



# *South Dakota Legislative Research Council*

## *Issue Memorandum 94-16*

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### A COMPARISON OF HIGHER EDUCATION FTE COUNT WITH ALL OF STATE GOVERNMENT

Even in an election year, no one could question the truism that government is made up of people. In fact, central to government of, by, and for the people is "by." Any commentary on government has to accept as given that, in order for there to be government, there has to be staff. In South Dakota state government budgeting, government staff is counted by full-time equivalents, perhaps more commonly known as FTEs.

According to SDCL 2-14-2(12), an FTE is "a number which designates staffing level where one full-time equivalent position is equal to two thousand eighty paid hours in one fiscal year." While the statute excludes a number of things from being counted in compiling the number of FTEs, (e.g., paid overtime, hours paid for accumulated sick or annual leave upon an employee's termination, hours paid to patient employees of the Department of Human Services, hours paid to work-study students at Board of Regents institutions, and student interns) the concept is clear. One FTE means 2,080 hours of work, which breaks down to 40 hours per week for 50 weeks.

Thus, an FTE might be comprised of more than one employee. For example, two half-time people could be one FTE. A three-quarter time person and a quarter-time person could also be one FTE, as could

twelve people each working for one month. Of course, there are certain other factors to consider, such as calculation of benefits, etc., for any given number of FTEs, but the FTE itself is by no means a mystical concept.

Like dollars, the Legislature appropriates expenditure authority for FTEs. Unlike the way monetary expenditure authority is appropriated, however, FTEs are appropriated in a block precise to the first decimal place. That is, while whole dollars are appropriated for the various programs by personal services or operating expenses and by fund source, FTEs are just appropriated as a total for each program.

All of the above is true for all of state government, with the exception that, in higher education, "a nine month or more per year full-time teaching or research faculty person, or the equivalent thereof" at a state university or one of the special schools is considered one FTE, according to SDCL 2-14-2(12). Thus, the distinction between the number of FTEs and the actual number of employees in higher education has, at least, a different dimension than that in the rest of state government. The following table depicts a ten-year comparison of appropriated and utilized FTEs in higher education compared with the rest of state government:

FISCAL YEAR	APPROPRIATED FTEs	FTEs UTILIZED
1995 Total	13,981.9	n/a
Regents	4,889.9	n/a
Other	9,092	n/a
1994 Total	13,936.8	n/a
Regents	4,889.9	n/a
Other	9,046.9	n/a
1993 Total	13,348.7	13,277.8
Regents	4,510.3	4,668.5
Other	8,838.4	8,609.3
1992 Total	12,920.5	12,916.4
Regents	4,235.4	4,417.6
Other	8,865.1	8,498.8
1991 Total	12,820.0	12,473.6
Regents	4,235.4	4,208.8
Other	8,584.6	8,264.8
1990 Total	12,834.7	12,312.6
Regents	4,234.4	4,110.0
Other	8,600.3	8,202.6
1989 Total	12,834.1	12,250.0
Regents	4,274.4	4,029.4
Other	8,559.7	8,220.6
1988 Total	12,672.7	12,037.3
Regents	4,273.4	3,976.9
Other	8,399.3	8,060.4
1987 Total	12,616.8	11,985.2
Regents	4,281.3	3,960.1
Other	8,335.5	8,025.1
1986 Total	12,538.3	11,928.7
Regents	4,339.0	4,087.4
Other	8,199.3	7,841.3

SOURCE: Bureau of Finance and Management Budget Reports

If the above data for the Board of Regents is charted, the following is the result:

## APPROPRIATED FTEs vs. UTILIZED



As shown by the table and graph, a curious event happened in Fiscal Year 1992.

During that year, the number of FTEs utilized in higher education exceeded the number appropriated by the Legislature. This was also the case for Fiscal Year 1993. Fiscal Year 1994 has just closed, so figures are not yet available on appropriated versus utilized

FTEs. As of mid-July, however, estimates are that FTEs utilized will again exceed FTEs appropriated.

At this point, it is worth mentioning that the State of South Dakota runs two separate payroll systems. One is the Board of Regents' for its own system, and the other is run by the Bureau of Finance and Management for all the rest of state government, including the constitutional offices. SDCL 13-49-21 mandates the executive director of the Board of Regents to maintain "modern, uniform systems of accounting and record-keeping at all institutions" and to compile the budget for the Board. The payroll and accounting systems used by the Board of Regents system are designed for applications in higher education, unlike the Dun & Bradstreet Software systems used by the Bureau of Finance and Management for the rest of state government.

How can the Board of Regents utilize more FTEs than they are appropriated? With the transfer powers in SDCL chapter 4-8A and elsewhere, as long as there are agencies with FTEs to spare, transfers can and will be done as necessary. Until this year, there was no real, firm cap placed on the extent to which the Board of Regents could "create" FTEs. In his FISCAL YEAR 1995 BUDGET REPORT, however, Governor

Walter D. Miller spoke of "managing" FTEs in higher education and that they were to consider tactics such as privatization in areas like food service. This is probably the first time this approach toward higher education FTEs has been overtly mentioned. By default, the Legislature signed on to this philosophy by appropriating no more for the instructional formula than the Governor had recommended, either in dollars or FTEs. In certain regards this means, therefore, no great departure from previous years' gubernatorial and legislative treatment of higher education in terms of formula funding and FTEs. In particular, while sums of money have been appropriated to the Board of Regents as increase amounts from one year to another, in many years significant numbers of FTEs which should have accompanied those dollars were specifically and intentionally excluded.

Consider the method by which the Board counts enrollments as a way of arriving at funding and staffing cost figures for educational costs. The Higher Education Funding Formula is supposed to divide among the universities, based upon enrollments, funding for what is known as "Program 01," also known as the

instructional program. For the fiscal years 1990 to 1994, the Governor recommended--and the Legislature appropriated--Full Formula Funding (FFF). Since the purpose of funding the instructional formula is to allow the universities to hire faculty to provide that instruction and determine at which institutions to place them, during times of rising enrollment the number of faculty should be growing, just like the number of students.

This was not the case in any of those years, however. During the first four of those FFF years, while the system was entitled to an additional 176 FTEs for faculty, none were given. For FY1994, FFF would have merited an additional 77 FTEs, meaning that in the span of five years, higher education gained a great deal of money due to the effect of rising enrollments on the funding formula, but no authority to hire the new faculty FTEs that should have accompanied those dollars. Thus, it was inevitable that problems in counting FTEs began to compound. Even prior to the consecutive years of FFF without new FTEs, there was the removal during the 1980s of authority for hundreds of unfunded and vacant FTEs.

This eventually caught up with the increased dollars for faculty that were provided without the related FTEs in the early 1990s. For years, therefore, the Board of Regents operated by a system whereby every single available hour of annual leave, sick leave, personal emergency leave, etc., which could be identified was accumulated and expended so that the system could hire the necessary faculty, then the books were adjusted at the end of the fiscal year to make sense.

To some extent, the Regents were allowed a Band-aid in 1992 with the creation by the Legislature of the FTE Demand Pool. That pool, which "may be replenished each year

through the general appropriations act," is to serve as a sort of bank of FTEs from which the Board may withdraw what is necessary to accompany certain funding. The Legislature's intent was that this pool be used to staff programs related to nonstate grants, etc. In that year the pool was created with 104 FTEs, and in 1993 and 1994 was replenished. By design, however, the FTE Demand Pool, which is created in SDCL 13-49-14.11, cannot meet those needs associated with instructional formula FTEs.

From one year to another, if enrollments rise and running the Higher Education Funding Formula results in a requirement for more FTEs, this is akin to any other service program wherein the case load population is growing. In those cases, increased case loads, e.g., in the Department of Social Services, usually are deemed worthy of more FTEs as case workers, eligibility determination workers, etc. If more money is appropriated, the money is for the new FTEs as opposed to giving that money to the existing staff. This has not been the case in higher education. Nearly ten years of rising enrollments and operation of the formula have merited more FTEs for instruction.

When those FTEs are not given in a manner that is consistent with the formula's complete theory, that is only the increases in funding are awarded--and the money is not just given to the existing faculty or reverted--something must be happening. If not, the number shown on budget documents for FTEs in higher education becomes more meaningless with each fiscal year. The matter is worthy of careful attention by the Board of Regents, the Governor, and ultimately the Legislature in the future to assure that an accurate picture of funding AND staffing for the Board of Regents is presented at all times.

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**This issue memorandum was written by Mark Zickrick, Principal Fiscal Analyst for the**

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