are approved by DBM and the Governor, DBM will include related funding in the DBM budget, and if approved by the General Assembly, will disburse funding to the requesting agency via a budget amendment at the beginning of the fiscal year.**

<u>DA-25A Form – WORD Document:</u> This form is used to provide sufficient supporting justification for the request by addressing the following items:

1. Why are the pay plan adjustments or new classifications necessary? Why is this job series critical to the agency or program goals and objectives? The explanation should outline how the current or proposed salary structures will impact the outcomes for the agency and/or program (list the specific Managing for Results goal, objective, and measures).
2. List any alternatives to address the issues that would not require the establishment of a new classification series or salary adjustment. List steps that have been taken to address recruitment and retention issues with existing resources.
3. List the impact of this proposal on other classifications within the agency.
4. Provide any additional documentation that supports this request.

DA-25B Form – EXCEL Document: This form is used by agencies to outline specific positions and costs associated with the request. The following information is required:

1. List **current** grade, step, and salary by PIN to be impacted by the pay plan adjustment.
2. List **proposed** grade, step, and salary by PIN to be impacted by the pay plan adjustment.
3. Outline the fringe benefit costs associated with the proposed pay plan adjustment.

Requests must be submitted electronically in priority order no later than October 15, 2021 to Kurt Stolzenbach at DBM: kurt.stolzenbach@maryland.gov, copying your budget analyst at OBA. It is not necessary for agencies to submit duplicate requests to the Office of Personnel Services and Benefits (OPSB). OBA works closely with OPSB to review requests for pay plan adjustments or new classifications and provides OPSB with the supporting documentation to review such requests.

A.4.5 REORGANIZATIONS

The Department of Budget and Management (DBM) will only permit agencies to reflect a reorganization in BARS for reorganizations approved by DBM and the Office of Personnel Services and Benefits (OPSB) that is effective July 1 of the current year (July 1, 2021 for the FY 2023 budget request). This policy will avoid mid-year reorganizations that make reconciliation difficult for position and budget data as the Central Payroll and FMIS source data reflect both the old and new organizational structure.

An agency reorganization is defined as a change in the organizational structure of an existing unit, section, program or division within an agency or department or State principal service operation that creates new supervisory, managerial, or executive positions or results in the realignment of existing supervisory, managerial, or executive positions. These reorganizations typically create new reporting relationships for supervisors, managers, or executives and prompt a request to upgrade existing positions or create new and higher-level classifications.

Agency reorganizations that impact the salary level of a position or positions will require approval of the Office of Budget Analysis (OBA) within the Department of Budget and Management (DBM). **Agencies must obtain OBA approval <u>prior</u> to the Office of Personnel Services and Benefits (OPSB) review of the appropriateness of the requested salary level(s).**

During FY 2022, agencies should submit reorganizations no later than March 1, 2022 so that the proposal can be reviewed. If the proposed reorganization is approved, the new account code structure can be implemented within Workday and FMIS effective for July 1, 2022. The proposal should be forwarded to <u>the OBA budget analyst</u> for review of funding and organizational design. The proposal should include at a minimum:

1. The existing organization chart for the unit, division, program, or section affected.
2. The proposed new organization chart for the unit, division, program or section affected.
3. A justification for the proposal to include:
    a. How the proposed change of organization or reporting relationships will benefit the agency; and
    b. How the proposed change of organization or reporting relationships will promote efficient operations for the agency.
4. Estimates of the additional costs (or savings) of the proposed change of organization or reporting relationships for both:
    a. the balance of the current fiscal year, and
    b. the next fiscal year.
5. Designation of where the funds for any additional costs will come from by fiscal year.

Once approved by OBA, the agency may submit any reclassification requests associated with the reorganization to the Classification and Salary Division (CAS) within DBM’s OPSB. Reclassification requests associated with reorganization that are submitted to CAS without the required OBA approval will be returned to the agency.

Reorganizations Approved Effective July 1, 2021
DBM will assist the agency to coordinate the implementation of the reorganization in BARS as part of the FY 2023 budget process. The reorganizational realignment is to be reflected for all three fiscal years (FY 2021 Actual, FY 2022 Working Appropriation and FY 2023 Request) in both the salary and budget data. The data for the three years will be adjusted through the following process for each fiscal year:

FY 2023: Agency will reflect the reorganization as part of the budget request process by 1) moving the positions by PIN; 2) realigning appropriation; and 3) updating the fund source as appropriate.

FY 2022: Agency will create a BARS deficiency adjustment that 1) moves the positions by PIN; 2) realigns appropriation; and 3) updates fund source as appropriate. **Do not create the BARS deficiency without prior approval from OBA.**

FY 2021: Agency will create a BARS adjustment that 1) moves the positions by class code; 2) realigns appropriation; and 3) updates fund source as appropriate.

A.4.6 TECHNICAL AND SPECIAL FEES – OBJECT 02 (CONTRACTUAL EMPLOYEE BUDGETING)

Contractual positions (State Personnel and Pensions §13-101) are workers having an employee-employer relationship with the State, but they are hired for a specific project or time period. Agencies must use the Contractual Positions Supporting Detail (SD) module within BARS to enter contractual positions for FY 2023.

〰 **For the FY 2023 Budget Submission, BARS will collapse contractual position lines of the same class code into a single line within each chart of accounts down to the subprogram level. Agencies are required to provide justification for each contractual position using the Contractual Positions SD tab using the "Description" field.** Agencies only need to enter detail for any changes from FY 2022 to the Budget Year (BY) in FY 2023, as well as any necessary edits to the Prior Year (PY) actuals in FY 2021. More detail regarding use of the Contractual Positions SD tab can be found in the related user guide.

Agencies should take a "zero-based" approach to budgeting contractual positions. Any contractual position that can be eliminated should not be renewed (reductions can be initiated in FY 2022) and should not be funded in FY 2023.

Note that additional funding will **not** be provided via target adjustment to allow increases to contractual salaries similar to those provided to regular positions due to collective bargaining agreements. If agencies choose to adjust contractual salaries, that is their prerogative, but funding must be found within the budget target.

Detailed guidance on contractual fringe calculations can be found in Section A.1. However, turnover has specific nuances necessitating further detail:

Turnover (0289)
Contractual turnover should be computed on the sum of subobjects 0220, 0213, and 0214 for each subprogram (or program if subprograms are not used) and entered as a negative amount in a record for comptroller object 0289. In FY 2023, each agency should budget contractual turnover based on the agency's turnover rate for permanent positions **plus** an additional 4.21% to account for a "reasonable" vacancy rate for the 11 annual holidays that contractual employees will not receive compensation for in FY 2023. For example, if the vacancy rate for permanent positions in a given program is zero, 4.21% should be the turnover rate, since the employees will not receive compensation for the 11 holidays. If the vacancy rate for permanent positions is 5%, the total turnover will be 9.21%. The turnover rate used for a subprogram (or program if subprograms are not used) may be reported using the comment field in BARS.