

SECTION 32—ESTIMATING EMPLOYMENT LEVELS, COMPENSATION, BENEFITS, AND RELATED COSTS

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Summary of Changes

Includes guidance on workforce planning and restructuring previously included in section 31.11 (section [32.1](#)).

Includes guidance on growth in agency workload previously included in section 30.4 (section [32.3](#)).

Updates guidance on calculating prior year full-time equivalents (section [32.4](#)).

Adds a table referencing additional Federal employment guidance in A-11, including new guidance on reporting overseas FTEs at embassies, consulates, etc. (section [32.12](#)).

32.1 How should my agency's budget address workforce planning and restructuring?

Your budget submission and performance plan must identify the specific human capital management and development objectives, key activities, and associated resources that are needed to support agency accomplishment of programmatic goals.

Furthermore, your budget submission and performance plan should describe the specific activities and/or actions planned to meet the standards for success under the Human Capital initiative of the President's Management Agenda, the associated resources, the expected outcomes, and how performance will be measured. For example, you should:

Identify the specific organizational changes you are proposing to:

- ▶ Reduce the number of managers, reduce organizational layers, and reduce the time it takes to make decisions.

- ▶ Increase the span of control, and redirect positions within the agency to ensure that the largest number of employees possible are in direct service delivery positions and retrain and/or redeploy employees as part of restructuring efforts to make the organization more citizen centered.

Identify the training, development, leadership development, and staffing actions you propose to take to:

- ▶ Ensure continuity of leadership.
- ▶ Ensure that leaders and managers effectively manage people.
- ▶ Sustain a learning environment that drives continuous improvement in performance.
- ▶ Prepare for and respond to changes driven by e-Government and competitive sourcing.

Identify the competency and skill needs (or gaps) you have identified as part of your workforce planning effort and how you plan to address those needs through recruitment, development, and related strategies.

32.2 What terms do I need to know?

Employee, as defined in [5 U.S.C. 2105](#), means an officer or individual who is appointed under a delegated authority, is engaged in the performance of a Federal function, and is subject to the supervision of an officer or employee of the Federal Government.

Full-time equivalent (FTE) employment means the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off and other approved leave categories are considered "hours worked" for purposes of defining full-time equivalent employment that is reported in the personnel summary (see [section 86.1](#)). This definition is consistent with guidance provided by the Office of Personnel Management (OPM) in connection with reporting FTE data as part of the SF 113G reporting system. A list of compensable days (with associated hours) is provided in [section 32.4\(b\)](#).

32.3 What should be the basis for my personnel estimates?

(a) *Personnel.*

(1) *Staffing requirements.* Base estimates for staffing requirements on the assumption that improvements in skills, organization, procedures, and supervision will produce a steady increase in productivity. Personnel should be reassigned, to the maximum extent, to meet new program requirements. Use personnel currently funded to the maximum extent in staffing new programs and expansions of existing programs. These actions should be part of your agency's overall human capital strategy, aligned with the President's Management Agenda, and reflected in the integrated performance plan (see [section 220](#)). Reductions generally should be planned where the workload is stable. Where information technology systems are installed or enhanced, gains in productivity should result in lower personnel requirements after the first year.

Where appropriate, use calculations converting workload to required personnel that include an estimate of available workhours per employee. You should exclude annual leave, sick leave, administrative leave, training, and other non-work time from these calculations. Base estimates of available time on current data, reflect steps taken to improve the ratio of available time to total time, and recognize differences in available time by organization, location, or activity. Base exclusions for annual and sick leave on current experience of actual leave taken rather than leave earned. Employment levels should reflect budget proposals and assumptions with regard to workload, efficiency, proposed legislation, interagency

reimbursable arrangements, and other special staffing methods. Employment intended for proposed legislation, or for carrying out proposed supplemental appropriations, cannot begin until the additional funds become available by congressional action. Employment proposed for activation of new facilities or start-up of new programs cannot begin until the new activity begins. Employment under estimated reimbursable arrangements also cannot begin until such arrangements have been negotiated and justified.

(2) *Personnel resources.* Base estimates of personnel resources on the total number of regularly scheduled straight-time hours (worked or to be worked) in the fiscal year (see section [32.4\(b\)](#)). Note that, although budgetary resources must be sufficient to cover any extra compensable days in a fiscal year, some of the corresponding outlays may not occur until the following year.

(3) *Requirement for FTE data.* Wherever entries in schedules or materials required by this Circular pertain to personnel requirements or total employment levels, state such entries for all years in terms of FTEs, as defined in section [32.2](#), unless another measure is explicitly required. For military employment, see section [32.6](#).

(b) *Personnel compensation*

(1) *Pay scales.* Unless instructed otherwise by OMB, base estimates on compensation scales in effect at the time of submission of the estimates, adjusted for pay raises contained in the Mid-Session Review economic assumptions.

The Mid-Session Review pay raise assumptions will apply to the statutory pay systems (General Schedule, Foreign Service, and Veterans Health Administration), the Executive Schedule, the Senior Executive Service (SES), and wage grade employees. The pay raises encompass both the Employment Cost Index (ECI)-based national schedule adjustment and locality pay without assumption as to how the total increase will be distributed between the two. Use pay scales that reflect the most recent locality pay rates in preparing your estimates.

You may need to adjust your estimates when final pay assumptions for the budget are released. You should be prepared to provide supporting detail on calculating pay costs, including separate identification of the pre-pay raise wage base reflected in the submission. You must explicitly justify any increases in average compensation for the budget year, other than those due to changes in pay scales.

(2) *Hourly rates.* Base compensation for all employees (as defined in [5 U.S.C. 5504\(b\)](#)) on hourly rates of compensation determined by dividing the annual rate of basic pay by 2,087, in accordance with section 15203(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272).

(3) *Within-grade increases.* Additional resources for within-grade increases are normally not allowed. Offset the net cost, if any, of within-grade salary increases (i.e., costs after turnover, downgrades, and other grade or step reducing events are taken into account) by savings due to greater productivity and efficiency.

(4) *Vacancies.* Base estimates related to vacancies expected to be filled in the budget year on the entrance salary for the vacancies involved.

(5) *Savings in personnel compensation.* Give full consideration to savings in personnel compensation due to personnel reductions, delay in filling vacant positions, leave without pay, lag in recruitment for new positions, filling vacancies at lower rates of pay, part-time employment, and grade reduction actions. Identify terminal leave payments, including those for SES, as offsets against such savings.

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(6) *Positions above grade GS/GM-15.* Reflect these positions, including SES, only to the extent that positions have been authorized in those grades by OPM or other authority, or are specifically authorized in substantive law.

(7) *Awards.* Estimates should include amounts for all cash incentive awards. Upon request by OMB, be prepared to provide detailed information on your cash incentive awards program, including a narrative explanation of the basis on which your agency distributes awards and how that relates to its overall performance management program.

(8) *Executive selection and development programs.* Include in your estimates provisions for reasonable amounts for such programs, as required under Title IV of the Civil Service Reform Act of 1978 and by implementing guidelines issued by the Office of Personnel Management.

(9) *Premium pay and overtime.* Fully justify increases over amounts for the preceding year for premium pay. In preparing estimates for overtime, you should analyze the use of overtime to ensure that it is used in a prudent and efficient manner; explore all reasonable alternatives to overtime (such as improved scheduling); and ensure that adequate approval, monitoring, and audit procedures are in place to avoid overtime abuses.

(10) *Special rates for experts and consultants.* Authority to pay special rates for experts and consultants may be requested only when your agency demonstrates that the type and caliber of services required cannot be obtained at the maximum daily rate payable for grade GS-15 under the Classification Act. When such authority is justified and specifically authorized, special rates may not exceed the maximum rate for senior level positions under [5 U.S.C. 5376](#).

(11) *Severance pay.* Estimate severance pay at the amount needed for the fiscal year. However, obligations will be incurred on a pay-period by pay-period basis, notwithstanding the fact that a liability arises at the time of an employee's separation. Your estimates must include changes in severance pay and personnel compensation that would occur upon the application of instructions covered in [OMB Circular No. A-76](#).

(12) *Physicians comparability allowance.* Reflect in your estimates approved plans to pay bonuses to physicians in accordance with the Federal Physicians Comparability Allowance Amendments of 1987 (Public Law 100-140) and the Federal Employees Health Care Protection Act of 1998 (Public Law 105-266). Instructions for reporting on the physicians comparability allowance program are issued separately.

(13) *Bonuses and allowances.* Reflect in your estimates approved agency plans for paying recruitment and relocation bonuses and retention allowances. You should be prepared to supply information on planned and actual expenditures upon request by OMB.

(14) *Retirement costs.* Reflect in your estimates the cost effects of changes in the distribution of employees between the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS).

32.4 What do I need to know about FTE budgeted levels?

(a) *Policy.*

Consistent with the general policy of making the most effective use of Government resources, each agency head will ensure close management of budgeted FTE levels for his or her agency. Agencies should not convert the work of their employees to contractors unless they first undertake cost

comparisons that demonstrate that such a conversion is of financial advantage to the Government (see OMB Circular A-76).

(b) *Determining FTE usage.*

You must prepare budget estimates relating to personnel requirements in terms of FTE employment, as specified in this Circular.

To determine current year and budget year FTE employment estimates, divide the estimated total number of regular hours by the number of compensable hours in each fiscal year. The table below shows the number of compensable hours for several fiscal years. However, in order to take advantage of existing payroll data, agencies may compute prior year FTE actuals using the regular hours obtained from their pay systems (normally based on 26 bi-weekly pay periods) and divide by a constant 2,080 hours (also see OPM Operating Manual, The Standard Form 113 Summary Data Reporting System, Chapter III).

COMPENSABLE DAYS AND HOURS FOR CURRENT AND FUTURE FISCAL YEARS

Year	Days	Hours
2004.....	262	2,096
2005.....	261	2,088
2006.....	260	2,080
2007.....	260	2,080
2008.....	262	2,096

FTE employment levels apply to straight time hours only. Include foreign national direct hire employees in your FTE employment totals. FTEs funded by allocations from other agencies will be included with the performing agency where the employees work and are paid (see section [86.1](#)).

Be sure to include in FTE employment estimates all Federal employees, including persons appointed under the Worker Trainee Opportunity Program, Presidential Management Fellows, Federal Cooperative Education Program, summer aids, Stay-in-School Program, and the Federal Junior Fellowship Program.

(c) *Justification of FTE usage.*

The FTE estimates for each agency are determined at the time of the annual budget review, for the fiscal year in progress and for the succeeding fiscal year. You must ensure that the FTE estimates are consistent with all applicable laws. In particular, some statutes providing agencies with authority to use voluntary separation incentive proposals (or “buy-outs”) stipulate that agency-wide FTE levels must be reduced one-for-one for each buy-out. Further, FTE estimates must represent an effective and efficient use of resources to meet program requirements.

Actual FTE usage reported in the PY column of the budget must equal the year-end FTE usage reported on the SF 113G to OPM (see section [32.5](#)).

Current year FTE estimates should be consistent with PY actuals, should be fully funded, and should be very close to the actual usage reported at the end of the fiscal year. For example, the 2004 estimate in the FY 2005 Budget should be very close to the 2004 actuals to be published in the 2006 Budget.

(d) *FTE transfers between agencies.*

Prior to entering into new or expanded agreements to perform work for other agencies on a reimbursable basis, you must prepare a cost justification in accordance with OMB Circular No. A-76. As part of this agreement, you may transfer FTEs on a one-for-one basis, provided that you notify OMB prior to making such a transfer. You may proceed with the FTE transfer fifteen days after notification to OMB, unless OMB objects.

(e) *Adjustment requests.*

Send all requests for adjustments in employment levels, including agreements to transfer FTEs between agencies, to your OMB representative.

32.5 How does OMB validate prior year civilian FTE totals (actuals)?

Agencies use the Office of Personnel Management (OPM) SF-113G reporting system to submit their actual civilian FTE data to OPM each month. OPM transfers these data to OMB on a monthly basis, and provides OMB with total FTEs by agency for the fiscal year that ends 30 September. During budget season, OMB compares the OPM totals to the prior year FTE data that agencies enter in their MAX A-11 personnel summaries (Schedule Qs).

The OMB and OPM employment totals must match at the agency level. If you believe the OPM total is not correct, please work with OPM to change the total in OPM's SF-113G system. Once OPM revises the total, OMB will revise its control total. In the vast majority of cases, the original total reported to OPM is correct, and the agency must adjust the PY column in one or more accounts (Schedule Q) so that the FTEs in MAX agree with the FTEs reported to OPM. However, OPM does not collect military employment data. For military employment, see section [32.6](#).

32.6 How do I account for active duty military personnel?

Your budget submission should also account for all active duty personnel in the seven Uniformed Services. These Services include the Army, Air Force, Navy, Marines, Coast Guard, plus the NOAA and PHS Commissioned Corps. Since active duty personnel are always full-time employees, attempting to compute full-time equivalents is not appropriate. Therefore, for active duty personnel, "average strength" data is used in place of FTEs for the prior fiscal year. Estimate average strengths for current and budget years as well. For the non-DoD Uniformed Services, record military average strengths in the MAX A-11 personnel summaries using the line designated for military (see [section 86.1](#) regarding Schedule Q line numbers). The Department of Defense will continue to provide military employment data directly to their OMB representative.

32.7 How do I treat agency benefit payments under the Federal Employee Compensation Act?

For accounts subject to appropriations action, include in your budget year estimates the amount billed by the Employment Standards Administration of the Department of Labor for benefits paid on behalf of employees of your agency in the past year under the Federal Employee Compensation Act.

For accounts not subject to appropriations action, you must pay the bill in the current year.

32.8 How do I reflect the effects of pay raises?

For the following three types of budget accounts, reflect the effects of the increased agency contribution to employee retirement and of civilian and military pay raises using the pay raise assumptions specified for these accounts in the Mid-Session Review:

- Governmental receipt accounts containing Federal employee contributions to Federal employee retirement.
- Offsetting receipt accounts (employer share, employee retirement) containing employing agency contributions to Federal employee retirement.
- General fund contributions to Federal employee retirement.

Major agencies with accounts in these categories include DOD, State, Treasury, and OPM.

32.9 How do I budget for unemployment compensation?

In general, you should not budget for the costs of unemployment compensation for former Federal civilian and military personnel. The congressional intent is that such unemployment compensation be paid from appropriations available to the employing agencies. The liable agencies must absorb these reimbursements when they are required to be paid.

If you do not employ large numbers of temporary employees or other personnel expected to lead to significant unemployment compensation claims, your estimates for the current and budget year will not contain any special provisions for the costs of reimbursing the unemployment trust fund for such payments.

If you employ large numbers of temporary employees to meet part-year workload, you may request approval from OMB to budget for unemployment compensation costs for your temporary employees. OMB will consider such requests if you can demonstrate that you have a sound administrative control system for unemployment compensation claims.

If you provide benefit payments for Medicare and Medicaid, you should work with OMB to develop assumptions on medical care prices related to the consumer price index, utilization rates, number of beneficiaries, and other factors. For other benefit estimates (including old-age, survivors, and disability insurance; railroad retirement; civilian and uniformed services retirement; supplemental security income; and veterans' compensation, pensions, and readjustment benefits) multiply the expected number of beneficiaries in each future year by average benefit payments per beneficiary for each future year. Determine the average benefit payments by identifying changes in the earnings base, as applicable, on which the benefit is computed, unless existing law or Administration-supported legislation provides otherwise. When existing or proposed legislation provides for automatic cost-of-living adjustments, multiply the result by a cost-of-living or other adjustment factor to be supplied by OMB.

32.10 How do I budget for personnel benefits?

- (a) *Medicare and Medicaid.*

If you provide benefit payments for Medicare and Medicaid, you must work with OMB to develop assumptions on medical care prices related to the consumer price index, utilization rates, number of beneficiaries, and other factors.

(b) *Other benefit payments.*

For other benefit estimates (including old-age, survivors, and disability insurance; railroad retirement; civilian and uniformed services retirement; supplemental security income; and veterans' compensation, pensions, and readjustment benefits) multiply the expected number of beneficiaries in each future year by average benefit payments per beneficiary for each future year. Determine the average benefit payments by identifying changes in the earnings base, as applicable, on which the benefit is computed, unless existing law or Administration-supported legislation provides otherwise. When existing or proposed legislation provides for automatic cost-of-living adjustments, multiply the result by a cost-of-living or other adjustment factor to be supplied by OMB.

32.11 How do I budget for uniformed services health care?

- *For uniformed services post-retirement medical care.* Post retirement medical care for "Medicare-eligible" retirees and their dependents/survivors was funded on an accrual basis beginning in FY 2003. Budget estimates must assume inclusion of all Medicare-eligible retirees and families. Agencies must calculate the following estimates for their budget submission:
 - Accrual contribution to the Uniformed Services Health Accrual Trust Fund (see below).
 - Estimate of the health care dollars to be expended for all retirees.
- *Accrual contribution to the Uniformed Services Health Accrual Trust Fund.* To develop appropriate annual accrual contribution estimates, agencies must use the per-capita rates provided below. Agencies must multiply these rates by the estimated average number of current uniformed service personnel. The resulting calculation is the accrual contribution, which should be budgeted in the agency's personnel account.
 - Active duty per-capita rates.....\$ 5,652
 - Reservist per-capita rates\$ 3,324
- *Estimate of the health care dollars to be expended for all retirees.* Agencies must estimate expenditures for retiree health care. (Separate estimates must be provided for Medicare-eligible retirees and non Medicare-eligible retirees). The Medicare-eligible estimates are needed to develop the Trust Fund outlays for uniformed service health care and the non-Medicare eligible estimates to be included in agency budgets. To prevent double counting Medicare-eligibles, each agency must ensure that their health care account request does not include any amount for Medicare-eligible retiree health care other than the accrual contribution amounts.

32.12 Are there other places in A-11 where I can find Federal employment guidance?

- Yes. Please see the table below for additional guidance on Federal employment.

Other Federal employment guidance and A-11 links	Section
When should I record obligations for Federal employment?	20.5(b)

Other Federal employment guidance and A-11 links	Section
How should I report Federal employees at overseas embassies, consulates, etc?	<u>25.5</u>
Should my budget submission reflect Federal pay raises in my estimates?	<u>30.3</u>
How should my budget address competitive sourcing of the workforce?	<u>31.9</u>
What FTE-related information should I provide in my justification materials?	<u>51.1</u>
What FTE-related analysis is required in justifying program requirements?	<u>51.3</u>
What FTE data is required in reporting financial management resources?	<u>52.5</u>
What FTE line coding is used for Exhibit 52 (financial management activities)?	<u>52.6</u>
How do I present FTEs for allocation accounts?	<u>71.5 & 86.1</u>
How is civilian and military pay coded in my baseline (schedule S)?	<u>80.3</u>
What object class codes are used for Federal employee compensation?	<u>83.7</u>
What object classes designate civilian and military pay in the baseline?	<u>83.8</u>
How do I complete the personnel summary (MAX schedule Q)?	<u>86.1</u>
Will OMB request FTE plans to support apportionment requests?	<u>120.25</u>
Where can I find an example of an apportionment FTE plan?	<u>Exhibit 120</u>
What employment plans should my agency make prior to a funding hiatus?	<u>124.2</u>
Should my agency furlough employees during a hiatus in appropriations?	<u>124.3</u>
How should I address workforce adjustments in my strategic plan?	<u>210.1</u>
How do I present FTE costs for my capital asset plan (Exhibit 300)?	<u>Exhibit 300</u>

