

MEMORANDUM



DATE: March 16, 2004
TO: House Appropriations Subcommittee on Transportation
FROM: William E. Hamilton
RE: Michigan Department of Transportation Staffing Levels

Introduction

This memo reviews Michigan Department of Transportation (MDOT) staffing levels. There are two ways of looking at staffing levels in state government: the number of employees (headcount), and the number of full-time equated positions (FTEs). See *Note on Sources* at the end of this memo for an explanation of these two standards.

We have included charts and graphs in this analysis in order to provide a visual representation of trends in both state and MDOT employment. Note that the degree of change on a chart or graph is affected by the way the chart or graph is formatted. As the horizontal axis of a graph is compressed, trend lines will appear more and more pronounced.

Also note that our choice of time periods to analyze is somewhat arbitrary, based to some extent on the availability of data. For our long-term analysis of the number of MDOT employees, we choose a 12 year period, from FY 1990-91 to 2002-03. For our long-term analysis of FTE positions, we choose an eight-year period from FY 1995-96 to the first quarter of FY 2003-04.

Long-term Perspective

The average number of MDOT employees has declined over the last 12 years – from 3,868 in FY 1990-91 to 2,826 in FY 2002-03 (see Chart 1). This represents a reduction of 1,042 employees, or 27.0%. The MDOT budget increased over this time period – from \$1.6 billion in FY 1990-91, to \$3.1 billion in the current year.

Total state employment has also declined during the same time period from 65,029 to 54,866 employees – a decline of over 10,000 employees, or approximately 15.6% (see Chart 2). However, this reduction was not uniform across departments. The Department of Community Health and the Family Independence Agency experienced significant reductions in employee workforce, while employment levels at the Department of Corrections increased.

The decline in staffing levels is also reflected in a decline in FTE positions – from an average of 3,840.3 FTE positions in FY 1995-96, to an average of 2,884.3 FTE positions in FY 2002-03 (see Chart 3). The average at the end of the first quarter of the current year was 2,800.0 FTE positions. There are a total of 3,050.3 FTE positions authorized in the current-year transportation budget.

Two-year Perspective

We reviewed Department of Civil Service (DCS) bi-weekly workforce reports for 10 payperiods between January 5, 2002 and January 17, 2004 (see Chart 4). The number of MDOT employees over this period fluctuated from a high of 3,206 in June 2002, to a low of 2,570 in March of 2003. The decline in the number of MDOT employees over the full two-year period (302.5) represents a decline of 10.12% – close to the percentage decline in the total number of state employees (10.35%) over the same period (see Charts 5 and 6). Note that some of the fluctuation in MDOT employment is due to the use of limited term and non-career (student co-op) employees.

Note on Labor Cost

Another measure of staffing is labor cost. MDOT 's total FY 1996-97 labor cost, including both salaries and benefits, was \$207.1 million. FY 2002-03 labor cost was \$193.3 million. Graphs showing the history of MDOT labor costs are attached to this analysis (see Charts 7 and 8).

Early Retirement Replacement

In 2002, 488 MDOT employees elected to take early retirement. In June 2002 the department was authorized to replace 2 of every 3 retirees, or a total of 333 employees. This was a blanket authorization and was not limited to specific work classifications.

Hiring Freeze

State appropriations acts have included standard "hiring freeze" boilerplate language for a number of years. The boilerplate grants exceptions to the hiring freeze based on specific criteria – including the need to deliver basic services, loss of revenue to the state, the need to secure federal funds, or increased costs. The current-year language is reproduced below:

Sec. 205. (1) A hiring freeze is imposed on the state classified civil service. State departments and agencies are prohibited from hiring any new state classified civil service employees and prohibited from filling any vacant state classified civil service positions. This hiring freeze does not apply to internal transfers of classified employees from 1 position to another within a department.

(2) The state budget director shall grant exceptions to this hiring freeze when the state budget director believes that the hiring freeze will result in rendering a state department or agency unable to deliver basic services, causes loss of revenue to the state, would result in the inability of the state to receive federal funds, or would necessitate additional expenditures that exceed any savings from maintaining a vacancy. The state budget director shall report by the thirtieth of each month to the chairpersons of the senate and house of representatives standing committees on appropriations the number of exceptions to the hiring freeze approved during the previous month and the reasons to justify the exception.

Hiring freeze language was not included in the Executive's budget proposals for FY 2004-05.

In February 2003, Governor Granholm placed restrictions on state hiring through Executive Directive 2003-5. Instructions for implementing the directive were sent to state departments and agencies by the State Budget Office by memo dated April 4, 2003. The directive requires that state departments and agencies obtain specific approval from the State Budget Director in order fill positions at classification level 13 (Specialist) and above. The directive also requires departments and agencies report quarterly on all hires, including those at classification level 12 and below. The department indicates that it is in compliance with those requirements.

The state transportation budget is funded almost exclusively with state-restricted funds and federal funds. To the extent that these funds are restricted, they can not be used for other state purposes.

Note on Sources

Information on MDOT staffing was obtained from the following sources:

The Department of Civil Service (DCS) produces a ***Bi-weekly workforce report*** of active classified state employees by department. The report shows number of employees by type – full time, part-time, intermittent, limited term, seasonal, and non-career. The total number of employees for each department is simply the sum of all the various types of employees. Although there is an adjustment for job-share positions, there is no adjustment for number of hours worked; a part-time employee is the same value (one-employee) as a full-time employee.

The number of employees fluctuates over the course of the year, from payperiod to payperiod. This is particularly true for seasonal, limited-term, and non-career (student) employees. Generally speaking, the number of MDOT employees is highest during the summer months.

DCS also publishes an annual ***Workforce Report***, which, among other things, identifies the average number of employees by state department. By using annual averages, the report eliminates variances seen the bi-weekly reports.

DCS also publishes an ***FTE Report*** which shows the number of FTE positions by state department. The number of FTE positions is determined by dividing the number of hours worked by the number of hours in a work-year, 2,080. There are a total of 3,050.3 FTE positions authorized in the current-year transportation budget.

Note that although FTE positions are shown by line item in the appropriations bills, these limits do not necessarily represent limitation on departmental hiring. The Legislature has the “power of the purse.” Article 9, Section 17 of the 1963 Michigan Constitution states: “No money may be paid out of the state treasury except in pursuance of appropriations made by law.” But the Constitution is silent with regard to FTE positions.

Labor Cost data in this analysis was obtained from payroll expense reports prepared by the Department of Management and Budget, Office of Financial Management.

Chart 1
Average Total MDOT Employees

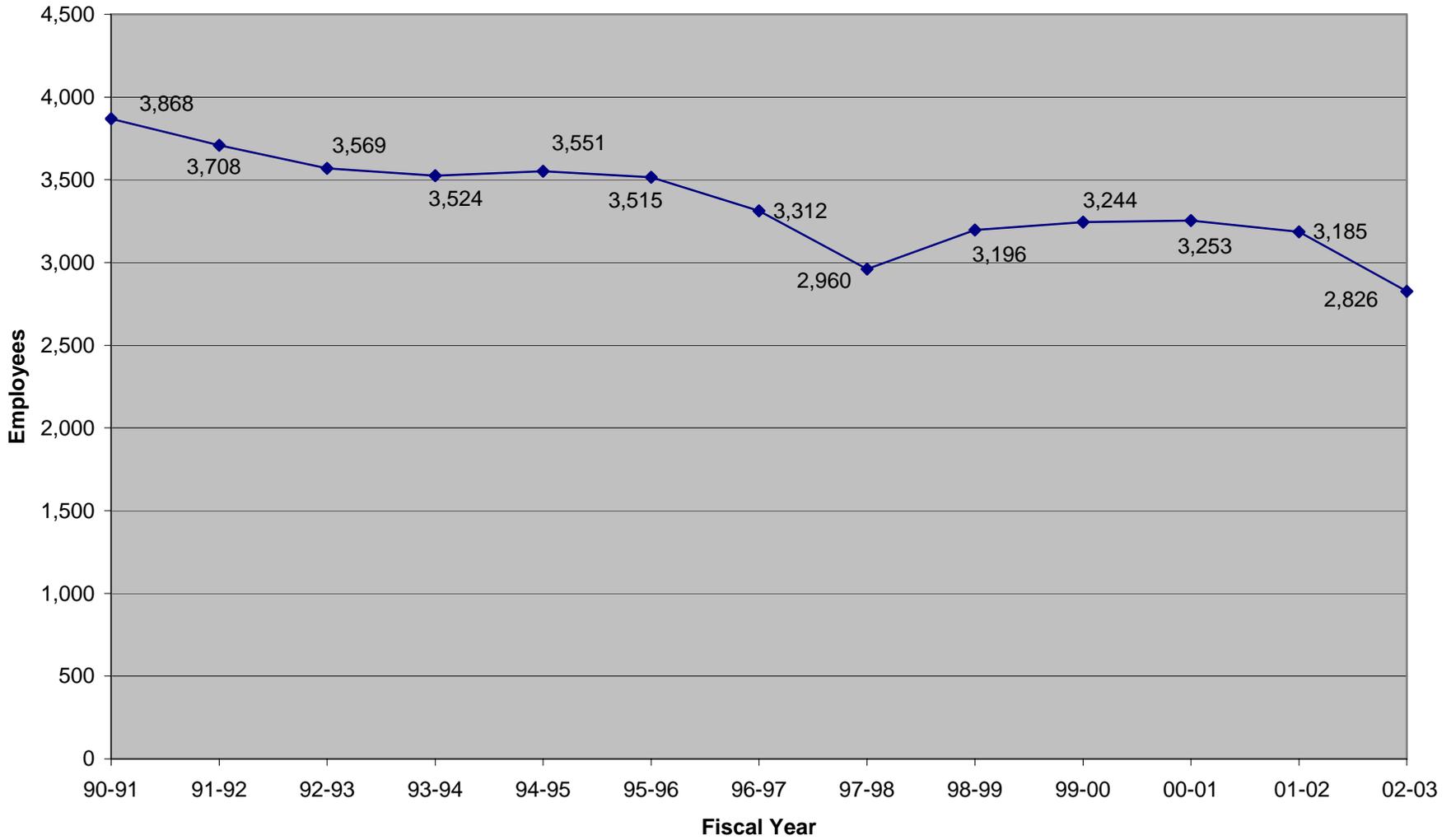


Chart 2
Total State Employees

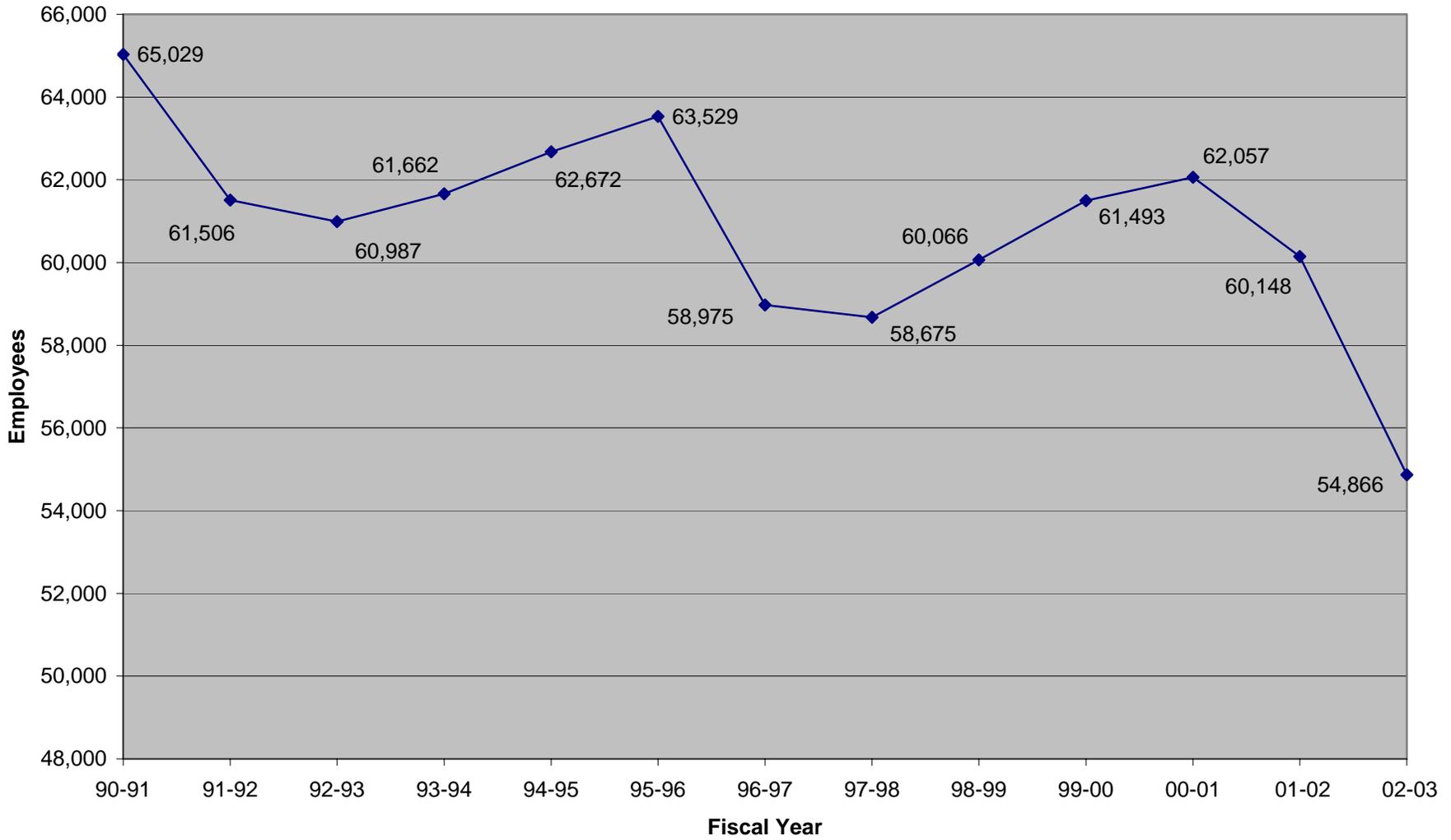


Chart 3
Average Annual FTEs
Michigan Department of Transportation

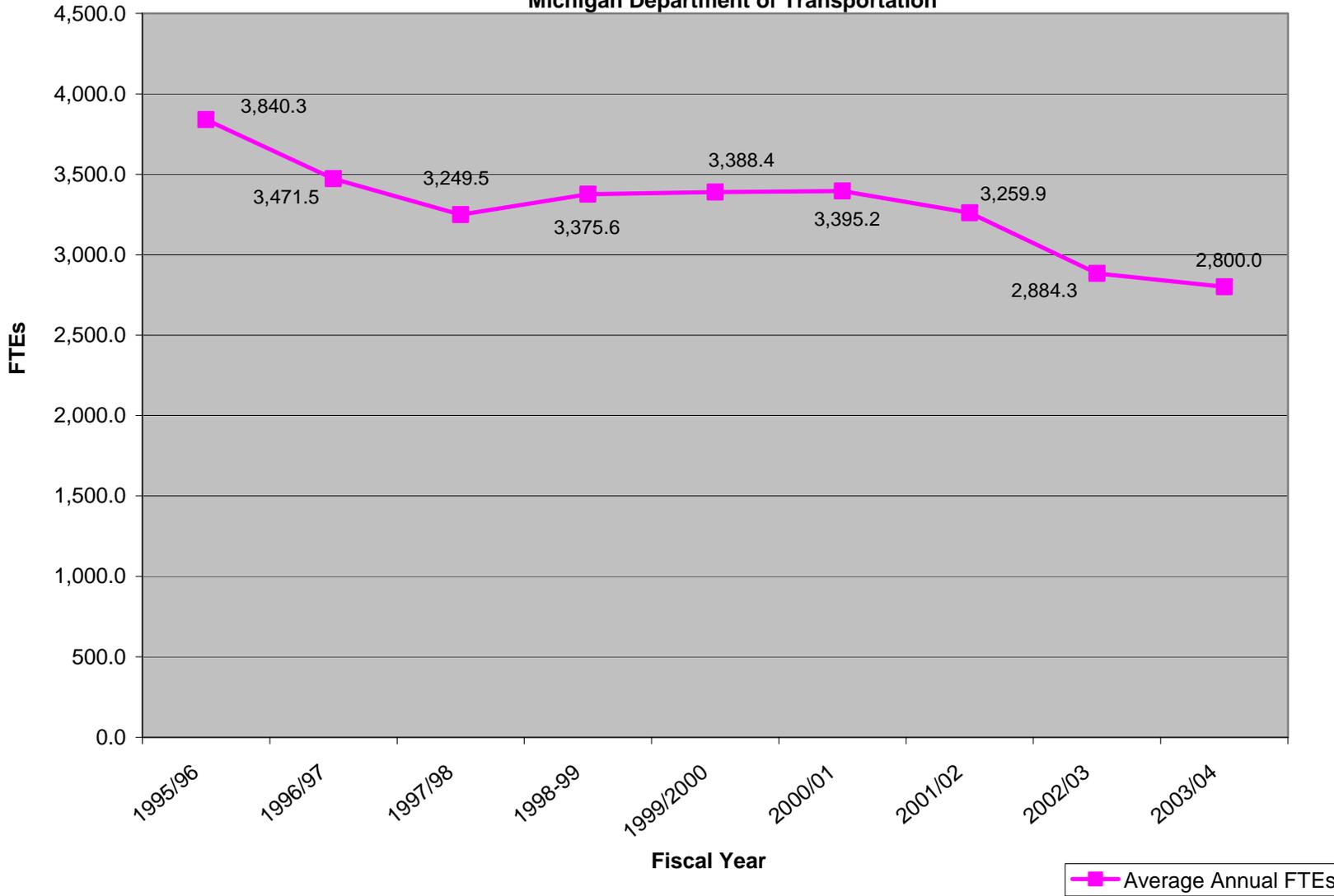


Chart 4
Transportation Employees
Two-Year Analysis

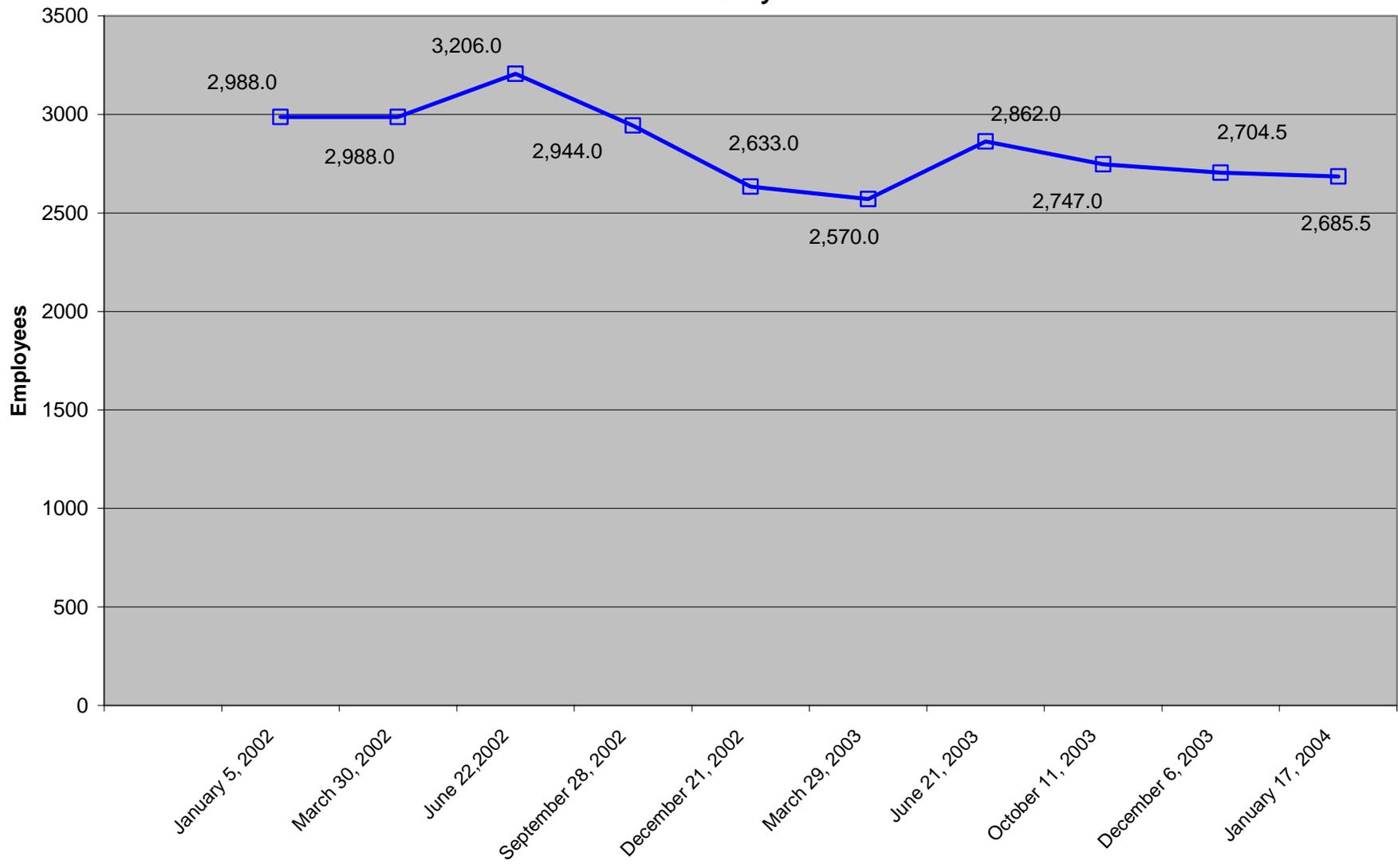


Chart 5
Total State Employees less Transportation
Two-Year Analysis

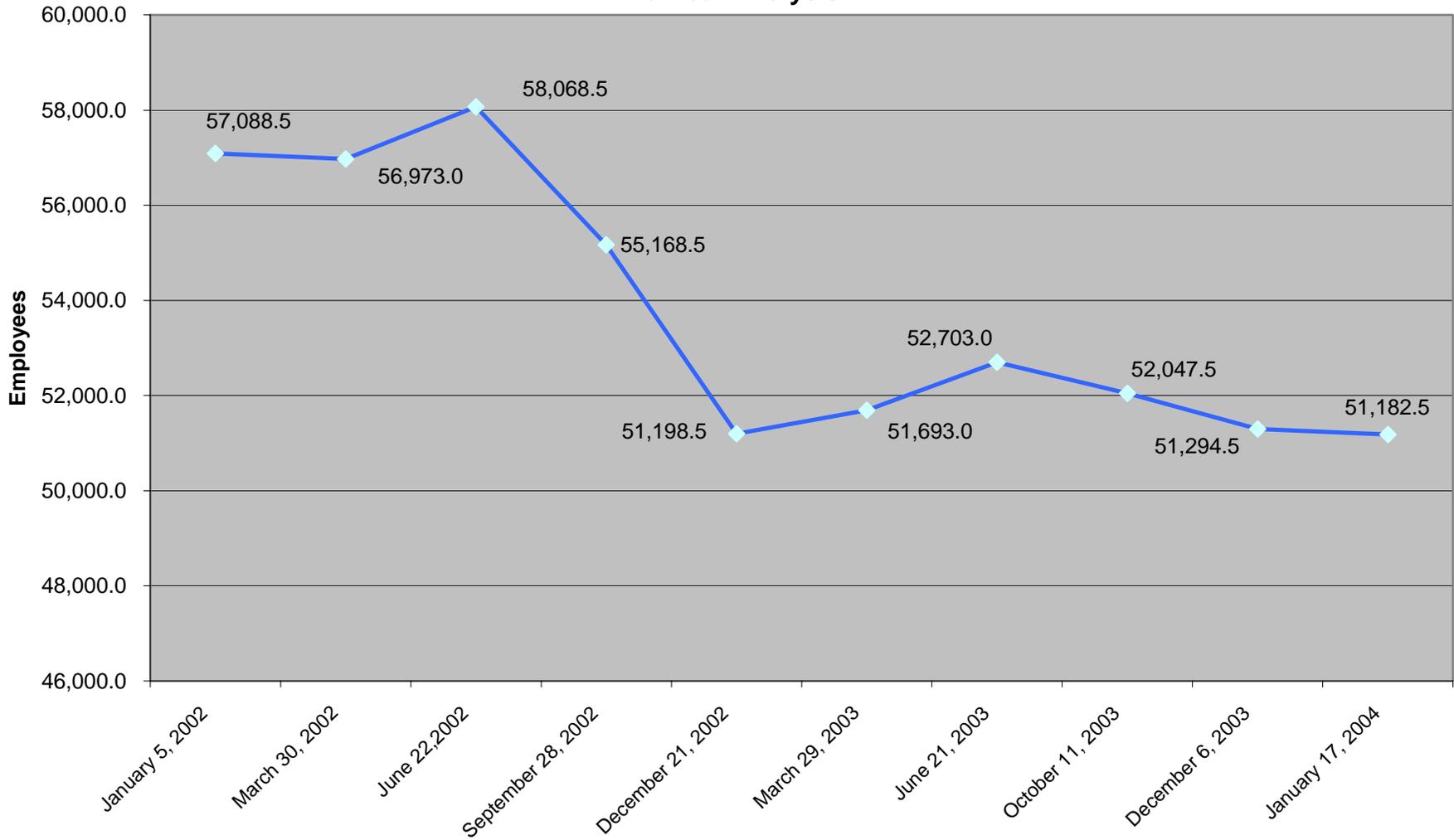


Chart 6
Analysis of Transportation Staffing Levels

| <i>Pay Period Ending</i> | Michigan Department of Transportation | | | | | | | Total State <i>(less Transportation)</i> | |
|--------------------------|--|------------------|--------------------------|---------------------|-----------------|-------------------|---------------------------|--|-------------------|
| | <i>Full Time</i> | <i>Part Time</i> | <i>Perm Intermittent</i> | <i>Limited Term</i> | <i>Seasonal</i> | <i>Non Career</i> | <i>Adj. for Job Share</i> | | <i>Total MDOT</i> |
| January 5, 2002 | 2,634.0 | 31.0 | 12.0 | 246.0 | 15.0 | 63.0 | (13.0) | 2,988.0 | 57,088.5 |
| March 30, 2002 | 2,653.0 | 31.0 | 13.0 | 235.0 | 19.0 | 50.0 | (13.0) | 2,988.0 | 56,973.0 |
| June 22, 2002 | 2,660.0 | 30.0 | 13.0 | 435.0 | 31.0 | 50.0 | (13.0) | 3,206.0 | 58,068.5 |
| September 28, 2002 | 2,519.0 | 33.0 | 11.0 | 231.0 | 28.0 | 135.0 | (13.0) | 2,944.0 | 55,168.5 |
| December 21, 2002 | 2,296.0 | 35.0 | 33.0 | 148.0 | 22.0 | 112.0 | (13.0) | 2,633.0 | 51,198.5 |
| March 29, 2003 | 2,347.0 | 34.0 | 14.0 | 109.0 | 12.0 | 66.0 | (12.0) | 2,570.0 | 51,693.0 |
| June 21, 2003 | 2,418.0 | 34.0 | 16.0 | 86.0 | 28.0 | 291.0 | (11.0) | 2,862.0 | 52,703.0 |
| October 11, 2003 | 2,456.0 | 33.0 | 17.0 | 78.0 | 29.0 | 145.0 | (11.0) | 2,747.0 | 52,047.5 |
| December 6, 2003 | 2,480.0 | 32.0 | 13.0 | 76.0 | 24.0 | 89.0 | (9.5) | 2,704.5 | 51,294.5 |
| January 17, 2004 | 2,501.0 | 31.0 | 11.0 | 69.0 | 12.0 | 71.0 | (9.5) | 2,685.5 | 51,182.5 |

Difference

January 5, 2002 - January 17, 2004

| | | | |
|-----------|----------------|----------------|------------------|
| Employees | (133.0) | (302.5) | (5,906.0) |
| Percent | -5.05% | -10.12% | -10.35% |

WEH

House Fiscal Agency

Source: Michigan Department of Civil Service Workforce Reports

March 15, 2004

Chart 7
Transportation - Payroll Expense

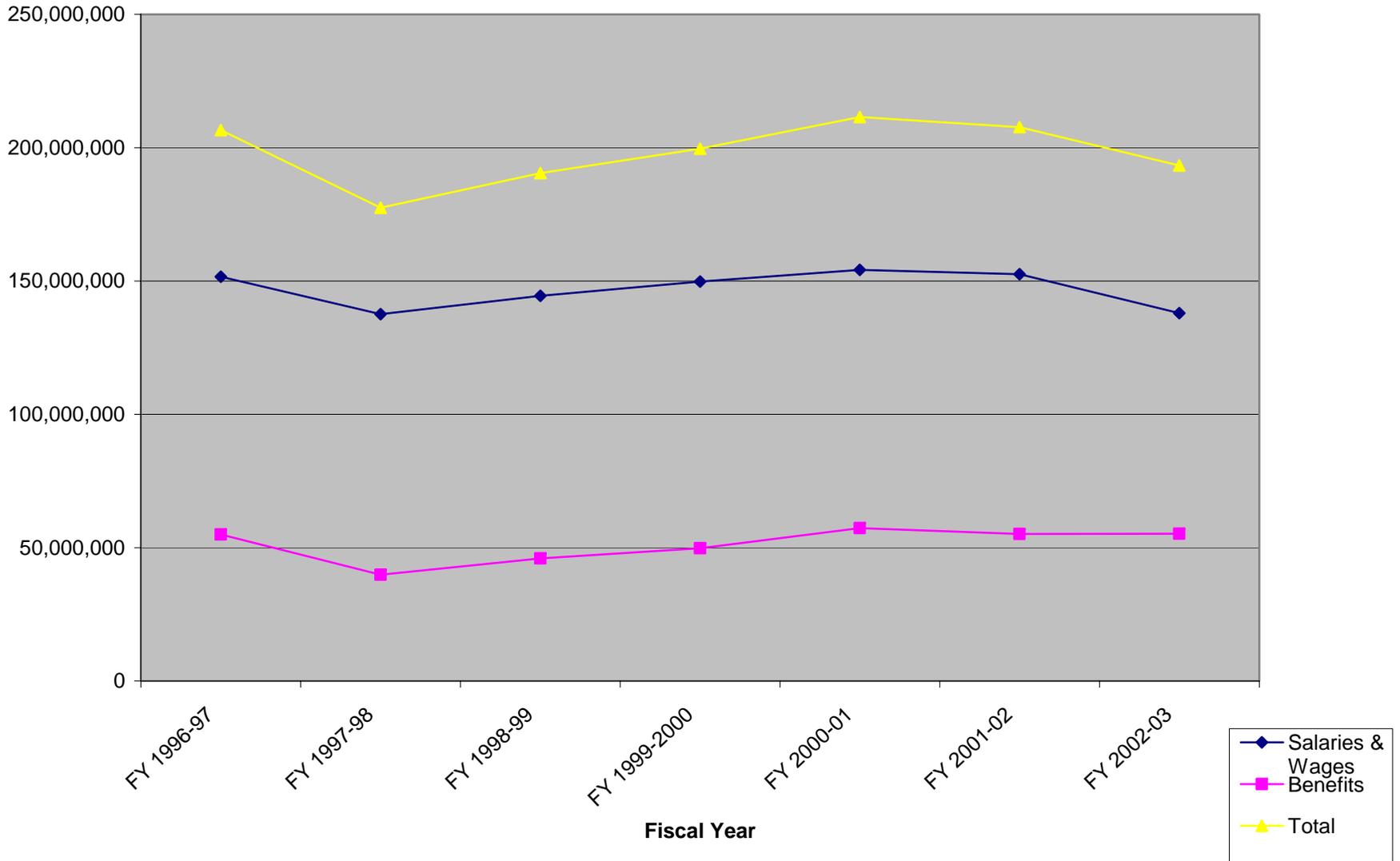


Chart 8
Michigan Department of Transportation
Salaries and Benefit Costs

