

DATE: May 16, 2014
TO: House Appropriations Subcommittee on Transportation
FROM: William E. Hamilton
RE: Michigan Department of Transportation Staffing Levels

Introduction/Summary

The Michigan Department of Transportation's capital construction program, the program of constructing and reconstructing state trunkline highways and bridges, is performed by private construction contractors employed by the department under contract. However, the work of planning, financing, designing, and overseeing the construction program is performed largely by department employees in the state classified civil service system. Other department functions, including highway maintenance, local agency federal-aid programs, public transportation programs, and aeronautics services, are also carried out by department employees.

In recent years, the department has experienced a significant reduction in staffing levels.

This memo reviews Michigan Department of Transportation (MDOT) staffing levels over a 23-year period – FY 1990-91 through FY 2012-13. Over that period, actual average full-time equated positions in the department declined from 4,266 to 2,783 – a reduction of 1,483 positions (34.8%). MDOT staffing for the three most recent fiscal years, FYs 2010-11, 2011-12, and 2012-13, was the lowest of the entire 23 year period. The actual average number of classified MDOT employees in FY 2012-13, 2,570, was the lowest of the entire 23-year period of this analysis.

This reduction in staffing was due to a number of factors, including early retirement programs and hiring freezes; these two factors are discussed in additional detail starting on page 3. Other factors affecting department staffing include constrained revenue and increased use of consultants; a detailed analysis of these two factors is beyond the scope of this memo.

Because there are different ways of measuring staffing levels in state government, this memo starts with a description of those measures, as well as a description of the sources used for this analysis.

Measures of Staffing Level

There are two ways of looking at staffing levels in state government: the number of full-time equated positions (FTEs); and the number of employees (headcount),

FTE is defined in Section 114(3) of the Management and Budget Act (1984 PA 431) to mean "full-time position in the classified service of this state." Section 367 of the act also requires the Governor, in transmitting the state budget to the legislature, to submit to the legislature and fiscal agencies budget bills containing, among other things, "the number of FTE positions to be funded by each individual line item amount." Section 454 of Public Act 431 indicates that each budget act shall appropriate each FTE position based on 2,088 hours. In effect, on an annualized basis, two half-time employees equate to one FTE.

House Appropriations Subcommittee on Transportation MDOT Staffing Levels

Because of part-time, job-share, non-career (student), and seasonal employees, there may be more actual employees working in a department at any one time, i.e. headcount, than budgeted FTE positions. And, primarily because of seasonal and non-career employees, average actual FTEs will fluctuate during the year and may exceed budgeted FTE positions. Generally speaking, MDOT staffing is highest during the summer months.

Although headcount and actual FTE positions fluctuate, the department cannot employ more people than can be supported by appropriations. The department's ability to fill positions is determined by level of appropriations and the availability of actual revenue to support those appropriations. During times of falling revenue, there may be more budgeted or authorized FTE positions than can be supported by available revenue. Over time, the department and the State Budget Office work to align budgeted FTE positions with appropriations and actual program activity.

To put this another way: Budgeted FTE positions are based on department and State Budget Office assessment of staffing requirements for anticipated program activities. Actual staffing is determined by enacted appropriations *and* actual revenue.

The current year (FY 2013-14) enacted transportation budget recognizes 2,912.3 Classified FTE positions. The Governor's budget recommendation for FY 2014-15 includes a number of FTE position transfers between line items and appropriation units to better reflect the department's current organizational structure. These proposed transfers net to zero; total FTE's in the Governor's proposed FY 2014-15 budget would remain at 2,912.3.

Sources of Staffing Data

Section 454 of the Management and Budget Act requires the Civil Service Commission to provide quarterly reports, as well as an annual report, on actual and appropriated FTE positions. In addition to these FTE reports, the Civil Service Commission publishes an annual Workforce Report which provides detailed statistical information on classified state employment.

Our analysis used enacted budget bills and annual Civil Service Commission reports to identify and compare budgeted FTE positions, average annual employees (headcount), and average annual FTE positions for a 23-year period – FY 1990-91 through FY 2012-13. Our analysis used quarterly Civil Service Commission reports to provide a more detailed analysis of MDOT classified employees (headcount) for a 12-year period, January 5, 2002 through December 21, 2013.

Twenty-Three Year Perspective

During the 23-year period of this analysis, MDOT staffing, both in terms of actual FTE positions and actual classified employees, experienced significant reduction: Actual average FTE positions declined from 4,266 in FY 1990-91 to 2,783 in FY 2012-13 – a reduction of 1,483 FTE positions (34.8%). The reduction in MDOT employees, or headcount, reflected a similar decline, from 3,868 in FY 1990-91 to 2,570 in FY 2012-13 – a reduction of 1,298 employees (33.6%). MDOT staffing, both in terms of actual average FTE positions and average employee headcount, for the last three fiscal years, FYs 2010-11, 2011-12, and 2012-13 were the lowest of the entire 23-year period. More specifically, the actual average number of classified MDOT employees in FY 2012-13, 2,570, was the lowest of the entire 23-year period of this analysis. See Graphs 1 and 2.

The percentage reduction in MDOT staffing over this period is somewhat greater than the percentage reduction in total state employment. The number of state employees declined from 65,029 in FY 1990-91 to 47,741 in FY 2012-13 – a decline of over 17,288 employees, or approximately 26.6% (see Graph

3 and Table 1). If MDOT employees are excluded, total state employment would have declined from 61,161 to 45,171, a decline of 15,990 or 26.1%. This reduction in total state employees was not uniform across departments. Employment levels at the Department of Corrections generally increased for the first 10 years after FY 1990-91, peaking in 2000-01, and then declined until FY 2012-13; Corrections staffing was roughly the same in FY 2012-13 as it had been 23 years prior.

Twelve-Year Perspective

We reviewed Civil Service Commission quarterly workforce reports for 49 pay-periods from January 5, 2002 through December 21, 2013. The number of MDOT employees over this period fluctuated from a high of 3,206 in June 2002, to a low of 2,527 in March of 2012. The fluctuation in MDOT employment during the year is partially due to the use of seasonal and non-career (student co-op) employees. See Graph 4 and Table 2.

Early Retirement/Replacement

There were three early retirement incentive programs adopted during the 23-year period of this analysis. These early retirement programs contributed to the decline in department staffing.

1997-1998 Early Retirement

Public Act 487 of 1996 amended the State Employees' Retirement Act to provide for an early retirement incentive for eligible state employees from April 1, 1997 through June 1, 1997. Public Act 487 allowed the extension of the early retirement date under specific circumstances, up to June 1, 1998. A State Budget Office report dated March 11, 1998, indicated that 535 MDOT employees had elected to take early retirement. Other supporting documents indicated that all but 74 of the MDOT early retirees retired during the April 1, 1997 to June 1, 1997 election period (FY 1996-97). The State Budget Office document indicated that only 134 replacement positions were authorized for MDOT, a replacement rate of 25%.

2002 Early Retirement

In 2002, the Michigan Legislature again amended the State Employees' Retirement Act (House Bill 5732 enacted as Public Act 488 of 2002) to provide early retirement incentives for eligible employees during a July 1, 2002 to November 1, 2002 window. The bill also allowed the actual retirement date to be extended up to 15 months under certain circumstances.

A total of 491 MDOT employees elected to take early retirement under this program – 182 between July 1, 2002 and September 30, 2002 (FY 2001-02) and 309 after October 1, 2002, (FY 2002-03). 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.

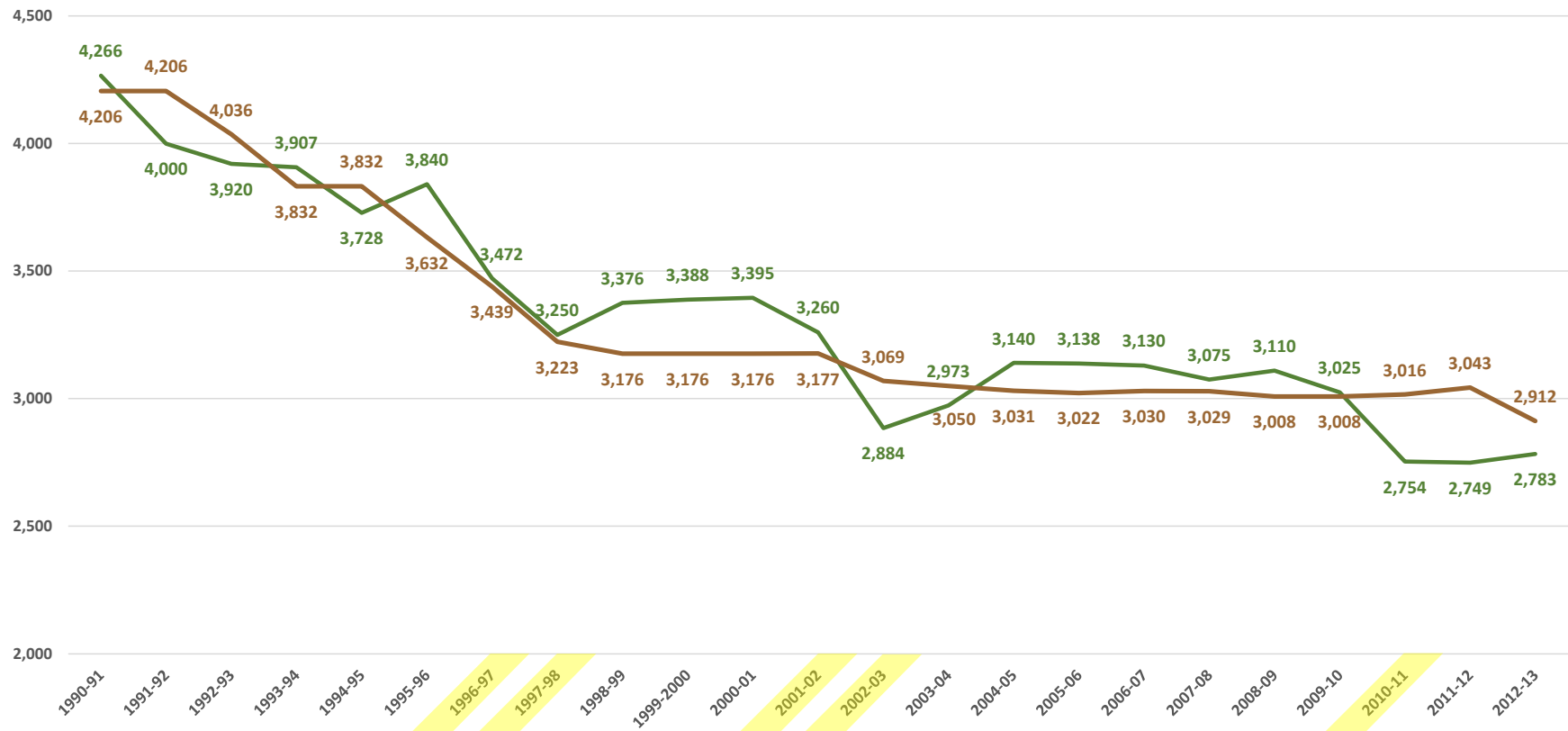
2010 – 2011 Early Retirement

In 2010, the Michigan Legislature passed Senate Bill 1226 to amend the State Employees' Retirement Act (the bill was enacted as Public Act 185 of 2010). The bill provided early retirement incentives for eligible employees retiring between November 1, 2010 and January 1, 2011. The bill also provided for the extension of the actual retirement date to July 1, 2012 certain circumstances. A total of 328 MDOT employees elected to take early retirement under this program.

Hiring Freeze

State appropriations acts included standard “hiring freeze” boilerplate language for a number of years, beginning in FY 1990-91. The boilerplate language granted 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 to avoid increased costs. The hiring freeze provisions may have contributed to the decline in department staffing levels. Hiring freeze language was not included in FY 2011-12 and subsequent budget bills.

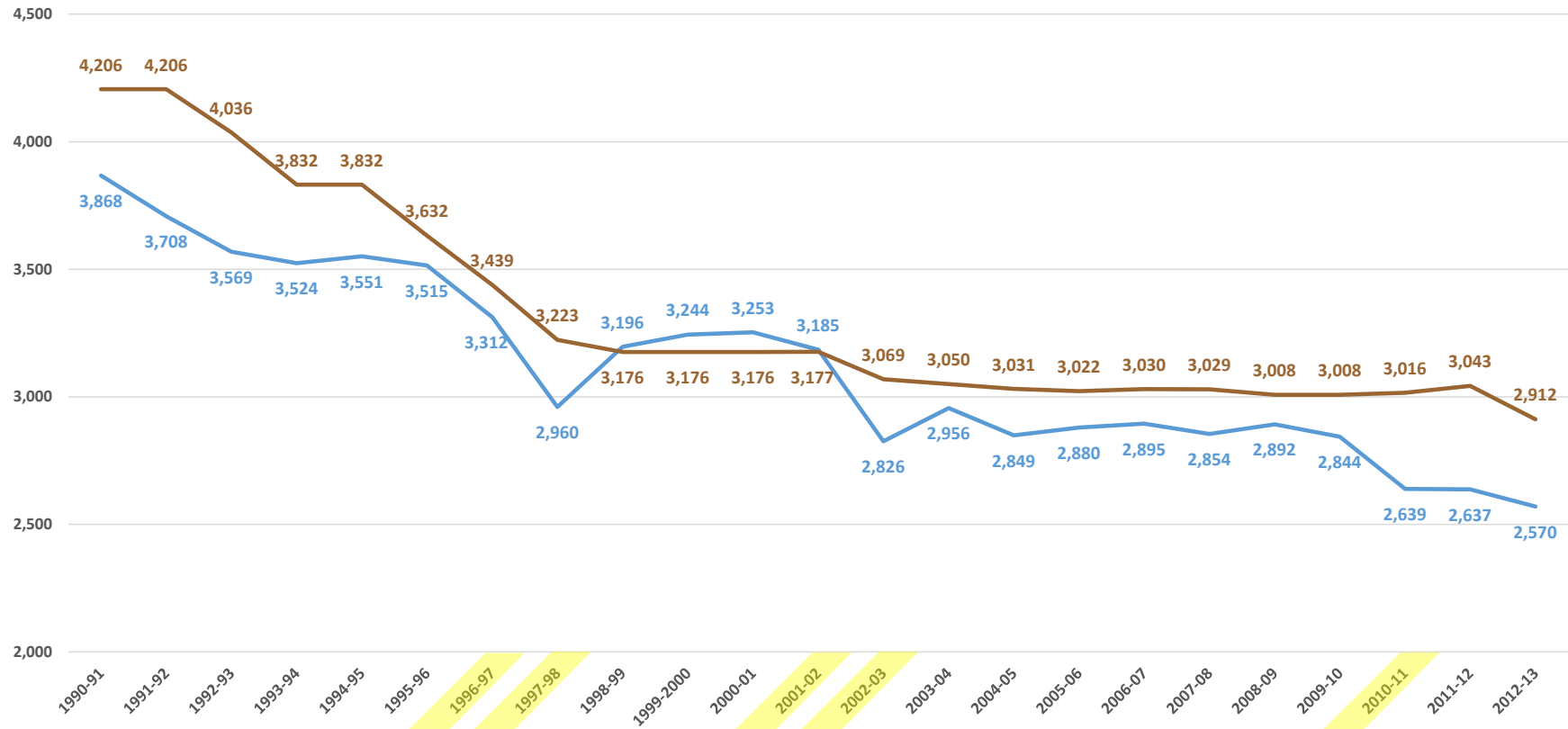
Graph 1
Michigan Department of Transportation
Budgeted FTE Positions/Average Annual FTE Positions
FY 1990-91 – FY 2012-13



Note: Years highlighted in yellow correspond to early retirement programs.

Brown = Budgeted FTE Positions
Green = Average Annual FTE Positions

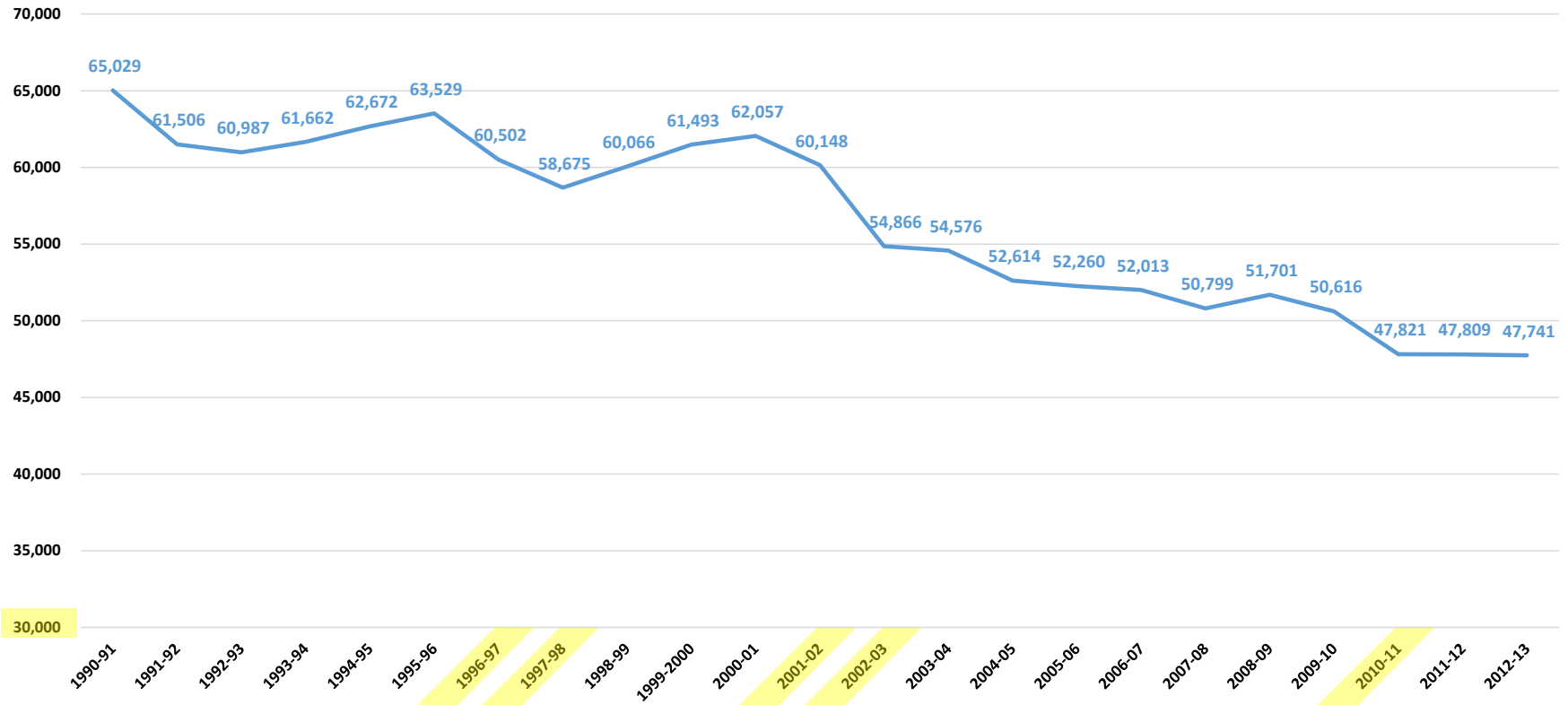
Graph 2
Michigan Department of Transportation
Budgeted FTE Positions/Average Annual Classified Employees
FY 1990-91 – FY 2012-13



Note: Years highlighted in yellow correspond to early retirement programs.

Brown = Budgeted FTE Positions
Blue = Average Annual MDOT Employees

**Graph 3
Total Classified State Employees**



Note: Years highlighted in yellow correspond to early retirement programs.

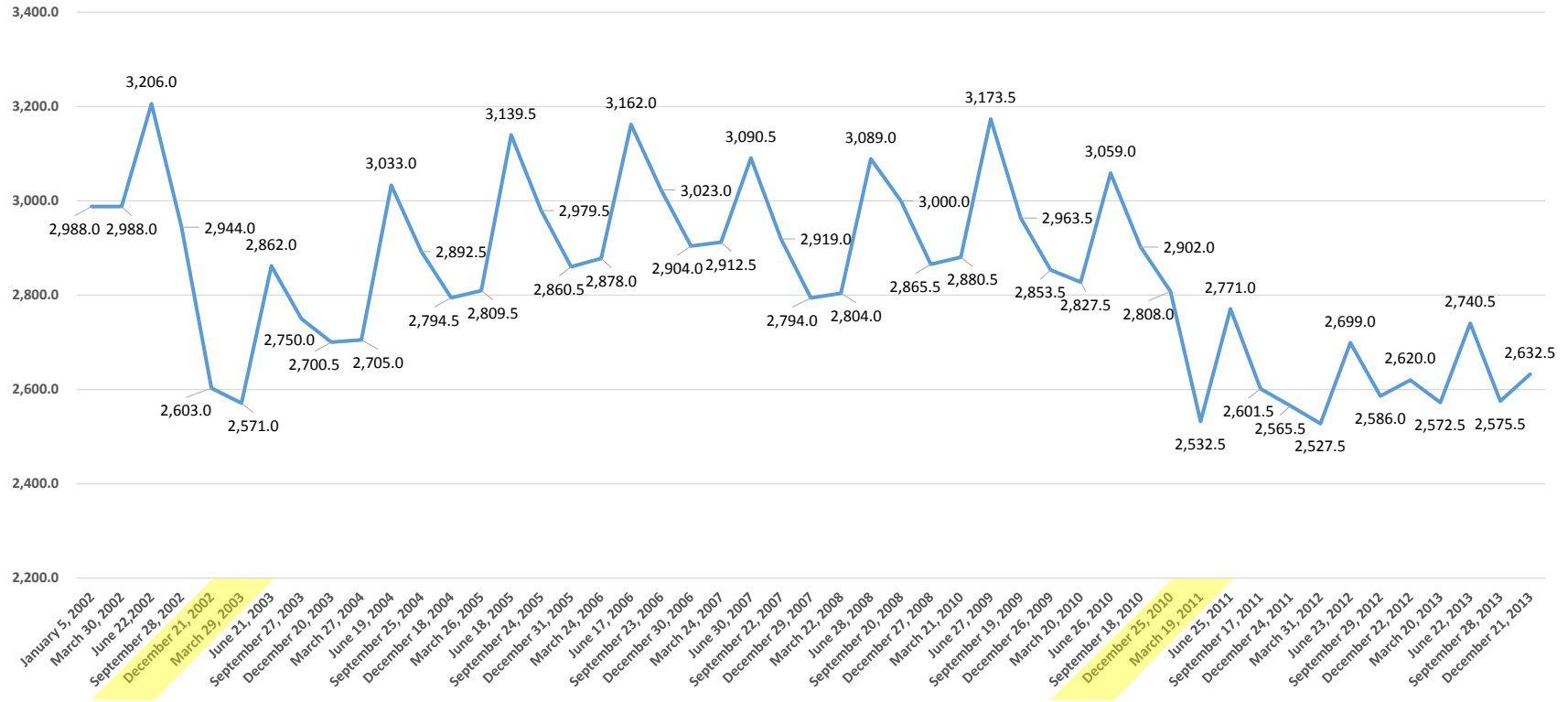
Table 1
Average Number of Classified Employees by Department
Fiscal Years 1990-91 through 2012-13

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
EXECUTIVE OFFICE	51	60	59	62	59	60	61	65	63	65	67	58	51	49	45	44	44	46	45	41	38	51	54
GENERAL GOVERNMENT DEPARTMENTS																							
ATTORNEY GENERAL	495	497	517	519	522	539	552	547	549	559	558	538	474	489	524	528	517	496	494	461	434	462	479
AUDITOR GENERAL	155	146	144	162	167	162	164	163	169	174	179	176	157	150	143	142	138	138	135	132	134	133	140
CIVIL RIGHTS	193	185	175	174	183	179	166	159	163	160	166	164	135	133	131	127	119	117	112	95	90	94	92
CIVIL SERVICE	535	307	301	310	307	294	224	205	207	206	206	200	176	189	210	210	206	538	526	488	414	405	416
MANAGEMENT AND BUDGET & INFORMATION TECH.	1,385	1,270	1,232	1,246	1,337	1,487	1,561	1,495	1,719	1,936	1,931	1,851	3,036	2,998	2,642	2,657	2,693	2,608	2,676	2,651	2,384	2,461	2,587
SECRETARY OF STATE	2,337	2,219	2,115	2,136	2,116	2,190	2,211	2,174	2,231	2,257	2,267	2,095	1,836	1,852	1,705	1,672	1,622	1,535	1,447	1,372	1,263	1,279	1,290
HISTORY, ARTS AND LIBRARIES	0	0	0	0	0	0	0	0	0	0	0	295	287	273	203	200	196	191	182	0	0	0	0
TREASURY	1,619	1,447	1,432	1,452	1,485	1,595	1,529	1,531	1,765	1,826	1,817	1,793	1,514	1,512	1,535	1,564	1,565	1,502	1,519	1,558	1,754	1,508	1,566
MICHIGAN STRATEGIC FUND AGENCY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	174	177	193	197	135	636	651
LOTTERY	231	225	217	212	210	193	181	179	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MICHIGAN BIO PRODUCTS	0	0	0	0	0	122	107	77	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDUCATION	1,976	1,949	1,913	1,060	721	568	512	436	442	403	396	393	298	324	352	367	369	380	405	445	446	476	518
COMMUNITY HEALTH	10,979	8,771	7,834	7,784	7,696	7,644	6,437	5,758	5,810	5,914	5,838	5,370	4,465	4,577	4,424	4,241	4,225	3,964	4,075	3,873	3,448	3,013	3,113
FAMILY INDEPENDANCE/HUMAN SERVICES	13,849	13,208	13,410	13,998	14,429	14,107	12,981	12,443	12,836	13,254	13,139	12,554	10,303	10,104	9,953	9,778	9,759	9,582	10,168	10,414	10,365	11,058	11,772
CORRECTIONS	13,484	13,437	14,128	14,592	15,394	16,100	16,270	16,714	17,063	17,652	18,296	17,821	17,222	16,781	16,543	16,446	16,357	15,944	15,762	14,943	14,223	13,541	13,259
MILITARY AFFAIRS	321	829	883	948	992	979	948	900	949	987	970	962	919	943	928	924	934	921	926	897	891	886	801
MICHIGAN STATE POLICE	3,097	2,941	2,889	2,889	2,998	3,121	3,034	3,014	3,159	3,190	3,240	3,164	2,800	2,661	2,704	2,690	2,657	2,586	2,622	2,548	2,395	2,360	2,501
TRANSPORTATION	3,868	3,708	3,569	3,524	3,551	3,515	3,312	2,960	3,196	3,244	3,253	3,185	2,826	2,956	2,849	2,880	2,895	2,854	2,892	2,844	2,639	2,637	2,570
MACKINAC BRIDGE	139	135	130	135	136	140	143	150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LABOR/CAREER DEVELOPMENT/DLEG	972	868	786	714	721	680	0	0	0	1,088	1,079	911	956	3,785	4,128	3,967	3,781	4,056	0	0	0	0	0
UNEMPLOYMENT AGENCY	2,499	2,688	2,654	2,489	2,341	2,231	2,026	1,495	1,298	1,192	0	0	0	0	0	0	0	0	0	0	0	0	0
MICHIGAN JOBS COMMISSION	0	0	112	627	864	953	890	1,101	1,149	1,055	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSUMER & INDUSTRY SERVICES/LICENSING	2,661	2,475	2,361	2,376	1,994	2,039	2,635	2,554	2,611	2,651	3,823	3,735	3,186	3,170	209	0	0	0	0	4,298	3,727	3,758	2,899
NATURAL RESOURCES	3,616	3,616	3,596	3,718	3,900	2,623	2,480	2,445	2,510	2,506	2,509	2,446	2,265	2,328	1,669	1,657	1,628	1,564	1,607	1,629	859	1,555	1,530
ENVIRONMENTAL QUALITY	0	0	0	0	0	1419	1472	1479	1545	1605	1617	1567	1370	1444	1419	1430	1423	1354	1330	1283	591	1109	1102
NATURAL RESOURCES AND ENVIRONMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,198	0	0
SUBTOTAL	3,616	3,616	3,596	3,718	3,900	4,042	3,952	3,924	4,055	4,111	4,126	4,013	3,635	3,772	3,088	3,087	3,051	2,918	2,937	2,912	2,648	2,664	2,632
AGRICULTURE & RURAL DEVELOPMENT	567	525	530	535	549	599	606	631	632	657	697	702	635	687	641	575	535	521	529	447	393	387	401
TOTAL ANNUAL AVERAGE STATE EMPLOYEES	65,029	61,506	60,987	61,662	62,672	63,529	60,502	58,675	60,066	61,493	62,057	60,148	54,866	54,576	52,614	52,260	52,013	50,799	51,701	50,616	47,821	47,809	47,741
TRANSPORTATION																							
BUDGETED FTE POSITIONS	4,206	4,206	4,036	3,832	3,832	3,632	3,439	3,223	3,176	3,176	3,176	3,177	3,069	3,050	3,031	3,022	3,030	3,029	3,008	3,008	3,016	3,043	2,912
AVERAGE ANNUAL EMPLOYEES	3,868	3,708	3,569	3,524	3,551	3,515	3,312	2,960	3,196	3,244	3,253	3,185	2,826	2,956	2,849	2,880	2,895	2,854	2,892	2,844	2,639	2,637	2,570
AVERAGE ANNUAL FTE POSITIONS	4,266	4,000	3,920	3,907	3,728	3,840	3,472	3,250	3,376	3,388	3,395	3,260	2,884	2,973	3,140	3,138	3,130	3,075	3,110	3,025	2,754	2,749	2,783

Notes:

- Between April 1, 1997 and June 1, 1998, 535 MDOT employees elected to retire under an early retirement program (6/1/97 deadline).
- Between July 1, 2002 and November 1, 2002, 491 MDOT employees elected to retire under an early retirement program
- Between November 1, 2010 and January 1, 2011, 328 MDOT employees elected to retire under an early retirement program.

**Graph 4
MDOT Quarterly Employee Headcount
January 2002 – December 2013**



Note: Years highlighted in yellow correspond to early retirement programs.

Table 2
Michigan Department of Transportation
Twelve-Year Staffing Levels

<i>Pay Period Ending</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>Worker's Comp</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
March 30, 2002	2,653.0	31.0	13.0	235.0	19.0	50.0		(13.0)	2,988.0
June 22, 2002	2,660.0	30.0	13.0	435.0	31.0	50.0		(13.0)	3,206.0
September 28, 2002	2,519.0	33.0	11.0	231.0	28.0	135.0		(13.0)	2,944.0
December 21, 2002	2,296.0	35.0	13.0	147.0	22.0	103.0		(13.0)	2,603.0
March 29, 2003	2,348.0	34.0	14.0	109.0	12.0	66.0		(12.0)	2,571.0
June 21, 2003	2,418.0	34.0	16.0	86.0	28.0	291.0		(11.0)	2,862.0
September 27, 2003	2,458.0	32.0	18.0	76.0	28.0	149.0		(11.0)	2,750.0
December 20, 2003	2,494.0	31.0	12.0	69.0	22.0	82.0		(9.5)	2,700.5
March 27, 2004	2,531.0	31.0	11.0	65.0	15.0	61.0		(9.0)	2,705.0
June 19, 2004	2,564.0	35.0	10.0	72.0	37.0	324.0		(9.0)	3,033.0
September 25, 2004	2,562.0	34.0	13.0	68.0	37.0	187.0		(8.5)	2,892.5
December 18, 2004	2,579.0	35.0	13.0	54.0	25.0	96.0		(7.5)	2,794.5
March 26, 2005	2,615.0	32.0	13.0	51.0	26.0	80.0		(7.5)	2,809.5
June 18, 2005	2,617.0	30.0	13.0	70.0	37.0	380.0		(7.5)	3,139.5
September 24, 2005	2,623.0	32.0	13.0	70.0	27.0	222.0		(7.5)	2,979.5
December 31, 2005	2,631.0	32.0	13.0	64.0	12.0	116.0		(7.5)	2,860.5
March 24, 2006	2,632.0	31.0	13.0	60.0	17.0	132.0		(7.0)	2,878.0
June 17, 2006	2,624.0	32.0	13.0	78.0	29.0	393.0		(7.0)	3,162.0
September 23, 2006	2,650.0	32.0	14.0	75.0	29.0	230.0		(7.0)	3,023.0
December 30, 2006	2,658.0	31.0	15.0	67.0	12.0	128.0		(7.0)	2,904.0
March 24, 2007	2,666.0	26.0	14.0	62.0	21.0	130.0		(6.5)	2,912.5
June 30, 2007	2,642.0	23.0	14.0	61.0	29.0	327.0		(5.5)	3,090.5
September 22, 2007	2,627.0	23.0	16.0	57.0	28.0	173.0		(5.0)	2,919.0
December 29, 2007	2,627.0	20.0	14.0	53.0	8.0	77.0		(5.0)	2,794.0
March 22, 2008	2,627.0	20.0	15.0	51.0	17.0	80.0		(6.0)	2,804.0
June 28, 2008	2,637.0	19.0	14.0	64.0	27.0	334.0		(6.0)	3,089.0
September 20, 2008	2,665.0	19.0	13.0	59.0	25.0	225.0		(6.0)	3,000.0
December 27, 2008	2,671.0	17.0	14.0	64.0	6.0	99.0		(5.5)	2,865.5
March 21, 2010	2,677.0	17.0	13.0	63.0	17.0	99.0		(5.5)	2,880.5
June 27, 2009	2,674.0	17.0	13.0	57.0	24.0	394.0		(5.5)	3,173.5
September 19, 2009	2,668.0	16.0	13.0	58.0	24.0	190.0		(5.5)	2,963.5
December 26, 2009	2,667.0	17.0	13.0	61.0	6.0	95.0		(5.5)	2,853.5
March 20, 2010	2,639.0	16.0	13.0	59.0	17.0	89.0		(5.5)	2,827.5
June 26, 2010	2,594.0	16.0	13.0	57.0	23.0	361.0		(5.0)	3,059.0
September 18, 2010	2,566.0	15.0	12.0	59.0	23.0	232.0		(5.0)	2,902.0
December 25, 2010	2,528.0	15.0	25.0	64.0	6.0	175.0		(5.0)	2,808.0
March 19, 2011	2,315.0	14.0	22.0	71.0	9.0	106.0		(4.5)	2,532.5
June 25, 2011	2,308.0	11.0	18.0	61.0	19.0	359.0		(5.0)	2,771.0
September 17, 2011	2,301.0	9.0	20.0	65.0	19.0	192.0		(4.5)	2,601.5
December 24, 2011	2,310.0	9.0	19.0	71.0	7.0	154.0		(4.5)	2,565.5
March 31, 2012	2,308.0	9.0	20.0	55.0	13.0	127.0		(4.5)	2,527.5
June 23, 2012	2,305.0	8.0	20.0	49.0	18.0	303.0		(4.0)	2,699.0
September 29, 2012	2,324.0	7.0	21.0	48.0	18.0	168.0	4.0	(4.0)	2,586.0
December 22, 2012	2,317.0	6.0	20.0	74.0	3.0	196.0	8.0	(4.0)	2,620.0
March 20, 2013	2,332.0	6.0	21.0	73.0	12.0	128.0	5.0	(4.5)	2,572.5
June 22, 2013	2,326.0	6.0	22.0	53.0	17.0	314.0	7.0	(4.5)	2,740.5
September 28, 2013	2,310.0	6.0	21.0	55.0	18.0	164.0	6.0	(4.5)	2,575.5
December 21, 2013	2,317.0	6.0	21.0	78.0	5.0	199.0	11.0	(4.5)	2,632.5

Source: Michigan Department of Civil Service Workforce Reports