



Committee: Directly to Council
Committee Review: N/A
Staff: Craig Howard, Deputy Director
Purpose: To make preliminary decisions – straw vote expected

AGENDA ITEM #4
May 12, 2023
Worksession

SUBJECT

Vacancies Across County Government Departments: FY24 Operating Budget

EXPECTED ATTENDEES

Rich Madaleno, Chief Administrative Officer
Traci Anderson, Office of Human Resources
Josh Watters, Office of Management and Budget
Corey Orlosky, Office of Management and Budget

SUMMARY OF KEY ISSUES

- As part of the April 11 Operating Budget Overview, the Council discussed the issue of vacancies and lapse in the context of the Executive's FY24 Recommended Operating Budget. Specifically, the Council discussed that as of March 3 the County Government has approximately 1,500 total vacant positions and 1,200 tax supported vacant positions. Each Committee subsequently reviewed vacancy data and information for departments and offices during budget worksessions.
- The total FY24 personnel costs in the Executive's recommended budget associated with the 1,200 tax supported vacant positions (of as March 3) is \$110.4 million. Unless all 1,200 positions are filled on July 1st, not all these dollars will be spent in FY24.
- In part due to these high vacancy rates, the Executive assumed a total of \$50.95 million in lapse savings for tax supported positions in FY24 – an increase of \$16.3 million over the "historical" lapse assumption of \$34.7 million that is typically included in the budget.
- In addition to lapse from current vacant positions, the County also achieves lapse savings when an employee leaves County service. During 2022, the County's turnover rate was 8.6%. At that rate, approximately 900 employees will leave the County each year. As noted by OHR Director Anderson on May 10, in FY22 the County had a net **reduction** of 219 filled positions due to natural turnover and to date in FY23 has a net **increase** of 128 filled positions (780 hires and 652 separations).
- On April 18, the Council President sent a memorandum to the County Executive (©1) that asked the following: "To ensure that the budget uses taxpayer resources efficiently, we request that the Executive provide the Council with a list of vacancies in each department that could be unfunded with the least amount of impact. We understand that these would be non-recommended reductions."
- On April 28, the County Executive sent a memorandum (©2-7) that included two non-recommended reduction scenarios to achieve further lapse savings in the FY24 budget (\$8.5 million in Scenario 1 and \$9.7 million in Scenario 2).

- **Building off the scenarios prepared by the Executive, Council staff has prepared a third scenario for Council consideration that would achieve similar levels of savings (\$8.0 million).** Council staff analysts reviewed the additional lapse in the Executive’s non-recommended scenarios, and suggest adjustments intended to spread out the increase among departments and to reflect any reductions taken by Committees. The three scenarios are shown in the table on the next page along with the total lapse for each department that is already assumed in the Executive’s budget.

Department	Total Recommended FY24 Lapse in CE Budget	CE Non-Recommended Scenario 1	CE Non-Recommended Scenario 2	Council Staff Scenario 3
Total	(\$50,952,646)	(\$8,516,000)	(\$9,681,000)	(\$8,000,557)
Police	(\$12,712,685)	(\$2,371,000)	(\$2,846,000)	(\$2,846,000)
Health and Human Services	(\$10,744,969)	(\$627,000)	(\$752,000)	(\$752,000)
Fire and Rescue Service	(\$4,469,168)	(\$336,000)	(\$403,000)	
TEBS	(\$3,333,161)	(\$1,002,000)	(\$1,202,000)	(\$302,000)
Transit Services**	(\$3,164,100)			
Transportation	(\$2,123,231)	(\$690,000)	(\$828,000)	(\$828,000)
DOCR*	(\$1,898,234)	(\$800,000)	(\$960,000)	(\$800,000)
Permitting Services	(\$1,476,558)			
Sheriff	(\$1,295,097)			(\$51,804)
Public Libraries	(\$1,247,828)	(\$825,000)	(\$825,000)	(\$825,000)
ABS	(\$1,006,239)			
DGS - Fleet	(\$877,762)			(\$52,666)
Animal Services	(\$649,596)			(\$38,976)
Procurement	(\$602,794)			(\$36,168)
General Services	(\$527,806)			(\$31,668)
Urban Districts	(\$520,100)			(\$31,206)
Recreation	(\$510,006)	(\$391,000)	(\$391,000)	(\$241,000)
DEP - RRM	(\$431,348)			
Management and Budget	(\$401,773)			
County Attorney	(\$390,375)			(\$23,423)
Circuit Court	(\$342,384)	(\$489,000)	(\$489,000)	(\$489,000)
Human Resources	(\$338,997)			(\$20,340)
Environmental Protection	(\$336,035)			(\$20,162)
State's Attorney	(\$300,317)			
Finance	(\$230,119)			(\$13,807)
County Executive	(\$214,915)			(\$12,895)
CEC	(\$153,364)			(\$9,202)
Public Information	(\$138,448)			(\$12,000)
Board of Elections	(\$124,552)			(\$7,473)
Parking District Services	(\$99,565)			
DHCA	(\$91,428)			(\$5,486)
CUPF	(\$73,445)			
Consumer Protection	(\$58,742)			(\$3,525)
Labor Relations	(\$42,503)			(\$2,550)
OEMHS	(\$25,004)			(\$1,500)
County Council		(\$712,000)	(\$712,000)	(\$280,000)
Inspector General		(\$273,000)	(\$273,000)	(\$130,000)
Intergovernmental Relations				(\$132,708)

- As noted in the Executive’s transmittal memorandum, the number of vacant positions fluctuates daily, and certain departments have minimum staffing levels or service requirements that must be met regardless of vacancy rates or lapse assumptions. These factors can lead to increased use of contractors, overtime, use of force holds and/or impact service delivery.
- Council staff also notes that, under the County Charter, the Executive does have the ability to transfer up to 10% of a department’s appropriation between personnel and operating costs. An explanation from OMB detailing the process for reviewing those requests is attached at ©8.
- **Given the high vacancy rates and current turnover rate for County Government, Council staff recommends that the Council consider increasing FY24 lapse assumptions by approximately \$8.0 million.** In total, this would increase the lapse assumed as part of the FY24 budget to \$58.95 million, or around 54% of the FY24 personnel costs associated with the vacant positions as of March 3. As noted above, in addition to the current vacancies there is expected to be around 900 new vacancies that will occur throughout the fiscal year.

This report contains:

April 18 Memorandum from the Council President	©1
April 28 Memorandum from the County Executive	©2-7
Office of Management Budget Personnel and Operating Cost Transfer Explanation	©8

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MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

EVAN GLASS
PRESIDENT

TRANSPORTATION & ENVIRONMENT COMMITTEE, CHAIR
ECONOMIC DEVELOPMENT COMMITTEE

M E M O R A N D U M

DATE: April 18, 2023

TO: County Executive Marc Elrich
Richard Madaleno, Chief Administrative Officer
Jennifer Bryant, Director, Office of Management and Budget (OMB)

FROM: Evan Glass, Council President

SUBJECT: Reductions associated with position vacancies

Recently we received from OMB a list of all vacant positions in County Government as of March 3, 2023, some of which have recommended funding in the Recommended FY24 Budget. Many of these positions have been vacant for more than one year.

To ensure that the budget uses taxpayer resources efficiently, we request that the Executive provide the Council with a list of vacancies in each department that could be unfunded with the least amount of impact. We understand that these would be non-recommended reductions. The list should include the FY24 budget cost associated with each position and should focus on budgeted positions—both full- and part-time—that have been vacant for more than one year.

We request receipt of these lists no later than Friday, April 28 so that we can review them as part of our development of the Approved FY24 Operating Budget in May. Thank you in advance for your cooperation.

cc: Councilmembers
Heads of County departments and offices




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

April 28, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Positions Funded in the FY24 Budget

This memorandum is in response to your request for a list of vacancies in each department that could be unfunded with the least amount of impact.

As you are aware, the County currently has a higher-than-normal number of vacant positions. As of March 3, the number of tax supported vacant positions in the County was 1,184. Combined, the five departments with the most vacant positions – Police (274), Health and Human Services (246), the Department of Transportation (188), the Department of Correction and Rehabilitation (81), and Montgomery County Public Libraries (71) constitute almost three quarters of the number of vacant tax supported positions Countywide. These are all front-facing departments.

In looking at departments or functions with more than 10 employees, the five with the highest percentage of vacant positions include the County Council (25.5 percent), Technology and Enterprise Business Solutions (25.3 percent), the Office of the Inspector General (23.5 percent), Community Engagement Cluster including Urban Districts (20 percent), and the Board of Elections (20 percent).

Keep in mind that a list of vacant positions is a snapshot of the County's personnel complement on a given day. As with any organization, the number of vacant positions fluctuates daily, as some positions are filled, others become vacant. In recognition of the County's relatively high vacancy rate, my recommended budget already includes an increase to the lapse rates of departments of \$16.3 million. As such, we have accounted for savings due to persistent

challenges with hiring and ensured that department directors will have the ability to maintain operations and have flexibility to prioritize filling positions as demand requires. This amount was largely calculated by assuming that the budget associated with half of all long-term vacant positions (positions that have been vacant for at least one year) will not be needed in FY24.

As part of the budget development process, the Office of Management and Budget (OMB) reviews long-term vacant positions in each department and makes recommendations to me as to whether those positions should be eliminated, and what impact the elimination of those positions will have on County services. After reviewing the OMB analysis and discussing the recommendations with department heads, I decide whether to include funding for those positions in the budget. If you have concerns or questions about a specific vacancy, you are welcome to discuss the impact of eliminating funding for that position with the director of the impacted department.

To maintain service levels that are required by law and/or our residents expect, many departments are using contractual services or paying employees overtime to get the job done. Neither of these options are sustainable solutions, as they contribute to employee burnout and thus turnover.

For example, the vacancy report submitted to Council includes 81 vacant positions in the Department of Correction and Rehabilitation (DOCR), 40 vacant positions in School Health Services, and 48 vacant positions in Child Welfare Services.

Regarding DOCR vacancies, the pandemic related closure of the Pre-Release Center (PRC) beginning in March 2020 allowed existing staff from PRC to be redeployed to the Montgomery County Correctional Facility (MCCF), some in Correctional Officer roles. This allowed DOCR to maintain core service with a higher-than-normal vacancy rate. As PRC reopens, DOCR will need to rely more heavily on overtime to ensure service is maintained at both facilities as the Department works to fill Correctional Officer vacancies. Increasing the lapse rate above what I proposed in March may result in additional force holds to maintain minimum staffing.

The County is required by Maryland law to provide health services at each public school, which is accomplished through a combination of School Health Nurses and School Health Room Technicians. As of March 3, 2023, there were 16 nurse and 21 technician vacancies. To continue to meet required service levels, HHS has continued to carry out school health services by utilizing contractual staff, assigning substitute nurses on a full-time basis to specific sites, or using MCPS employees to staff health rooms when nursing or technician staff are not available. Contractual staff are provided through an emergency procurement with an outside vendor, and HHS is currently utilizing 38 contractors to provide services. The cost to continue providing these services is largely being paid for using any savings from vacant positions.

Employees of Child Welfare Services provide critical support to children in crisis. As of March 3, there were 40 vacant Social Worker positions in Child Welfare Services. Of that number, 30 are mostly funded with State funds. Of the remaining vacant positions, 4 are held open in a temporary status where incumbents are transferred to permanent positions upon completion of training. To help fill service gaps, HHS is using 13 contractors, has detailed staff from elsewhere to assist with workloads and caseloads, and is offering overtime for staff willing to assist with meeting Child Protective Services mandates of abuse and neglect allegations. The Department is also in the process of reclassifying some of its Social Worker positions to not require licensure in an effort to alleviate workload pressures.

The three examples above are just a sampling of the pressures the County government is encountering as we manage high vacancy rates in County positions. Backfilling with contractors and using overtime at our current rate is not sustainable from both a fiscal and a workforce management standpoint.

My FY24 Recommended Budget includes a higher vacancy rate assumption – particularly for those long-term vacant positions. **I do not recommend** that Council increase those assumptions at this time so department directors can have the flexibility to fill critical positions. However, below are two non-recommended scenarios for achieving savings as you requested. Details can be found in Exhibit 1 attached to this memorandum. Adopting either scenario will further limit department directors' efforts to fill positions that provide front-line services or to backfill those services using other means until those positions can be filled. It is very likely that adopting either of these scenarios will impact service delivery.

Scenario 1 (FY24 Savings: \$8,516,000)

This scenario increases the lapse rate for the six departments with a large number of vacant positions. As stated before, my budget assumed that half the budget cost associated with long-term vacant positions would not be needed in FY24. This scenario assumes that 50 percent of the remaining balance associated with long-term vacant positions will not be needed in FY24. In addition, the positive lapse adjustments made for Montgomery County Public Libraries (MCPL) and the Department of Recreation (REC) in the Recommended Budget be reversed. While my budget did not include additional lapse assumptions for the Legislative and Judicial branches, this scenario assumes 50 percent of the budget associated with current vacant positions in the County Council, the Office of Inspector General, and Circuit Court be lapsed.

Scenario 2 (FY24 Savings: \$9,681,000)

Similar to Scenario 1, this scenario increases the lapse rate for the six departments with the most long-term vacant positions. However, this scenario assumes that 60 percent of the remaining balance associated with long-term vacant positions will not be needed in FY24. Similarly, the positive lapse adjustments made for MCPL and REC in the Recommended Budget be reversed

and this scenario also assumes 50 percent of the budget associated with current vacant positions in the Legislative and Judicial branches in Scenario 1 be lapsed.

OMB will provide Council staff with the underlying data used to calculate these two scenarios for their analysis.

The Council's deliberations have focused on the number of vacancies and resulting lapse, as though the Executive Branch has not spent the last several years concentrating on maintaining the health and safety of our public in the face of the COVID-19 epidemic, as well as delivering high quality services to our residents. While our departments prefer to seek and select well-qualified candidates for vacant positions rather than use contractual services and overtime pay, these efforts are stymied by significant gaps in the County's Office of Human Resources (OHR). As I have stated before, if OHR fails, we cannot succeed as an enterprise. Therefore, I encourage the County Council to fully support my recommended budget that would provide for enhancements to Countywide recruitment and retention efforts. We saw the issue of the high number of vacancies on the horizon when we were developing the FY23 budget, and I recommended additional funding to bolster recruitment, training, and classification and compensation efforts. The last Council rejected my recommendation for additional recruitment and training efforts and reduced my request for classification and compensation efforts. Doing so hindered our ability to make greater progress in this area.

As the Council considers ways to close any FY24 budget gaps, one alternative that seemed to be of interest to Education Committee members is the possibility of allocating Federal Elementary and Secondary School Emergency Relief (ESSER) funding to the Montgomery County Public Schools HVAC CIP project. These Federal funds could free up local FY24 dollars to support either the capital or operating budgets.

Another alternative available to Council relates to funding for Other Post-Employment Benefits (OPEB). My Recommended Budget includes full funding for pay-as-you-go costs for retiree health insurance. The FY24 Actuarially Determined Contribution (ADC) was less than the pay-as-you-go total, resulting in a total contribution to OPEB in excess of the ADC by \$17.5 million. The Council could choose to fund pay-as-you-go costs in a manner consistent with the existing funding policy and reduce funding for pay-as-you-go by up to \$17.5 million to fund at the ADC level. This represents the amount that was assumed by the actuaries to be utilized from the OPEB Trust Fund in FY24 to pay for a portion of retiree health expenses.

OMB and OHR will continue to monitor vacancy rates and personnel spending to ensure that department budgets remain within their approved budgets. Should you have any questions about the above scenarios or issues raised, please reach out to Jennifer Bryant or Joshua Watters in the Office of Management and Budget.

Positions Funded in the FY24 Budget

April 28, 2023

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ME:jw

cc: Marlene Michaelson, Executive Director, County Council
Valeria Carranza, Chief of Staff to Council President
Richard S. Madaleno, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Traci Anderson, Director, Office of Human Resources
Jennifer R. Bryant, Director, Office of Management and Budget
Michael Coveyou, Director, Department of Finance
Executive Branch Department Heads

Exhibit 1

Council Requested Non Recommended Reductions for FY24

Department	FY24 County Executive Recommended Budget			Additional Scenarios		
	Historical Lapse	One-time Lapse Associated with Long-Term Vacancies (Review Items)	Additional Circumstantial Lapse (Review Items)	Total Recommended FY24 Lapse	Non-Recommended Scenario 1	Non-Recommended Scenario 2
Total	(\$34,678,042)	(\$10,426,690)	(\$5,847,914)	(\$50,952,646)	(\$8,516,000)	(\$9,681,000)
Police	(\$7,241,240)	(\$1,843,445)	(\$3,628,000)	(\$12,712,685)	(\$2,371,000)	(\$2,846,000)
Health and Human Services	(\$7,695,532)	(\$3,049,437)		(\$10,744,969)	(\$627,000)	(\$752,000)
Fire and Rescue Service	(\$3,653,122)	(\$816,046)		(\$4,469,168)	(\$336,000)	(\$403,000)
TEBS	(\$2,223,100)	(\$1,110,061)		(\$3,333,161)	(\$1,002,000)	(\$1,202,000)
Transit Services**	(\$456,202)	(\$1,121,335)	(\$1,586,563)	(\$3,164,100)		
Transportation	(\$1,642,659)	(\$480,572)		(\$2,123,231)	(\$690,000)	(\$828,000)
DOCR*	(\$1,048,138)	(\$398,363)	(\$451,733)	(\$1,898,234)	(\$800,000)	(\$960,000)
Permitting Services	(\$1,476,558)			(\$1,476,558)		
Sheriff	(\$575,778)		(\$719,319)	(\$1,295,097)		
Public Libraries	(\$2,072,828)		\$825,000	(\$1,247,828)	(\$825,000)	(\$825,000)
ABS	(\$1,006,239)			(\$1,006,239)		
DGS - Fleet	(\$500,001)		(\$377,761)	(\$877,762)		
Animal Services	(\$610,059)	(\$39,537)		(\$649,596)		
Procurement	(\$192,741)	(\$410,053)		(\$602,794)		
General Services	(\$527,806)			(\$527,806)		
Urban Districts	(\$191,420)	(\$328,680)		(\$520,100)		
Recreation	(\$901,134)		\$391,128	(\$510,006)	(\$391,000)	(\$391,000)
DEP - RRM	(\$431,348)			(\$431,348)		
Management and Budget	(\$269,341)	(\$132,432)		(\$401,773)		
County Attorney	(\$390,375)			(\$390,375)		
Circuit Court	(\$342,384)			(\$342,384)	(\$489,000)	(\$489,000)
Human Resources	(\$169,001)	(\$169,996)		(\$338,997)		
Environmental Protection	(\$193,589)		(\$142,446)	(\$336,035)		
State's Attorney	(\$300,317)			(\$300,317)		
Finance		(\$230,119)		(\$230,119)		
County Executive	(\$153,052)	(\$61,863)		(\$214,915)		
CEC	(\$12,501)	(\$140,863)		(\$153,364)		
Public Information	(\$138,448)			(\$138,448)		
Board of Elections	(\$30,664)	(\$93,888)		(\$124,552)		
Parking District Services	(\$99,565)			(\$99,565)		
DHCA	(\$91,428)			(\$91,428)		
CUPF	\$84,775		(\$158,220)	(\$73,445)		
Consumer Protection	(\$58,742)			(\$58,742)		
Labor Relations	(\$42,503)			(\$42,503)		
OEMHS	(\$25,004)			(\$25,004)		
County Council					(\$712,000)	(\$712,000)
Inspector General					(\$273,000)	(\$273,000)
Legislative Oversight						
Human Rights						

*The Executive is assuming a phased Pre-Release and Reentry Services Center reopening to match projected service demand.

** The Executive is recommending to freeze 16 positions in preparation for the RideOn Reimagined Program (-\$1,586,563). This action is captured within the FY24 Recommended Budget publication item: *Adjust Ride On Budget to reflect anticipated staffing requirement (-\$2,558,086)*.

10% Transfers between Operating and Personnel Costs
Prepared the by Office of Management and Budget

Section 309 of the County Charter states that the County Executive may transfer an unencumbered appropriation balance within a division or between divisions of the same department, up to 10 percent of the department's original appropriation. Any between departments can only be approved by the County Council upon a recommendation from the County Executive.

As the Council appropriates funds by Personnel Costs (PC) and Operating Expenses (OE) for each department, this means that the Executive can transfer unencumbered funds between those two categories – up to the 10 percent charter threshold.

A department, on its own, cannot transfer funds between PC and OE, as it requires approval from the Director of the Office of Management and Budget (OMB). To request the transfer of funds, a department director must send a memo to the OMB Director justifying the need to transfer the funds and show that there is sufficient capacity within the department's remaining PC appropriation. The department must also examine whether it can liquidate any encumbrances to generate additional current year OE capacity.

Once the request is received by OMB, the OMB analyst works with the department to:

1. validate remaining PC appropriation for the department – including a projection of expenditures for the remainder of the fiscal year;
2. examine whether there are any encumbrances that can be liquidated to free up OE capacity;
3. analyze departmental spending to date; and
4. analyze the need for the requested increase in OE capacity.

The OMB analyst then makes a recommendation to the OMB Deputy Director and OMB Director for final review and approval.

In most years, OMB only receives a handful of these requests as department directors manage within their appropriation. With the higher-than-average vacancy rate that we are seeing in County departments, OMB is receiving more of these requests – as expected – since departments are using any savings from unfilled positions to maintain service levels for residents. Any PC to OE transfer is considered as part of the development of the following year's budget by OMB to ensure that departments have sufficient appropriation authority to maintain approved activities.