

oppaga Special Review



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Government "Outside" Workforce Exceeds Number of State Personnel System Employees

at a glance

State government is the largest employer in Florida—and that is counting only state employees whose positions are established within state personnel systems or whose jobs are funded by other personal services (OPS) dollars appropriated by the Legislature.¹ Often overlooked are the thousands of "outside" workers, such as employees of state service contractors, grantees, community colleges, and public school districts, whose positions are funded in whole or in part with state dollars. Including "inside" and "outside" workers, we estimate the total state-funded work force to be 486,265, of which 57% are "outside."

Based on readily available fiscal and labor market data, we estimate that in Fiscal Year 1999-2000, the state funded 1.33 outside jobs (277,127) for every inside state personnel system and OPS position (209,138).

School districts and community colleges accounted for 74% of the outside workforce. State service contractors accounted for 16%, while the remaining 10% were employees of non-state organizations and local governments that received grants, direct appropriations, or cooperative agreement funds from the state.

¹ The state's personnel systems include the State Personnel System, the State University System, the State Courts System, the Legislature, the Florida Lottery, the Auditor General, and other executive pay plans. The other executive pay plans consist of much smaller entities that are not included in any of the six personnel systems.

Purpose

After consultation with the Chairman of the Joint Legislative Auditing Committee and pursuant to s. 11.511(6), *Florida Statutes*, the Director of OPPAGA initiated this project to assess the state's use of outside employees.² Specifically, this report

- puts into context the issue of government use of outside labor;
- estimates the number of outside employees funded by state service contracts, grants, cooperative agreements, or direct appropriations;
- estimates the number of state service and OPS employees paid by the state; and
- estimates the actual size of the state government workforce.

We wish to express our appreciation to the staff of the Auditor General for their assistance with this project.

² An outside employee is one whose job is funded by state contracts, grants, cooperative agreements, or direct appropriations, including community college and school district employees.

Background

According to the Department of Management Services' 1999 *Annual Workforce Report*, state government is the largest employer in Florida—and that is counting only state employees who are part of the state personnel system or paid through “other personal services” funds appropriated by the Legislature. Not considered are thousands of outside workers whose positions are paid for with state dollars.

Inclusion of outside workers can greatly influence estimates of the actual size of government. For example, in 1999, the reported size of the federal civil service was 4.11 million employees. However, the number of federal workers ballooned to 12.19 million when people paid through federal contracts and grants were counted.³

To assess the size of its outside workforce more precisely, the U.S. Department of the Army recently issued a rule requiring its contractors to submit project-related manpower information with their requests for payment.⁴ The 106th Congress also addressed the topic of outside employees by considering two bills that would have required federal agencies to submit annual reports to the Office of Management and Budget detailing the number of employees used to perform contractual duties.⁵

Currently, there are no direct data regarding the size of Florida's outside workforce. Florida law does not require employers of state-funded outside workers to provide the state with information pertaining to the number of their

employees working on state projects. Moreover, state agencies do not obtain data on the outside employees of state fund recipients.

State-Funded Workforce: The Actual Size—486,265

Based on readily available fiscal and labor market data, we estimate that the state funded 1.33 outside jobs for every state service and OPS position in Fiscal Year 1999-2000 (see Exhibit 1). This ratio is reasonably consistent with the results of a 1999 estimate of 1.97 federal contractor and grantee jobs for every federal civil service position.⁶

Jobs generated by community colleges and school districts accounted for 74% of the outside workforce. State service contractors accounted for 16% of the outside jobs while the remaining 10% were employees of non-state organizations and local governments that received grants, direct appropriations, or cooperative agreement funds from the state.^{7,8}

Exhibit 1
In 1999, State Government Funded 486,265 Jobs—
Most Are Outside State Service and OPS

	Jobs	
Outside Jobs	277,127	57%
Contract	45,515	
Grant	18,403	
Direct Appropriation	8,212	
Cooperative Agreement	858	
Community College	35,218	
School District	168,921	
State Service and OPS Jobs	209,138	43%
Established Positions	172,069	
Other Personal Services	37,069	

Source: OPPAGA analysis.

³ The federal civil service was composed of 1.8 million federal civil servants, 1.44 million uniformed military personnel, and 870,000 postal service workers. Based on analysis of secondary budget and personnel data, Paul C. Light of the Brookings Institution estimated that the total size of the federal government also includes 5.55 million jobs resulting from federal contracts and 2.53 million jobs resulting from federal grants. For explanation of this data, please see Paul C. Light, “[Pressure to Grow](#),” *Government Executive Magazine*, October 2000.

⁴ 32 CFR Part 668. See also, “Report on Use of Employees of Non-Federal Entities to Provide Services to the Department of the Army,” *Federal Register*, December 26, 2000, p. 81357-81362.

⁵ H.R. 3766 and S. 2841.

⁶ Light, P. *op. cit.*

⁷ Data was not readily available regarding the extent to which non-state organizations and local governments sub-contracted jobs to the private sector.

⁸ A cooperative agreement is financial assistance transferred pursuant to written agreements between state agencies and recipients to carry out a public purpose. An example of a cooperative agreement is the Beach Erosion Control Program in which eligible local governmental entities requesting funds must submit long-range budget plans to the Department of Environmental Protection.

Methodology

Prior to this report, there had been no assessment of the size of Florida's outside workforce supported by state government service contractors, grantees, and other recipients of state funds. Past research in this area revolved around estimating the dollar value of outsourced government services rather than the number of employees working for private contractors and grantees.

However, our literature review uncovered two entities, The Brookings Institution and the U.S. Army, which recently developed and used methodologies for estimating the number of jobs generated by federal government contractors.⁹ Paul C. Light, a senior fellow at The Brookings Institution, combined federal procurement data, labor market information, and the U.S. Department of Commerce Bureau of Economic Analysis' annual input-output accounts for the United States economy to derive a "rough" estimate of the number of employees working for private contractors hired by the federal government.¹⁰ In contrast, the U.S. Army used a more complicated and labor-intensive methodology that involved sampling contractual transactions by function (e.g., janitorial work), surveying hundreds of contractors, and then extrapolating the results to un-sampled contractual transactions.¹¹

⁹ A few states have attempted to assess the size of their outside governments. For example, Minnesota and Kansas have analyzed the dollar amounts of their contracted functions. In order to evaluate agencies' compliance with personnel caps, Texas requires its agencies to submit quarterly personnel reports that include data on "contract" workers. However, Texas' narrow definition of "contract worker" excludes many functions typically characterized as being "outsourced," such as construction.

¹⁰ Paul C. Light, *The True Size of Government*. Brookings Institution Press: Washington, D.C. 1999.

¹¹ U.S. Department of the Army (Office of the Assistant Secretary for Manpower and Reserve Affairs), "Contractor Shadow Force Study -- Contractor Manpower Equivalents Study Report," <http://oasamra5.army.pentagon.mil/CMEStudy/CMEindex.htm>, 1998.

Although both methodologies rely on numerous assumptions, estimates, and subjective interpretations, we decided to use a variation of Light's methodology to estimate the size of Florida's outside workforce. Our version of Light's methodology has several comparative advantages over that used by the Army, including

- enabling the use of both contract and grant data collected by current state information systems;
- not subjecting state contractors, grantees, and other recipients of state funds to additional reporting requirements (including potentially confidential labor information); and
- not increasing the administrative burden of agencies responsible for collecting workforce-related data.

Our methods for estimating the number of jobs for each category in Exhibit 1 are described below.

Contract Jobs

The inability of the state's accounting system, the Florida Accounting Information Resource (FLAIR), to provide contractually related expenditure data greatly complicated our effort to estimate the number of jobs generated by state government service contracts. FLAIR was not designed to precisely differentiate contract expenditures from non-contract transactions.¹² Thus, we attempted to cull the contract transactions from FLAIR by using a modified version of the Certified Minority Business Enterprises Standard Computer Assisted Audit Techniques Report, which the Department of Management Services' Office of Supplier Diversity uses to help monitor state use of minority vendors. Using this approach, we identified \$3.6 billion of state entity expenditures as being contractually related.¹³

¹² Although a field has been designated within FLAIR for tagging transactions as "contractual," this field is optional and only sporadically used.

¹³ See Appendix A for a list of those 51 entities.

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To estimate the number of jobs represented by this amount, we first subjectively classified each of those contract expenditures by an implied Standard Industrial Classification (SIC) code.¹⁴ We then applied the U.S. Department of Commerce Bureau of Economic Analysis' annual input-output accounts for the United States economy to each transaction to yield an estimate of the compensation portion of the transaction.¹⁵ Finally, we used SIC-based wage data from the U.S. Covered Employment and Wages Program to estimate the number of jobs represented by the compensation portions of the contract transactions.¹⁶

Grant, Direct Appropriation, and Cooperative Agreement Jobs

As with contract data, FLAIR does not specifically identify grant-related expenditure transactions. Although various appropriation and expenditure codes and titles can be used to isolate grant-related transactions, these transactions are often federally funded. In order to avoid including federal expenditures in our estimate of the state's outside workforce, we used the Catalog of State Financial Assistance that had been prepared as a source of data for the new Florida Single Audit Act.

In 1998, the Legislature passed the Florida Single Audit Act (FSAA) establishing state audit and accountability requirements for state

financial assistance provided to non-state entities, such as local governmental entities, nonprofit organizations, and for-profit organizations that receive state awards.¹⁷ These non-state entities use state funds, including grants, direct appropriations, and cooperative agreements, to carry out state projects. As required by the FSAA, the Executive Office of the Governor compiles state assistance data and maintains the Catalog of State Financial Assistance, a comprehensive listing of state projects. Although the FSAA only became effective on July 1, 2000, we used the catalog to develop a list of grants, direct appropriations, and cooperative agreements to analyze.

Because the catalog was still under development, the most readily available fiscal data regarding the projects was the Fiscal Year 2000-01 General Appropriations Act line item(s) and appropriation(s).¹⁸ Changes in various system codes made between Fiscal Year 1999-2000 and Fiscal Year 2000-01 precluded our analysis of FLAIR expenditure data for the state projects. However, by matching General Appropriations Act line items between the Fiscal Year 2000-01 projects in the catalog and equivalent projects from Fiscal Year 1999-2000, we were able to estimate the amount appropriated for each project.¹⁹ As with the contractual expenditures, we then subjectively classified each of the state project appropriations by an implied SIC code, applied the U.S. Department of Commerce Bureau of Economic Analysis' annual input-output accounts for the United States economy to each appropriation, and used SIC-based wage data from the Covered Employment and Wages Program (ES-202) to estimate the number of jobs represented by the compensation portions

¹⁴ The Standard Industrial Classification (SIC) is a method of grouping businesses that produce similar products or services in order to facilitate data collection and analysis. The SIC system is being replaced by North American Industry Classification System (NAICS) which identifies and groups hundreds of new services. However, key models used for this report rely on the SIC system.

¹⁵ The U.S. Department of Commerce Bureau of Economic Analysis' annual input-output accounts for the United States economy account for inputs and outputs into every industry, by SIC code. However, the compensation portions of those inputs were last calculated in late 1997 and were based on 1992 data.

¹⁶ The Covered Employment and Wages Program, commonly referred to as the ES-202 program, is a cooperative program involving the U.S. Department of Labor and the State Employment Security Agencies. The program requires all employers in the state who are covered by federal and state unemployment compensation laws to submit quarterly employment and wage reports to the Florida Department of Labor and Employment Security.

¹⁷ Section 215.97, *Florida Statutes*.

¹⁸ By Fiscal Year 2000-01, state projects will have their own FLAIR object codes. These codes will enable analysis of state project assistance data in a manner similar to that used to estimate outside contract jobs.

¹⁹ We estimated that the state appropriated \$1.2 billion for grants, \$579 million for direct appropriations, and \$53 million for cooperative agreements.

of the grant, direct appropriation, and cooperative agreement appropriations.

Community College Jobs

The state provides the majority of funds for community colleges. To estimate the number of community college jobs funded by state dollars, we applied the state funding percentage to the total number of community college employees. We did not distinguish between full-time and part-time employees in order to maintain comparability between this estimate and the estimates based on ES-202 reports, which also combine employee counts.

Our estimate of community college jobs also includes an estimate of contract, grant, direct appropriation, and cooperative agreement jobs generated by community college funding. Because community colleges do not track related expenditures in enough detail to be analyzed with our methodology, we estimated the number of community college-generated jobs based on the ratio of university-generated jobs to authorized university positions.

School District Jobs

The state provides the majority of funds for public school districts. To estimate the number of public school jobs funded by state money, we applied the state funding percentage to the total number of public school employees.²⁰

State Established Positions

The Department of Management Services' Workforce Program annually reports the number of established positions in the state's personnel systems. We used the number of positions rather than the number of filled positions in our estimate because vacant positions are also subject to legislative action.

Other Personal Services (OPS) Jobs

The most readily available state data regarding the number of OPS jobs is the number of OPS employees receiving payroll warrants in a given month. We used data on the number of OPS employees receiving warrants as reported by the Comptroller's Office. We did not distinguish between full-time and part-time OPS employees in order to maintain comparability between this estimate and the estimates based on ES-202 reports.

²⁰ Due to data availability, only full-time employees were included in this estimate.

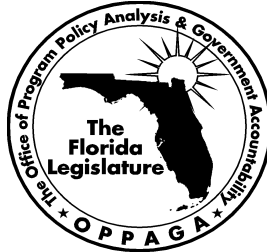
Appendix A

We obtained contract expenditure data for the following 51 state entities from the Florida Accounting Information Resource (FLAIR) system.

- Agency for Health Care Administration
- Board of Regents
 - Florida A&M University
 - Florida Atlantic University
 - Florida Gulf Coast University
 - Florida International University
 - Florida State University
 - University of Central Florida
 - University of Florida
 - University of North Florida
 - University of South Florida
 - University of West Florida
- Department of Agriculture
- Department of Banking and Finance
- Division of Accounting and Auditing
- Department of Business and Professional Regulation
- Department of Children And Families
- Department of Citrus
- Department of Community Affairs
- Department of Corrections
- Department of Education
 - School for Deaf and Blind
- Department of Elder Affairs
- Department of Environmental Protection
- Department of Health
- Department of Highway Safety and Motor Vehicles
- Department of Insurance
- Department of Juvenile Justice
- Department of Labor and Employment Security
- Department of Law Enforcement
- Department of Legal Affairs
- Department of the Lottery
- Department of Management Services
 - Division of Administrative Hearings
 - Division of Retirement
- Department of Military Affairs
- Department of Revenue
- Department of State
 - Ringling Museum
- Department of Transportation
- Department of Veterans Affairs
- Executive Office of the Governor
- Fish and Wildlife Conservation Commission
- Judicial Branch
 - State Courts System
- Legislative Branch
 - Auditor General
 - Joint Legislative Auditing Committee
- Parole Commission
- Public Service Commission
- State Board of Administration

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



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- [Best Financial Management Practice Reviews for Florida school districts](#). OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

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