

# Michigan Department of Human Services

## FY 2016 Executive Recommendation Employee Payroll Taxes and Fringe Benefits



NICK LYON  
INTERIM DIRECTOR

# Payroll Taxes and Fringe Benefits Line Item: Information and History

**FY15 Appropriation:**      \$434,135,600 (original)  
   \$433,598,100 (current, post-EO and supplemental)

**What It Funds:** Non-salary employees costs for a *subset* of DHS employees including:

- \* Retirement (pension and FICA)
- \* Insurances (health, dental, life, long term disability)
- \* Longevity payments
- \* Other post-employment benefits (OPEB) beginning in FY 2012
- \* Terminal leave payouts for all departing DHS employees

**History:** Has been appropriated in the DHS budget for at least 28 years.

# DHS Appropriations Structure for Employee Costs

- There are 51 line items in the FY 2015 DHS budget with FTE authorization.
- 37 line items with authorization for 2,291 positions are “program” line items, which are self-contained appropriations that fund all the related costs of the program.
- 14 line items with authorization for 9,930 positions are salaries & wages only line items. Non-salary personnel costs for these FTE’s are charged to the Payroll Taxes & Fringe Benefits line item.

# FY 2016 Executive Recommendation

- Eliminates the Payroll Taxes & Fringe Benefits line item by distributing the funding to the associated Salaries & Wages line items.
- Maintains a line item for Terminal Leave payouts.

# Rationale for Executive Recommendation

- 1) Allows for more effective budget management by combining full personnel costs of employees into consolidated items.
- 2) Provides consistency with the rest of the DHS budget.
- 3) Provides consistency with the rest of State Government budgets.
- 4) Prepares for implementation of SIGMA, the State's new accounting system.

# Fiscal Year 2015

## Budget Management and Monitoring

The FY 2015 Payroll taxes and fringe benefits appropriation is structurally imbalanced. If every position funded through the associated salaries & wages line items were filled, the Payroll taxes and fringe benefits line item would be underfunded by \$34 million.

### Budget Management

The department has implemented a solid strategy to fully address the underfunding by:

- Not filling most vacancies.
- Instituting a hiring freeze on all non-front line workers and positions not required by the Children's Services Modified Settlement Agreement.
- Abolishing positions as part of the required FY 2015 administrative savings plan.

# Fiscal Year 2015

## Budget Management and Monitoring, Continued

This plan will drive lapses in salary & wage line items in FY 2015.

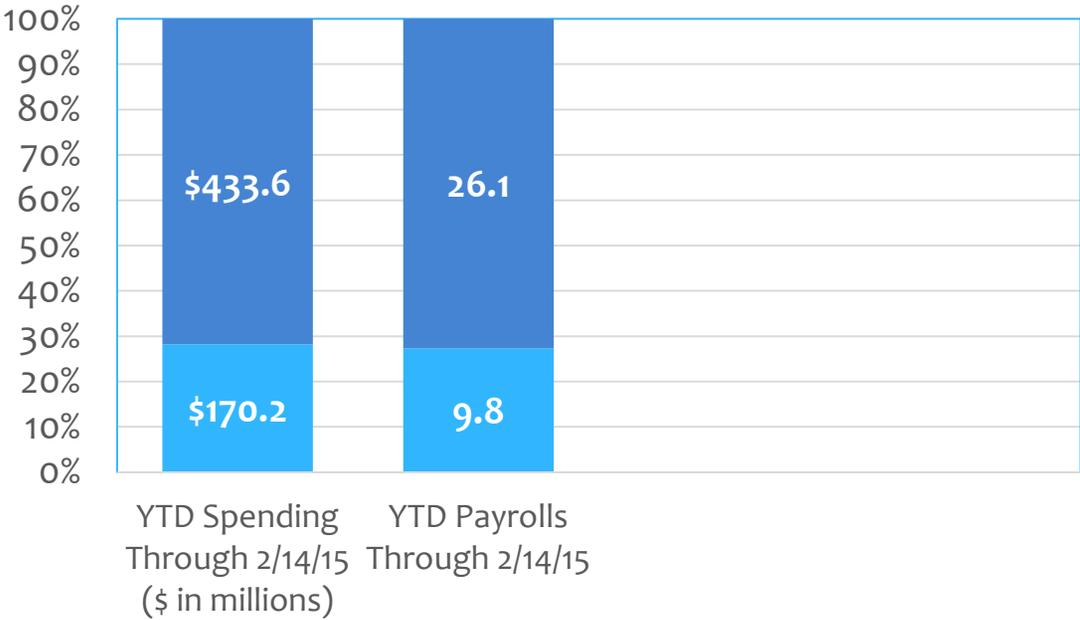
The department plans to fill some of the vacancies in FY 2016 when the salary & wage and Payroll taxes and fringe benefits line items are combined.

### Budget Monitoring

- Monthly reports to the State Budget Office and House and Senate Fiscal Agencies (due 20<sup>th</sup> of each month).
- Monthly meetings as needed/desired with the State Budget Office and House and Senate Fiscal Agencies.

# FY 2015

## YTD Payroll Taxes & Fringe Benefits Spending as % of Appropriation VS YTD Payrolls as % of Total Payrolls



# Questions?

Thank you!