Federal Election Commission
Office *of the* Inspector General

Evaluation of Staffing, Hiring, and Retention at the FEC

February 9, 2024

Report No. IE-23-01

EXECUTIVE SUMMARY

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FEBRUARY 9, 2024

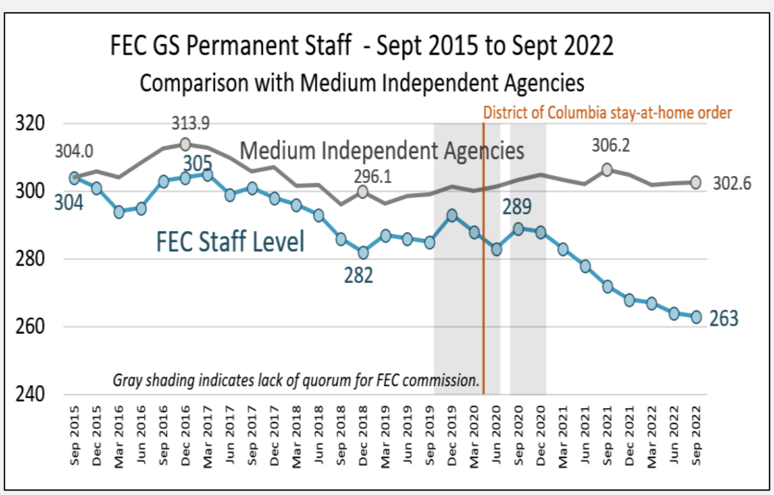
EVALUATION OF STAFFING, HIRING, AND RETENTION AT THE FEC

WHY WE CONDUCTED THIS EVALUATION

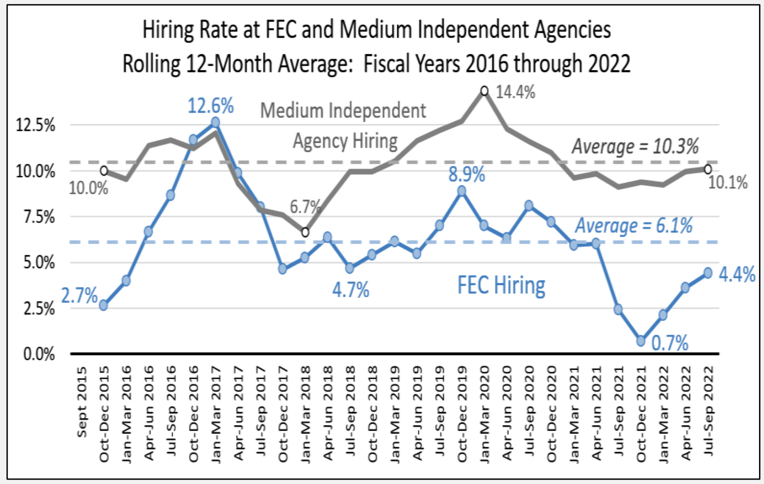
The Federal Election Commission (FEC) has experienced a significant decline in staffing levels over the last 20 years, losing 20% of its full-time workforce from 2002 to 2022. Based on this observed decline, the Office of Inspector General (OIG) initiated this evaluation to identify root and proximate causes of this decline and to evaluate related issues.

WHAT WE FOUND

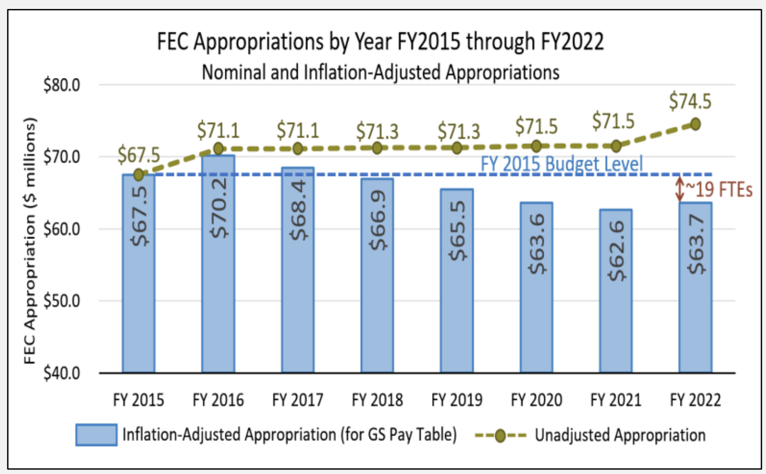
The decline in FEC staffing levels occurred entirely in the general schedule (GS) permanent segment of the workforce (i.e., not among Commission staff or senior level managers). We compared the FEC staffing decline with the group of 32 medium independent agencies in the Office of Personnel Management's FedScope database and found that the reduction in staff size is specific to the FEC. Other medium independent agencies have not experienced similar declines.



The decline in FEC headcount is not due to high attrition. The FEC's annual separation rate is lower than that of medium independent agencies. The proximate cause of the reduction in FEC staff size is that departed staff are not fully replaced.



By contrast, medium independent agencies hire 4.2% more staff per year than the FEC and maintain overall staffing levels despite having higher attrition. A root cause of the low FEC rate of hiring has been inadequate budgets; the FEC's annual budgets have **declined** when adjusted for inflation. Indeed, the decline of the FEC budget, in real terms, accounts for half of the overall reduction in staff over the past seven years.



Personnel cost drivers in addition to salary increases have increased the per-staff cost as much as increases in GS pay. The most significant of these factors are increasing benefits costs and a shift toward higher average GS levels of FEC staff. These are typical at medium independent agencies, as well.

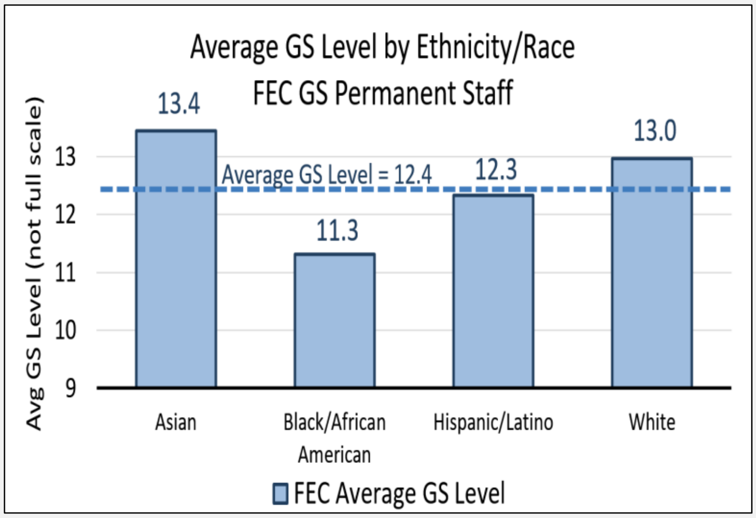
Additional conclusions include:

- The FEC's HR staff is under resourced compared to other agencies, which has an array of potential consequences.
- The budget justification process and budget request levels have presented a historical challenge for the FEC.
- There is a large and increasing retirement-eligible segment of FEC staff. By 2028, 43% of FEC staff will be eligible for full or immediate reduced retirement.

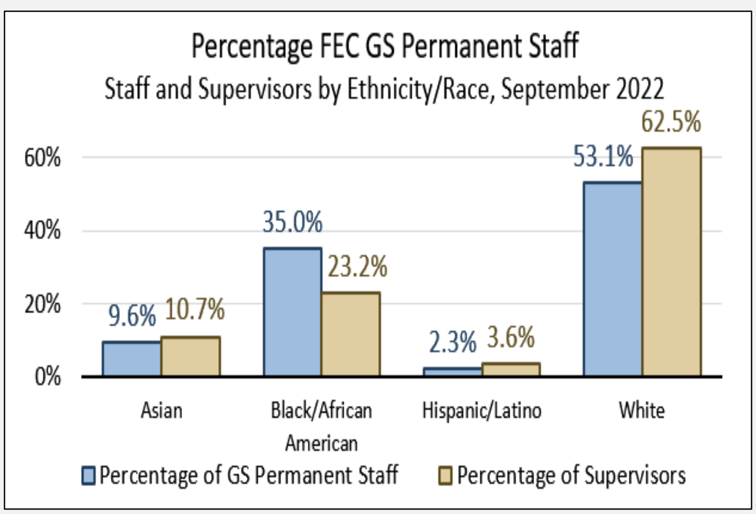
DIVERSITY, EQUITY, INCLUSION, & ACCESSIBILITY (DEIA)

This evaluation additionally identified potential DEIA successes and challenges at the FEC. The evaluation does not, however, explore causes or consequences.

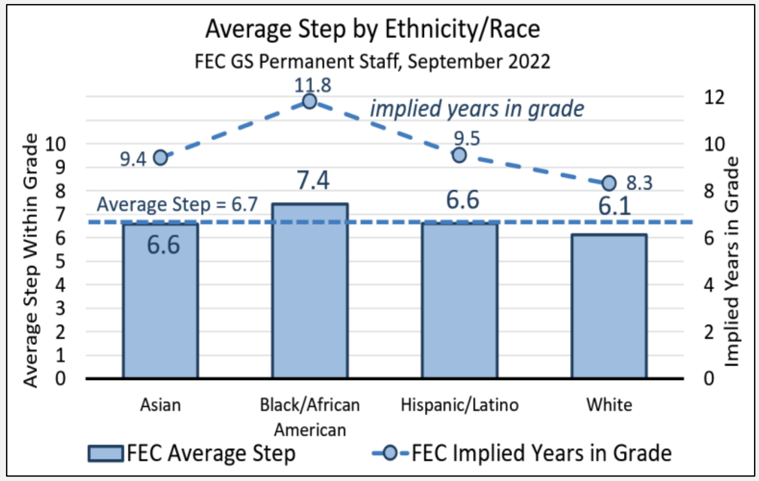
The ethnic/racial mix of FEC staff appears to be representative of the overall labor pool in Washington, DC when compared to medium independent agencies. However, Black/African American staff appear to be underrepresented at higher grade levels and in supervisory positions. Specifically, Black/African American staff hold lower average GS levels than other ethnic/racial segments, as much as two grade levels lower than other groups.



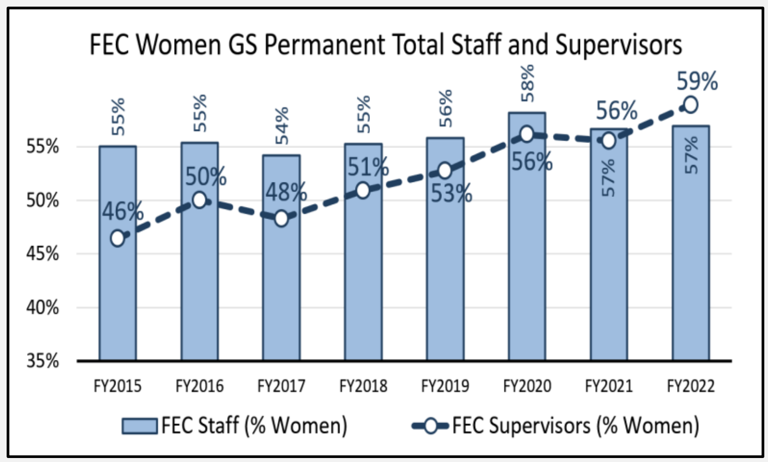
In addition, Black/African American employees are underrepresented in supervisory positions at the FEC when compared to their overall representation among FEC staff. The same is not true of other groups, who are fairly or over-represented at supervisory levels.



Additionally, Black/African American staff appear to be promoted less frequently than other segments of FEC staff. Step level within grade is an indicator of the length of time an employee has spent in that grade.



Using the standard schedule for step increases, Black/African American staff have an average step level of 7.4, which corresponds to a length of service of 11.8 years at that grade. That is, Black/African American staffers have spent an average of 11.8 years at their current grade levels, much longer than other racial/ethnic groups, which implies that those other groups promote more quickly than Black/African American employees.



A success story is that the FEC has overcome the traditional underrepresentation of women among supervisors. This is FEC-specific, as the underrepresentation of women in supervisory positions continues to persist among medium independent agencies.

WHAT WE RECOMMEND

We recommend that the FEC evaluate:

- Whether its human capital planning adequately forecasts long-term costs and budget uncertainty, and addresses retention, succession planning, and other key issues.
- The sufficiency of HR staffing levels at the agency.
- Whether data provided to OMB and Congress adequately communicate agency resource and staffing needs.

In addition, the OIG has initiated an audit of DEIA disparities identified in this report.

Table of Contents

Background and Summary

In January 2023, The Office of Inspector General (OIG) at the Federal Election Commission (FEC) initiated this evaluation of staffing and human resource (HR) issues at the FEC. The backdrop for this evaluation is that staffing levels at the FEC have persistently declined despite significant growth in federal campaign funding and corresponding workload. Impacts include the FEC's reduction of certain performance benchmarks and adverse effects on agency performance.[1]

An additional (and potentially related) issue is that the FEC ranked 26 out of 30 in the 2022 Best Places to Work[2] rankings for small federal agencies. In the 2022 Federal Employment Viewpoint Survey (FEVS), 34.8% of responding FEC staff indicated they are considering leaving the organization.[3] In contrast, other small agency respondents said "yes" to this question less frequently: 22.5% of the time. The issues of declining staff, increased workload, and morale concerns frame this evaluation.

This evaluation relies primarily on public information sources: OPM workforce data (FedScope), FEC reports including budget justifications and financial reports, media and press resources, and other public and governmental data sources. A key goal in this evaluation has been to provide statistics, measures, and findings for the FEC that can be compared to corresponding measures for comparable federal agencies. The data sources used to provide information on the FEC have either provided equivalent information on comparable federal agencies, or alternative public data sources have been available to do so.

The analysis herein did utilize one specific FEC-provided data source: retirement eligibility data for FEC staff. In addition, FEC staff provided feedback, perspective, and supporting information on numerous occasions. This input meaningfully improved this product and the OIG is grateful for the attention agency staff provided and for their contributions.

Another objective has been to produce baseline measures and descriptive statistics that relate to FEC staffing including retention, separations, hiring, budgeting, and resource constraints. The evaluation also considers factors that have adversely impacted the FEC's ability to secure funding levels that would enable the agency to obtain and maintain adequate staffing levels. Other topics include HR resourcing relative to comparable agencies, an analysis of projected FY 2024 shortfalls in personnel budget, and a look at agency successes and challenges in diversity, equity, inclusion, and accessibility (DEIA).

This evaluation identifies potential factors that drive various outcomes, including proximate and root causes. Where applicable, the OIG makes recommendations for policy and process

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[1] *See*, *e.g.*, the FEC's FY 2024 Congressional Budget Justification at footnotes 24, 42, 43 and Sec. 3D. https://www.fec.gov/resources/cms-content/documents/fy24-fec-congressional-budget-justification.pdf

[2] https://bestplacestowork.org/rankings/?view=overall&size=small&category=leadership&

[3] Question language: Based on your work unit's current telework or remote work options, are you considering leaving your organization, and if so, why?

improvements at the FEC. Below is an overview of the main takeaways and observations that will be examined in more depth in the body of this report:

- FEC staff has persistently declined over the last 20 years.
- This decline has occurred among General Schedule (GS) permanent staff.
- The decline is attributable to hiring, not attrition (which has been low at the FEC).
- FEC budget growth has not kept pace with increasing GS salary levels.
- Additional costs beyond GS salary level increases have further contributed to the reduction in agency staffing levels.
- Actual per-staff personnel costs have exceeded budget justification projections.
- The FEC will experience a budget shortfall in personnel costs if the FY 2023 appropriation level is carried over into FY 2024.
- The FEC has fewer HR staff than comparable medium independent agencies.
- A significant portion of FEC staff is retirement-eligible or will be within 5 years.
- Further examination of DEIA issues is warranted in light of potential disparities identified in this evaluation.

Recommendations

The FEC OIG makes three recommendations. We also include one observation related to an area of further work for the FEC OIG that is significant and relevant to the findings in this report.

<u>Recommendation 1 – Evaluate Long-Term Budget and Staffing Plans</u>: The FEC OIG recommends that the FEC evaluate whether its human capital planning adequately forecasts long-term costs, contemplates budget uncertainty, and addresses retention, succession planning, development, and acquisition of personnel, experience, and skills essential to successful delivery of FEC mission priorities.

<u>Recommendation 2 – Evaluate HR Resources</u>: The FEC OIG recommends that the FEC evaluate the sufficiency of HR staffing levels and of overall HR resources available to the agency. The FEC should, as appropriate, increase resources to levels commensurate with other medium independent agencies and to provide capacity for HR-related strategic initiatives.

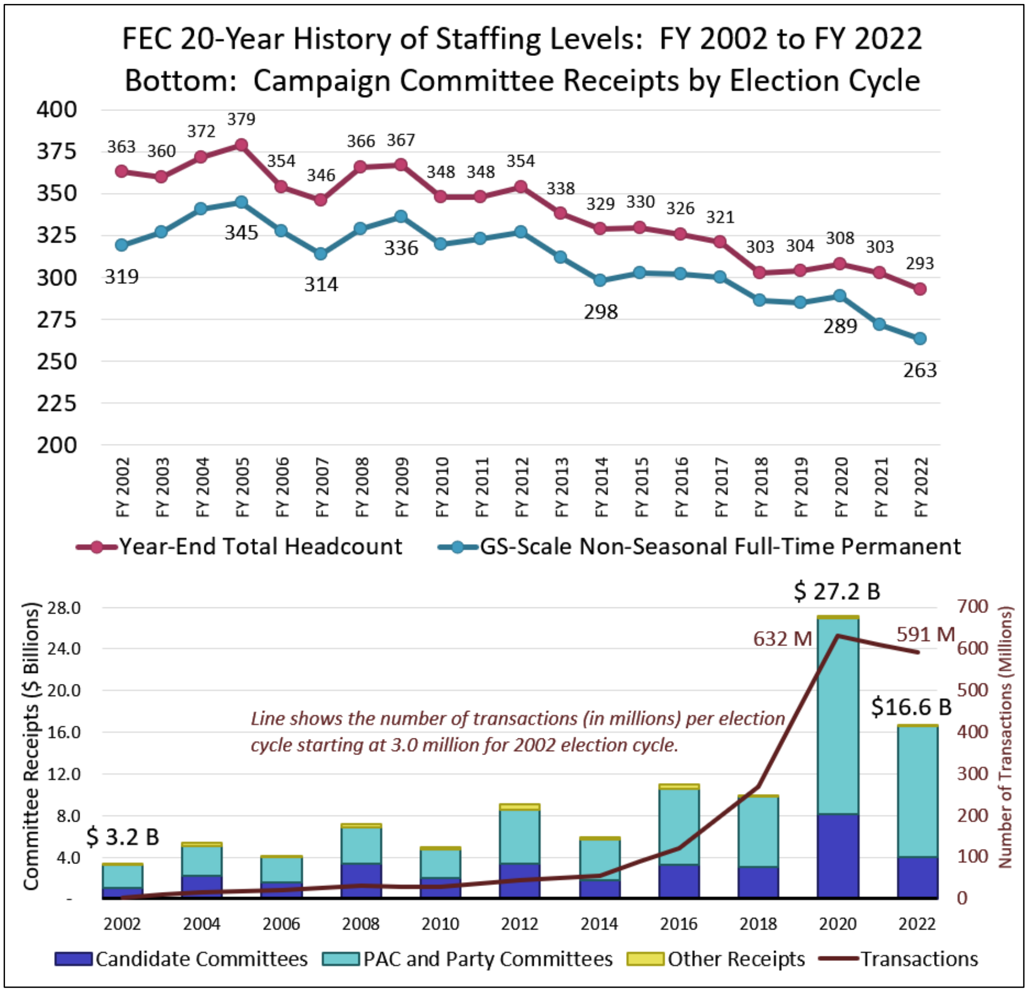
<u>Recommendation 3 – Evaluate Future Budget Justifications</u>: The FEC OIG recommends that the FEC evaluate data provided to OMB and Congressional appropriators to ensure budget justifications adequately communicate the agency’s personnel budget requirements.

<u>Observation 1 – Further Evaluation of DEIA and Equal Employment Opportunity (EEO)</u>: The FEC OIG has initiated an audit of DEIA as well as EEO programs at the FEC. This audit is informed in part by data derived in this evaluation but is separately supported through various survey, employee satisfaction, and risk assessment processes.

Summary of Key Findings

This summary section provides an overview of the key takeaways from the body of the report and analysis.[4] It includes observations and illustrations on 12 topics.

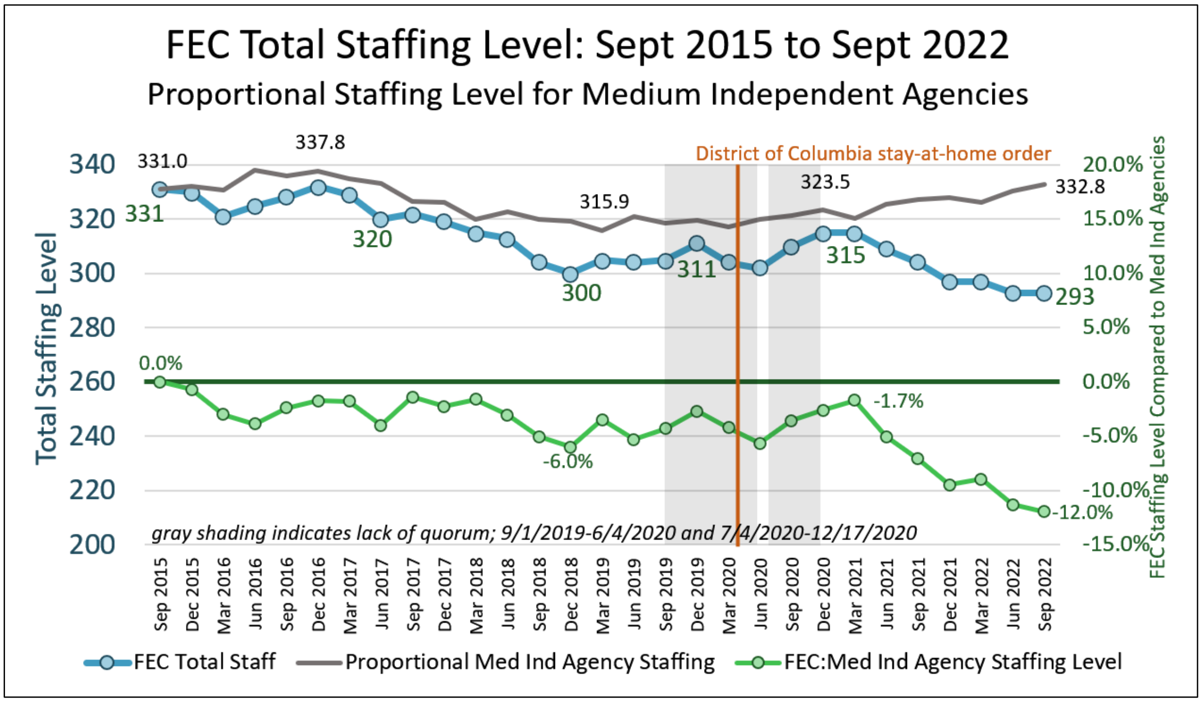
1. While the Agency's Workload Has Increased, Staffing Levels at the FEC Have Fallen Steadily Over the Past 20 Years



From 2002 to 2022, the FEC staffing level fell 19.3% from 363 to 293. The reduction in staffing levels has coincided with sharply increasing activity in campaign contributions – both in transaction number and dollar volume. *To achieve a balance of historical trends and relevancy to current circumstances, this evaluation will focus on FY 2016 through FY 2022*, which coincides with the period from the 2016 presidential campaign through the 2022 mid-term election cycle and encompasses the rapid increase in contribution volumes.

[4] As a summary, this section is not comprehensive. More thorough information about methodology, data sources, approaches to analysis, and decisions around data selection is available in the body of the report that follows – and in some cases, as appendices.

2. Staff Levels Have Not Declined for Medium Independent Agencies Overall



FEC staffing fell 11.5% from 331 in September 2015 to 293 in September 2022. To provide context for this statistic, this evaluation looked at the staffing level trend for a comparison group of medium independent agencies.[5] The aggregate staffing level of these 32 medium independent agencies increased 0.5% from September 2015 to September 2022, increasing from 12,217 to 12,284 employees.

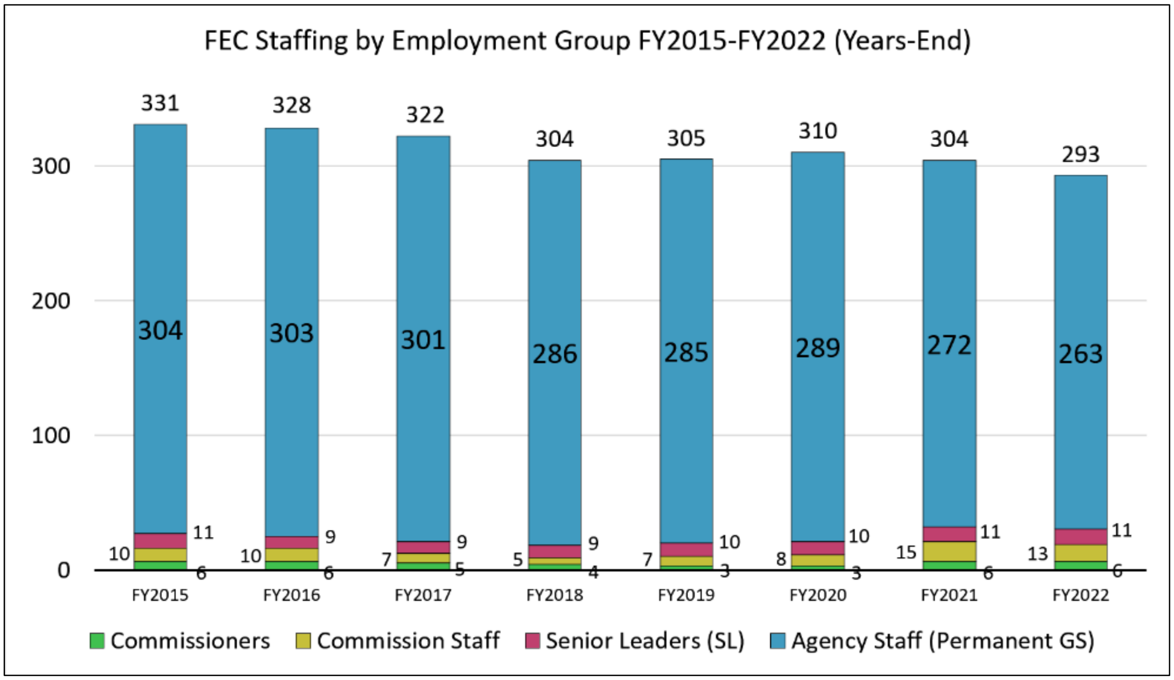
The staffing level trend of the comparison group is illustrated by the gray line in the chart which presents the change in medium independent agency staffing levels in proportion to the FEC staffing level as of September 2015. (I.e., the gray line is scaled to show what FEC staffing levels would have been if they had followed the overall staffing level trend of medium independent agencies. Specifically, the beginning FEC staffing level of 331 would have increased to 332.8 as of September 2022.)

The decline in staffing levels at the FEC is not reflective of broader trends in federal employment; it is specific to the FEC.

The green line illustrates the disparity between the FEC staffing level trend and the comparable staffing level for the medium independent agency comparison group.

[5] A more thorough description and discussion of the medium independent agency comparison group is provided in Appendix A. In short, the comparison group is comprised of the 32 medium independent agencies as determined by FedScope. These are independent agencies with 100 to 999 staff.

3. Staffing Declines at the FEC Have Occurred Among General Schedule Permanent Staff

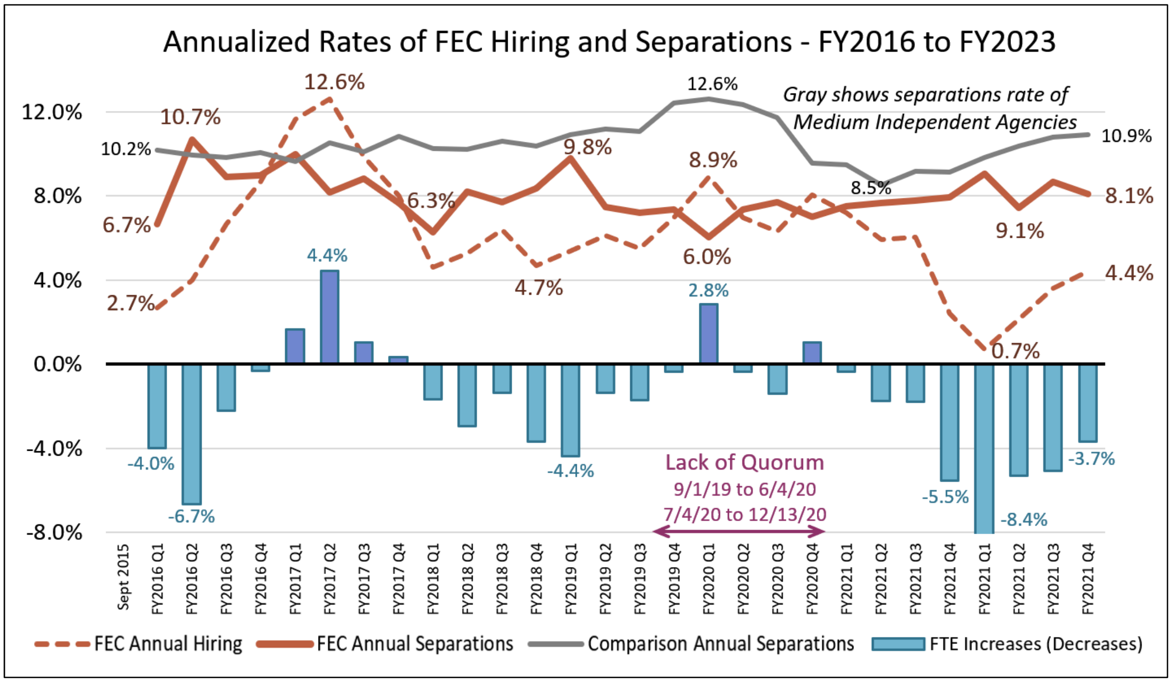


There are four unique segments of FEC staff: commissioners, commission staff, senior leaders (SL), and general schedule non-seasonal full-time permanent staff (GS permanent). The first three categories remained relatively stable or grew from September 2015 to September 2022[6]. The GS permanent staff level fell by 13.5% from 304 employees on board in September 2015 to 263 in September 2022. GS permanent staff make up approximately 90% of the total FEC workforce and execute the programs and processes that deliver on the FEC's mission.

For this reason, this evaluation will focus primarily on GS permanent staff.

[6] Note that the FEC lacked a quorum at FY 2019 and FY 2020 year-end with only 3 commissioners. Commissioners are presidentially appointed and senate confirmed. Most commission staff are assigned to specific commissioners and as a result, the number of commission staff varies in relation to the number of serving commissioners.

4. The FEC Has a Below-Average Attrition Rate; Reductions in Staff Size Result from a Low Rate of Hiring, Not Attrition



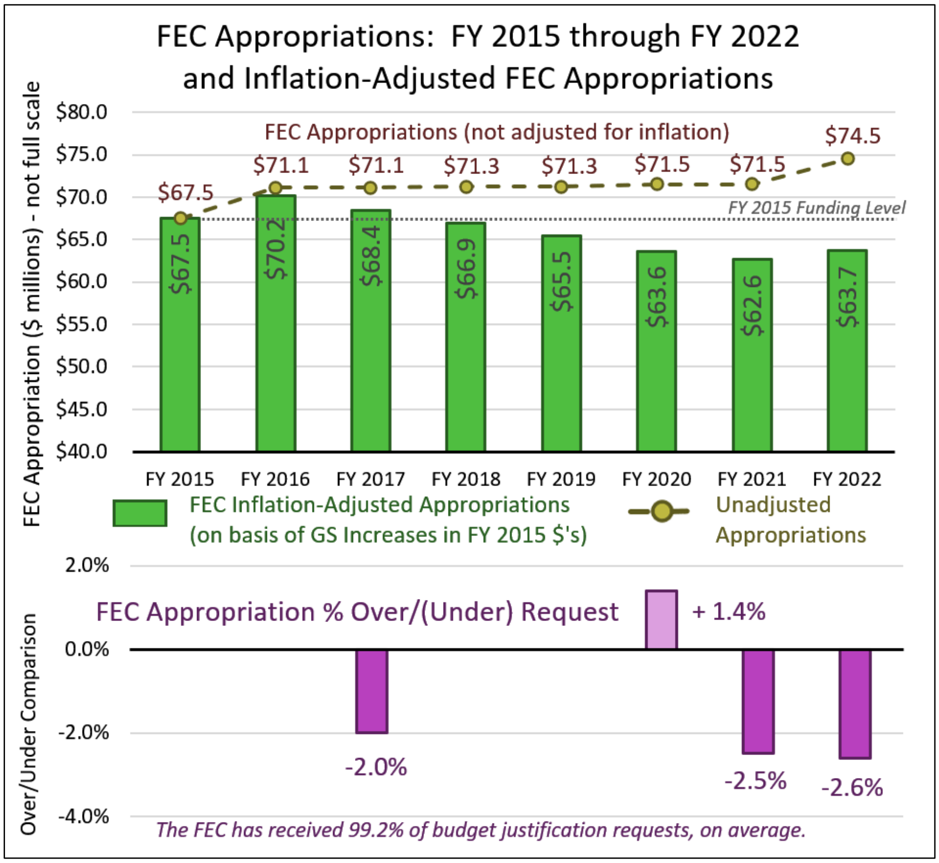
The FEC experienced an average 8.0% separations rate for GS permanent staff from September 2015 to September 2022. The FEC's annualized hiring rate over this period was 6.3%, which means the FEC has historically hired approximately three employees for every four employees who separated. This difference between the rate at which staff leave the agency and the lower rate at which they are replaced is what accounts for the decline in FEC staffing levels.

For comparison, medium independent agencies in the DC area have experienced a 10.4% annual separations rate for GS permanent staff. The comparison group has hired at an annualized rate of 10.3%, keeping pace with the rate of separations and maintaining overall staffing levels.

This evaluation will use the group of 32 medium independent agencies, narrowed to their DC-based GS permanent staff, as a reference to provide context for FEC staffing statistics.[7]

[7] Because much of this evaluation will directly or indirectly relate to costs and budget, restricting the comparison group to staff located Washington, DC ensures comparable cost comparisons. Both FEC and DC-located medium independent agency staff share the common Washington, Baltimore, Arlington locality pay table. Narrowing the comparison group to the same regional employment market also minimizes variations attributable to specific regional or local employment factors.

5. FEC Appropriations Have Declined in Real Terms Because Appropriation Increases Have Not Kept Pace with Rising Costs



FEC appropriation levels increased by a total 10.4% from FY 2015 to FY 2022 from $67.5 to $74.5 million. The GS salary cost of an employee in FY 2022, however, was 17.0% higher than in FY 2015.[8] The GS pay table is a major driver of the FEC's overall cost structure. GS staff comprise 94% of total FEC staffing, and personnel costs (principally compensation and benefits) comprise approximately 70% of the FEC's total budget.

Because FEC appropriation increases did not keep pace with increases in the GS pay tables, the FEC budget declined in real terms – i.e., it would not be possible to maintain the same level of staffing. After factoring in the 17.0% increase in general schedule employment costs, the FY 2022 budget of $74.5 million becomes equivalent to $63.7 million FY 2015 dollars, or 5.6% less than the actual $67.5 million FY 2015 appropriation. This cost-adjusted appropriations gap accounts for approximately 17 of the 41 general schedule employees lost from September 2015 to September 2022.

The fact that FEC appropriations have not kept pace with increases in the general schedule pay table is a significant, but incomplete explanation for the decline in staffing levels at the FEC.

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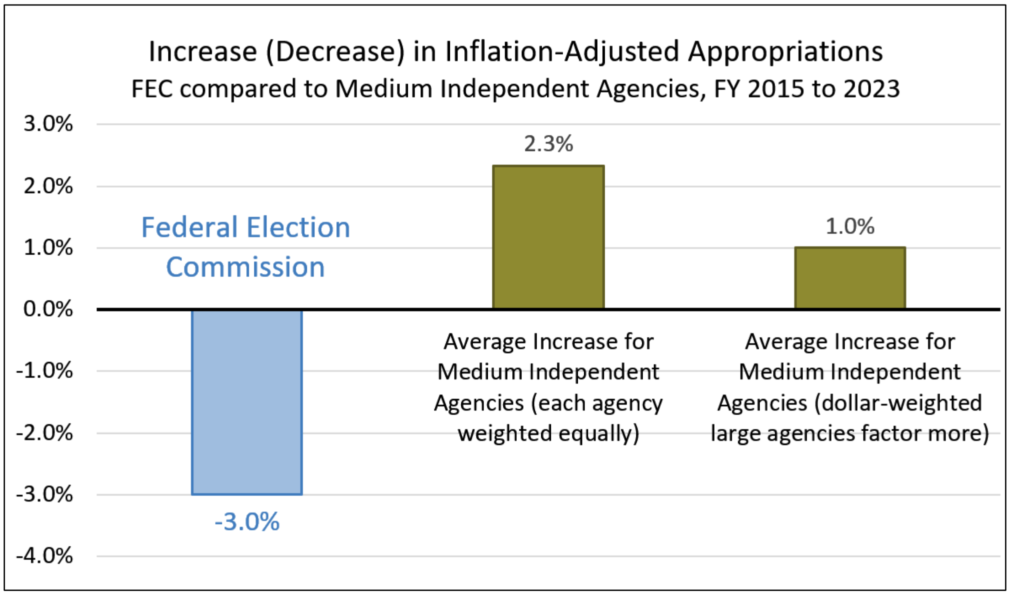
[8] The GS pay table increase of 17.0% directly relates to personnel costs which comprise approximately 70% of the FEC budget. Over the same period, the Consumer Price Index (CPI) increased 25%.

6. The Budget Decline at the FEC is Not Typical of Medium Independent Agencies



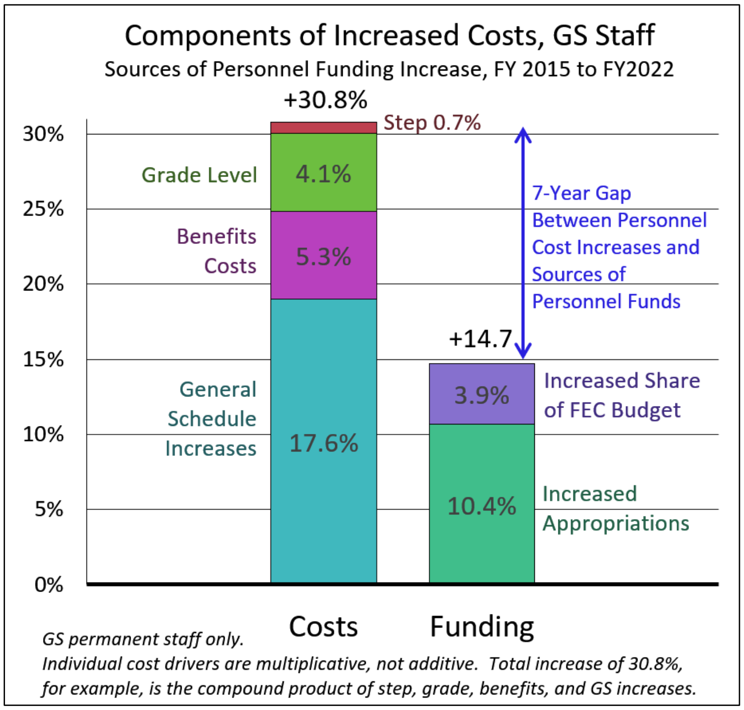
When adjusted for inflation, FEC appropriations fell 3.0% from FY 2015 to FY 2023.[9] FEC appropriations increased 21.0% over these 8 years and did not keep pace with the 24.7% increase in the Consumer Price Index (CPI). The FEC's decline in inflation-adjusted appropriations is not reflective of federal medium independent agencies overall. The average inflation-adjusted increase in appropriation levels for medium independent agencies was 2.3% from FY 2015 to FY 2023.

Overall inflation-adjusted funding of medium independent agencies increased 1.0% over this period. To distinguish these statistics, the total aggregate funding for all medium independent agencies combined increased 1.0%, whereas the average medium independent agency had its own budget increase by 2.3%. The reason for this difference is that some of the largest-budget agencies had below-average increases over this period, skewing the aggregate statistic.

The FEC decline in inflation-adjusted appropriations is not reflective of trends in either individual agency or overall agency funding.

[9] This chart deviates from the standard timeframe of this evaluation: it uses the eight-year period from FY 2015 to FY 2023. The reason for this is that the FEC budget increased 9.6% from FY 2022 to FY 2023 to $81.7 million. Although this increase is an outlier in FEC appropriations history, it is included to provide the best-case measure of FEC appropriations declines when adjusted for inflation, and to preemptively address the question of what the funding trend would be with FY 2023's increase included.

7. The Decline in FEC Staff Levels is Exacerbated by Cost Drivers Beyond Increases to the GS Pay Table: Benefits Costs, Average Grade Level, and Average Step Level



The average cost in salary and benefits per GS permanent employee increased by 30.8% from September 2015 to September 2022. Increases to the GS pay table only account for 17.6% of this increase.[10] Appropriation levels increased 10.4% over this period. The proportion of total FEC budget allocated to personnel increased slightly over the period FY 2015 to FY 2022. After combining FEC appropriation increases with the increased percentage of total FEC budget allocated to personnel from FY 2015 to FY 2022, the total increase in available funds for personnel costs increased by 14.7% over seven years, nearly matching the GS increases.[11]

Feasible staffing levels have been impacted by additional costs over and above GS pay table increases – specifically, rapidly increasing benefits costs and higher per-staff salaries as the average GS level and step within grade of FEC staff has increase (related to increases in average length of service of FEC employees). These additional cost drivers, and the corresponding reduction in the number of staff that can be supported by the FEC personnel budget, account for the loss of approximately 32 GS staff from September 2015 to September 2022.

To ensure stable or growing staff levels, FEC budgets must incorporate future cost increases including benefits overhead and staffing structures with higher-GS and higher-step employees.

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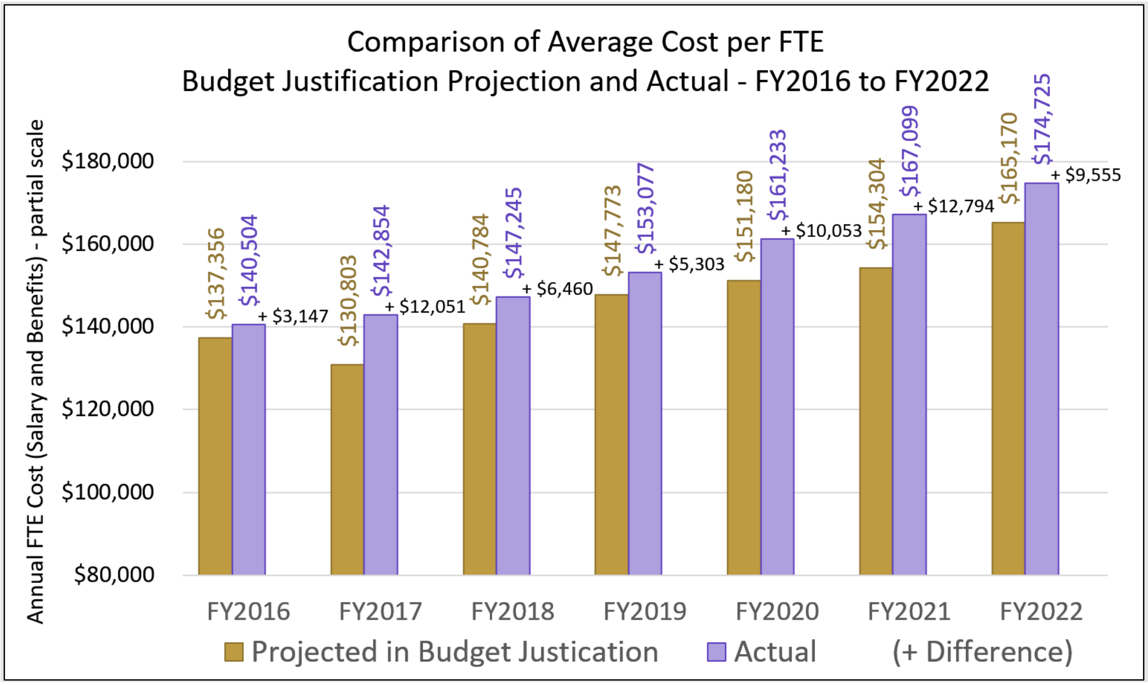
[10] Note that the seven-year increase cited here is 17.6%. 17.0% was cited in a prior summary section. This is an example of the difference between point- and period measures. The September 2015 to September 2022 increase was 17.6%, measuring the increase in the GS pay table as of that month. The 17.0% increase in the prior section referred to the increase in FY 2015 to FY 2022 GS salaries (because fiscal years run October through September, three months of salary are paid by one annual GS pay table and the following 9 months are paid by the subsequent year pay table).

[11] The FEC was able to retain approximately 9 GS employees by shifting budget from non-personnel to personnel.

8. Actual Per-FTE Costs Have Been Higher than Budget Justification Estimates; Resulting FTE Levels Have Been Lower Than Projected



The FEC submits budget justifications for each fiscal year that include an overall budget request amount and a projection for how many FTEs that amount would provide for.[12] From FY 2016 through FY 2022, the FEC was appropriated 99.2% of its budget requests.[13] This would suggest that the FEC received budgetary resources sufficient to support 99.2% of the requested FTE levels. However, the actual FTE levels for FY 2016 through FY 2022 were only 91.6% of the projected full-budget FTE levels – 7.6% lower (or approximately 23 FTEs). This discrepancy has been persistent through all seven fiscal years.

Take FY 2018 as an example. The FEC requested and received a $71.25 million appropriation. The budget justification stated: "The FY 2018 Funding request takes into account full year funding for up to 345 FTE for FY 2018."[14] Although the FY 2018 request was fully funded, the actual FTE count was approximately 315.[15] A material factor in the decline in staffing levels is that the budget justification projected lower per-FTE costs than were actually incurred. The FY 2018 per-FTE cost (compensation and benefits divided by projected supportable FTEs) was $140,784. The actual per FTE cost (year-ending compensation and

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[12] FTE is used here as the technical budgetary measure [defined by the GAO.]() A more detailed description of the distinction between FTE and staffing level, and methodology, is provided in the corresponding section within the main report body.

[13] We are excluding a $5.0 million lease expiration expense included for FY 2016 and an $8.0 million lease expiration expense included for FY 2017.

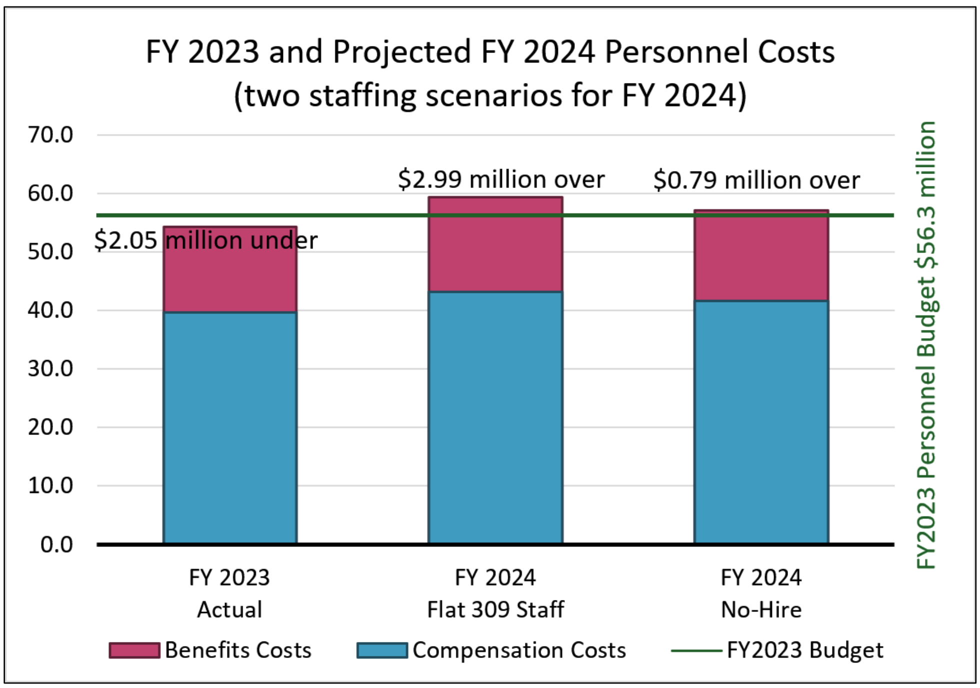
[14] Federal Election Commission Fiscal Year 2018 [Congressional Budget Justification]().

[15] The FEC staffing level in FedScope began at 322 in September 2017, falling by quarters to 319, 315, 313, and ending at 304 as of September 2018 for an average of 315.

benefits divided by FTEs) was $147,245. This is typical of all years and the chart above illustrates the projected and actual per-FTE cost, as well as the difference.

Potential contributing factors for the discrepancy between projected and actual costs are discussed in the body of this evaluation. It should also be noted that budget request development is not fully within the control of agency budget managers (OMB plays a role in budget development, for example). These complications, along with the fact the budget request timeline creates a two-year lag between the request year and last complete fiscal year, underscore the importance of *proactively incorporating both known and anticipated cost drivers in the budget development process to ensure a close correlation between appropriated funds and program delivery.*

9. The FEC Will Have a Personnel Budget Shortfall in FY 2024 Unless the FY 2024 Budget is Greater than FY 2023



The FEC leveraged its FY 2023 budget, which was 9.6% higher FY 2022, by increasing its staffing level from 293 at September 2022 to 309 at September 2023. Personnel costs (defined as salary and benefits) will be higher in FY 2024, both because of the 5.2% increase for 2024 articulated in the president's 2024 budget[16] and because of likely additional increases due to cost drivers beyond pay schedules.

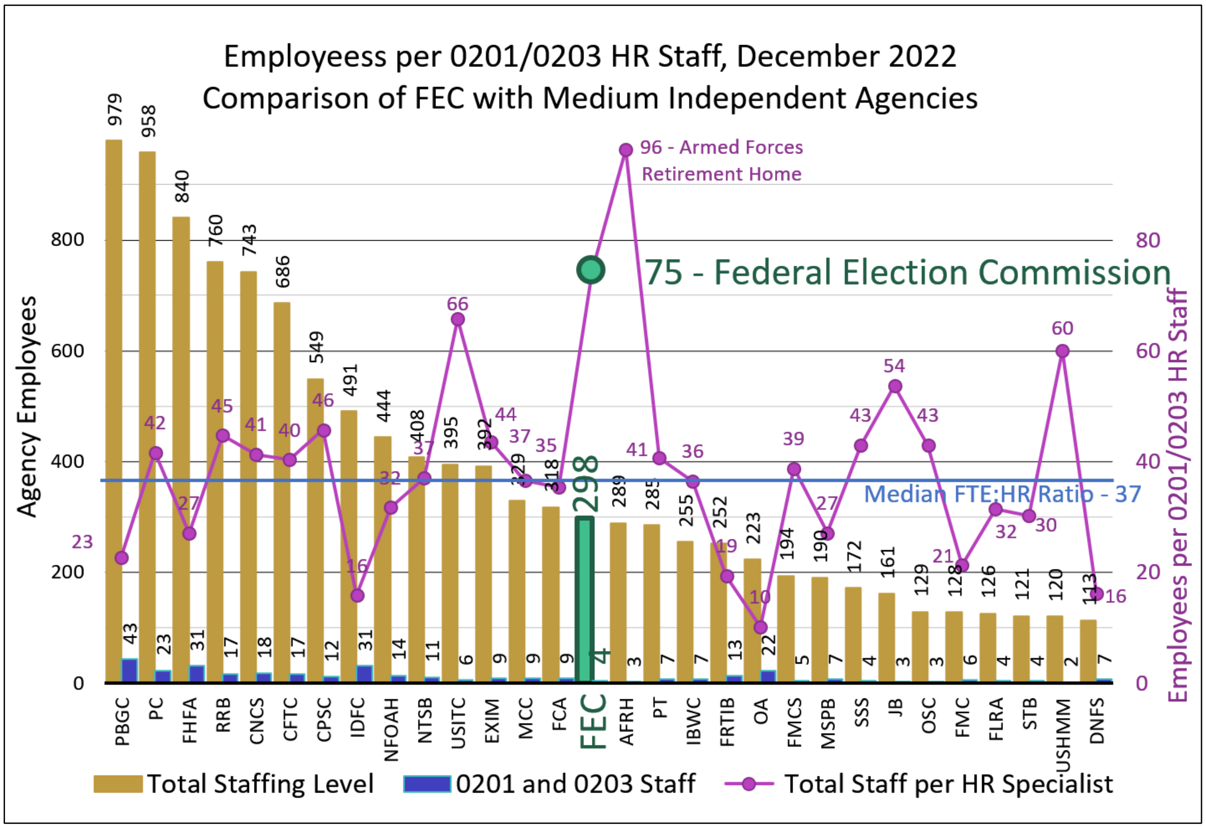
Two scenarios for FY 2024 are presented in the chart above: first, a "Flat 309 Staff" scenario in which the FEC maintains an overall headcount of 309 employees throughout the year; and second, a "No-Hire" scenario where the FEC does not backfill any positions other than commissioners and commission staff. This second scenario results in projected year-end staffing level of 287. In both cases, projected personnel cost for FY 2024 will exceed the FY 2023

[16] Office of Management and Budget Budget of the U.S. Government Fiscal Year 2024. (page 51).

personnel budget – by $3.0 million in the "Flat 309 Staff" scenario and by $0.8 million in the "No-Hire" scenario. Both scenarios assume full utilization of the original FY 2023 personnel budget of $56.3 million (which the FEC did not fully utilize for personnel costs in FY 2023).

The FEC would need an appropriation of approximately $84.7 million (an increase of 3.7% over FY 2023) to avoid reducing staff in FY2024 while maintaining non-personnel costs at FY 2023 levels.

10. The FEC Has a Smaller HR Staff and Fewer HR Resources than Medium Independent Agencies



As of December 2022,[17] the FEC had four HR specialists. This is the typical staffing level for HR specialists (0201/0203 occupation series) going back to 2018. With four HR staff, and a total FEC staffing level of 298, the ratio of staff to HR specialists was 74.5-to-1. The magenta line in the chart shows the ratio of total staff to HR specialists for the comparison group of medium independent agencies (sorted from largest to smallest). The blue line shows the median ratio of total staff to HR specialists (37-to-1).

[17] This chart uses December 2022, rather than September 2022, because the September FEC happened to have 4 HR specialists. The FEC has typically has four and at September month-end the FEC had experienced an HR specialist departure which was in the process of being backfilled. An FEC headcount of three HR specialists would have given a ratio of staff to HR specialists of approximately 100:1 which is atypical of FEC staffing trends. The December 2022 headcount of four HR specialists is representative of typical FEC staffing levels for this specialization.

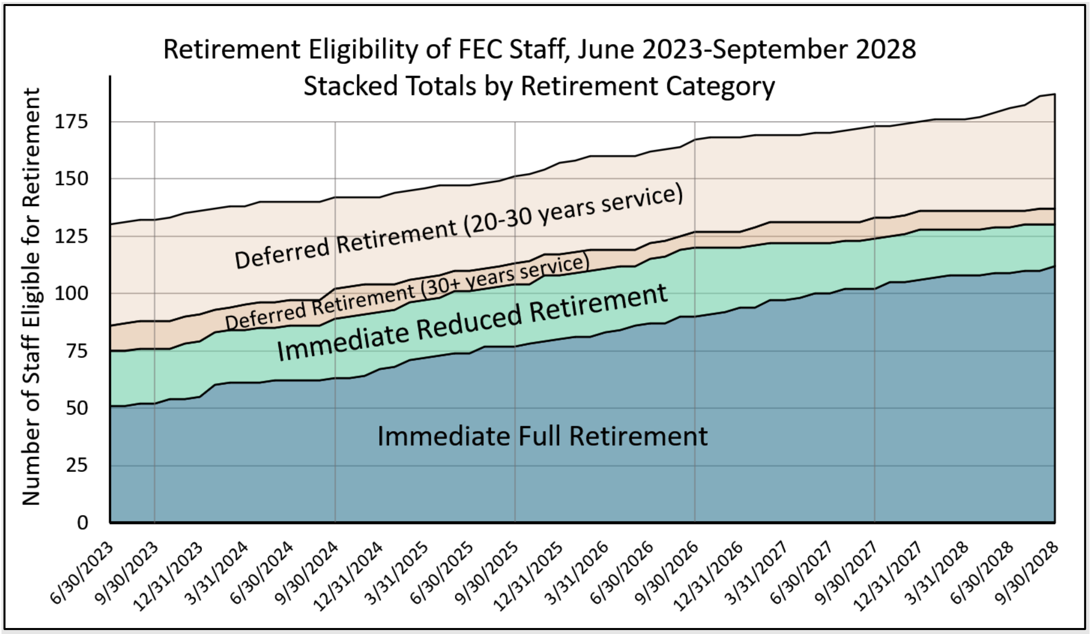
The FEC does use the services of OPM's HR Solutions to provide an array of process supports, as well as access to specialists across various human resources functions that would be challenging for the FEC to hire, develop, or maintain in-house. Additionally, there is a staffer in administration who works approximately half-time on HR issues. This staffer and the HR services the FEC engages could represent the cost of up to approximately 2.5 full-time in-house HR specialists.[18]

When these resources are added to the four full-time HR Specialists, the total FEC HR investment could be as high as 6.5 full-time staff. This corresponds with an adjusted staff-to-HR Specialists ratio of 46-to-1 which still represents only 80% of the total resource level of the median medium independent agency on a staff-to-HR Specialist basis. To the extent other medium independent agencies also engage external service providers, this comparison under-estimates the extent to which FEC HR investment is below that of the comparison group of medium independent agencies.

One potential mitigating factor is that FEC HR expressed confidence that the OPM service contract provides greater capacity, flexibility, and expertise than would be possible with equivalent resources devoted only to in-house FEC staffing. The OIG is not able to quantify these benefits but agrees in principle that OPM's HR Solutions can leverage the FEC's investment in overall human resources capacity. Nevertheless, the fact remains that the FEC has a lower level of HR Specialist staff and overall resources committed to human resources than medium independent agencies overall. *This reduced level of HR staff and capacity could negatively impact the ability of the FEC to implement staff planning, assessment, hiring, and training initiatives.*

[18] FEC HR provided an estimate that the FEC's HR services could provide funding for approximately two full-time, in-house HR Specialist staff. FEC HR also provided the OPM Human Resources Solutions Interagency Agreement/Statement of Work which corroborates this estimate.

11. By September 2028 (5 years) 61.3% of Current FEC Staff Will Be Eligible to Retire (Either Immediate or Deferred with 20+ Years of Service)

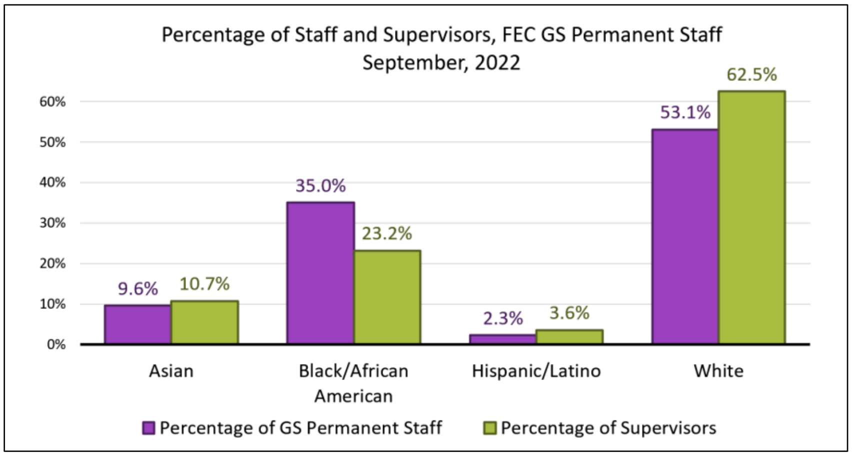


The FEC had 52 staff eligible for full immediate retirement as of September 2023. This is 17.0% or approximately one-sixth of the total FEC staff. The FEC has an additional 24 staff eligible for immediate reduced retirement, bringing the total immediate retirement eligible staff to 76 or 24.9% of total staff. In five years (by September 2028), these numbers will increase to 112 and 18, respectively – for 36.7% of all current FEC staff eligible for immediate full retirement and 42.6% eligible for immediate retirement overall.

Adding in staff eligible for deferred retirement (with 20+ years of service), 61.3% of current FEC staff will be retirement-eligible by September 2028. The historical trend from FY 2015 through FY 2022 is that retirements each year equal 18.3% of the number of immediate full retirement-eligible staff. If this trend continues, 51 FEC staff will retire during FY 2024 through FY 2028 leaving 64 FEC staff eligible for immediate full retirement (and 82 overall, including immediate reduced) as of September 2028.

Succession planning over the next five years should focus on mitigating losses of skills, expertise, and institutional knowledge.

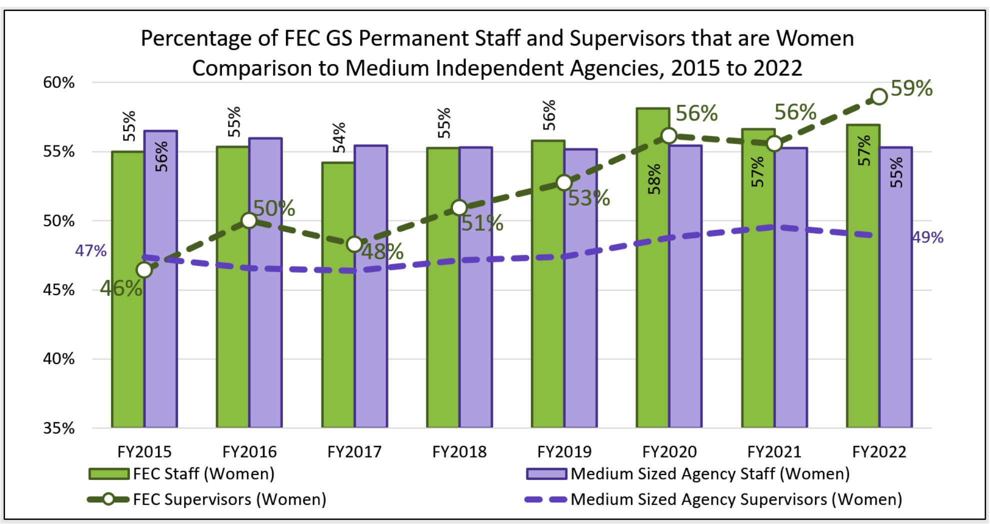
12. The FEC has Bridged Supervisory Disparities on the Basis of Gender, Though Disparities Persist Related to Race/Ethnicity; Further Evaluation is Warranted



The FedScope Diversity database provides visibility into similarities and differences between staff segments in terms of GS level, time between promotion, salary, and supervisory status. These factors can be examined based on gender, age, or ethnicity/race. The table above provides one specific view from the Diversity database: the percentage of FEC staff and the percentage of FEC supervisors within each racial/ethnic group.

The proportion of supervisors at the FEC is equal to or greater than the proportion of overall staff for all groups other than Black/African American. For Black/African American GS permanent staff, there is a notable gap in supervisory representation. The percentage of Black/African American GS permanent supervisors at the FEC was 23.2%, significantly less than this group's overall 35.0% proportion of GS permanent staff.

This gap is no longer present with respect to gender as the following chart illustrates:



Because of the importance and complexity of the issues, background, strategies, and outcomes related to DEIA, the OIG is conducting a further review on this topic.

Review of key takeaways

Below is an overview of the main takeaways and observations that will be examined in more depth in the body of this evaluation:

- FEC staff has persistently declined over the last 20 years.
- This decline has occurred among General Schedule (GS) permanent staff.
- The decline is attributable to hiring, not attrition (which has been low at the FEC).
- FEC budget growth has not kept pace with increasing GS salary levels.
- Additional costs beyond GS salary level increases have contributed to the reduction in agency staffing levels.
- Actual per-staffer personnel costs have exceeded budget justification projections.
- The FEC will experience a budget shortfall in personnel costs if the FY 2023 appropriation level is carried over into FY 2024.
- The FEC has fewer HR staff than comparable medium independent agencies.
- A significant portion of FEC staff is retirement-eligible or will be within 5 years.
- Further examination of DEIA and EEO issues is warranted.

Recommendations

Recommendation 1 – Evaluate Long-Term Budget and Staffing Plans: The FEC OIG recommends that the FEC evaluate whether its human capital planning adequately forecasts long-term costs, contemplates budget uncertainty, and addresses retention, succession planning, development, and acquisition of personnel, experience, and skills essential to successful delivery of FEC mission priorities.

Recommendation 2 – Evaluate HR Resources: The FEC OIG recommends that the FEC evaluate the sufficiency of HR staffing levels and of overall HR resources available to the agency. The FEC should, as appropriate, increase resources to levels commensurate with other medium independent agencies and to provide capacity for HR-related strategic initiatives.

Recommendation 3 – Evaluate Future Budget Justifications: The FEC OIG recommends that the FEC evaluate data provided to OMB and Congressional appropriators to ensure budget justifications adequately communicate the agency's personnel budget requirements.

OIG Summary and Observations of FEC Management Response to the Evaluation

Background

On December 19, 2023, FEC management provided a Management Response to this report. Subsequently, the OIG requested confirmation of Management's concurrence status for each of the three recommendations from this Evaluation. As such, Management submitted an updated response on February 5, 2024, which is provided in full as Appendix D. FEC management shares a number of concerns with the FEC OIG and noted a range of successes and accomplishments related to budget and staffing at the agency. The Management Response also provided additional context and consideration for several issues, as well as some areas of disagreement.

Management agreement with the three recommendations in this evaluation can be summarized as follows:

- Recommendation 1: Management does not concur.
- Recommendation 2: Management partially concurs and has addressed the issue.[19]
- Recommendation 3: Management concurs, providing additional context and considerations.[20]

The OIG would like to take this opportunity to highlight, and in some cases amplify, the key issues addressed by FEC management. Regarding areas of disagreement, the OIG believes that some may be attributable to differences in understanding concerning the data and analysis in the draft report.

Overview of Management Response

The FEC shares many of the concerns presented in the Evaluation, including concerns with flat funding levels at the agency, declining staffing levels, growth in campaign finance activity, and challenges posed by the nearly two-year lag between each fiscal year's budget development and implementation. The FEC Management Response additionally cites several FEC successes and accomplishments, including:

- The FEC approaches human capital planning and budget planning in an iterative, practical way that provides robust and context-specific strategies.
- In FY 2022, for example, the FEC undertook assessments of staffing and budget risks that led to agency-wide mitigation strategies.

[19] FEC management previously evaluated agency Human Resource (HR) capacity and allocated additional resources to HR independent of the draft evaluation. In light of this, FEC management "considers this recommendation closed."

[20] "Management agrees with the recommendation and partially agrees with the conclusions reached by the OIG through the analyses included in the report." While intending to incorporate important elements of this analysis into its Budget document, FEC management believes the predominant factors determining budget figures were only partially considered.

- The FEC has requested and advocated for significant budget increases in FY 2023 and FY 2024 to end and reverse the historical decline in staffing levels.
- The successful 9.6% budget increase request for FY 2023 allowed the FEC to increase staff by 5.5% by fiscal-year-end.
- In years prior, the agency achieved operational efficiencies through revised staff plans and utilization of new technologies.
- A review of the Office of Human Resources resulted in increasing the number of HR Specialists and overall HR capacity at the FEC.
- The FEC approach to monitoring and evaluating the sufficiency of HR staffing and resources is effective and the agency considers this recommendation closed.
- FEC budgets are developed to be executable given a range of future funding scenarios and timing of funding availability.

Management raises several additional considerations and points, including:

- The FEC must develop budgets that include all staff cohorts, not just GS permanent staff (general career staff).
- The availability of funds, which is often constrained due to short-term continuing resolutions, introduces specific risks and operational challenges and limitations.
- Hiring of personnel is particularly sensitive to the availability of funds both in hiring timelines and in budget utilization.
- Budget development limitations exist due to OMB Circular A-11 which provides guidance and direction on issues such as entry salaries for new staff, within-grade pay increases, savings through hiring lag times, etc.
- Finally, enterprise risk management is ultimately an agency, not OIG, responsibility.

FEC management also raises points of disagreement:

- Management disagrees that stagnant appropriation levels and staff reductions are a result of inadequate human capital planning and forecasting.
- Management opined that the comparison group of medium independent agencies is not sufficiently informative because of agency-specific variation including mission challenges, appropriation structure, property portfolios, proportion of personnel costs, etc.
- Management asserted that high-level analyses and comparisons with aggregate federal agencies do not provide specific, actionable recommendations or identify root causes; FEC management strategies developed from FEC-specific circumstances are more useful.
- Management further opined that issues such as retention, succession planning, and acquisition of personnel, skills, and experience were addressed in relation to the prior OIG review of the FEC Human Capital Program.
- In sum, "Management does not agree that information provided in the Evaluation supports the remediations described in Recommendation 1."

<u>Management Comments to be Amplified</u>

The OIG thanks FEC management for the thoughtful feedback and response to the Draft Evaluation. We would like to emphasize a few areas raised in the Management Response.

FY 2023 and FY 2024 Budget Requests. The FEC budget requests for these two years represent requested annual increases of 9.6 and 14.5 percent, respectively, and mark a significant shift from requests in prior years. To illustrate how significant a shift this is, this two-year requested increase (FY 2023 and FY 2024) is larger than the combined requested increases of the preceding 13 years (FY 2010 to FY 2022).[21] This may have been under-emphasized because this evaluation largely focuses on the seven year period ending September 2022 because FedScope staffing data was (and remains) incomplete for FY 2023. One additional objective of this Evaluation was to consider budget and staffing issues in tandem. Although the focus on FY 2016 through FY 2022 ensured that analysis was consistent and complete for all years, it did not fully highlight the FEC's FY 2023 and FY 2024 efforts to advocate for funding to develop agency capacity to meet growing workload.

Human Resources Capacity at the FEC. As noted in the Management Response, the FEC conducted an assessment of Office of Human Resources capacity in FY 2022 and determined that the FEC should invest in additional capacity. The FEC, in part because of increased FY 2023 funding, was able to backfill a position, create and fill two additional positions, and (once adequate funding becomes available) will make one additional hire, bringing the total HR headcount to six. These activities fall outside the primary timeframe and were not fully captured as a result. We acknowledge this and hope this Evaluation corroborates and validates those FEC decisions.

Planning and Implementation Challenges Related to Budget and Staffing. FEC management notes that the agency is expected to fully implement its budget regardless of the appropriation amount and when the agency receives it. We believe, if anything, the FEC understates the underlying difficulties in navigating this effort. Setting aside the nearly two-year lag between budget development and appropriation/use of funds (which itself is a significant challenge), the FEC is constrained to requesting budgets that are implementable under scenarios that range from a full-year appropriation to a series of persistent short-term continuing resolutions and/or government shutdowns. This particularly impacts hiring because prudence dictates that an assurance of future funding should precede executing a hiring decision. Moreover, budgets that are received mid-year limit the time the agency has both to conduct hiring actions and to subsequently utilize appropriated personnel budget for personnel costs.

Issues Benefiting from Clarification

There are several instances where the Management Response reflects an understanding of the Evaluation different than what was intended. Additional clarification where the OIG believes the disagreement stems from presentation rather than substance follows below.

Role and Suitability of the Comparison Group of 32 Medium Independent Agencies. FEC management objects to a reliance on the comparison group of medium independent agencies. Management questions whether, because of agency-to-agency variation, constituent agencies can be comparable to the FEC and raises a broader issue of using aggregate numbers to determine specific goals and strategies. The OIG recognizes these issues and the corresponding limitations. For this reason, the Evaluation avoids terms such as "benchmark", "standard", or "normal" in

[21] The percentage increase in the FY 2024 budget request over the FY 2022 actual appropriation (two-year requested increase) is greater than the increase in the FY 2022 budget request over the FY 2009 actual appropriation (13 years).

reference to the comparison group. The OIG's view is that comparison group characteristics are primarily useful by providing context in conjunction with FEC-specific considerations. For example, comparison group statistics show that the increase in average GS-level of FEC general schedule staff is consistent with overall trends in federal employment. By contrast, the comparison group suggests that the decline in FEC staffing levels is atypical.[22]

Value and Appropriateness of the Evaluation Methodology. FEC management states that the method of comparison to medium independent agencies cannot be "sufficiently informative to override the mitigation strategies Management has identified" or provide "uniformly actionable and specific takeaways." The OIG agrees on both counts. It is not the intention of this Evaluation to override management's risk mitigation strategies or to supplant operating processes. Rather, this Evaluation is intentionally high-level to consider broad trends and patterns and identify potential causes and relationships between them.

Analysis Should be Based on All Staff Cohorts. The Management Response objects to the Evaluation's focus on GS permanent staff (excluding Commissioners, Commission Staff, and Senior Leaders) on the grounds that all staff cohorts are integral to agency function and that, regardless, FEC management must budget for and support all cohorts. The OIG agrees that FEC management must plan for, budget, and support all staff cohorts. However, the OIG generally focused on GS permanent staff because the other cohorts differ significantly in areas as fundamental as how they are hired, how much they are paid, how long they remain at the agency, and so on. For example, when all staff are considered, the FEC attrition rate is over 10% per year – on par with the comparison group. When looking at GS permanent staff only, the attrition rate is only 8%, significantly lower than the comparison group. This difference is due to the very high attrition rate of commission staff – more than 20% per year, on average. As such, the inclusion of commission staff obscures, rather than informs, an important historical dynamic of FEC employment: that FEC career staff have lower turnover and remain at the agency longer than career staff in the comparison group of federal agencies.

Responsibilities of FEC Management and the OIG. The Management Response notes that the FEC has previously considered and evaluated the primary concerns in Recommendation 1 through its Enterprise Risk Management process, and that the resulting mitigation measures are "more accurate" and "more meaningful" than those proposed in the OIG recommendations. Management states that "enterprise risk management is ultimately a management responsibility." It is not the intention of this Evaluation to assume risk management responsibility or to "override mitigation strategies" identified by FEC management. It nevertheless remains the responsibility of the FEC OIG "to provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of…such programs and operations"[23] so that management may "[use] the results of such evaluations, including accompanying findings and recommendations, to monitor the design or operating effectiveness of these systems."[24]

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[22] Of the 31 non-FEC agencies in this comparison group, five had staffing level declines greater than the FEC (an average of 16.9% compared to the FEC's decline of 11.5%). The remaining 26 agencies experienced an average staffing level increase of 4.7%.

[23] *See* 5 U.S.C. §402 Establishment and purpose of Offices of Inspector General.

[24] *See* OMB Circular A-123.

Areas of Disagreement

The Management Response states that "Management does not agree that information provided in the Evaluation supports the remediations described in Recommendation 1." Several reasons are cited for this conclusion and include: that the FEC already conducts strategic risk analysis along with personnel and budget planning, that high-level conclusions derived from this evaluation are less specific and actionable than management-developed strategies and processes, that other federal agencies do not provide suitable points of comparison, that aggregate statistics are less relevant than FEC-specific analysis, and that several elements of the recommendation were addressed through a prior OIG audit. Management also asserts that the development and implementation of management processes are its responsibility, not that of the OIG.[25]

We understand based on management's response to this and the prior Human Capital Audit that management is skeptical of the value of implementing an integrated Human Capital Plan as provided in OPM's Human Capital Framework.[26] The OIG appreciates that such an implementation would come with costs that include time, energy, and focus. But the process could provide benefits that may be currently under-realized. For example: retirement forecasting at the departmental/functional level to develop targeted training and recruitment plans, key skill gap analysis resulting in long-term recruitment and development strategies, or management/performance/evaluation systems that span the strategic, operational, and employee levels. Further, although FEC management (correctly) states that a Human Capital Planning program does not ensure higher appropriation levels, it is the view of the OIG that such a program has the power to inform, refine, and improve the process and final product of the budget development and request process.

Lastly, the objective of providing the information in this Evaluation is not to demand that the FEC request additional funding and increase staffing levels as management stated in its response, but rather to provide measures and descriptive statistics that relate to the declining staffing levels despite significant growth in federal campaign funding. Specifically, this Evaluation identifies factors that have adversely impacted the FEC's ability to secure funding levels that would enable the agency to maintain adequate staffing levels.

Recap of Recommendations Status

Management agreement with the three recommendations in this evaluation can be summarized as follows:

- Recommendation 1: Management does not concur.
- Recommendation 2: Management partially concurs and has addressed the issue.
- Recommendation 3: Management concurs, providing additional context and considerations.

[25] *See* footnote #23.

[26] *See* https://www.opm.gov/policy-data-oversight/human-capital-framework/.

Analysis and Methodology: Evaluation of Staffing, Budget, HR, and Workforce Risks at the FEC

Introduction

In January 2023, The Office of Inspector General (OIG) at the Federal Election Commission (FEC) initiated an evaluation of attrition, staffing and related issues at the FEC. This evaluation follows up on the OIG's Audit of Human Capital Management Program for Fiscal Year 2022.[27] The backdrop for this evaluation is that staffing levels at the FEC have persistently declined despite significant growth in federal campaign funding and corresponding workload. Some indicators of potential challenges and risks to the FEC related to its workforce include:

- The FEC has reduced several key performance benchmarks to align performance expectations with available capacity.[28]
- The FEC ranked 26 out of 30 in the 2022 Best Places to Work[29] rankings for small federal agencies.[30]
- In the 2022 Federal Employment Viewpoint Survey (FEVS), 34.8% of responding FEC staff indicated that they are considering leaving the organization.[31] Small agency respondents said yes to this question 22.5% of the time.

This evaluation is based primarily on a review of quantitative data and focuses less on qualitative assessments of specific policies, procedures, or goals. The primary data source for this evaluation is the Office of Personnel Management (OPM) database of Federal Workforce Data (FedScope).[32] This public database provides detailed visibility into most federal departments and agencies.

This report also uses publicly available data in the form of public FEC documents and various governmental and private sector data sources. The only analysis driven by FEC-provided information in this evaluation is the retirement eligibility discussion.[33]

The primary goal of this evaluation is to produce specific measures and statistics for various aspects of the FEC's overall HR, staffing, and demographic profile. These measures may serve as confirmation of FEC accomplishments, indications that further work is needed, and/or

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[27] https://www.oversight.gov/sites/default/files/oig-reports/FEC/IPA-Audit-Report-FEC-HCM-Program-42523.pdf

[28] See footnote 1.

[29] https://bestplacestowork.org/rankings/?view=overall&size=small&category=leadership&

[30] Note that the OPM "small agency" grouping used for the Federal Employee Viewpoint Survey is not identical to the OPM "medium independent agency" grouping in FedScope. 27 of the 32 medium independent agencies in FedScope are included as "small agencies" in FEVS data.

[31] Question language: Based on your work unit's current telework or remote work options, are you considering leaving your organization, and if so, why?

[32] https://www.fedscope.opm.gov/

[33] A hiring action dataset provided by the FEC was also used to corroborate HR's claim that the FEC's use of OPM's HR Solutions services had improved the agency's hiring process; we found that average time-to-hire has been reduced by approximately 37 days.

suggestions for future process improvements. The high-level set of questions this evaluation answers include the following:

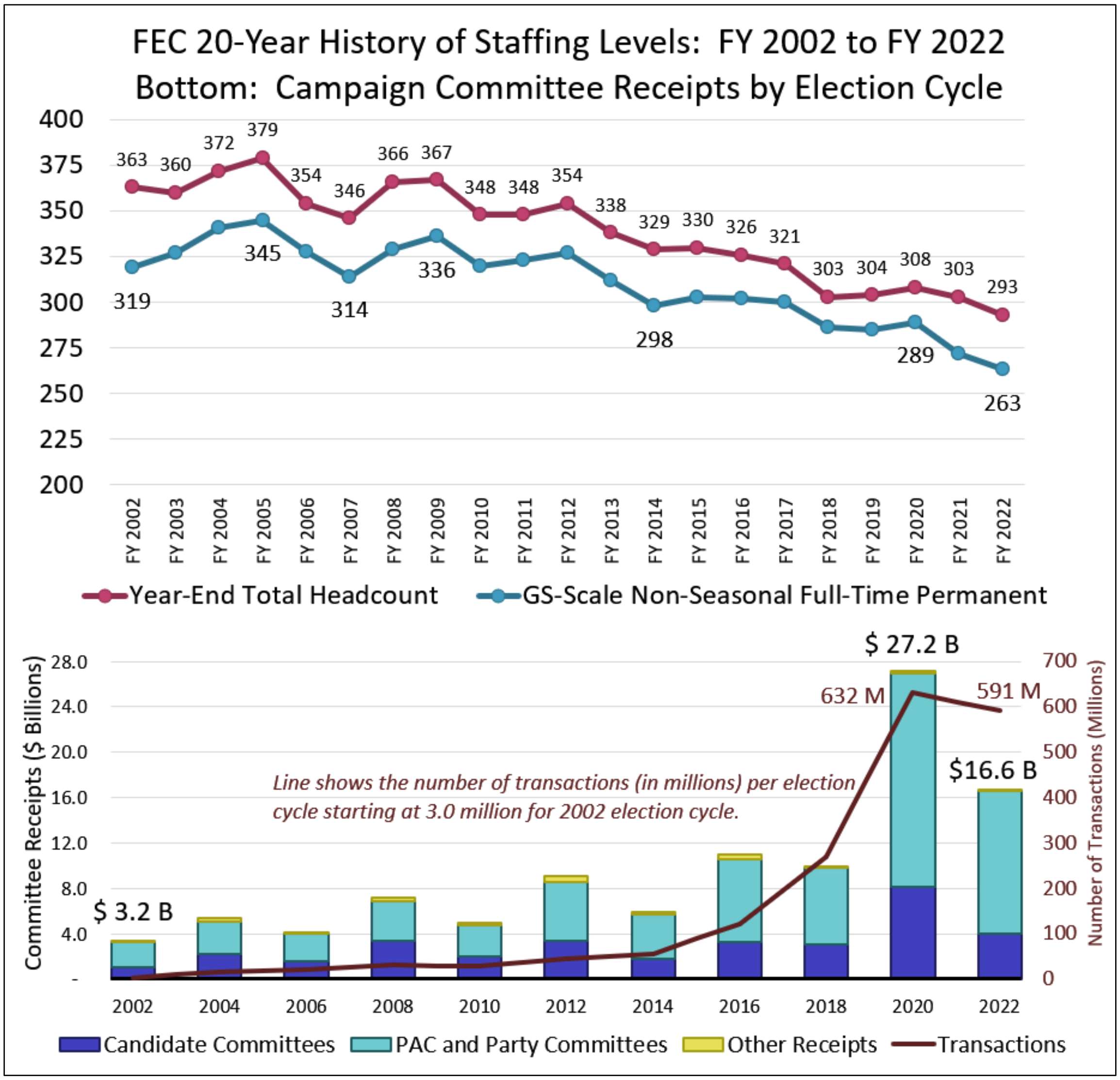
- What has driven the decline in FEC staffing levels?
- What factors have contributed to personnel budget deficits?
- What staff level is possible for FY 2024 under varying budget scenarios?
- Is the FEC adequately resourced in terms of HR capacity?
- Is FEC performance at risk because a significant portion of staff is eligible to retire?
- Are there differences in position and responsibility associated with demographic factors such as gender or ethnicity/race?

Staffing Levels at the FEC Have Persistently Fallen While Federal Campaign Fundraising Has Steadily Increased

The staffing level of the FEC hit a 25-year low in September 2022 at 293 employees.[34] This represents a 22.7% decline in staff level from the all-time high of 379 in 2005. Over the 20-year period from 2002, federal campaign fundraising has increased approximately four times and the number of contributions has increased exponentially to over a half-billion transactions per election cycle.

[34] Initial feedback from FEC management cautioned that this evaluation should maintain a clear distinction between "staffing levels" and FTEs. Staffing level refers to the number of employees on board at a given time. FTEs are a budgetary measure for the actual number of hours worked divided by total annual scheduled hours (typically 2,080 hours). The FY 2022 year-end staffing level of 293 at September 2022 illustrates this distinction. The FEC staffing level fell from 304 to 293 from September 2021 to September 2022. FEC management noted that the overall FTE level for FY 2022 was "closer to 296". The first statistic is a point in time measure, the second is a period measure.

Chart 1: FEC Headcount and Campaign Contribution Volumes, 2002 through 2022

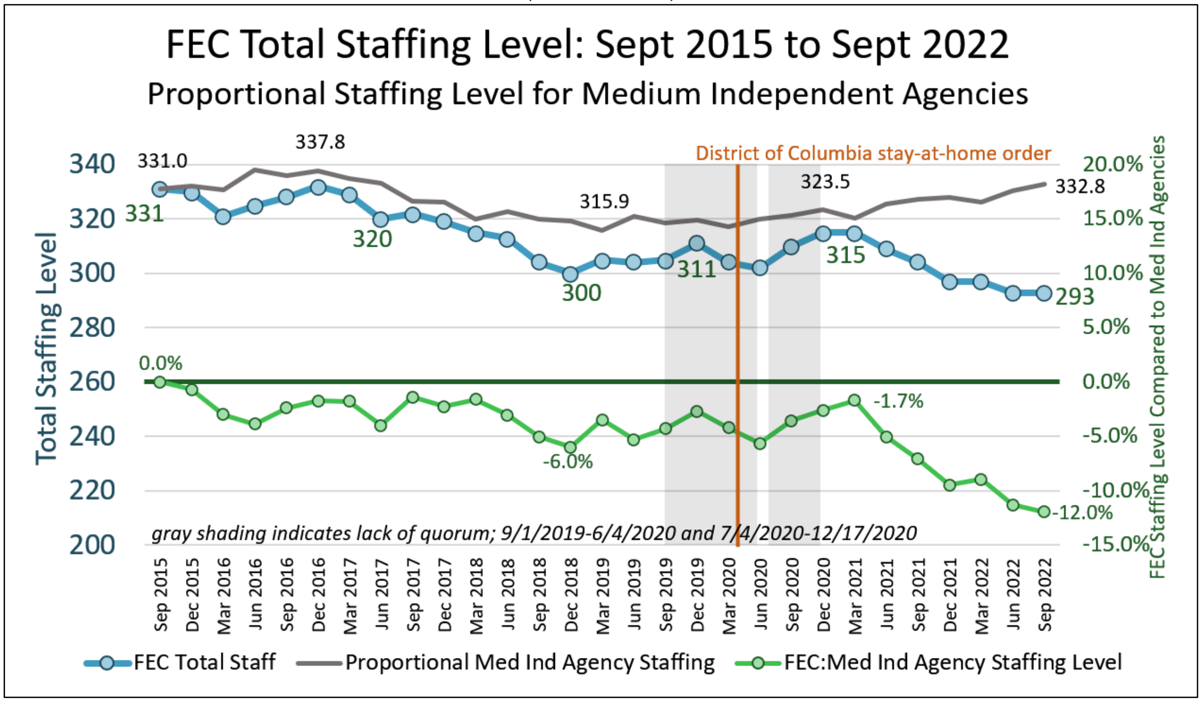


The long-term decline in staffing and increase in fundraising volumes is well known and appears in various FEC publications and FEC OIG reports. The chart above presents the decline both in overall FEC staff (red) and GS permanent staff (blue). It also displays campaign contribution activity both in terms of dollars and transaction numbers. Contribution activity has increased dramatically since the 2016 presidential election cycle.

This evaluation will focus on the period covering the 2016 presidential election to present – specifically FY 2016 through FY 2022. This timeframe provides a balance between establishing longer-term averages and trends with specific current conditions and circumstances. This recent period is also most consistent with the current state of IT infrastructure, data management processes, and data warehousing and serving approaches.

Chart 2a: Medium Independent Agencies Have Not Had Corresponding Staffing Level Declines

(Total Staff)



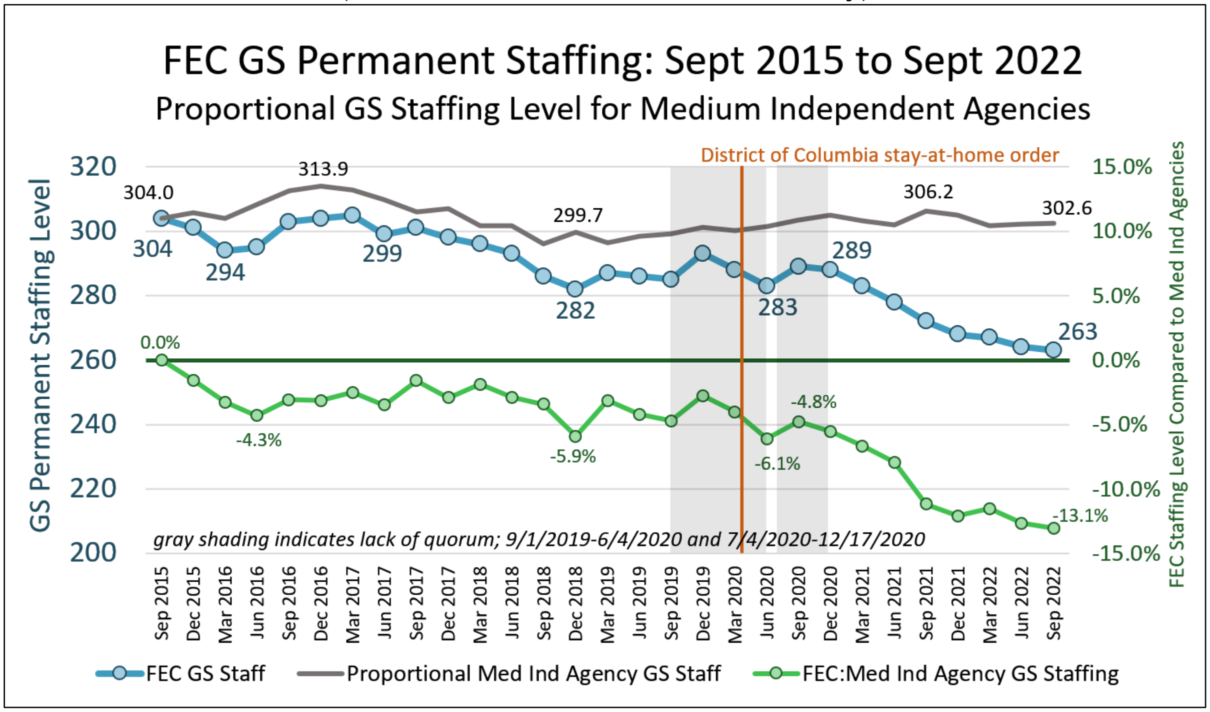
The decline in staffing levels at the FEC is not typical of broader trends in federal employment among medium independent agencies. FedScope Federal Workforce Data includes an agency segment titled "medium independent agencies," which are independent agencies with between 100 and 999 staff. Thirty-two agencies fall within this group and range in size approximately one-third the size to three-times the size of the FEC.[35]

Total employment among medium independent agencies increased slightly over the period from FY 2015 to FY 2022 by 0.5% from 12,217 to 12,284 employees. Total employment at the FEC declined by 11.5% from 331 to 293 over this same period. If FEC staffing levels had matched the staffing level growth of medium independent agencies overall, it would have increased 0.5% from 331 staff in September 2015 to 332.8 in September 2022. The gray line in the chart illustrates what the FEC staffing levels would have been over this period if they had proportionally tracked the increases/decreases in medium independent agency staffing over this time period.

[35] For further discussion of composition of the group of medium independent agencies and methodological approaches, see Appendix B.

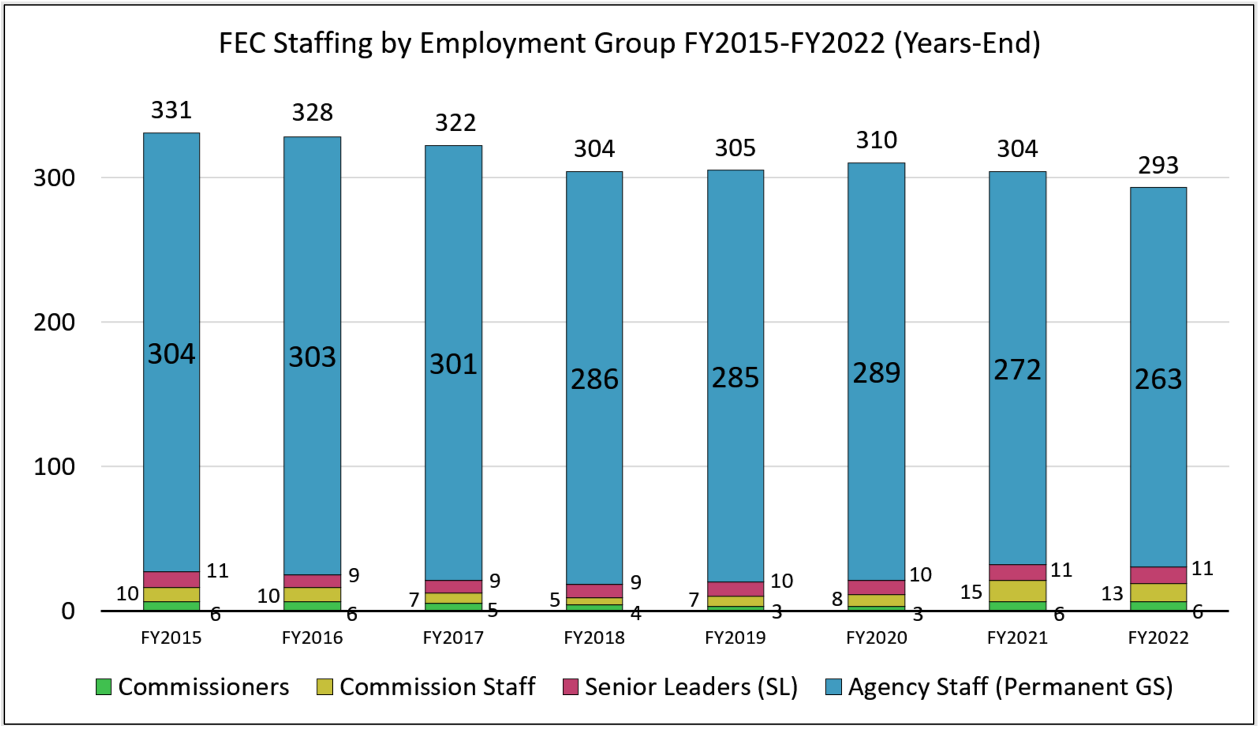
Chart 2b: Medium Independent Agencies Have Not Had Corresponding Staffing Level Declines

(General Schedule Permanent Staff Only)



FEC staff is predominantly composed of general schedule, non-seasonal full-time permanent employees (GS permanent). The FEC GS permanent staffing level decreased by 41 employees, or 13.5%, over the September 2015 to September 2022 timeframe. Medium independent agency GS permanent staffing fell 0.5% from 6,577 to 6,546 over this same timeframe. The FEC is one of the 32 agencies comprising the medium independent agency comparison group (see Appendix A for further discussion). If the FEC were excluded from the comparison group, the GS permanent staffing levels for medium independent agencies would have increased by 10 employees.

Chart 3: FEC Headcount by Staffing Segment, FY 2015 through FY 2022



Over the last seven years, the reduction in staffing levels at the FEC occurred entirely within the GS permanent segment of FEC staff. Non-GS permanent staff increased from 27 in September 2015 to 30 in September 2022. This evaluation focuses primarily on the GS permanent segment of FEC staff for this reason. There are additional benefits to prioritizing GS permanent staff in this analysis:

- Commissioners are Presidentially Appointed and Senate-confirmed (PAS) positions provided by statute and thus fall outside of agency management.
- Commission staff are a function of the number of commissioners, thus an extension of the same political framework. Commission staff are often not career federal employees and exhibit distinctive hiring and attrition patterns.
- The number of Senior Leader (SL) positions has been relatively stable. Moreover, the SL category is the primary management staff type for just 19% of medium independent agencies (Senior Executive Service is more common).
- GS permanent staff comprise approximately 90% of FEC staffing overall.
- GS permanent staff are widely used at other independent agencies, allowing FEC staffing profiles and trends to be compared broadly against other agencies.
- When FEC budget justifications call for changes in staffing levels at the FEC, these changes are targeted to the GS permanent staff type.
- GS permanent staff are the segment that primarily conducts and supports the work to deliver on FEC mission objectives.

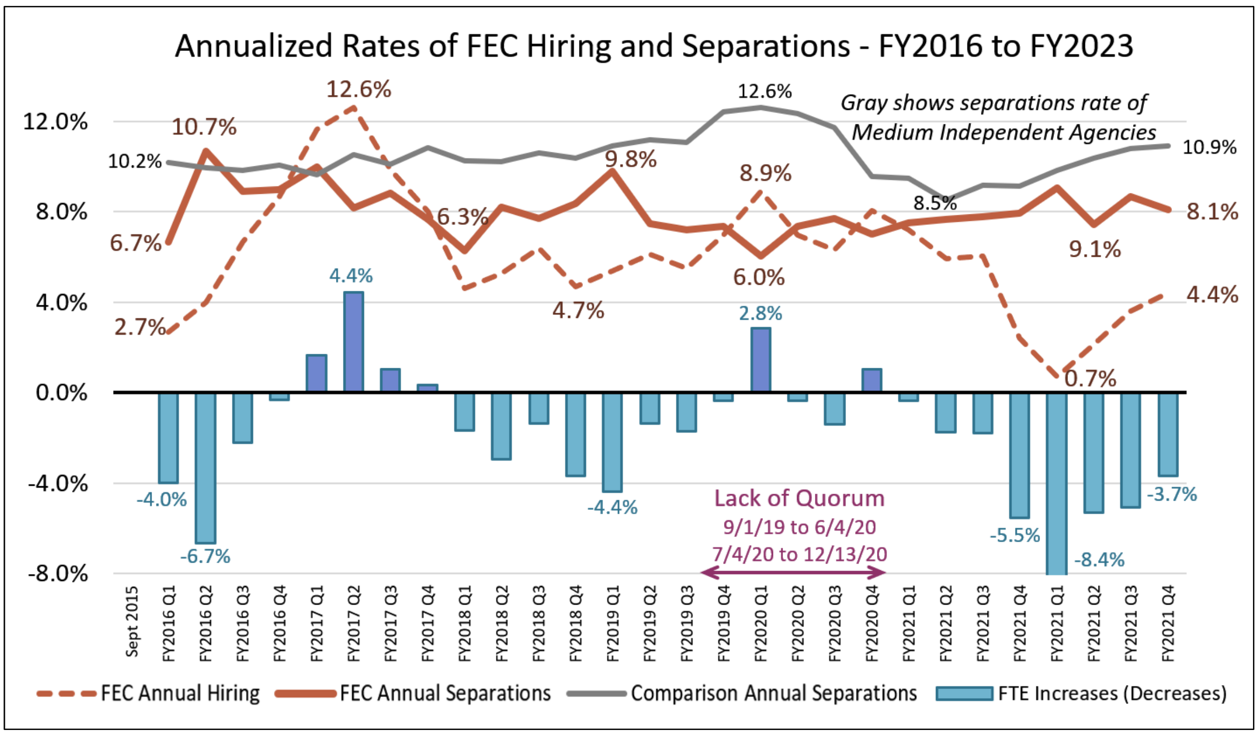
From September 2015 to September 2022, GS permanent staffing declined 13.5% from 304 to 263. A consequence of this is that the ratio of non-supervisory to supervisory staff fell from

3.5-to-1 in September 2015 to 3.0-to-1 in September 2022.[36] The fact that the number of supervisors remained constant suggests that the number of organizational functions and processes did not decrease along with the reduction in staffing level. The decline in non-supervisory staff indicates that there are fewer staff resources to "do the work" within these processes and functions.

An additional consequence of reducing the number of workers per supervisor by 0.5 from 3.5 to 3.0 is that this inherently increases team-and mission-delivery pressures for supervisors. This situation may also increase the need for supervisors to perform tasks that would have been delegated had there been more personnel, which introduces organizational costs. Additionally, the situation introduces opportunity costs as supervisors have less time available to perform value-added activities such as strategic planning, training, recruiting, and performance measuring, and monitoring.

The FEC Has a Below-Average Attrition Rate; Reductions in Staff Size are the Result of Even Lower Rates of Hiring

Chart 4: Staff Attrition at the FEC is Low and is not the Primary Cause of Staffing Declines



The decline in FEC staff size is not attributable to high rates of attrition. To the contrary, the FEC has experienced a below-average 8.0% annual rate of attrition for GS permanent staff over the period September 2015 to September 2022. Medium independent agencies, by contrast, experienced a corresponding10.4% average annual rate of attrition during this period. The FEC experiences approximately three staff departures for every four departures among the

[36] The number of permanent-staff supervisors at the FEC remained nearly flat – dropping from 74 in 2015 to 73 in 2022. Non-supervisory staff dropped from to 257 to 220.

comparison group. This includes separations of all types: retirement, transfer to another agency, termination, death, taking private sector employment, etc.[37]

The FEC annualized rate of hiring was 6.3% for fiscal years 2016 through 2022. As a result, the FEC has not been able to backfill or replace staff at the same rate as staff depart the agency. The rate of hiring has been 1.7% lower per year on average than the rate of staff separations and this imbalance produces the decline in FEC staffing levels. Unlike the FEC, medium independent agencies have generally maintained parity between their rates of attrition and rates of hiring. The annual rate of hiring has averaged 10.3% per year at medium independent agencies, on par with the 10.4% rate of separations.

FEC Budgets Have Not Kept Pace with Cost Increases

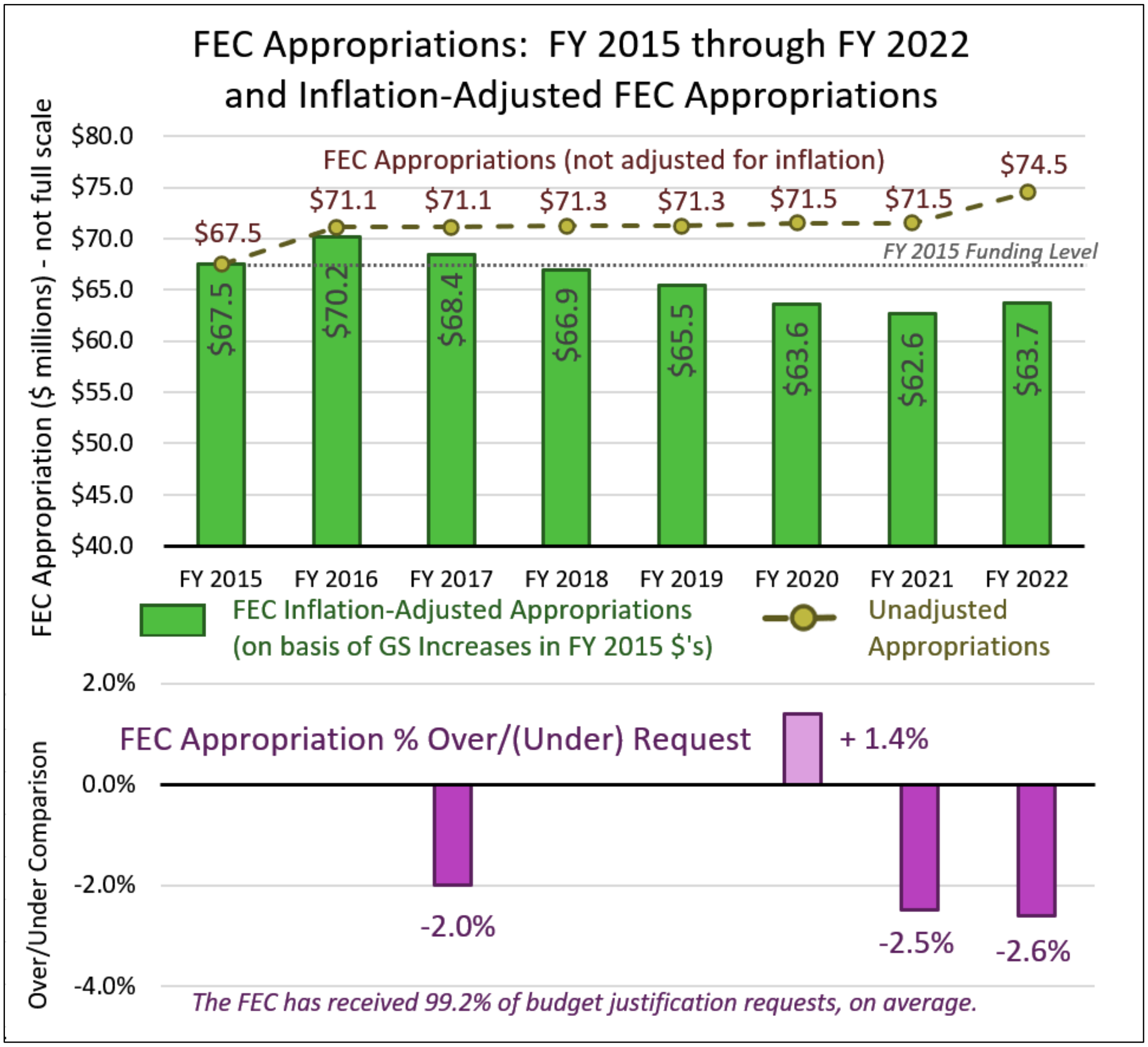
FEC appropriations growth has not kept pace with inflation or cost increases, whether measured by the Consumer Price Index or by increases in the general schedule pay table for the Washington, DC locality. The FEC's FY 2022 appropriation of $76.5 million was 10.4% greater than the $67.5 million appropriation for FY 2015. In FY 2016, the FEC received a 5.4% increase in appropriations from to $71.1 million from $67.5 million. The next five years saw average annual appropriations increases of just 0.1% to $71.5 million for FY 2021. FY 2022 saw a 4.2% increase to $74.5 million.[38] FY 2016 is the recent high-water mark for FEC appropriations when adjusted for costs.[39] The FEC ended FY 2016 with 328 total staff and 303 GS permanent staff.

[37] In the OIG internal review of data and findings, one theory for the lower attrition rate at the FEC is that FEC staff are excepted service (not competitive service) and that this creates barriers for FEC staff seeking to transfer to other federal agencies where positions are largely competitive service. There is evidence that this is partly the case. Looking at FY 2020 through FY 2022, the FEC attrition rate for GS permanent staff was 7.7%. This is lower than the 8.8% attrition rate for medium independent agency GS permanent staff when narrowed to excepted service staff (excluding schedule C/pathways). Competitive service GS permanent staff at medium independent agencies experienced a 9.4% attrition rate over this period. At medium independent agencies, excepted service staff have a 0.6% lower attrition rate than competitive service. FEC staff (all excepted service) have a 1.1% lower rate of attrition than excepted service staff at medium independent agencies and a 1.7% lower rate than competitive service staff at medium independent agencies. This suggests (on preliminary investigation) that the excepted service could create an impediment to mobility (and thus reduce attrition) and may account for roughly one-third of the total differential between the FEC and medium independent agency attrition rates.

[38] The FEC appropriation for FY 2023 increased 9.6% over FY 2022 to $81.674 million. This increase is almost equal to the total seven-year FEC appropriation increase for FY 2015 to FY 2022. The FY 2023 appropriation is equivalent to $63.1 million FY 2015 dollars when discounted by the CPI, or $65.5 million FY 2015 dollars when discounted by increased in the GS pay table for Washington, DC. These are both lower than the $67.5 million actual appropriation for FY 2015.

[39] This is true even including the FY 2023 appropriation of $81.7 million which was a 9.6% increase over FY 2022.

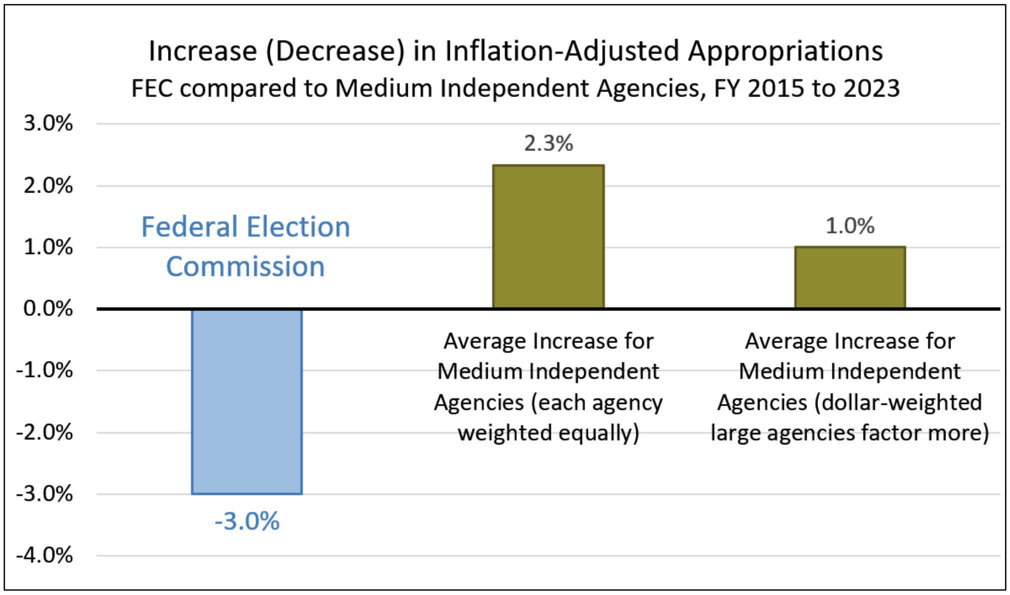
Chart 5: FEC Appropriations, Inflation-Adjusted Appropriations, and Campaign Contribution Volumes, 2015 to 2022



The general schedule, which establishes compensation rates for GS-level employees, increased 17.6% from September 2015 to September 2022. The FEC would have needed an FY 2022 appropriation of $79.4 million to be at parity, when adjusted for general schedule increases, with the FY 2015 appropriation of $67.5 million. However, the actual funding level for FY 2022 was $4.9 million less than this at $74.5 million.

The FEC did receive a 9.6% increase in funding for FY 2023 from $74.5 to $81.7 million. This increase has helped reverse the long-term decline in cost-adjusted appropriations, but it did not fully bridge the gap. For FY 2023, the FEC would have needed $2.5 million more, or $84.2 million, to maintain parity with its FY 2015 appropriation level after absorbing the 4.86% increase in the 2023 general schedule pay table for the Washington, DC locality.

Chart 6: The Decrease in the FEC's Inflation-Adjusted Appropriation is Not Typical of Medium Independent Agencies.



When adjusted for inflation, FEC appropriations fell 3.0% from FY 2015 to FY 2023.[40] FEC appropriations increased 21.0% over these 8 years and did not keep pace with the 24.7% increase in the Consumer Price Index (CPI).[41] The FEC's decline in inflation-adjusted appropriations is not reflective of federal medium independent agencies overall. Medium independent agencies experienced an increase, on average, of 2.3% in inflation-adjusted appropriations from FY 2015 to FY 2023.[42] Smaller agencies within this group tended to have somewhat stronger appropriations growth levels.

The total inflation-adjusted increase in appropriations for medium independent agencies was 1.0%. To distinguish this statistic from the 2.3% above, the 1.0% increase represents the change in total aggregate funding for the for the collective group of medium independent agencies, whereas the 2.3% increase is the average of the agency-by-agency increases when adjusted for

[40] For this chart, FY 2023 (not FY 2022) was used as the final year. Although this Evaluation generally focuses on the period FY 2015 through FY 2022, it was important to include FY 2023 for this comparison because of the 9.6% increase the FEC received for FY 2023. For the period FY 2015 through FY 2022, the FEC's inflation-adjusted appropriation fell 4.2%.

[41] CPI was used rather than GS pay table increases because the comparison group of agencies have a variety of levels of personnel costs in proportion to their overall budget. Over this 8-year period, general schedule increases totaled 22.7%. CPI can be helpful because it potentially captures increases beyond compensation such as rising health insurance costs. Benefits costs at the FEC added just under 30 cents per dollar of employee compensation to the total cost of personnel in FY 2015, for example. By FY 2023, benefits added over 36 cents per dollar of employee compensation, increasing personnel costs beyond those driven by GS pay table increases alone.

[42] Four medium independent agencies were excluded because they either lacked a FY 2015 or FY 2023 appropriation number or are funded through other mechanisms. These include the Presidio Trust, the Federal Housing Finance Agency, the Judicial Branch (Executive Branch component in FedScope), and the Federal Retirement Thrift Investment Board. The Overseas Private Investment Corporation was also excluded because it is an outlier with a 3.5-fold increase in appropriations. When OPIC is included, the average (equal agency weight) increase is 8.7% and the average (dollar-weighted) increase is 4.9% for the period.

inflation. *The FEC decline in inflation-adjusted appropriations is not reflective of trends in either individual agency or overall agency funding.*

Actual Per-FTE Costs Have Been Higher than Budget Justification Estimates; Corresponding Actual FTE Levels Have Been Lower Than Projected

The FEC submits budget justifications for each fiscal year that include an overall budget request amount and a projection for how many FTEs that amount would provide for.[43] Over this seven-year period, the FEC has received nearly all the funds it requested but has fallen short of achieving the FTE target included within those budget justifications. Actual personnel costs (in compensation and benefits) on a per-FTE basis have consistently been greater than the per-FTE costs projected in the budget justifications.

Table 1: Under-Estimation of per-FTE Costs and Over-Projection of Staff Levels

Projected and actual change in FTEs, FY2016 through FY2022		
Projected increase in FTEs over prior year at full funding		24.4
Actual FTE increase (decrease)		(4.5)
Difference		(29.0)
Projected and actual per FTE costs (compensation and benefits)		
Projected average cost per FTE in budget justifications	$	146,767
Actual average cost per FTE	$	155,248
Difference	$	8,481

For the years FY 2016 through FY 2022, the FEC was appropriated 99.2% of its full budget request, on average.[44] This would suggest that the FEC received budgetary resources sufficient to support 99.2% of the staff and program deliverables included within those budgets, including FTE levels. Actual FTE levels[45] for FY 2016 through FY 2022 have not reached 99.2% of the levels articulated within FEC budget justifications. In fact, the average actual FTE level was

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[43] FTE is used here as the technical budgetary measure defined by GAO as: "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 the fiscal year, as defined by the Office of Management and Budget, Circular No. A-11..." FedScope does not provide a direct measure of FTEs.

[44] We are excluding a $5.0 million lease expiration expense included for FY 2016 and an $8.0 million lease expiration expense included for FY 2017.

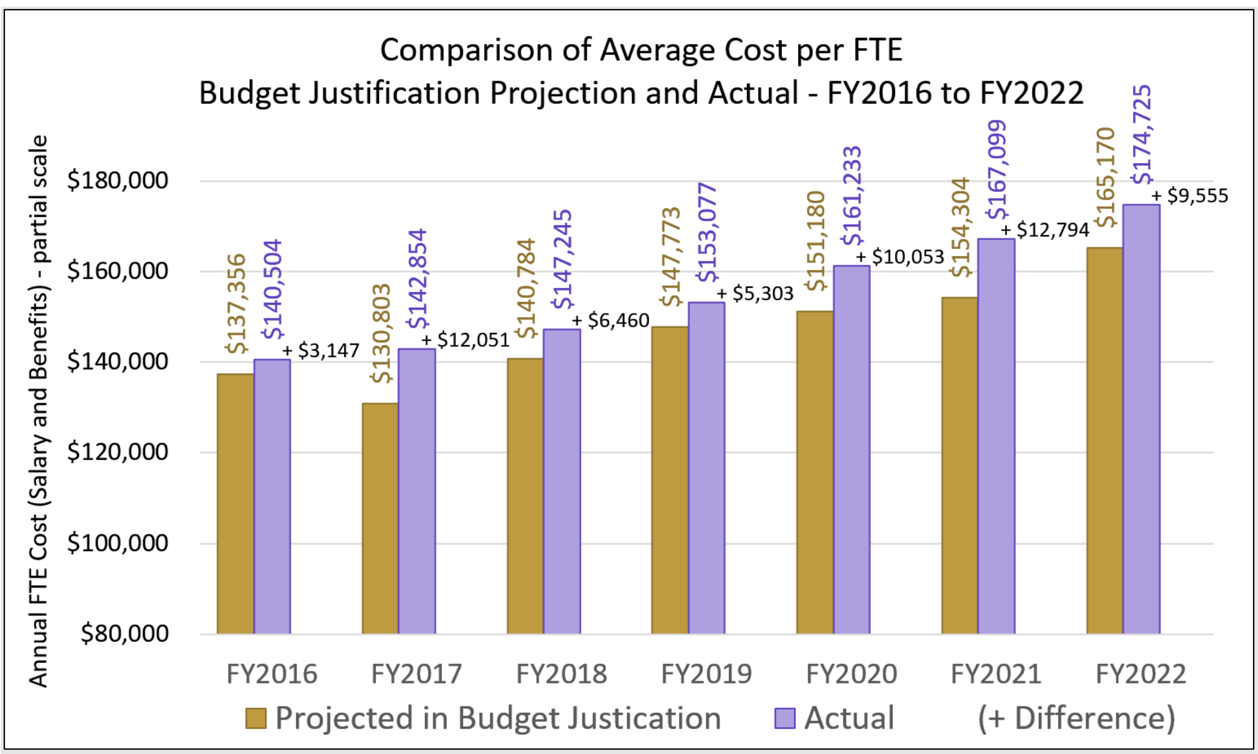
[45] The level of FEC FTEs has been estimated by taking the average quarterly staffing level in FedScope (calculated as beginning level + ending level / 2) and averaging the four quarters that comprise each fiscal year to estimate the actual annual FTE level. This approach will produce a close, but not precise, approximation of FTEs. For example, variations in onboarding/offboarding timing within a quarter will cause some variation in the FTE counts produced by this approach compared to those produced by summing total hours in FEC payroll records. These variations will be small, however: the average difference between quarterly beginning and ending staffing levels (4 employees) is 1.3% of total staff (just over 300 employees). Thus, the approximated FTE level using FedScope will be 0.65% different than the beginning and ending quarterly staffing level values. 0.65% is the maximum potential error under the assumption that all personnel changes occur on either the first or last day of the quarter. To the extent average personnel changes occur throughout a quarter, the estimator becomes more precise – and to the extent that some estimates are high and some are low, these "come out in the wash" and increase the accuracy of the estimator yet again.

only 91.6% of the full-budget projection, 7.6% lower than the 99.2% (translating to approximately 23 FTEs).

Take FY 2018 as an example. The FEC requested and received a $71.25 million appropriation. The budget justification stated: "The FY 2018 Funding request takes into account full year funding for up to 345 FTE for FY 2018."[46] Although the FY 2018 request was fully funded, the actual FTE count was approximately 315.[47] A material factor in the decline in staffing levels is that the budget justification projected lower per-FTE costs than were actually incurred.

The FY 2018 per-FTE cost (compensation and benefits divided by projected supportable FTEs) was $140,784. The actual per FTE cost (year-ending compensation and benefits divided by FTEs) was $147,245, which was $6,460 greater than the projected cost per FTE. These numbers are illustrated in the chart below, which present's the FEC's projected and actual costs per FTE for all seven budget justifications for FY 2016 through FY 2022.

Chart 7: Historical Comparison of Actual and Projected per-FTE Costs



Budget justifications are tools to quantify and articulate the need for requested budgetary funds to carry out agency mission priorities. Personnel are an essential component of this delivery and represent roughly 70% of the FEC's budget. The average gap between budget

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[46] Federal Election Commission Fiscal Year 2018 Congressional Budget Justification.

[47] The FEC staffing level in FedScope began at 322 in September 2017, falling by quarters to 319, 315, 313, and ending at 304 as of September 2018 for an average of 315.

justification FTE levels (desired staff level) and actual FTE levels (person-years worked) has been approximately 29 FTEs.

Put another way, the FEC has typically employed 29 fewer full-time employees than were articulated in the corresponding budget justifications as the desired number to meet mission requirements. The follow three ratios will help to place this FTE shortfall within various components of the budgetary process:

- Ratio of actual appropriation to requested appropriation – 99.2%.
- Ratio of actual personnel budget (compensation/benefits) to requested personnel budget – 96.9%.
- Ratio of actual FTEs to budget request level of FTEs – 91.6% (8.4% below full request level)

The average 29 FTE difference between actual and requested FTE levels represents a shortfall of 8.4% of the total requested FTE level. Using the ratios above, we can segment this average 29-FTE shortfall into three categories:

- Receiving less than full appropriations (calculated as the 0.8% less than full request) – 3 FTEs.
- Allocating a smaller proportion of appropriated budget to personnel costs (compensation and benefits) than was articulated in the budget justifications (calculated as difference between 99.2% average appropriation and 96.9% average budget-to-justification level: 2.8%) – 8 FTEs.
- Higher average actual costs than budget request cost projections (calculated as difference between 96.9% budget and 91.6% FTE level: 5.3%) – 18 FTEs.

When comparing actual FEC staffing levels to prospective FTE levels in FEC budget justifications, the fact that actual per-FTE costs were higher than projected levels accounts for almost 65% of the overall 29-FTE difference.[48] Agency decisions to allocate slightly more of the budget to uses other than personnel (compared to budget justification personnel/non-personnel proportions) account for approximately 25% of the total 29-FTE shortfall.[49] Appropriation levels below the full request amount are least significant and account for the remaining 10%.

It should be noted that budget request development is not fully within the control of FEC budget managers (OMB plays a role in budget development, for example). Additionally, there is a two-year lag in the budget development and submission timeline between each given request year and most recent complete fiscal year at time of budget submission.

[48] One explanation for this could be that future cost increases in GS schedule, staff structure, and benefits are not fully incorporated. The OIG recognizes the challenge in doing this, particularly given the budget request process's two-year lag between requested and last-final fiscal years.

[49] This could suggest that new or not-fully-anticipated priorities emerge between the time budget proposals are submitted and when the budget is implemented. Again, note the two-year time gap.

Personnel Cost Drivers go Beyond General Schedule Salary Increases

If the FEC plans to retain (or grow) its staffing level, it is not sufficient to request budget increases that merely keep pace with increases in the general schedule. Cost drivers beyond the increases in the general schedule pay table have further reduced the number of staff the FEC is able to support. Three notable elements driving costs up are: increasing rates of benefit costs, a shift in the FEC workforce toward higher grade (more expensive) employees, and higher average step levels within grade that correspond with increases in average length of service of FEC employees. Each of these imposes additional personnel costs beyond general schedule increases.

Table 2: Historical Growth of Overall and Per-FTE Personnel Costs FY 2015 to FY 2022

Overall Growth of FEC Budget for Personnel FY 2015 to FY 2022			
	FY 2015	FY 2022	Increase as %
Total FEC Budget (actual)	67,251,547	74,173,320	10.3%
Personnel Costs			
Compensation (actual)	34,799,225	37,880,609	8.9%
Benefits (actual)	10,401,868	13,908,013	33.7%
Total Comp and Bens	45,201,093	51,788,622	14.6%
% of Benefits to Comp	29.89%	36.72%	22.8%

Growth of FEC Personnel Costs per FTE, FY 2015 to FY 2022			
Staff level (estimated FTEs)[50]	326.4	296.4	-9.2%
Avg compensation/FTE	106,614	127,702	19.9%
Avg Benefits/FTE	31,868	46,923	47.2%
Total Comp and Benefits per estimated FTE	138,484	174,725	26.2%

Source: Yearly actuals as presented in FEC Budget Justifications to Congress and estimated fiscal year FTE levels in FedScope.

FEC spending on compensation and benefits increased 14.6% from $45.2 million to $51.8 million over the period FY 2015 to FY 2022. The overall FEC budget has increased only 10.3% over the same period – and the higher rate of personnel spending has been at the expense of non-personnel costs which have risen only 1.7% over this period from $21.3 million to $21.7 million. Benefits costs, as a percentage of compensation, have risen from 29.9% ($29.90 per $100 in compensation) in FY 2015 to 36.7% ($36.70 per $100 in compensation) in FY 2022.

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[50] Estimated FTEs are calculated by taking the average quarterly number of employees (start + end / 2) in FedScope and averaging this for all four quarters in each fiscal year. FY 2016, for example, the employee headcount in FedScope was 331 at September 2015 and by subsequent quarters: 330, 321, 325, and finally 328 at September 2016. This yields an approximation of FTEs of 326.4. Similarly, the average of quarterly average employment levels for FY 2022 yields 296.4 FTEs. FEC management provided informal feedback that the initial draft had not clearly distinguished between staff on board and FTEs, noting: “The total FTEs for FY 2022 is closer to 296” (as opposed to staff on board of 293). The OIG acknowledges a degree of imprecision in FedScope-based estimates of FTEs but believes that the degree of imprecision is minor when compared to the magnitude of overall cost growth and does not alter analysis conclusions.

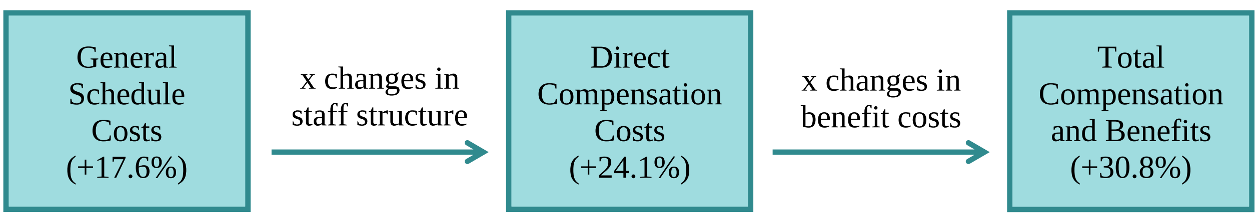
On a per-FTE basis, the actual average FTE employee cost 26.2% more in FY 2022 than in FY 2015. Average compensation per FTE increased 19.9% (exceeding the GS increase of 17.6%) from $106,614 to $127,702 and benefits per FTE increased 47.2% from $31,868 to $46,923.[51] The total cost to maintain FY 2016 staffing levels (326.4 FTEs) at the FY 2022 cost level ($174,725/FTE) would be $57.03 million, $5.24 million more than the $51.79 million budgeted and spent to support 296.4 FTEs. The $57.03 million required to support the FY 2016 FTE level of 326.4 given FY 2022 costs is 9.2% greater than the actual compensation and benefits budget for FY 2022.

Impact of Compounding Components of Personnel Costs

In thinking about overall personnel costs, it is helpful to distinguish between the following three factors that drive total costs:

- General schedule pay table increases (using DC locality GS pay table).
- Changes to the mix of positions and corresponding compensation costs.
- Increasing level of benefits cost as a percentage of compensation.

Chart 8: Components of Total Personnel Cost



Note on methodology: The figures in this chart reflect GS permanent personnel cost increases from September 2015 to September 2022. This approach focuses on GS permanent staff[52] *and corresponds better to general changes in costs and how they may impact future budgetary planning.*[53]

[51] Total benefits cost increases are the compounded product of the increase in benefits cost per dollar of compensation times the increase in compensation costs. Benefits cost 22.8% more per dollar of compensation in FY2022 compared to FY2015, and compensation increased 23.0%. In this case, 1.199 x 1.228 = 1.510 for a 26.2% increase per FTE. It is worth noting the various cost drivers multiply against each other (do not add) which increases the long-term impact.

[52] There are eight Executive Schedule positions at the FEC: six commissioners, general counsel, and staff director. These positions are critical to agency success, management, and governance, but have not seen increases in several years. This has been cited in recent OIG Management Challenges reports as potentially negatively affecting recruitment, retention, morale, and effectiveness. From a budgetary perspective, the 2022 commissioner salary levels were collectively $193,800 less than they would have been if they had experience agency-average increases over the seven years. This represents a full 0.5% reduction in overall agency compensation costs.

[53] The preceding section used actual full-year historical budget figures, which are helpful in understanding the history of FEC personnel funding costs from FY 2015 through FY 2022. However, there are idiosyncrasies in any given fiscal year that can materially affect full-year expenditures but that may not be generalizable. For example, the first quarter of a fiscal year uses a different pay table than the following three quarters (October-December 2021 use 2021 pay tables while January-September 2022 use 2022 pay tables, for example). This can impact the full-year budget if

The GS pay table for Washington, DC increased 17.6% from September 2015 to September 2022. Average GS permanent compensation increased 24.1% over this same period, from $99,920 to $124,079. This is a result of increasing average GS levels and higher pay steps within the GS permanent staff (further discussion follows) which increase average GS permanent compensation costs by 5.5%. This GS level/pay step increase is compounded with the 17.6% GS pay table increase. Finally, benefits increased from 29.9% to 36.7% of total compensation.[54] This results in an overall 30.8% increase in GS permanent compensation and benefits from September 2015 to September 2022.

Increasing Grade Levels at the FEC

Three cost factors shape personnel compensation growth among GS permanent staff beyond increases in base pay tables: increases in average GS grade level (GS-13 vs. GS-12 for example), increases in average step within grade (step 6 vs. step 5 for example), and the capping of GS-15 staff at the statutory maximum annual compensation (this is a mitigating factor that has slowed growth of FEC personnel costs). These three factors combined to account for the seven-year increase in per-employee compensation of 24.1% rather than 17.6% (per the general schedule).

For the purposes of looking at grade, step, and GS-15 cap impacts on cost structure, we will narrow our focus to GS permanent staff based in Washington, DC.[55] This group comprised 300 of 331 staff as of September 2015 (90.6%) and 260 of 293 staff as of September 2022 (88.7%) and could be described as the FEC "workforce".[56] This approach excludes the following three segments of FEC staff: commissioners, senior leaders, and commission staff (temporary appointments).[57]

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the staff level is increasing (disproportionately in the higher pay table) versus decreasing (disproportionately in the lower pay table) because of the relative weighting of the lower-cost and higher-cost periods.

[54] Here is a practical example of the importance of accurately projecting benefits costs: The FEC FY 2024 budget justification used a benefits cost estimate equal to 32.8% of salary. FY 2020 through FY 2022 had actual benefits costs equal to 34.0%, 35.4%, and 36.7% of salary, respectively. These fiscal years were all complete before FY 2022 budget request was submitted. Benefits increases are a long-term trend – rising from 29.9% of salary in FY 2015 to 36.8% in FY 2022. The trend would suggest potential range of 37% to 39% for benefits as a percentage of compensation. This would require between $2 and $3 million in increased budget to fully fund this cost.

[55] This excludes SL management, commissioners, and commission staff. Although commission staff are paid in accordance with the GS pay table, they exhibit distinctive characteristics when compared to career staff. First, commission staff are all GS-15. Second, more than three quarters of commission staff are paid in steps 7-10 (GS schedule max). The mean step level (using step 7 as the max) is 6.7. However, the median length of service for commission staff is less than 2 years. Step 6.7 implies 8.4 years of service under the normal length of service step progression. Third, the number of commission staff has increased, whereas GS permanent staff have decreased over the seven year period. As such, commission staff are atypical and could skew the trends that are present among career GS permanent staff. The restriction to DC-based staff removes up to four staff (September 2022 had 303 GS permanent staff and 300 DC-based permanent staff, for example) and this exclusion is made to ensure direct comparability with DC-based staff within the medium independent agency comparison group. *Source for pay and length of service data: FedScope*.

[56] The segment of the staff that gets the day-to-day work done.

[57] Excluding commissioners and senior leadership should be intuitive because neither group is paid according to the general schedule or has a formalized "step" system of time-in-grade pay increases. Commission staff, though general

Table 3: Shift in Composition of GS Levels of FEC Workforce; Change in Average GS Level for GS Permanent Staff - 2015 to FY 2022

GS Grade Level	Sep 2015	Sep 2016	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022	% Change
4	1	1	1	1	1	1	1	1	0%
5	6	6	4	4	4	2	2	2	-67%
6	2	2	2	2	2				-100%
7	22	22	20	16	13	14	15	11	-50%
8	8	9	9	9	8	6	6	8	0%
9	18	17	19	18	20	27	16	16	-11%
10									n/a
11	35	33	30	28	27	30	35	29	-17%
12	39	38	36	32	32	31	31	31	-21%
13	62	67	74	70	65	62	60	58	-6%
14	73	71	70	72	78	80	74	71	-3%
15	34	34	34	34	35	36	32	33	-3%
Total	300	300	299	286	285	289	272	260	-13%
Mean Grade	12.06	12.06	12.15	12.24	12.33	12.36	12.37	12.43	+ 0.38

The number of GS permanent staff decreased for all grades from September 2015 to September 2022. As the chart shows, staff reductions have been more pronounced at the lower GS levels, with particularly significant reductions occurring in the GS-5 to GS-7 range (and to a lesser extent, GS-11 and GS-12). Staff levels at GS-13 to GS-15 have declined only slightly and at a slower rate that GS permanent staff reductions overall. An impact of this has been to increase the average level of GS permanent staff from 12.06 in September 2015 to 12.43 in September 2022.

There are multiple factors that may be influencing the shift to higher GS level positions. The first is that supervisory positions have been retained. Of the 31-person reduction GS permanent staff levels, one of these was among supervisory staff and 30 were among non-supervisory staff. This aspect of the staff reductions from 2015 to 2022 favors retention of higher-GS positions and thus contributes to the increase in average GS level. An additional factor is that the average FEC employee has a greater length of service in 2022 than in 2015, which correlates with increased experience and expertise as well as the ability to perform higher-responsibility work. These both correspond with higher GS level positions.

The FEC has filled approximately three positions for every four staff departures over the 2015 to 2022 period. This has resulted in less "new blood" at the FEC. The average age of GS permanent staff has increased as has average length of service. For contrast, consider an agency with stable staff level – hiring new staff at the same level as staff departures. Maintaining stable

schedule, experience a high turnover rate, in part due to commissioner appointments, and do not exhibit in-grade step accretion in the same manner that career FEC workforce do.

staffing can provide constancy in terms of both the average age and length of service of the workforce. Veteran staff leave the organization and are replaced by younger, less experienced staff; this cycle repeats and the overall profile of the workforce is steady over time.

An organization such as the FEC, which has experienced a long-term reduction in headcount because it has lacked the resources to fully backfill/replace vacancies created by the departure of experienced staff, will skew over time to older, more experienced staff. There are not enough junior staff entering the organization to maintain a stable demographic profile over time (new hires at the FEC are 10.7 years younger than the average FEC average age). Over the period from FY 2015 to FY 2022, the FEC average age has increased by 2.9 years (compared to 1.3 years for medium independent agencies) and the average length of service has increased 1.7 years from 15.8 to 17.5 (compared to an increase of 0.5 years for medium independent agencies).

Finally, the shift to higher average GS levels may be part of a fundamental shift in federal employment. Medium independent agencies experienced a 0.47 GS-level increase from 2015 to 2022.

Higher Costs Accompany the Shift to Higher Average GS Level Staff

Employees at higher GS levels receive higher salaries than employees at lower GS levels. These higher salaries compensate for the increased experience and responsibility requirements of higher GS level positions. Consider the difference between pay rates for GS 12 and GS 13 employees. A GS 13 employee is paid 18.9% more than a GS 12 employee in the GS pay table. This is true across all locality pay tables.

The 0.38 GS-level increase in average grade level that the FEC experienced (going from 12.06 in September 2015 to 12.43 in September 2022) is equivalent to 38% of the full-step cost increase from GS 12 to GS 13This 0.38 GS-level increase implies an increase in average GS permanent salary of 7.2% (38% of 18.9%). Note that there is some variation between specific GS level increases (12 to 13 may not be equivalent to 13 to 14, for example). Also, there is a specific salary cap consideration with respect to GS-15 staff that will be discussed in detail below. When factoring in the specific GS permanent staff level increases, as well as the mitigating effect of the GS-15 salary maximum, the cost impact of the 0.38 increase in average GS level is somewhat lower at 4.1% over the seven-year period of 2015 to 2022.

The shift to higher cost employees through higher GS positions is not necessarily a negative.[58] Ultimately, the FEC needs to determine the optimal mix of roles (and corresponding GS level grades for those positions) to carry out its mission most effectively. For example, this change may reflect a shift away from clerical or manual review processes to automated technology-leveraged processes and higher per-dollar returns on personnel costs. What this does highlight, however, is that the evolution in FEC workforce tasks, roles, and grades has an impact on the long-term personnel cost structure of the agency. This impact should be anticipated at least two years in advance to make effective use of the federal budget and appropriations process

[58] The comparison group of medium independent agencies in Washington, DC (100-999 employees) shows an average 0.47-grade-level increase over the same period – meaning the FEC shift to higher grade-level positions is aligned with an the overall trend in federal employment.

(because of the two-year lag between the budget year being requested and the most recent actual year-end financials).

Increasing Average Length of Service Results in Higher Step-In-Grade Pay

The federal general schedule pay system divides each grade level into ten pay steps (1 to 10). These go from 1 (lowest) to 10 (highest) with each successive providing a higher salary than the preceding step by an amount equal to 3.3% of the step 1 rate. Employees move up through the steps according to a schedule (so long as they receive satisfactory performance reviews). Step increases occur after one, two, and three-year periods of employment until an employee reaches step 10 (which corresponds to 18 years of satisfactory performance in grade).[59]

From September 2015 to September 2022, the average length of service of the FEC GS permanent staff increased 1.7 years (from 15.8 to 17.5 years). For the last seven years, the average FEC employee has had three more months of experience than the year prior. As employees increase their length of service, one of two things happens: they are promoted to a higher GS level position, or they move to higher paid steps within their current GS level pay band.

As a side note, the average age of FEC staff is also increasing. The average age increased 2.9 years from an average of 45.7 years of age in September 2015 to an average of 48.6 years by September 2022.

Table 4: Average Length of Service (LOS) and Step for GS Permanent Staff, 2015 to 2022

LOS and Grade Level Sep 2015 to Sep 2022	Sep 2015	Sep 2016	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022	Change
Average Length of Service	15.8	15.8	16.1	16.2	16.5	16.4	16.8	17.5	+ 1.7 years
Average Step GS-1 to GS-14	6.55	6.55	6.59	6.75	6.85	6.64	6.65	6.78	+ 0.23 steps
Average Step GS-15*	6.08	6.69	6.33	6.12	5.93	5.94	5.88	5.72	-0.36 steps

** Step has been calculated on an effective cost basis; GS-15 salary caps have reduced cost exposure and effective step*

With increasing length of service, employees earn more through promotion to higher grade levels, within-grade increases, or both.[60] The average 0.23-step step increase for GS permanent staff (up to GS 14) adds 0.65% to the average salary of GS permanent staff. This 0.65% increase is cumulative, and compounds the increases driven by the general schedule pay table, employee benefits costs, and cost increases due to higher GS grade levels. The cost impact of step

[59] For more information, see the GAO information on "Raises and Bonuses" at https://join.tts.gsa.gov/compensation-and-benefits/.

[60] As an employee spends time in grade (for example, as a GS 12), they move up through step increases. At one-year intervals, employees move up from step 1 into steps 2, then 3, and then 4. At two-year intervals, employees move up into steps 5, 6, and 7. Three-year intervals occur to step 10, which reflects 18 years of service in grade. Each step increase provides incremental compensation (cost to agency) equal to 3.3% of the step-1 pay rate. Note that staff can receive meritorious step increases in recognition of exceptional work, reducing the total time to reach step 10.

increases is the smallest factor identified in this report but does translate to approximately two staff positions at FY 2022 staffing levels.

The Cap on Maximum GS Schedule Salaries Materially Reduces the Rate of Growth for Personnel Costs at the FEC

General schedule salaries are by statute not allowed to exceed the rate set for level IV Executive Schedule compensation. The Executive Schedule (EX) is used for political appointees and in 2022, the EX-IV rate of $176,300 established the salary cap affecting GS employees at the high end of the GS play table. For the Washington, DC locality pay table, salaries are capped beginning at step 7 for GS 15 staff. Steps 8 through 10 receive no additional increases and are also capped at the $176,300 maximum rate.[61] The rate at growth for the Executive Schedule has not kept pace with GS pay table growth. Nor does it include a locality pay adjustment. This impacts general schedule staff in high-cost localities such as Washington, DC.

The EX-IV salary cap for general schedule staff has had the effect of slowing the long-term rate of salary growth for staff who have reached the salary maximum. From 2015 to 2022, for example, the maximum capped salary for the Washington, DC GS pay table increased from $158,700 to $176,300. This represents a seven-year increase of just 11.1% from the 2015 salary level, 6.5% less than the overall increase of 17.6% for the general schedule over this same period.

The GS salary cap further suppresses salary growth and agency costs by eliminating incremental raises that would arise for step increases. Once a staffer has reached the statutory maximum rate, they do continue to progress through the pay steps, but without incremental increases in salary. For the Washington, DC locality pay table, salary is capped for GS-15 staff at beginning at step 7 and does not increase with steps 8, 9, and 10. The salary rate for General Schedule staff at step 10 is 8.3% higher than at step 7 for all non-capped GS levels.

Because GS-15 staff are salary capped and do not receive increases through successive steps, they forego this 8.3% salary increase potential. This factor alone slows salary growth by approximately 0.9% per year (dividing 8.3% by the 9 years it typically takes to progress from step 7 to step 10).

An increasing number of FEC GS permanent staff are becoming subject to this GS salary cap. Because the political appointee/EX-IV salary growth has not kept pace with the GS schedule, additional steps are falling into the step range affected by the salary cap level. For example, in 2015, the GS schedule for Washington, DC was capped for GS 15 steps 9 and 10 only. By 2022, the cap applied to steps 7 through 10. For 2024, the capped salary rate is nearly identical (just 0.3% higher) than the step 6 pay rate and in 2025 step 6 will likely fall within the salary cap.[62]

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[61] https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/22Tables/exec/html/EX.aspx.

[62] In the highest locality pay areas, the EX-IV salary cap for general schedule employees has begun to impact staff at GS level 14. San Francisco GS Pay Table.

In FY 2015, only 8 of 34 (24%) of the FEC's GS-15 staff were subject to the salary cap. By FY 2022, 19 of 33 GS-15 staff (57%) were subject to the cap.[63] The percentage of all FEC GS permanent staff who are salary capped is 6.9% as of September 2022. In dollar terms, this group represents 8.4% of total agency compensation for GS permanent staff.

Comparison of Salary Growth for the Various Segments of FEC Staff

The discussion has centered largely on GS permanent staff, which comprises approximately 90% of the overall staff for the agency. The chart below shows the average per-staffer cost and cost growth for each of the four cohorts of FEC staff: GS permanent staff (including a split for GS 1-14 and GS 15 staff), commissioners, commission staff, and senior level staff. It is notable that every staff cohort (other than the commissioners) has experienced total cost increases, when benefits are included, greater than the 17.6% increase in the Washington, DC GS pay table.

The FEC commissioners are an outlier; annual commissioner salaries have been flat from 2015 to 2022.[64] The GS permanent segment of the FEC very closely approximates the growth in personnel costs for the agency as a whole: 30.8% compared to 30.3%.

Table 5: Average Salary and Salary Growth by Staff Cohort at the FEC

FEC Staff Segment	Average Compensation per Employee by Cohort Sep 2015	Sep 2022	Salary % Increase 2015 to 2022	Total % Increase w/ Benefits
Workforce (GS permanent)	99,920	124,079	24.2%	30.8%
GS-1 to GS-14	*93,913*	*117,225*	*24.8%*	*31.5%*
GS-15 only	*147,621*	*171,849*	*16.4%*	*22.6%*
Commissioners[65]	158,500	158,500	-0.0%	5.1%
Commission Staff	141,483	172,165	21.7%	28.1%
Agency SL Staff	163,232	184,038	12.7%	18.7%
FEC Total	104,346	129,168	23.8%	30.3%

[63] 10 of 13, or 76%, of commission staff are salary capped. For all GS staff at the FEC (permanent and commission) 29 of 46 (63%) are salary capped and subject to lower-than average salary increases both through reduced increases in the EX-IV salary table and the inability to rise in step level pay.

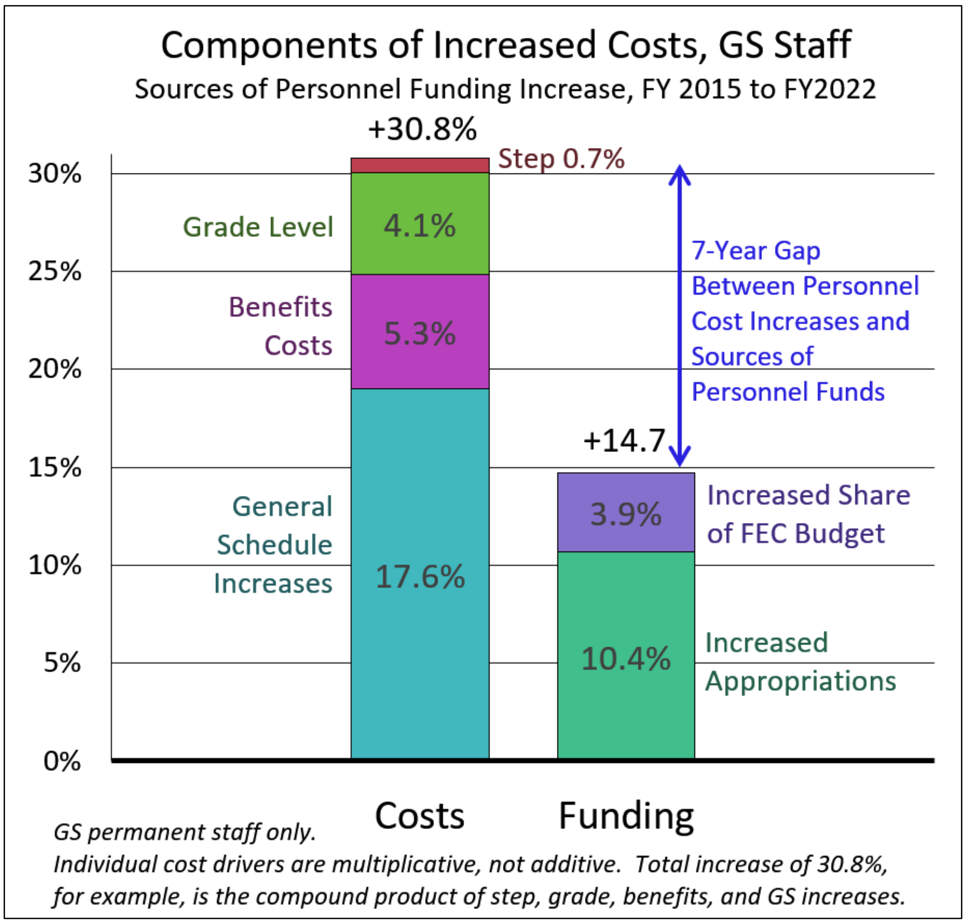
[64] This issue is discussed in greater length in the OIG's Management and Performance Challenges Facing the FEC for FY 2024. Commissioners are political appointees paid under the Executive Schedule at grade EX-IV. From 2010 to 2023, the total 13-year increase in EX-schedule salaries has been 2% or approximately 0.1% per year. This presents unique potential organizational, recruitment and retention, and morale challenges.

[65] The FEC did not initially implement the pay freeze provisions of the Consolidated Appropriations Acts, 2014 to 2018. As a result, during that time, FEC Commissioners received salary increases in excess of the Executive level IV pay schedule. That administrative error was corrected in 2019. Financial reports at the time showed $158,700 as commissioner compensation. This chart reflects the correct salary level of $158,500.

Summary and Conclusion of Personnel Cost Analysis

The FEC has experienced a reduction in its staffing level because appropriations and corresponding agency budgets have not kept pace with cost increases driven by the general schedule pay table. This has been made worse by the fact that increasing benefits costs, structural changes in FEC workforce, and increasing length of service and corresponding step levels have all contributed, in a compounded fashion, to push incurred personnel costs even higher. The imbalance of personnel cost increases compared to available funding is illustrated in the following graphic:

Chart 9: Illustration of Components of Personnel Cost Increases and Comparison with Increases in Available Personnel Funding



The average cost in salary and benefits per GS permanent employee increased by 30.8% from September 2015 to September 2022.[66] Available personnel budget grew by only 14.7%

[66] Source for employee salary data: FedScope. Benefits cost data is taken from annual financial statements. By applying the overall overhead rate (benefits as percent of compensation), it is possible to approximate actual per-employee benefits costs. The approximation will be very close because GS permanent staff make up approximately 90% of overall FEC staffing – but is not precise.

over the same period. The gap between increased per-employee salary and benefits and available funds has forced the FEC to reduce overall staffing levels accordingly.

The average GS permanent salary increased 24.2% from $99,920 to $124,079 over this seven-year period. Benefits costs have outpaced the rate of growth of compensation, rising from $29,876 per GS permanent employee in FY 2015 to $45,736 in FY 2022 – a benefits-cost increase of 53%. The 24.2% total growth in salaries and 53% total growth in benefits produce a 30.8% overallincrease in personnel costs (salary and benefits).

The increase in average GS permanent salary of 24.2% is higher than the corresponding increase in the GS pay table of 17.6% from 2015 to 2022. The difference is a consequence of the evolving structure of FEC GS staff which has slowly shifted to higher average GS levels and higher steps within grade (a function of increasing length of service among FEC employees). The increase in average GS level is typical of medium independent agencies overall. The increase in step level is not.

FEC appropriations increased 10.4% from FY 2015 to FY 2022 and have not provided sufficient resources to maintain the FEC's historical staff level. The FEC did create an additional source of personnel funding over these seven years by allocating a higher percentage of overall funding to personnel costs (at the expense of the non-personnel budget). Personnel costs (salary and benefits) increased from 67.2% of the total FEC budget in FY 2015 to 69.8% in FY 2022.

By repurposing non-personnel funds to cover personnel costs, the FEC has been able to increase the total personnel budget by 14.7% over the seven years. This is well short of the 30.8% per-employee average cost increase. However, the repurposing of non-personnel funds has mitigated some of the reduction in the FEC staffing level from FY 2015 to FY 2022. Unfortunately, shifting budget funding from non-personnel to personnel is not a sustainable tool in the long run.[67]

The gap between increasing personnel costs and increases in available budget through appropriations over the FY 2015 to FY 2022 period supports two key observations. First, appropriations increases must at minimum keep pace with increases in the GS pay schedule if the agency is to have the financial resources to sustain its staffing level. Second, and perhaps more important, cost drivers beyond GS pay schedule growth significantly increase per-employee costs and must also be reflected in appropriations increases.

To illustrate the impact of personnel cost increases above GS pay scale increases, consider that for every $1.00 of salary increase from the FY 2015 GS pay table to the FY 2022 GS pay table, an additional $0.64 was incurred through increased benefits, GS level, and step costs.

[67] First, the ratio of personnel to non-personnel budget is 2.3:1 as of FY 2022, meaning it would take a 2.3% reduction in non-personnel costs to make up a 1% deficit in personnel – and this imbalance will increase as budget share is shifted. Second, successive cuts in non-personnel funding will require de-funding increasingly high-priority objectives, ultimately reaching mission critical or obligatory costs (IT infrastructure, rent and equipment, etc.) without which FEC mission delivery is not possible.

These three factors have increased persistently over the seven-year period, and it is reasonable to assume that future increases will continue in the absence of evidence or factors to the contrary.[68]

Recommendation 1 – Evaluate Long-Term Budget and Staffing Plans:

> **The FEC OIG recommends that the FEC evaluate whether its human capital planning adequately forecasts long-term costs, contemplates budget uncertainty, and addresses retention, succession planning, development, and acquisition of personnel, experience, and skills essential to successful delivery of FEC mission priorities.**

[68] The FY 2024 budget provides a practical example of this. The Office of Management and Budget Budget of the U.S. Government Fiscal Year 2024 outlines an increase of 5.2% for civilian and military personnel for 2024 (page 51). However, a 5.2% increase in FEC appropriations for FY 2024 over FY 2023 would likely be insufficient to maintain FEC staffing levels at the FY 2023 level. Historically, the actual per-employee cost increase has been 1.64x the increase in the GS pay table – or approximately 8.5%. Unless the FEC FY 2024 appropriation increase were large enough to absorb both the increase in the GS pay table and the additional cost drivers of benefits, GS level, and step, the FEC will lack adequate funding to maintain its FY 2023 staffing level.

How FEC HR Staffing Compares to Medium Independent Agencies

As of December 2022, the FEC had four HR specialists.[69] There are two occupation codes for standard HR specialists: 0201s (HR Management) and 0203s (HR Assistance).[70] The FEC ended 2022 with 298 staff. This provides the following ratios for total staff to HR specialists:

- 4 HR Management Staff (0201) – ratio 74.5-to-1 employees per HR staff
- 0 HR Assistance Staff (0203) – ratio n/a
- 4 Total HR Staff (0201/0203) – ratio 74.5-to-1 employees per HR staff[71]

For comparison, we looked at HR specialist staffing at medium independent agencies in OPMs FedScope database. These are agencies with between 100 and 999 employees. The average ratio of staff to HR Specialists (0201s and 0203s) is 35-to-1 (the median is 37-to-1). Collectively, medium independent agencies had 2.1 times more HR specialists per employee than the FEC.

Table 6: HR Total and Per-Employee HR Staff Levels, FEC and Medium Independent Agencies

Staffing Level of 0200 Series Occupation Codes (December 2022)	FEC	Medium Independent Agencies (100-999)[72]
0201 Human Resources Management	4	331
0203 Human Resources Assistance	0	20
Total HR Staff	4	351
Total Staff	298	12,319
Total Employees per HR Specialist		
0201 Human Resources Management	74.5	37.2
0203 Human Resources Assistance	n/a	616.0
Total	74.5	35.1[73]

[69] December 2022 was used because the number of HR specialists (4) is the typical of FEC HR Specialist staffing level in recent years. In September 2022 the FEC had only three HR specialists because of a separation that had not yet been filled.

[70] Data in the HR notes derive from FedScope, though FEC HR staffing levels were confirmed by FEC HR.

[71] Four occupation codes within the 02xx occupation series are not used here: 0241, 0244, 0260, and 0299 which relate to Mediation, Labor Management, Equal Employment, and Interns. Occupation codes 0241 and 0244 are externally focused, mission-delivery roles unique to the National Mediation and Conciliation Service and the National Labor Relations Authority, respectively. Occupation code 0260 relates to Equal Employment Opportunity, and 0299 (Interns) is only very rarely used.

[72] Staffing levels are totals across all 32 medium independent agencies.

[73] The median level total staff to HR Staff is 37:1 for medium independent agencies.

Specific Agency Benchmarks for Number of HR Staff and Ratio of Total Staff to HR Staff

To better contextualize the FEC's staff-to-HR ratio, we looked at individual agency-level data in addition to aggregate medium independent agency statistics. The chart below presents several data points simultaneously:

- Total agency staff (gold bars)
- Agency HR specialist staff (0201 and 0203, blue bars)
- Ratio of total staff to HR specialists (fuchsia line)
- Median ratio of total staff to HR specialists (blue line: 37-to-1)

<u>Chart 10: FEC Per-Staff HR Staffing Level and Comparison with Medium Independent Agencies</u>

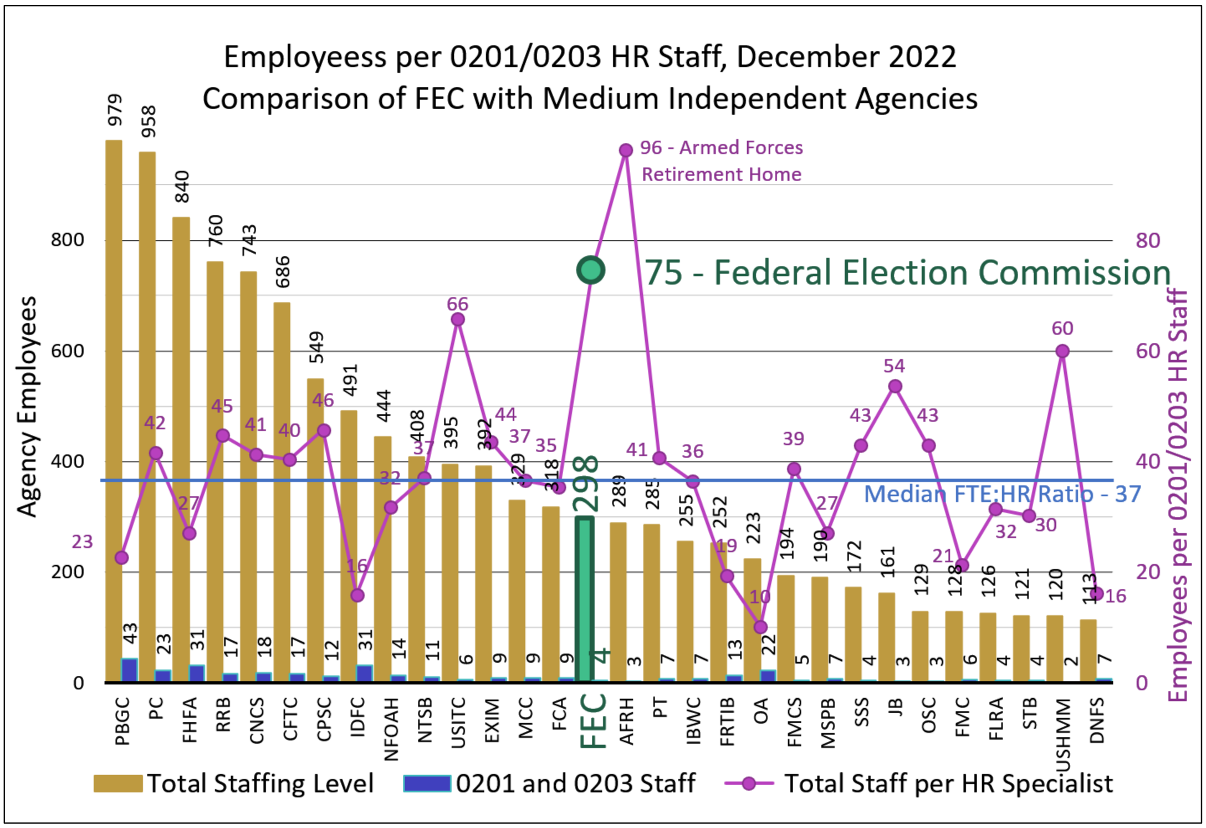


Chart shows FEC and other medium independent agencies by staffing level, corresponding 0201/0203 HR staffing, and the ratio of total staff to HR specialist staff. Source: FedScope.

Of all the medium independent agencies,[74] only one (the Armed Forces Retirement Home) has a higher ratio of total staff to HR specialists. Of the remaining 28 agencies,[75] only three (US International Trade Commission, Judicial Branch, and US Holocaust Memorial Museum) have staff-to-HR-specialist ratios of greater than 50. The remaining 25 agencies have at least 50% more HR staff per employee than the FEC with a median and mean providing more than double the number of HR specialists per staffer. This supports the following conclusion:

> The FEC is an outlier with the second-lowest number of HR staff compared to all agencies within the medium independent agency category. The FEC has less than half the number of HR staff (0201/0203) than either the median or average medium independent agency.

There is one additional consideration that is material to this comparison. The FEC engages OPM's HR Solutions, which is a consulting entity to provide varied HR services to client agencies within the federal government. On a cost basis, these services are roughly equivalent to two in-house HR specialists. Additionally, there is a staff member in the Office of Staff Director who performs part-time HR-related functions and represents the equivalent of approximately one-half of a dedicated HR specialist. When these additional resources are included, this brings the overall dedication of resources to the HR specialization closer to 6.5 full-time employees. This produces an adjusted ratio of total staff to HR specialists of 45.8-to-1.

This ratio would place the FEC at 25th out of the 30 medium independent agencies for HR specialist coverage – still well below average on either a mean or median basis, but within 20% of typical per-staff medium independent agency HR specialist levels. The OIG did not examine whether other medium independent agencies also engage external service resources to bolster their in-house HR capacity. To the extent other agencies do, the statistics cited above under-represent the level to which FEC HR resources are below typical levels.

One positive mitigating factor is that FEC HR expressed confidence that the OPM HR Solutions service contract provides greater capacity, flexibility, and expertise than would be possible with equivalent resources devoted only to in-house FEC staffing. Although the OIG is not able to quantify these benefits independently, we agree in principal that OPM's HR Solutions has the potential to leverage the FEC's investment in overall human resources capacity. FEC HR did cite a reduction in time to hire since HR Solutions was engaged in 2018 as specific evidence

[74] Agencies presented include (in order): Pension Benefit Guaranty Corporation, Peace Corps, Federal Housing Finance Agency, Railroad Retirement Board, Corporation For National And Community Service, Commodity Futures Trading Commission, Consumer Product Safety Commission, International Development Finance Corporation, National Foundation On The Arts And The Humanities, National Transportation Safety Board, U.S. International Trade Commission, Export-Import Bank Of The United States, Millennium Challenge Corporation, Farm Credit Administration, Federal Election Commission, Armed Forces Retirement Home, Presidio Trust, International Boundary And Water Commission, U.S. Section, Federal Retirement Thrift Investment Board, Office Of Administration, Federal Mediation And Conciliation Service, Merit Systems Protection Board, Selective Service System, Judicial Branch, Office Of Special Counsel, Federal Maritime Commission, Federal Labor Relations Authority, Surface Transportation Board, U.S. Holocaust Memorial Museum, and Defense Nuclear Facilities Safety Board. The U.S. Trade Representative and OMB are not included because they have no 0201/0203 HR staff listed in FedScope.

[75] 30 (not 32) agencies are used for agency-specific comments and rank-ordering. Two agencies, the US Trade Representative and OMB, are not included because FedScope shows no 0201/0203 staff.

that HR Solutions services have improved FEC HR performance. The OIG was able to confirm that the average time to hire was reduced by 37 days from FY 2018/2019 to FY 2022/2023 with efficiency gains in hiring phases under both HR Solutions and FEC HR responsibility. FEC HR also indicated that the ability to use an array of specialists at HR Solutions has allowed in-house HR staff to concentrate on FEC intra-agency business and process needs.

Nevertheless, the fact remains that the FEC has a lower level of HR Specialist staff and overall resources committed to human resources than medium independent agencies overall. The OIG is not in a position to quantify specific process challenges or opportunity costs that may arise from the FEC's level of human resources investment but does cite the potential for both as areas of concern.

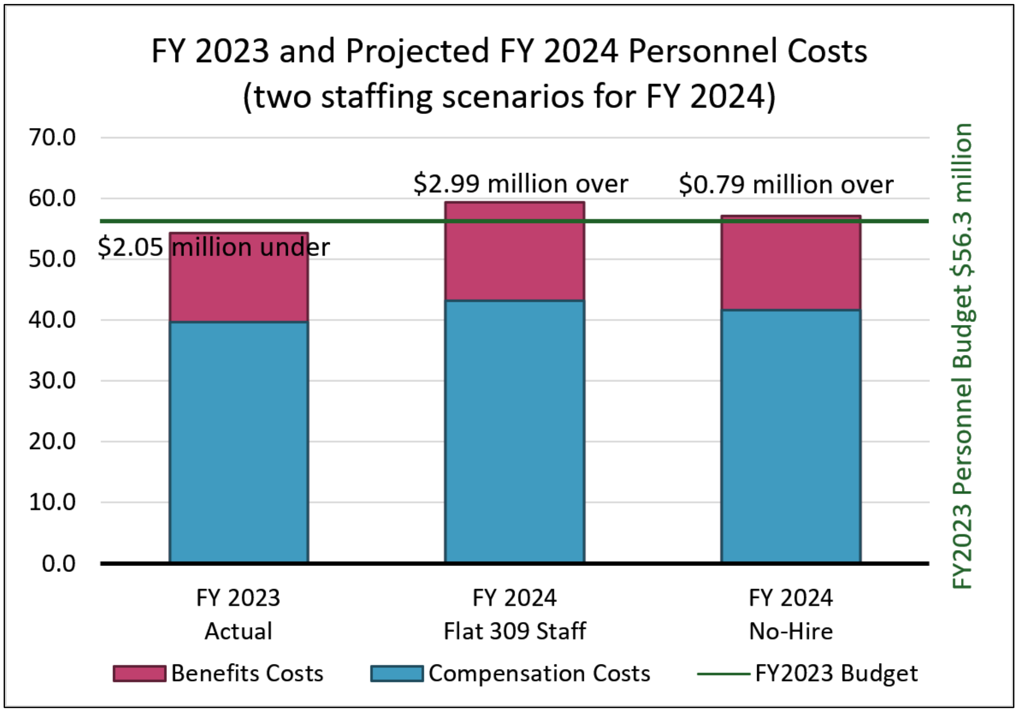
Recommendation 2 – Evaluate HR Resources

> **The FEC OIG recommends that the FEC evaluate the sufficiency of HR staffing levels and of overall HR resources available to the agency. The FEC should, as appropriate, increase resources to levels commensurate with other medium independent agencies and to provide capacity for HR-related strategic initiatives.**

The FEC will Experience a Personnel Budget Deficit if the FY 2023 Budget Levels Continue into FY 2024

If the FEC does not receive an increase over FY 2023 appropriation levels for FY 2024, the FEC will need to reduce staff levels to historic lows (287 staff), reprogram substantial funds from non-personnel to personnel ($2.99 million), or implement a mix of both.

Chart 13: FY 2024 Personnel Costs and Deficit Compared to FY 2023 Budget Level



In FY 2024, the following three factors provide the conditions for this shortfall:

- The FEC entered FY 2024 with a 30-month high staffing level of 309.
- The FY 2024 per-employee personnel cost will be materially higher than FY 2023.
- The FEC's appropriation level for FY 2024 may be flat (or lower) than FY 2023.

The FEC enters FY 2024 with 309 staff as of September 2023. This is a 5.5% increase from the FY 2022 ending staffing level of 293. On an FTE basis, the FEC increased from approximately 296.4 FTEs in FY 2022 to roughly 300 FTEs for FY 2023 – an increase of 1.2%. The FEC budget for employee salaries increased 4.9% from FY 2022 to FY 2023 from $37.8 million to $39.7 million. This 4.9% increase in compensation costs correlates with the 1.2% increase in FTE levels after 2023 pay-table increases are factored in (the GS pay table increased 4.86% though some FEC staff received lower increases - or no in the case of commissioners, no increases).

The discrepancy between the 5.5% September-to-September staff level increase and 1.2% FTE level increase is due to the fact that in FY 2022, staff levels were declining whereas in FY 2023, staff levels were increasing. In FY 2022 staff levels fell from 304 at the start of the year to

293 at the end, and these staff levels rose to 309 by the end of FY 2023. The fact that the FEC enters FY 2024 at a relative staffing high has an important budgetary impact for FY 2024: the FEC begins FY 2024 with a higher base level for compensation and benefits.

The FY 2023 ending staffing level of 309 is 3.0% greater than the approximately 300-FTE level for FY 2023. A shorthand description of this difference is that the FEC had an "average" staffing level of 300 during FY 2023 but ended the year with 309 staff. The actual FY 2023 budget expenditures correlate with the 300-FTE average staffing level. But the FEC enters FY 2024 a baseline level of personnel costs that is 3% higher than the FY 2023 level because it enters with 3% more staff than the FY 2023 average.

The FEC did not spend as much on personnel in FY 2023 than it had initially budgeted. The budget for compensation and benefits for FY 2023 was initially set at $56.3 million. Actual year-end expenses were $54.25 million, just over $2.0 million less than initially budgeted. This allowed the FEC to repurpose these unused personnel funds to investments in non-personnel activities: notably IT infrastructure, development, and services. The $2.0 million gap between budgeted and actual compensation and benefits also provides a cushion for FY 2024. This money, if re-applied in FY 2024 to personnel, provides a source of funding to allow the FEC to enter FY 2024 at the 309-staff level and absorb the added costs of a staff that is 3% larger than the FY 2023 average.

Nevertheless, FY 2024 will have a significantly higher cost structure for personnel than FY 2023. FY 2024 Q1 (October to December) compensation costs will be higher because of the 4.86% increase in the GS pay table for 2023 versus 2022. Additionally, the president's budget calls for a 5.2% increase in salaries for 2024 over 2023, which will affect Q's 2-4 (January to September).[76] Increases in benefits costs, GS level increases, and average step will add to this increased cost structure.

A projection of FY 2024 personnel costs requires two assumptions. First, what will the staffing plan be for FY 2024 (i.e., how many staff on board and when), and second, what will the compensation and benefits costs be?

For the staffing plan, this projection tests two cases:

A. Flat staffing (309 staff): The FEC maintains a flat 309 staff level through FY 2024.
B. No-hire scenario: The FEC suspends hiring for FY 2024. As staff separate, those positions are left vacant. Historical rates of attrition would reduce the FY 2024 year-end headcount to 287.

[76] Including locality costs, the actual increase in the GS schedule for FY 2024 is 5.31%. 2024 GS Pay Table for Washington-Baltimore-Arlington.

Our projections assume that the FY 2024 per-employee personnel cost structure (compensation and benefits) will by 6.2% higher in September 2024 than in September 2023. The components of this cost increase include:

+ 0.09% through GS step increases
+ 0.57% through GS grade level increases
+ 0.74% through increased benefits overhead
+ 4.73% through increase in average salaries[77]
= 6.20% total increase for FY 2024

This total increase in personnel costs applies to both the flat staffing and no-hire scenarios. The assumptions above assume a continuation of average historical changes in year-over-year costs (other than the FY 2024 compensation change, which is specific to the president's FY 2024 budget). The increase in average per-employee cost structure will occur even if the FEC were to suspend any staff structure changes (i.e. lock in the current average GS level of staff, to include not moving lower-GS staff into acting positions after a vacancy is created). In a static staffing structure environment, increases in average pay step alone will produce this increase. For explanation, 38% of FEC staff will be eligible for a step increase in FY 2024. The average step increase will increase compensation by 2.95%, for a net cost to the agency of 1.14% by year end (38% of 2.95%). Because these steps are distributed throughout the year, the FEC will incur half of this expense on average, or 0.57%.[78] Table 11 below illustrates FEC step increases for FY 2024 in a static-staffing environment:

Table 11: Calculation of GS Step Increase Costs for FY 2024

Employee Segment	% of FEC FTEs	% Eligible for Step Increase	% of Total FEC FTEs	Average Cost of Salary Increase	Agencywide Compensation Increase
GS scale, steps 1 to 3	16%	100.0%	16.0%	3.22%	0.52%
GS scale, steps 4 to 6	28%	50.0%	14.0%	2.94%	0.41%
GS scale, steps 7 to 10	24%	33.3%	8.0%	2.70%	0.22%
GS step 10, non-GS	32%	0.0%	0.0%	0.00%	0.00%
Total Increase at YE	**100%**		**38.0%**		**1.14%**
Incurred (avg, 6 month)					**0.57%**

Under these assumptions, the direct personnel cost in compensation and benefits projects out in the following way for the two scenarios within Table 12. See Appendix C for more detail.

[77] OMB's Budget of the U.S. Government for Fiscal Year 2024 provides "an average pay increase of 5.2 percent for civilian and military personnel" (p.51). The 4.73% figure used here is a dollar-weighted average of the various segments of the FEC staff adjusted for historical salary increases relative to GS schedule increases. For example, Commissioners have not received salary increases since FY 2015, salary-capped GS-15 staff historically receive increases equivalent to 63% of the GS increase, and 84% of the staff are non-capped GS employees and will receive the full 5.2%. The President's budget can be found at:

https://www.whitehouse.gov/wp-content/uploads/2023/03/budget_fy2024.pdf

[78] It is a coincidence that this 0.57% coincides with the prior reference to 0.57% for GS level increases in the list above.

Table 12: Total Projected Personnel Costs for FY 2024 – Flat Staffing and No-Hire Scenarios

FY2024	Scenario A Flat Staffing (309 Staff)	Scenario B No-Hire End at 287 Staff
Beginning Staff Level	309	309
Change in Staff Level	0	-22
Ending Staff Level	**309**	**287**
Compensation	43,170,807	41,572,093
Benefits	16,116,535	15,517,690
Total Compensation and Benefits	**59,287,342**	**57,089,783**

Implications for the FEC if FY 2024 Budget Levels are Carried into FY 2024

If the FY 2023 funding level is carried over into the FY 2024 budget year, the FEC will have to make various operational and budgetary decisions that could include:

a) Setting aside the FTE growth plan included in the FY 2024 budget justification.
b) Pausing non-personnel systems development and investments outlined in the FY 2024 budget justification.
c) Electing to maintain the staff level at 309 employees by redirecting $2.99 million in non-personnel funds (12.2% of the FY 2023 non-personnel budget) to personnel use.
d) Adopting a no-hire and no-promotion strategy to minimize incurred personnel costs, which would still require repurposing $790k (or 3.2%) of the FY 2023 non-personnel budget to personnel use. At historical rates, natural attrition would reduce the staffing level to 287 employees by September 2024.
e) Implement a combination of these approaches or augment the above with additional staff and budget management approaches.

The following table illustrates the basis for the assumptions for the flat-309 staff scenario (item c above) and no-hire scenario (item d above):

Table 13: Impact of Budget Shortfall in Personnel on Non-Personnel Budget, FY 2024

Budget Scenarios	Scenario A Flat Staffing (309 Staff)	Scenario B No-Hire End at 287 Staff
FY2024 Budget = FY2023 Budget (Total)	81,674,000	81,674,000
FY2023 Compensation and Benefits Budget	56,299,580	56,299,580
Projected FY2024 Comp and Bens	59,287,342	57,089,783
FY2024 Compensation and Benefits Deficit	(2,987,762)	(790,203)
FY2023 Non-Personnel Budget	24,383,883	24,383,883
FY2024 Non-Personnel after Reduction	21,406,121	23,603,680
% Decrease in Non-Personnel	-12.2%	-3.2%

The scenarios outlined in the table above represent a continuation of FY 2023 funding into FY 2024. It is possible that the FEC's FY 2024 appropriation will be lower than the FY 2023 level. For example, draft language for the House Appropriations Finance Subcommittee was published on June 20, 2023, that provided $74.5 million for the FEC for FY 2024.[79] (Senate draft appropriation language has provided for a continuation of the FY 2023 appropriation level at $81.7 million.)[80] Media accounts indicate that a significant portion of the majority party in the House of Representatives is seeking a reduction in discretionary spending for federal agencies as part of the final budget. This would be consistent with the framework of the Fiscal Responsibility Act of 2023[81] and could result in a reduced full-year appropriation level and corresponding budgetary resources.[82]

To the extent that the FEC's FY 2024 appropriation is less than $81.7 million, the challenges outlined above will be exacerbated. The FEC is currently working under a continuing resolution that provides budget authority through March 8, 2024 at FY 2023 levels. If a full-year budget is ultimately passed that appropriates less than the FEC's FY 2023 appropriation, any shortfall would need to be made up within the remainder of the fiscal year, magnifying the impact of that reduction on that portion of the fiscal year.

Congress has no constraints with respect to the final FY 2024 budget and need not account for the fact that the FEC has spent a meaningful portion of FY 2024 operating under a continuation of FY 2023 appropriation levels. Congress is free to pass a budget with higher or lower spending levels as it sees fit. For this reason, it is worth considering the implications of a FY 2024 appropriation at the level included in the House draft language ($74.5 million for FY 2024).

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[79] https://docs.house.gov/meetings/AP/AP23/20230622/116153/BILLS-118--AP--FServices-FY24FSGGSubcommitteeMark.pdf (page 92)

[80] A The FEC is currently under a continuing resolution to provide funding at FY 2023 levels through March 8, 2024.

[81] https://www.congress.gov/bill/118th-congress/house-bill/3746/text

[82] The Fiscal Responsibility Act of 2023 does not articulate a specific funding level for the FEC for FY 2024. Section 101 Discretionary Spending Limits states that "for the revised non-security category; approximately $703.6B in new budget authority" is to be inserted into 2 USC 901(c). This replaces the prior value of $626.5B for fiscal year 2021 (citation below). Although this has no direct bearing on the FEC's appropriation, the broader context is that this overall appropriation level limits FY 2024 non-security spending to 12.3% over the FY 2021 level. The FEC's budget for FY 2023 was 14.2% above the FY 2021 level and could be reduced if it were brought in line with the overall spending framework. If the FEC's appropriation for FY 2024 conformed to the overall 12.3% increase over FY 2021, this would correspond to a total budget of $80.3 million – approximately $1.4 million less than the actual FY 2023 level. This comparison is not meant to be predictive, but simply for context on the broader landscape for non-security agency funding for FY 2024. https://www.law.cornell.edu/uscode/text/2/901

Table 14: Impact on Non-Personnel Costs with Appropriation of $74.5 Million for FY 2024

House Finance Subcommittee Markup	Scenario A Flat Staffing (309 Staff)	Scenario B No-Hire End at 287 Staff
Total Budget, FY2024	74,500,000	74,500,000
Compensation and Benefits	59,287,342	57,089,783
Transportation and Benefits, Former Staff	240,537	240,537
Premium Pay and Cash Awards (zero)	0	0
Available for Non-Personnel	14,972,121	17,169,680
Reduction from FY2023 level	(9,411,762)	(7,214,203)
% Reduction	-38.6%	-29.6%

An appropriation of $74.5 million would have a drastic impact on agency staffing and operations, and neither of the scenarios above may prove feasible. Rent and IT contracts alone comprise $17.5 million in the FY 2023 budget, which is greater than the total available funding for non-personnel costs in either scenario. In this case, staffing reductions would provide the only source of funds to meet these required or essential non-personnel costs.

The following table illustrates a scenario where layoffs are used to generate sufficient budgetary space for essential non-personnel costs.[83] For the purposes of this illustration, a 70/30 split is assumed for personnel and non-personnel costs. A flat reduction in agency staff for the whole of FY 2024 at approximately 272 total staff (251 non-commission staff) would allow a budget of $74.5 million to meet personnel costs at FY 2024 levels and provide 30% ($22.35 million) for non-personnel costs.

Table 15: Balanced Budget and Staff Level Assuming 70/30 Ratio of Personnel to Non-Personnel; $74.5 Million Appropriation for FY 2024

FY 2024 Layoff Scenario, 272 Total Staff	
FEC Appropriation at FY 2021 Level	74,500,000
Personnel at 70%	52,150,000
Compensation (21 Commission)	3,716,741
Compensation (251 non-Commission)	34,257,482
Total Compensation	37,974,223
Benefits at 37.33%	14,175,777
Total FEC Personnel Budget	52,150,000
Non-Personnel at 30%	22,350,000
Total FEC Budget	74,500,000
Non-Commission Staff Level	+/- 251
Total Agency Staff Level	+/- 272

[83] The FEC in its Management Response noted that furloughs are an additional tool to create personnel cost savings.

This scenario illustrates a case where 37 FEC staff would need to be laid off to achieve a personnel (compensation and benefits) level of $52.15 million. The cost structure above assumes those layoffs occurred on October 1 and were in effect for the full fiscal year. If a $74.5 million appropriation were passed in March (with October-February personnel costs having been carried at FY 2023 continuation levels), the impact and level of layoffs would be increased.

At present, there is no definite appropriation level for FY 2024 and the projections provided are merely illustrative of the range of challenges FY 2024 may present. It is clear, however, that the reality of increased personnel costs in FY 2024 in combination with the FEC entering FY 2024 at a recent high staffing level (309 employees) creates a significant budgetary and workforce management challenges. If the FEC's FY 2024 appropriation level is not adequate to sustain ongoing staffing or program levels at increased FY 2024 costs, then either staffing levels, non-personnel program implementation, or both will need to be reduced.

The FEC OIG recognizes that appropriation levels (and in some respects, budget justification request levels) are not within the FEC's power and authority to set or determine. Also, situations and external factors can influence or determine what the agency asks for and prioritizes. It is also true that the FEC for years had not requested sufficient budgetary resources to maintain or grow staff and programs.[84] These factors underscore the need to articulate and support the connection between current and future appropriations levels and the agency's ability to deliver on its mission priorities.

Recommendation 3 – Evaluate Future Budget Justifications

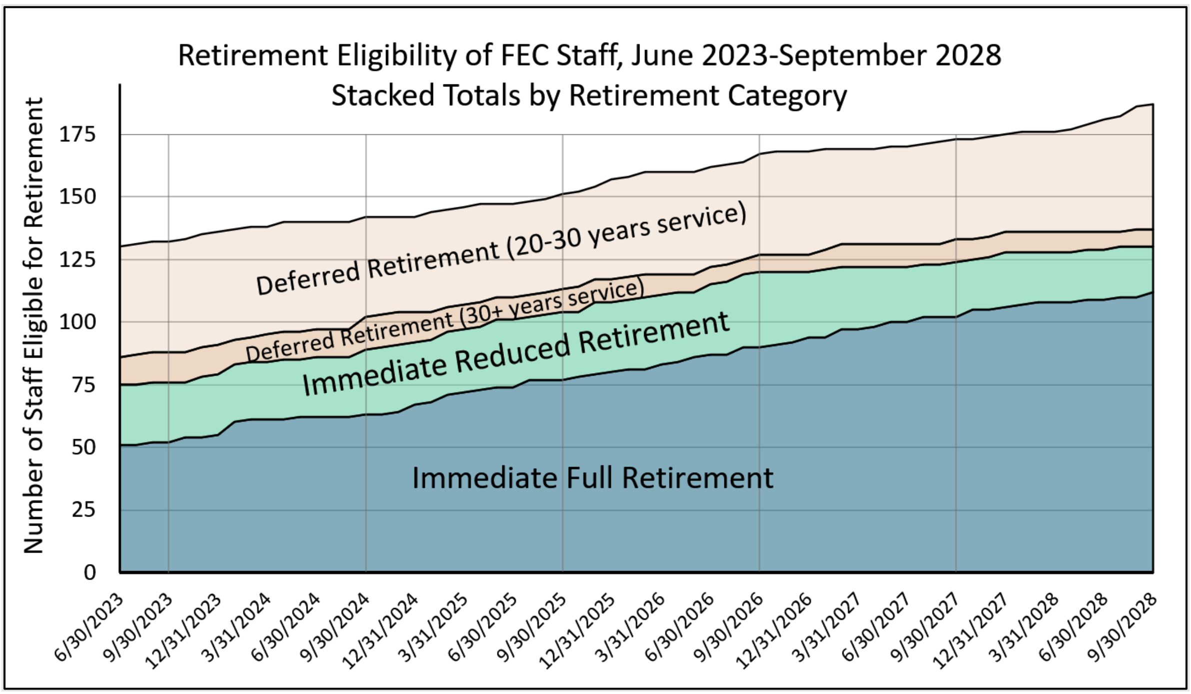
> **The FEC OIG recommends that the FEC evaluate data provided to OMB and Congressional appropriators to ensure budget justifications adequately communicate the agency's personnel budget requirements.**

[84] Over the 5-year period from FY 2016 to FY 2021, for example, the FEC requested, on average, only a 0.6% increase year-over-year. This included three years in which the agency requested either flat or reduced budget levels. The FEC received increases averaging 0.2% per year. Over this same period, the CPI increased 13.6% and the GS pay table for Washington, DC increased 12.5%. Even if the FEC had received its full budget requests for these years, appropriation level increases would have made up less than 25% of the increase in costs measured by either CPI or GS pay table. *Sources: FEC Congressional Budget Justifications, Bureau of Labor Statistics CPI Tables, and OPM General Schedule Pay Tables.*

A Majority of FEC Staff will be Eligible to Retire by 2025 [85]

Fifty-one FEC staff were eligible to immediately retire with full benefits as of June 30, 2023.[86] This is 17%, or one-sixth of the 305 total staff as of June 30. An additional 24 staff, or 8% of the total staff, were eligible to immediately retire with reduced benefits.[87] As such, nearly a quarter of the FEC staff could voluntarily retire and immediately begin receiving benefits. By the end of FY 2028 (September 30, 2028), 112 current FEC staff will be eligible for immediate full retirement with another 18 eligible for immediate reduced retirement. These numbers represent 37% and 6% of current FEC staff, for a total of 43%.

Chart 14: FEC Retirement-Eligible Staff by Segment Through September 2028



In addition to immediate retirement-eligible staff, a substantial segment of FEC employees are eligible for deferred retirement. In general, deferred retirement applies to any federal employee with five or more years of service who separates and elects to wait until they are 62

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[85] By November 2025, 154 (50.5%) of the current FEC staff will be eligible to retire in the following categories: immediate (79), immediate reduced (29), deferred with 30+ years of service (9) and deferred with 20-29 years of service (37). This does not include deferred with 5-19 years of service, early retirement through reductions in force, or disability retirement. A decision to include deferred retirement with 20 or more years of service stems from the fact that these retirements are both financially substantial and come with beneficial retirement start ages compared to deferred retirement with 5-19 years of service.

[86] This section relies primarily on data provided by the FEC: specifically, a retirement eligibility roster provided by FEC HR. This is the sole analysis in this evaluation not based on public-source data and information.

[87] Staff are eligible for immediate full retirement if they are 62 years old with 5+ years of service, 60 years old with 20+ years of service, or have reached Minimum Retirement Age (MRA) with 30+ years of service. Immediate reduced retirement is available to staff with 20-30 years who have reached the MRA but are not yet 60, or staff with 10-20 years who are not yet 62. The minimum retirement age is currently 56 years, 6 months and will increase to 57 years as of December 31, 2027.

years of age to receive benefits. This eligibility is overly broad for this discussion (all current FEC staff will qualify by June 2028, for example).

There are currently 12 FEC staff who have 30+ years of service but are not yet at minimum retirement age (MRA). This could be someone who, for example, began work at the FEC at age 22, has worked 30 years, is now 52 years old, and could retire with deferred benefits to begin in five years when they reach the MRA of 57. Staff with 20-30 years of service can retire and receive deferred benefits when they reach the age of 60. These two groups, in addition to being candidates for deferred retirement, also represent the cohorts of FEC staff who are nearing eligibility for immediate full retirement.

Table 17: Number of Current FEC Staff Eligible to Retire through September 2028

Retirement Category	9/30/23	9/30/24	9/30/25	9/30/26	9/30/27	9/30/28
Immediate Full	52	63	77	90	102	112
Immediate Reduced	24	26	27	30	22	18
Deferred 30+ Years LOS	12	13	9	7	9	7
Deferred 20-30 Years LOS	44	40	38	40	40	50
Total Immediate	76	89	104	120	124	130
Total All Types	132	142	151	167	173	187

The totals for each category of retirement-eligible staff are presented in the table above. Three groups are not included: deferred retirement with less than 20 years of service (cannot receive benefits until age 62), disability retirement-eligible staff (18 months of service), and early retirement. These are not included because they fall less within the framework of identifying and managing staff who are well-positioned to elect to retire.[88]

It is useful to know that 43% of current FEC staff will be eligible for immediate retirement by the end of fiscal year 2028 compared with 25% today. This does not mean that in 43% of FEC staff will be retirement eligible in September 2028, however. This is because some of the current (or newly) retirement-eligible staff will elect to retire in the interim period, reducing the number still with the FEC and retirement-eligible as of September 2028.

Over the period FY 2015 through FY 2022, 16.2% of staff who were eligible for immediate full retirement did elect to retire each year. This means the typical FEC staffer who is eligible for immediate full retirement continues to work for approximately six years before retiring, on average. Other retirement types (disability, deferred, immediate reduced) historically account for an additional 0.13 retirements per single immediate full retirement – approximately one additional retirement for every eight immediate full retirements.

[88] For the three excluded groups, these are comprised of staff who would receive (deferred retirement) smaller benefits farther in the future, (disability retirement) benefits related to personal circumstances they do not choose, and (early retirement) staff who are eligible for benefits only if the FEC elects to modify its workforce structure or specific position parameters.

When this historical rate of retirement is applied to the current and projected future retirement-eligible staff at the FEC, future retirement numbers and retirement-eligible staff can be estimated as follows:

Table 18: Projected Number of Retirements and Retirement-Eligible Staff Based on Historical Rates of Retirement

Projected Retirements	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Immediate Full	7.6	8.1	8.6	9.1	9.8	9.9
Other	1.0	1.1	1.1	1.2	1.3	1.3
Total	**8.6**	**9.1**	**9.7**	**10.3**	**11.0**	**11.2**
Full Time Eligible	49*	52	58	62	64	64
Total Eligible, All Types	129*	130	129	135	130	133

Projection assumes historical average: 16.2% of immediate full retirement-eligible staff retire each year (1.26% per month) with and all other retirements at +13.0% of immediate full.
**These figures differ slightly from those above because they incorporate projected retirements.*

The FEC will go from 49 immediate full retirement-eligible staff at the end of FY 2023 to 64 by the end of FY 2028, an increase of 30%. Retirements themselves will increase proportionally from just under nine per year to slightly more than 11 by FY 2028. Note that this table assumes a steady rate of retirement that is consistent with the historical average. If that rate should change (staff could elect to retire sooner once becoming eligible for immediate full retirement, for example), this will impact both the rate and number of actual retirements.

In general, for every FEC staffer who elects to take immediate full-time retirement during a given year, there are another 5.2 who are eligible and could do the same but choose to remain working. This suggests both a risk and an opportunity: a risk in that a negative change in agency morale, work, or conditions could accelerate departures of the agency's most experienced staff, and an opportunity in being able to engage retirement-eligible staff on topics are varied as current and future work goals, succession planning, or departure timing and transition.

Diversity, Equity, Inclusion, and Accessibility Needs Further Evaluation

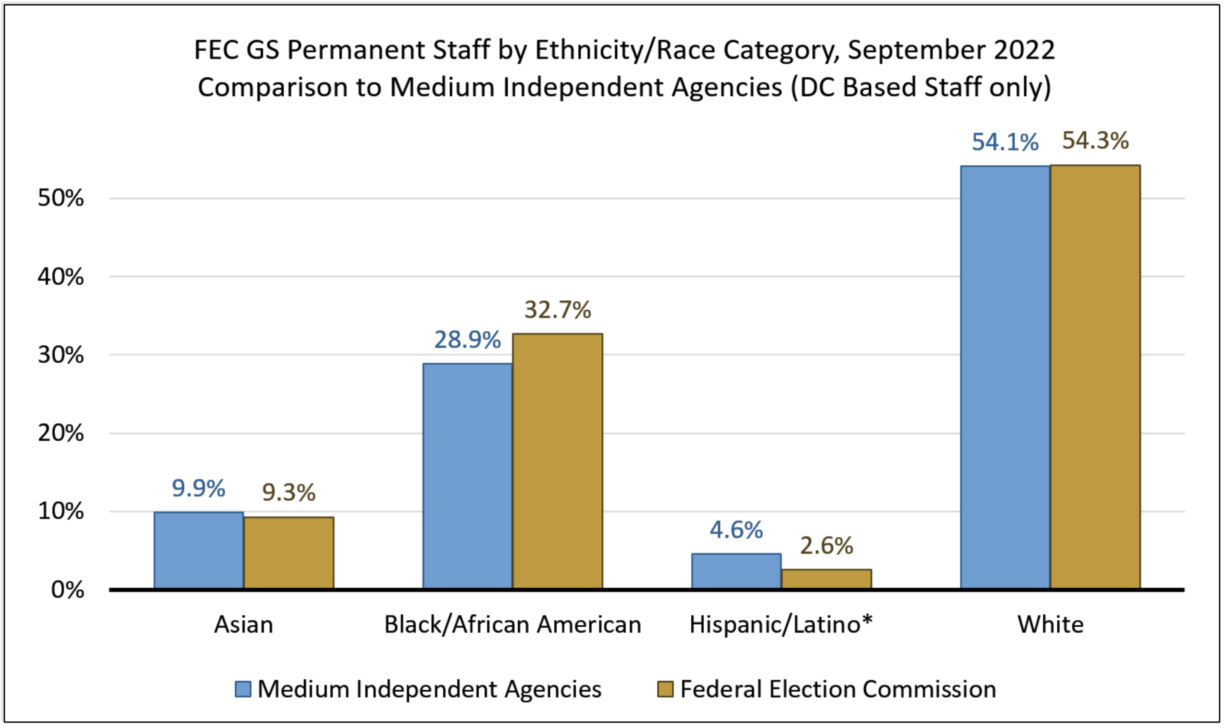
The FEC has implemented expanded Diversity, Equity, Inclusion, and Accessibility (DEIA) initiatives in the post-Covid environment. These include an agency-wide DEIA council and several affinity groups and sub-committees to pursue initiatives as broad as highlighting diversity within FEC staff, establishing employee resource groups to expand the sense of community and support opportunities, highlighting external events and resources, and exploring improvements to agency processes as fundamental as performance planning, evaluation, recruitment, and retention.

A qualitative assessment of the thoroughness and effectiveness of these initiatives is beyond the scope of this evaluation, which is focused on developing baseline statistics and metrics that describe the trends and current state of the FEC as a potential aid to future planning and management.

Toward this end, this evaluation has developed some metrics that provide perspective on the following two questions:

- Is the workforce of the FEC demographically representative?
- Are opportunity and responsibility distributed equitably?

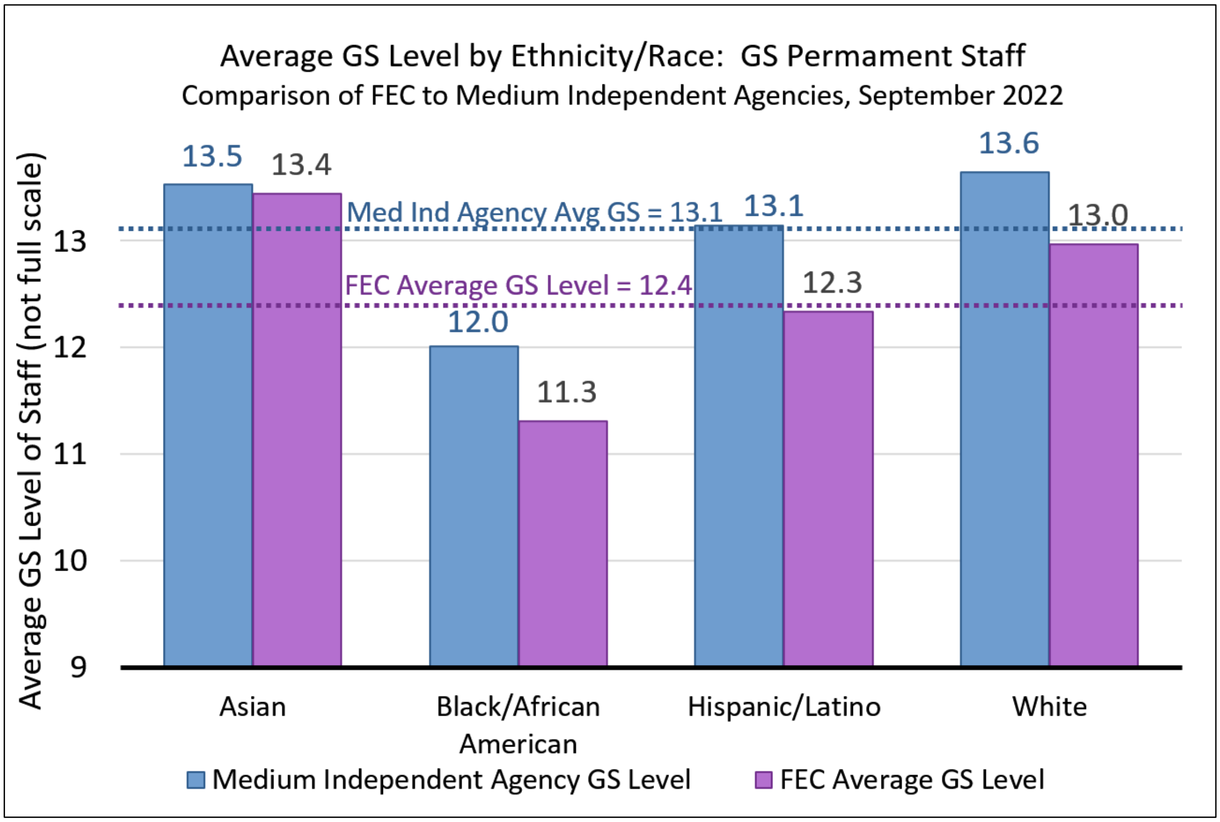
Chart 15: Distribution of FEC Permanent Staff by Ethnicity/Race[89]



The staff at the FEC is generally reflective of the overall ethnic/racial distribution of the federal workforce in Washington, DC. Although there is no absolute reference for what the distribution of FEC staff should be, a comparison can be made to the medium independent agencies used throughout this report. For this analysis, medium independent agency staff have been narrowed to Washington, DC in order to ensure that the comparison group reflects the same labor market as the FEC.

[89] This chart presents DC-based permanent (career) staff – which in the case of the FEC includes GS permanent and SL staff. Commissioners and commission staff are not included because of variations in how they are appointed/hired and rates of turnover. FedScope diversity data as of September 2022 shows that approximately four in five of the FEC's 19 non-permanent staff were white.

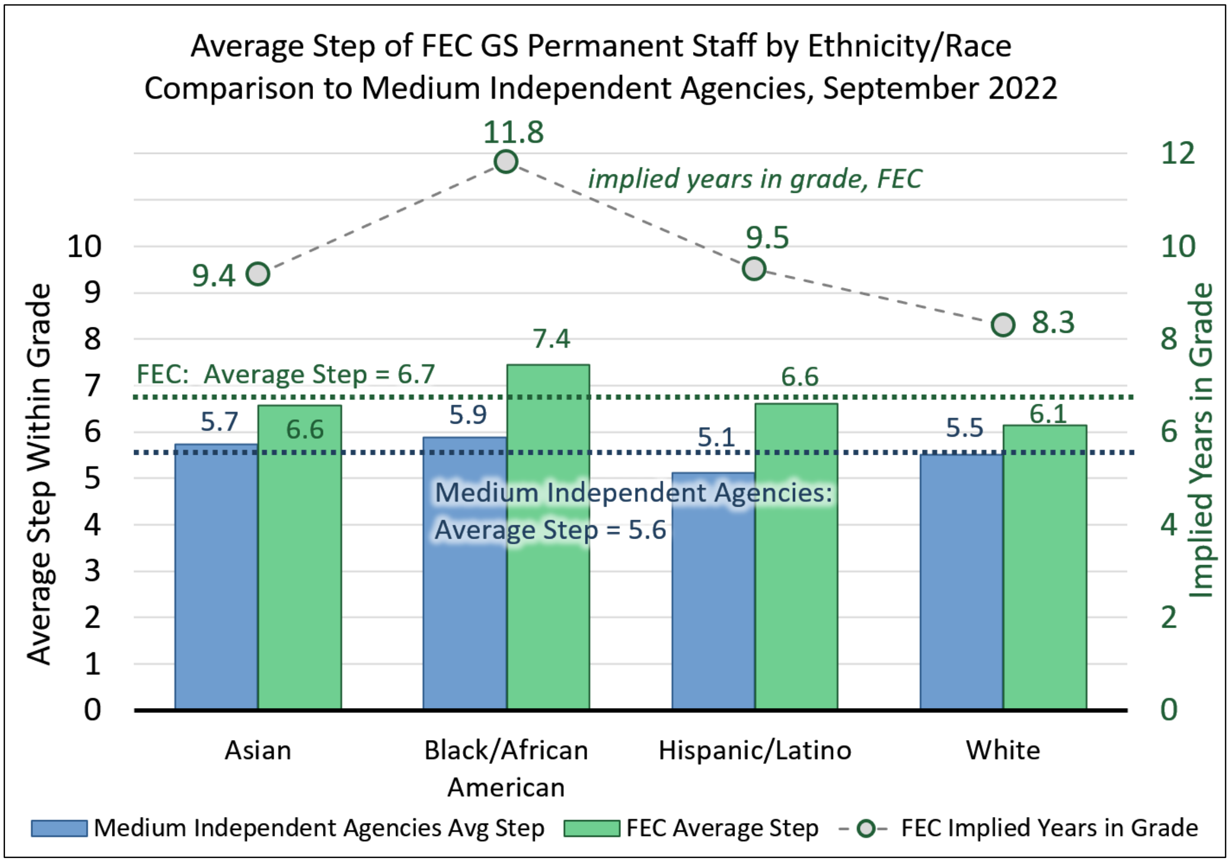
Chart 16: Comparison of Average General Schedule Levels Among GS Permanent Staff



There is an unequal distribution of responsibility among ethnic/racial categories at the FEC, as measured by average GS levels. The average GS level for GS permanent staff at the FEC is 12.4. Black/African American staff are noticeably lower with an average GS level of 11.3. This means that the average Black/African American staffer has 1.1 GS levels less responsibility, authority, and compensation than an average FEC staffer. Asian and White GS permanent staff at the FEC have above-average GS levels at 13.4 and 13.0, respectively.

It is notable, as the chart shows, that the GS level disparity with respect to Black/African American staff is also present in the GS permanent staff at medium independent agencies in Washington, DC.

Chart 17: Average Time in Grade (Time Between Promotions) by Ethnic/Racial Segment



The average FEC GS permanent staffer is paid at step 6.7.[90] This implies that the average FEC staffer has spent 9.6 years in their current GS level using the standard schedule for step level increases.[91] Black/African American staff are paid at an average step level of 7.4, which corresponds with 11.8 years in grade – 2.2 years longer than the FEC average. FedScope data cannot provide a definitive explanation for this discrepancy, but this finding is consistent with a lower rate of promotion for Black/African American staff to higher GS level positions.

The average step at which GS permanent staff are paid at medium independent agencies is 5.6 which correlates with an implied 7.2 years in grade. A similar step-level discrepancy, though much smaller, exists for Black/African American staff at medium independent agencies. The

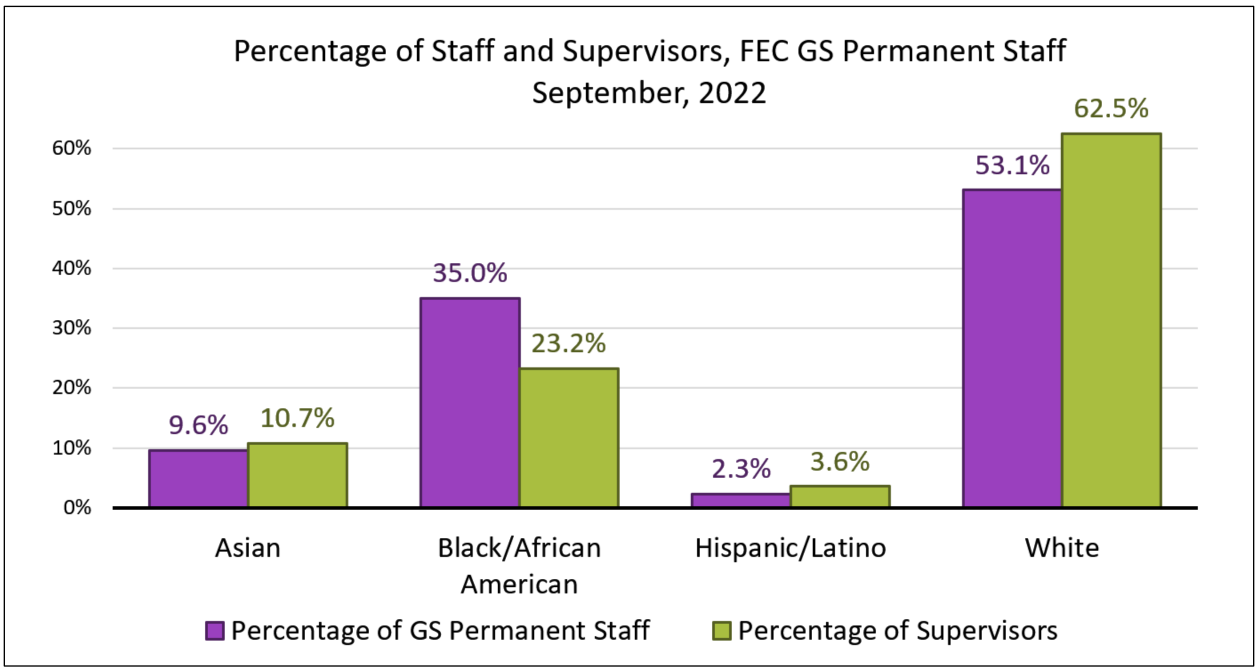
[90] For any given GS level, there are 10 steps (1 through 10) that determine the specific salary of a GS employee. Each step provides increased salary equal to 3.33% of the step 1 base salary. An employee paid at step 2 makes 1.0333x (3.33% more than) a step 1 employee. Using this relationship, the average salary for any segment of the FEC within a single GS level allows the determination of the average step for that segment within that GS level. The average step provides an implied length of service within grade through the application of the schedule for step increases.

[91] The schedule for within-grade increases is found here. Employees can also receive step increases as a reward for exceptional or meritorious service. The FEC OIG acknowledges this and the consequence that the step level does not absolutely correlate with length of service within grade. As a relative measure of promotion frequency, however, the OIG feels confident in this approach on the grounds that the approach is unbiased. Step increases outside the standard schedule would only skew results if they were applied unevenly between racial/ethnic staff groups, and the OIG does not assume this is the case.

average Black/African American GS permanent staffer at medium independent agencies is paid at step 5.9. This correlates with 7.8 years in grade, 0.6 years longer than the medium independent agency average. This suggests that the FEC is exhibiting a characteristic that is present within the larger federal employment market, though potentially to a greater degree.

One final note is that the FEC average pay step for GS permanent staff is 6.7 – 1.1 steps higher than the medium independent agency average. This suggests that the typical FEC staffer may have spent 2.2 years longer in grade, and this could be reflective of a less robust framework for promotion opportunities within the FEC staffing structure.

Chart 18: Percentage of GS Permanent Staff and Percentage of Supervisors by Ethnicity/Race



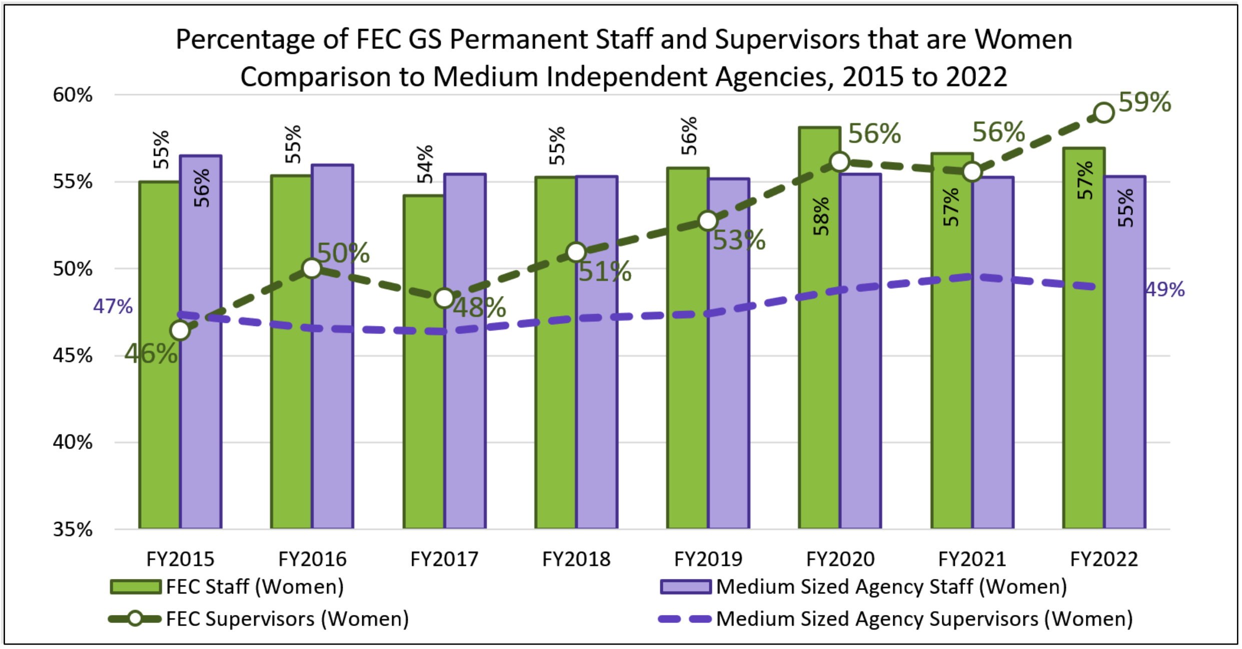
Supervisory responsibility at the FEC is not equally distributed in proportion to the overall ethnicity/race of GS permanent staff. A disparity exists for Black/African American supervisors. Black/African American staff comprise 35.0% of the total GS permanent workforce at the FEC but account for only 23.2% of the GS permanent supervisors. As of September 2022, 13 of the 56 GS permanent supervisors at the FEC were Black/African American. If Black/African American staff accounted for 35% of supervisors, in proportion to their share of the FEC GS permanent workforce, this would translate to a total of 19.2 supervisors.[92]

The under-representation of Black/African American employees within supervisory ranks is also present among the comparison group of medium independent agencies, though the degree of under-representation at medium independent agencies overall is somewhat less (approximately two-thirds as great).

[92] The percentage distribution of staff differs slightly to the percentages cited in chart 15 because this chart considers GS permanent staff only (excluding Senior Leader). The Senior Leader cohort at the FEC exhibits less diversity than the overall staff: 10 of 11 are white and 8 of 11 are male.

The lower average GS level (chart 16), greater time between promotions (chart 17), and lower proportion of supervisory responsibility (chart 18) may be inter-related.

Chart 19: Representation of Women in the FEC's GS Permanent Staff and Supervisory Roles



Supervisory representation by women is an FEC success story. It is also atypical of medium independent agencies in Washington, DC.

The FEC has bridged the gap between the proportion of women in the GS permanent workforce and the proportion of those with supervisory responsibility. In September 2015, women made up 55% of the FEC's GS permanent staff but comprised only 46% of the supervisory GS permanent staff. A woman was proportionally 30% less likely to be a supervisor than a man at the FEC in September 2015. The proportion of women supervisors to women staff has steadily increased through FY 2022. As of September 2022, the number of GS permanent women supervisors exceeded (for the first time) the proportion of women GS permanent staff at the FEC.

Among medium independent agencies, the proportional disparity of supervisory women among GS permanent staff in Washington, DC had been the same as the FEC's at 30%. By September 2022 this disparity has improved but remains substantial at 21%. The FEC is atypical in having fully bridged the disparity in supervisory representation among women.

Observation 1 – Future Evaluation of Diversity, Equity, Inclusion, and Accessibility

The FEC OIG plans to further examine issues related to DEIA at the FEC. This is not a recommendation to the FEC but is noted here because of the importance of DEIA and equal employment opportunity to the overall health of the FEC workforce.

Summary and Review of Recommendations

This evaluation was conducted to generate specific metrics and statistics to support a better view of the historical decline in FEC staffing levels, the relationship of appropriations and other factors driving resource constraints, and potential risk factors for staff retention and organizational health. This evaluation specifically avoided a qualitative review of agency policies, procedures, or goals. The specific measures, statistics, and quantitative analyses are meant to support and bolster management processes and provide potential benchmarks and metrics to support further development of workforce planning and a strategic Human Capital Plan.

Conclusions from this evaluation include the following:

- FEC staff has persistently declined over 20+ years.
  - This decline has occurred among GS Permanent staff.
  - The decline is not attributable to attrition (which is low at the FEC) but to hiring.
- Budgets have not kept pace with increasing costs through GS salary levels.
  - Additional costs beyond increases in the GS pay tables haver further contributed to the reduction in staff levels.
  - Budget justification cost projections for personnel have been lower than actual costs, leading to a shortfall in actual versus projected FTEs.
  - FY 2024 will be a challenging budgetary year, even with a full continuation of FY 2023 funding. The FY 2024 appropriation would need to increase beyond the level of FY 2023 to sustain staff and program levels.
- Resources for HR at the FEC are proportionally lower than most medium independent agencies.
- A significant portion of FEC staff is retirement eligible or will be within five years.
- Further examination of DEIA is warranted.

The FEC OIG makes the following three recommendations along with one observation:

<u>Recommendation 1 – Evaluate Long-Term Budget and Staffing Plans:</u> The FEC OIG recommends that the FEC evaluate whether its human capital planning adequately forecasts long-term costs, contemplates budget uncertainty, and addresses retention, succession planning, development, and acquisition of personnel, experience, and skills essential to successful delivery of FEC mission priorities.

<u>Recommendation 2 – Evaluate HR Resources:</u> The FEC OIG recommends that the FEC evaluate the sufficiency of HR staffing levels and of overall HR resources available to the agency. The FEC should, as appropriate, increase resources to levels commensurate with other medium independent agencies and to provide capacity for HR-related strategic initiatives.

Recommendation 3 – Evaluate Budget Justifications: The FEC OIG recommends that the FEC evaluate data provided to OMB and Congressional appropriators to ensure budget justifications adequately communicate the agency's personnel budget requirements.

Observation 1 – Further Evaluation of DEIA and EEO: The FEC OIG has initiated an audit of DEIA as well as EEO programs at the FEC. This audit is informed in part by data derived in this evaluation but is separately supported through various survey, employee satisfaction, and risk assessment processes.

Appendix A: Medium Independent Agency Comparison Group

FedScope Federal Workforce Data[93] divides agencies into four categories: cabinet level departments and large, medium, and small independent agencies. Medium independent agencies are those with 100 to 999 employees. The FEC ended September 2022 with 293 employees. As such, the medium independent agency category is comprised of agencies from approximately one-third to three times as large as the FEC, measured by employee count. The September 2022 FedScope database categories 32 agencies as medium independent agencies. This list, along with their overall employee count as of September 2022, is as follows:

- Pension Benefit Guaranty Corporation (963)
- Peace Corps (951)
- Federal Housing Finance Agency (843)
- Railroad Retirement Board (760)
- Corporation For National and Community Service (715)
- Commodity Futures Trading Commission (705)
- Office of Management and Budget (695)
- Consumer Product Safety Commission (558)
- International Development Finance Corporation (472)
- National Foundation on the Arts and the Humanities (457)
- National Transportation Safety Board (412)
- U.S. International Trade Commission (401)
- Export-Import Bank of the United States (400)
- Millennium Challenge Corporation (319)
- Farm Credit Administration (316)
- Federal Election Commission (293)
- Armed Forces Retirement Home (289)
- Presidio Trust (282)
- International Boundary and Water Commission, U.S. Section (263)
- Federal Retirement Thrift Investment Board (255)
- Office of the U.S. Trade Representative (247)
- Office of Administration (216)
- Merit Systems Protection Board (200)
- Federal Mediation and Conciliation Service (200)
- Selective Service System (166)
- Judicial Branch (165)
- Office of Special Counsel (132)
- Federal Labor Relations Authority (127)
- U.S. Holocaust Memorial Museum (126)
- Federal Maritime Commission (122)
- Surface Transportation Board (120)
- Defense Nuclear Facilities Safety Board (114)

[93] https://www.fedscope.opm.gov/

This group of 32 agencies comprises the comparison group and is used to produce comparative statistics to provide context for FEC-specific statistics. It should be noted that this group includes the FEC, but because the FEC comprises only 2.4% of the overall employment for the medium independent agency category, its inclusion or exclusion does not meaningfully effect differences between FEC and comparison group statistics or resulting conclusions.[94] This does mean, however, that comparison group statistics do not represent statistics in contrast with the FEC, but rather statistics for medium independent agencies overall of which the FEC is a part.

This report avoids the use of the word “benchmark” when presenting, analyzing, and contrasting medium independent agency comparison statistics because this could imply that the comparative statistics represent a standard or desirable outcome. If, hypothetically, the average FEC employee was 54 years old and the average at medium independent agencies was 50, this would not mean that the FEC is better or worse, or that it should seek to conform to the overall average. It merely identifies a point of difference. This does, however, not render the statistic un-useful. In this example, one conclusion might be that the average FEC staffer is closer to minimum retirement age and that there could be a benefit in increased attention to succession planning.

[94] For the purposes of defining the set of agencies in that form the comparison group, the idea of excluding the FEC from that group was considered. After evaluating a number of statistics where the FEC was either similar or substantially different than the comparison group, the impact of the decision to include/exclude the FEC was found to be minimis. This is a consequence of the fact that FEC employment comprises 2.4% of the total employment among medium independent agencies. Consider the example of HR Specialist staffing levels, where the FEC exhibits a significant difference: the FEC reached a low of 3 HR Specialist staff in September 2022. With an overall staff size of 293, this resulted in a ratio of staff to HR Specialists of 97.7-to-1 for the FEC. The ratio for the medium independent agency group including was either 35.9-to-1 or 35.4-to-1 depending on whether the FEC was included/excluded. These two comparative statistics demonstrate equally well that the FEC ended Fiscal Year 2022 with a significantly smaller ratio of HR Specialists than the comparison group of medium independent agencies. This decision necessitates a subtle distinction that the “comparison group” represents medium independent agencies overall, of which the FEC is a small part.

Appendix B: Comparison of Various Segments of Medium Independent Agency Staffing to Identify Whether One Segment is Better Suited to be the Comparison Group

This report has focused primarily on issues relating to the General Schedule, non-seasonal full-time permanent segment of FEC staff (GS permanent staff). Accordingly, comparisons to the group of 32 medium independent agencies have also been narrowed to the GS, non-seasonal full-time permanent segment of staff within the comparison group medium independent agencies. Informal agency feedback indicated a concern that for some purposes, including comparing changes in overall staffing, this subset of medium independent agency staffing may be inappropriate as comparative measure.

This appendix provides additional detail on various comparative segments of medium independent agency staffing. The purpose of this is to identify whether there is a material difference between using DC-based GS permanent staff, DC-based total staff, national GS permanent staff, or national total staff as the comparison group for hiring, attrition, and overall staff levels. This analysis will show that while there are differences between the various groups, these differences are small when compared to the significant difference that exists between FEC staffing trends and medium independent agency staffing trends (regardless of group).

From September 2015 to September 2022, the total combined staffing level for the 32 medium independent agencies increased from 12,217 to 12,284 or 0.5%. The overall FEC staffing level fell 11.5% over the same period from 331 to 293 – a difference of 12.0% from the medium independent agency increase of 0.5%.

When narrowed to GS non-seasonal full-time permanent staff, the total combined staffing level for the medium independent agencies increased by 0.2% from 6,273 to 6,283 from September 2015 to September 2022. The FEC experienced a reduction of 13.5% in the GS non-seasonal full-time permanent staffing over the same period – 13.7% less than the 0.2% increase for medium independent agencies.

When further narrowed to Washington, DC-based employment, the total combined staffing level at medium independent agencies increased by 0.6%.

Staffing Level Changes for Segments of Medium Independent Agency Staff.

Medium Independent Agencies	By Location	September 2015	September 2022	Change	Percent Change
	DC-Based Staff	7,938	7,867	(71)	-0.9%
	Non-DC-Based Staff	4,279	4,417	138	3.2%
	Total	12,217	12,284	67	0.5%
	By Pay Plan and Work Status				
	GS Non Seasonal Full Time Permanent (GS NSFTP)	6,577	6,546	(31)	-0.5%
	All Other	5,640	5,738	98	1.7%
	Total	12,217	12,284	67	0.5%
	Location & Pay Plan/Work Status				
	DC-Based GS NSFTP	4,442	4,424	(18)	-0.4%
	All Others	7,775	7,860	85	1.1%
	Total	12,217	12,284	67	0.5%

Federal Election Commission	Federal Election Commission	September 2015	September 2022	Change	Percent Change
	GS NSFTP	304	263	(41)	-13.5%
	Commissioners, Commission Staff, and SL	27	30	3	11.1%
	Total	331	293	(38)	-11.5%

Appendix C: Additional Detail for Projection of FY 2024 Budget

The information in this appendix is meant to provide additional visibility into the process, mechanics, and assumptions that underly the projections of the FY 2024 budget and accompanying scenarios. The overall process is to develop a projection basis for anticipated costs and staffing levels for FY 2024, and then reconcile this against alternative funding levels to identify the presence and extent of funding gaps for the various cases. This appendix is neither meant to be exhaustive nor definitive.

Ultimately, by exposing the process and assumptions, the interested reader can better understand the relationship between potential funding and staffing scenarios and the final budgetary conclusions and determine what aspects of the analysis may add value to their own practical planning and management. Please inquire with specific questions on data, process, and methodology that are not fully addressed here.

The overall framework for this evaluation's approach to the FY 2024 budget and staffing level analysis followed these steps:

- Use FY 2023 year-end financials to identify year-end personnel and benefit costs.
- Prepare an estimate of the extent and timing of personnel cost changes for FY 2024.
- Prepare a schedule showing likely staffing levels for natural attrition based on historical averages.
- Use the revised cost and staffing levels to prepare monthly and annual personnel cost projections for the two scenarios: flat staffing at 309 employees, and the no-hire reduction staff levels through natural attrition without backfilling.

FY 2023 Projection

The FEC ended FY 2023 with 309 staff. The estimated FTE level (equivalent full-year employees) was 300.

Appendix Illustration 1: FY 2023 Personnel Costs

FY2023		Beg Staff	End Staff	Hours	Avg Mo Hourly	Compensation	Benefits % (Cum)	Benefits	Total Comp and Bens
Actual	Oct-Dec 2022	293	298	520	61.28	9,417,006	36.0%	3,390,122	12,807,128
	Jan 2023	298	298	176	65.36	3,427,904	36.5%	1,251,930	4,679,834
	Feb 2023	298	298	160	65.16	3,106,638	36.9%	1,145,449	4,252,087
	Mar 2023	298	296	184	64.77	3,539,638	36.9%	1,305,869	4,845,507
	Apr 2023	296	302	160	65.05	3,112,130	36.7%	1,142,354	4,254,484
	May 2023	302	305	184	64.28	3,589,833	36.9%	1,325,198	4,915,031
Projected Staff @ Jul/ Aug	Jun 2023	305	305	176	63.45	3,406,210	36.4%	1,241,364	4,647,574
	Jul '23 est. staff	305	*306.3*	168	63.41	3,255,949	36.7%	1,194,281	4,450,230
	Aug '23 est. staff	*306.3*	*307.7*	184	63.01	3,559,147	39.7%	1,413,162	4,972,309
	Sep 2023	*307.7*	309	168	62.93	3,260,161	35.2%	1,148,624	4,408,785
	FY 2023 Total	**293**	**309**	**2,080**	**63.43**	**39,674,616**	**36.69%**	**14,558,353**	**54,232,969**
	FY23 Budget					41,302,200		14,987,280	56,289,480
	Under Budget					1,627,584		428,927	2,056,511

Cost Drivers in FY 2024

The historical annual rate of benefits growth is 0.74% per dollar of compensation. Alternatively, you could think of this as benefits costing $0.74 more each year per $100.00 of base compensation paid. The benefit increase generally takes effect at the beginning of the calendar year. For the first quarter of FY 2024, the 36.8% benefits overhead rate for 2023 will be applied, and this is projected to increase to 37.5% beginning in January.

GS level and step increases average 0.66% per year. These are applied by increasing the average hourly rate for FEC staff by 0.05% per month, consistent with the FY 2023 projection approach. As mentioned in the report body, this level of cost increase will occur even if the FEC implements a no-promotion policy. In this case, sheer step-level increases effect a corresponding increase in compensation costs.

The largest cost driver for FY 2024 will be the 2024 increase in basic compensation. The President's budget includes an average increase of 5.2% across the civilian workforce (referenced in report body). There are two caveats to this. Historically, the Washington, DC pay table has increased more than the national average. The pay table incorporates overall GS schedule increases and a specific locality adjustment. For the sake of this projection, there is no assumption of increased costs specific to the FEC's locality table, but it bears noting that the implemented increase could be higher.

The FEC includes four distinct segments of personnel: commissioners, commission staff, senior leadership, and GS permanent staff (which can in turn be broken into two segments – staff at the statutory salary cap and staff below this cap). This projection assumes that each segment will receive a salary increase beginning January 1, 2024, in proportion to their historical salary growth relative to GS schedule increases. For the 261 staff who are GS permanent and below GS-15 step 7, a 5.2% increase is applied. GS permanent staff at step 7 and higher – and commission staff who are predominantly paid at the salary cap as well – are projected to receive an increase of 3.28% (63% of 5.2%). Senior Leadership is projected to increase 3.75%. Commissioners receive no increase. When weighted by the total dollar value of each segment's compensation, the resulting increase for 2024 over 2023 is 4.73%.

Staffing Levels for FY 2024

This analysis uses two scenarios for staffing: a) retaining the flat staffing level of 309 employees throughout FY 2024, and b) implementing a no-hire policy for non-commission staff and allowing the staffing level to fall through natural attrition.

The annual separation rate for GS permanent staff has been 8.0% per year over the period FY 2015 through FY 2022. This corresponds to a 0.67% per month separation rate for GS permanent staff.

Appendix Illustration 2: Staffing Levels in FY 2024 By Month for Flat and No-Hire Scenarios

	Flat Staffing	No-Hire With Natural Attrition		
	Constant Staff	Beg Staff	End Staff	Avg Staff
Oct 2023	309	309.0	307.1	308.0
Nov 2023	309	307.1	305.1	306.1
Dec 2023	309	305.1	303.2	304.2
Jan 2024	309	303.2	301.3	302.3
Feb 2024	309	301.3	299.5	300.4
Mar 2024	309	299.5	297.6	298.5
Apr 2024	309	297.6	295.7	296.7
May 2024	309	295.7	293.9	294.8
Jun 2024	309	293.9	292.0	293.0
Jul 2024	309	292.0	290.2	291.1
Aug 2024	309	290.2	288.4	289.3
Sep 2024	309	288.4	286.6	287.5
FY2024	**309**	**309**	**287**	**298**

In the no-hire scenario, the FEC staffing overall level declines to 287 by the end of FY 2024 through natural attrition. This represents a decrease of 8.0% in GS permanent staff and 7.4% for the overall for total agency staff level.

Projected Personnel Costs for FY 2024: Flat 309 Staff and No-Hire Scenarios

The first scenario we consider is the flat 309 staff scenario where headcount is held constant throughout the year results in a total compensation and benefits cost of $59.29 million. This is $2.99 million more than the FY 2023 budget total of $56.30 million for compensation and benefits.

Appendix Illustration 3: Detail on Flat-309 Staff Personnel Costs for FY 2024

FY24 309 Staff		Beg Staff	End Staff	Hours	Avg Hourly	Compensation	Benefits %	Benefits	Total Comp and Bens
Projected, 309 Staff, Held Constant	Oct 2023	309	309	176	64.44	3,504,625	36.8%	1,289,702	4,794,327
	Nov 2023	309	309	176	64.47	3,506,377	36.8%	1,290,347	4,796,724
	Dec 2023	309	309	168	64.51	3,348,670	36.8%	1,232,311	4,580,980
	Jan 2024	309	309	184	67.59	3,842,621	37.5%	1,440,983	5,283,605
	Feb 2024	309	309	168	67.62	3,510,235	37.5%	1,316,338	4,826,573
	Mar 2024	309	309	168	67.65	3,511,990	37.5%	1,316,996	4,828,986
	Apr 2024	309	309	176	67.69	3,681,067	37.5%	1,380,400	5,061,467
	May 2024	309	309	184	67.72	3,850,312	37.5%	1,443,867	5,294,180
	Jun 2024	309	309	160	67.75	3,349,772	37.5%	1,256,164	4,605,936
	Jul 2024	309	309	184	67.79	3,854,164	37.5%	1,445,311	5,299,475
	Aug 2024	309	309	176	67.82	3,688,435	37.5%	1,383,163	5,071,598
	Sep 2024	309	309	168	67.86	3,522,539	37.5%	1,320,952	4,843,491
	FY 2024 Total	**309**	**309**	**2,088**	**66.91**	**43,170,807**	**37.33%**	**16,116,535**	**59,287,342**
	FY2024=FY2023					41,334,999		14,964,581	56,299,580
	(Over) Budget					(1,835,808)		(1,151,954)	(2,987,762)

It is important to draw a distinction between two potential understandings of "flat 309 staff" throughout the year. The intended use in this analysis is that the actual staff on board be 309 throughout the year. Another interpretation could be: "we have 309 positions and fill as vacancies are created". The second understanding results in a situation where the "target" headcount is 309 but the average actual headcount is approximately 302 (consistent with an FTE count of 302).

The basis for this distinction is that given the average 8% attrition rate, and the reality that government hiring is slow (taking approximately 120 days to fill a position with an external candidate), there will be, on average, 7 positions that are open and being recruited into. In order to maintain an actual staff level of 309, the agency would need to at all times be proactively recruiting/hiring toward a rough level of 316 total positions. Or put another way, the agency would have 309 staff on board and be hiring into 7 additional positions under the assumption by the time hiring actions have been completed, corresponding vacancies have been created. Allowing vacancies to accrue without hiring is functionally equivalent to accepting a 302-person staff level.

In the no-hire scenario, the FEC begins FY 2024 with 309 staff and allows the staff level to be reduced through natural attrition without backfilling or hiring into vacancies. This scenario does assume that commission and commission staff are maintained, but that career staff is allowed to shrink with separations.

Appendix Illustration 4: Detail on No-Hire Personnel Costs for FY 2024

FY24 No Hire		Beg Staff	End Staff	Hours	Avg Hourly	Compensation	Benefits %	Benefits	Total Comp and Bens
Projected, No hiring other than commission, 8% separation rate	Oct 2023	309	307.1	176	64.44	3,493,639	36.8%	1,285,659	4,779,299
	Nov 2023	307.1	305.1	176	64.47	3,473,478	36.8%	1,278,240	4,751,718
	Dec 2023	305.1	303.2	168	64.51	3,296,468	36.8%	1,213,100	4,509,568
	Jan 2024	303.2	301.3	184	67.59	3,759,030	37.5%	1,409,636	5,168,667
	Feb 2024	301.3	299.4	168	67.62	3,412,380	37.5%	1,279,642	4,692,022
	Mar 2024	299.4	297.6	168	67.65	3,392,725	37.5%	1,272,272	4,664,997
	Apr 2024	297.6	295.7	176	67.69	3,533,821	37.5%	1,325,183	4,859,004
	May 2024	295.7	293.9	184	67.72	3,673,190	37.5%	1,377,446	5,050,636
	Jun 2024	293.9	292.0	160	67.75	3,175,708	37.5%	1,190,890	4,366,598
	Jul 2024	292.0	290.2	184	67.79	3,631,069	37.5%	1,361,651	4,992,720
	Aug 2024	290.2	288.4	176	67.82	3,453,240	37.5%	1,294,965	4,748,206
	Sep 2024	288.4	286.6	168	67.86	3,277,345	37.5%	1,229,004	4,506,349
	FY 2024 Total	**309**	**287**	**2,088**	**66.81**	**41,572,093**	**37.33%**	**15,517,690**	**57,089,783**
	FY2024=FY2023					41,334,999		14,964,581	56,299,580
	(Over) Budget					(237,094)		(553,109)	(790,203)

Personnel costs (compensation and benefits) exceed the FY 2023 budget level by $790k in this scenario. It is worth noting that this scenario assumes a suspension of both hiring and internal promotion. To the extent that internal promotions or placing staff in acting positions results in higher compensation, this creates additional costs not contemplated in the table above. To the extent the organization would need to elevate staff to acting levels (at higher cost), this would increase the budget deficit outlined above.

We present one final scenario. The FY 2024 budget justification had requested funds to achieve 340 FTEs. The scenario presented below looks at the required personnel cost (compensation and benefits) required to reach 340 FTEs by September 2024. We realize that the

FEC has been under a continuing resolution and will continue to be through March 8, 2024 which does not allow the FEC to implement this staffing growth schedule. For this reason, this is illustrative only.

One additional distinction must be made: the FY 2024 budget justification provides funding for 340 FTEs. Because an FTE is, for the sake of a shorthand description, the "average" staff level throughout the year, this staffing and budget schedule does not truly achieve 340 FTEs. Starting at 309 staff and growing to 340 is roughly consistent with an average staff level of 324.5. But this scenario would have the virtue of placing the FEC, going into FY 2025, at a staff level of 340.

Appendix Illustration 5: Detail Personnel Costs to Grow Staff Level to 340

FY24 340 Staff		Beg Staff	End Staff	Hours	Avg Hourly	Compensation	Benefits %	Benefits	Total Comp and Bens
Projected, 8% separation rate, Increase Staff from 309 to 340	Oct 2023	309.0	311.6	176	64.33	3,513,390	36.8%	1,292,928	4,806,318
	Nov 2023	311.6	314.2	176	64.26	3,538,535	36.8%	1,302,181	4,840,716
	Dec 2023	314.2	316.8	168	64.19	3,401,681	36.8%	1,251,818	4,653,499
	Jan 2024	316.8	319.3	184	67.14	3,928,998	37.5%	1,473,374	5,402,373
	Feb 2024	319.3	321.9	168	67.06	3,612,439	37.5%	1,354,665	4,967,104
	Mar 2024	321.9	324.5	168	66.99	3,637,518	37.5%	1,364,069	5,001,588
	Apr 2024	324.5	327.1	176	66.92	3,836,993	37.5%	1,438,873	5,275,866
	May 2024	327.1	329.7	184	66.85	4,038,842	37.5%	1,514,566	5,553,408
	Jun 2024	329.7	332.3	160	66.77	3,535,885	37.5%	1,325,957	4,861,842
	Jul 2024	332.3	334.8	184	66.70	4,093,681	37.5%	1,535,130	5,628,811
	Aug 2024	334.8	337.4	176	66.63	3,941,904	37.5%	1,478,214	5,420,117
	Sep 2024	337.4	340.0	168	66.56	3,787,732	37.5%	1,420,400	5,208,132
	FY 2024 Total	**309**	**340**	**2,088**	**66.22**	**44,867,599**	**37.34%**	**16,752,174**	**61,619,773**
	FY 2024 = Budget Justification Amount					48,219,249		15,831,437	64,050,686
	Under (Over) Budget					3,351,650		(920,737)	2,430,913

The FEC would require $61.6 million in compensation and benefits to grow the staff level to 340. This is $2.4 million less than the budget justification amount of $64.05 million. One observation is that although the overall cost structure is below what was requested, the benefits cost is over budget. This is because the benefits cost (as a percentage of compensation) was 32.8% in the budget justification. Benefits overhead has not been this low since FY 2019 and has been increasing year-over-year. Benefits cost was underestimated by approximately $2.2 million in the FY 2024 budget request.

A second observation is that the average hourly rate for FEC staff decreases month-to-month in this budget schedule. This is because by growing the staffing level, a disproportionate percentage of FEC staff are new. New employee costs are less expensive than the FEC average. New staff may come into positions at lower average GS levels. New staff also enter the pay schedule at pay step 1 which is less expensive that steps 5 and 6 which are more typical of FEC staff. A comparison of average per-employee compensation costs between FEC staff who are new (less than one year of service) and the FEC overall average shows that new staff cost, on average, approximately 80% as much as the FEC average. This creates the paradoxical result that total agency payroll costs trend up while per-employee costs trend downward.

Appendix D: Management Response to Draft Evaluation of Staffing, Hiring, and Retention at the FEC

The following attachment is the revised Management Response provided by FEC management in response to the draft version of this evaluation provided for their review. Other than updated pagination, the Management Response is presented in its entirety and without modification.

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

December 19, 2023
February 5, 2024

MEMORANDUM

To: Christopher Skinner
Inspector General

From: Dayna C. Brown DCB
Deputy Staff Director for Management & Administration

Lauren Lien DCB for LL
Director of Human Resources

John Quinlan JQ
Chief Financial Officer

James Gerber
Budget Officer JG

SUBJECT: Management Response to Report No. IE-23-01, Evaluation of Staffing, Hiring, and Retention at the FEC

Following the December 19, 2023 submission of the initial Management Response, the Office of the Inspector General requested confirmation of Management's concurrence status for each of the three recommendations stemming from the Evaluation. As such, Management is submitting this updated response on February 5, 2024, outlining the requested information.

Management Response

In January 2023, The Federal Election Commission's Office of Inspector General (OIG) began "an evaluation of attrition, staffing and related issues at the FEC," as a follow-up to the OIG's Audit of Human Capital Management Program for Fiscal Year 2022[1]. The OIG's primary method of evaluation was to compare publicly available data sets, specifically the FEC's historical staffing data against composite data included in the Office of Personnel

[1] https://www.fec.gov/resources/cms-content/documents/FEC_HCM_Audit_Final_Report_4-25-23.pdf.

Management's (OPM) FedScope database under the category of "Medium Independent Agencies (100-999 employees).[2] This Evaluation resulted in the following "main takeaways and observations":

- FEC staff has persistently declined over the last 20 years.
- This decline has occurred among General Schedule (GS) permanent staff.
- The decline is not [stet] attributable to hiring, not attrition (which has been low at the FEC).
- FEC budget growth has not kept pace with increasing GS salary levels.
- Additional costs beyond GS salary level increases have contributed to the reduction in agency staffing levels.
- Actual per-staffer personnel costs have exceeded budget justification projections.
- The FEC will experience a budget shortfall in personnel costs if the FY 2023 appropriation level is carried over into FY 2024.
- The FEC has fewer HR staff than comparable medium independent agencies.
- A significant portion of FEC staff is retirement-eligible or will be within 5 years.
- Further examination of DEIA issues is warranted in light of potential disparities identified in this evaluation.

Management shares many of the OIG's concerns. The FEC's funding levels have not kept up with the agency's needs, and as a result, staffing levels have fallen over the past decade. Together, these factors have left the FEC challenged to meet its mission and complete its workload, which continues to grow as the level of campaign finance activity reported each election cycle continues to increase. During the past several fiscal years, the FEC was able to meet its statutory mission primarily due to efficiencies gained by reassigning staff using details, maximizing operational efficiencies through reorganizations, and improving technology and processes, among other efficiencies. However, in recent years the FEC has begun to exhaust the benefits that can be gained through such efficiencies and has, in some situations, reduced performance targets in response to these reductions in staffing amid increasing campaign finance activity.

In recent years, the FEC has enumerated these challenges in Congressional Budget Justifications (CBJ) and other reports to Congress, making a strong case for increased funding above the levels recommended to federal agencies in annual budget guidance. As the OIG notes, for FY 2023 the FEC requested and received an appropriation representing a 9.6% increase over the funding level for FY 2022. At this increased funding level, the FEC set as a priority filling vacant positions and rebuilding staffing levels during FY 2023. As a result of this priority, the agency more than doubled its external hires as compared to FYs 2021 and 2022, and FY 2023 ended with an approximately 5.5 percent increase over FY 2022 in the

[2] https://www.fedscope.opm.gov/datadefn/index.asp.

number of employees onboard on September 30. Management agrees with the OIG that the FEC must continue to work to rebuild its staff, and the agency has requested a 14.5 percent increase in funding over FY 2023 levels for FY 2024.

Management also appreciates the rigor of the data analysis presented by the OIG. In some cases, this analysis helps to confirm Management's own assessments. For example, Management agrees the FEC will require continued funding increases across future fiscal years in order to keep up with rising personnel costs and increased campaign finance activity while rebuilding staffing levels to meet the agency's workload. The OIG's assessment of the effects of a proposed $74.5 million funding level for the remainder of FY 2024, representing a 9.6 percent reduction from current funding, similarly confirms Management's own assessment of the necessary staff-reducing measures the agency may be required to take under this scenario.[3]

However, as discussed below, Management disagrees with the assertion in Recommendation 1 that stagnant appropriation levels and the resulting staff reductions experienced by the FEC are a result of inadequate human capital planning and forecasting. Management also disagrees that root causes behind the FEC's historical appropriation and staffing levels can be usefully identified through the methodology presented in this Evaluation. As discussed in further detail below, Management does not find observations from comparisons between the FEC's topline staffing and funding levels and that of an aggregated data set composed of federal agencies that are between one-third and three-times the FEC's staffing size sufficiently informative to override the mitigation strategies Management has identified through its own research. FedScope data is compiled by OPM, the federal agency charged with the mission of leading federal agencies in workforce policies, programs, and benefits.[4] Grouping federal agencies according to the size of their workforces is consistent with OPM's focus on workforce management. However, the agencies included in FedScope's cohort of "medium independent agencies" must also meet their various mission objectives. As a result, while they may be somewhat comparable in staffing size, they may face different challenges to their missions over time, have vastly different budget compositions, receive several appropriations or multi-year funds or maintain significantly larger or smaller property portfolios. Congressional appropriations for these agencies reflect the agencies' missions, which are not necessarily reflective of the size of their staff.[5] In short, appropriation levels for a particular agency will

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[3] Management notes that under this funding scenario the agency could take measures other than a reduction in force, such as furloughs, to reduce the number of staff workdays, and that cuts would be made to non-personnel spending as well.

[4] https://www.opm.gov/about-us/strategic-plan/mission-vision-values/

[5] For example, the FEC, which is categorized by FedScope as a medium independent agency, is funded by a single annual appropriation for salaries and expenses. Historically, approximately 70 percent of the agency's budget is composed of expenses related to personnel, such as salaries and benefits costs. Of the agency's remaining operational expenses, the largest categories are IT operations, including IT security requirements, and facilities rent. The FEC maintains a single headquarters located in Washington, DC. For FY 2022, the FEC received an appropriation of $74 million and ended the year with 293 employees on board. Another agency identified by FedScope as a medium independent agency, the Commodity Futures Trading Commission (CFTC), received a $318 million appropriation for salaries and expenses in FY 2022 (approximately 4.25 times that of the FEC) and

reflect activity beyond personnel expenses, and agencies that are categorized together for purposes of staffing assessments should not necessarily be categorized together for the purposes of appropriation comparisons. As a result, while generally informative, Management does not find the comparisons gleaned from this high-level evaluation of data sets to provide uniformly actionable and specific takeaways.

Recommendation 1

Evaluate Long-Term Budget and Staffing Plans: The FEC OIG recommends that the FEC evaluate whether its human capital planning adequately forecasts long-term costs, contemplates budget uncertainty, and addresses retention, succession planning, development, and acquisition of personnel, experience, and skills essential to successful delivery of FEC mission priorities.

Management shares the OIG's commitment to ensuring the FEC's human capital management planning and budget development programs support the agency's success in meeting its mission and strategic objectives. Toward this end, Management has previously considered and evaluated the primary concerns raised by the OIG in this report through the agency's regular planning and assessment processes. Based on these evaluations Management does not agree with the assertion in Recommendation 1 that improved human capital planning would result in Congress providing larger appropriations for the agency.

The OIG's Evaluation covers budget and staffing data and risks to the agency through the end of FY 2022 and identifies risks related to flat funding for the agency, reduced staffing levels and rising workloads resulting from significant increases in federal campaign finance disclosure activity. During FY 2022, Management also undertook an assessment of the agency's enterprise-level risks. The FEC's FY 2022 Enterprise Risk Management (ERM) assessment[6] identified the following risks regarding budget and staffing issues:

- "Budget Constraints That Limit Hiring and IT Modernization Initiatives" was identified as a Very High inherent risk that is outside of Management's control;
- "Significant Increase in Federal Election Campaign Disclosure Activity" was identified as a Very High inherent risk that is outside of Management's control;
- "Multiple Acting Positions, Including Key Positions" was identified as a High inherent risk to be monitored;
- "Attrition and High Volume of Retirement Eligible Employees" was identified as a High inherent risk to be mitigated through succession planning and employee engagement efforts;

ended the fiscal year with 705 employees onboard (approximately 2.5 times that of the FEC). The CFTC maintains a facilities portfolio that includes four locations: Washington, DC, Kansas City, Chicago, and New York. They also sublease a COOP facility. (https://www.cftc.gov/sites/default/files/CFTC_FY_2024_President_Budget_Report.pdf).

[6] https://www.fec.gov/resources/cms-content/documents/FEC_FY_2022_Agency_Financial_Report_Final_11_15_22.pdf.

- "Major Functions Performed by One Individual" was identified as a Medium inherent risk to be mitigated through cross training and process documentation.

For each of these risks, Management has identified mitigation strategies and continues to pursue these mitigation strategies and other proposed actions at an enterprise-wide level, rather than focusing on one or two agency functions, such as budget development or human capital management. The risk assessment and proposed mitigation measures identified in the ERM are, in Management's view, more accurate assessments and more meaningful measures than those proposed in the OIG's recommendations. Management does not agree that the OIG's high-level comparison of the FEC's budget and staffing data to corresponding aggregate data included in the FedScope dataset of medium independent agencies provides "actionable indications of future steps" the FEC should take instead of, or in addition to, recent steps already taken by Management. Management looks forward to discussing these issues further with the OIG but notes that enterprise risk management is ultimately a management responsibility.[7]

In addition to identifying these enterprise-level risks and their attendant mitigation strategies during FY 2022, Management undertook research to support development of the FEC's FY 2023 Congressional Budget Justification (CBJ), published in March 2022. In the FEC's FY 2023 CBJ, the agency requested—and ultimately received—a 9.6 percent increase in funding over FY 2022 levels. For FY 2024, the FEC requested $93.5 million in funds to support its operations during the 2024 presidential election year, representing a 14.5 percent increase over the agency's enacted appropriation for FY 2023. In the FEC's FY 2024 CBJ, Management has included in Section 3D: 1, *Major Management Priorities, Challenges and Risks,* a detailed analysis of challenges faced by the agency due to increasing workload coupled with decreasing staffing levels. The analysis published in the FEC's FY 2024 CBJ, and the underlying data and research that supports it, "forecasts long-term costs" and "contemplates budget uncertainty," as requested by the OIG in Recommendation 1. While Management understands that the process of forecasting and planning for budget and staffing can never be perfect or complete, Management does not agree that the information provided in the OIG's Evaluation of Staffing, Hiring and Retention at the FEC provides more useful data for assessment than that already

[7] OMB Circular A-123, II D, Role of Auditors in Enterprise Risk Management, establishes Management's and auditors' respective roles in enterprise risk management: "Management is responsible for Enterprise Risk Management systems. Internal or external auditors conduct independent and objective audits, evaluations, and investigations of an Agency's programs and operations, which includes aspects of the internal control and risk management systems. Management uses the results of such evaluations, including accompanying findings and recommendations, to monitor the design or operating effectiveness of these systems at a specific time or of a specific function or process. Auditors are also responsible for keeping management informed about risks that it detects, including fraud risks, and thereby provides information to management for use in the identification and assessment of risks. Management and external auditors might have different interpretations of risks based on their respective roles and responsibilities. The agency risk function should seek to coordinate their roles so that the independence and scope of the external auditor's role is preserved while ensuring the continuing flow of risk information to the risk management function."

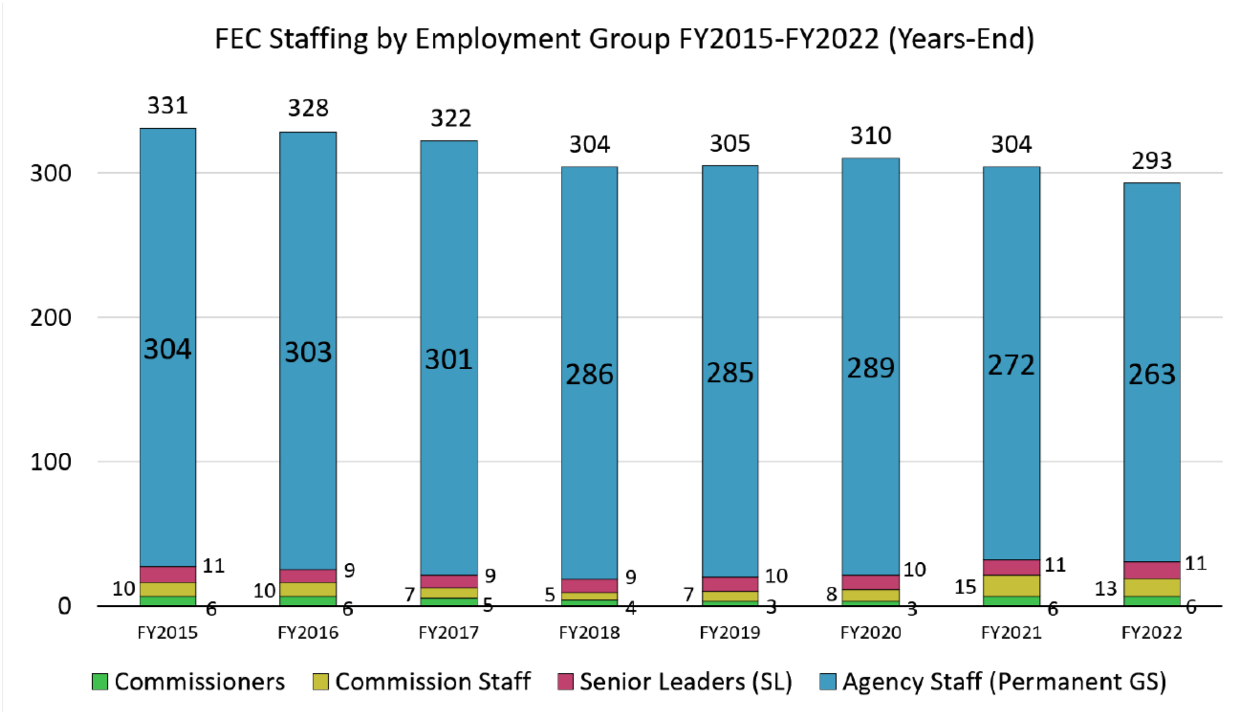
utilized by management.[8] As a result, Management does not agree that the activities described in Recommendation 1 support the goal shared by FEC Management and FEC OIG: increasing agency funding and staffing levels.

Managements' assertion that its FEC-focused evaluation of the challenges facing the agency yields more actionable data than that offered in the OIG's Evaluation is supported by the information provided in the OIG's Evaluation. The OIG arrives at Recommendation 1 after a series of comparisons between the FEC's publicly available staffing and funding data and similar data available for the group of 32 federal agencies included in the category of "medium independent agencies" by OPM in the FedScope database. The agencies included in FedScope's group of "medium independent agencies" are agencies with between 100 and 999 employees. While Management appreciates this opportunity to consider the FEC in the context of larger government-wide staffing trends, Management believes that steps to mitigate staffing, budget and workload trends at the FEC are most usefully developed based on the specific circumstances of the FEC.

For example, in its Evaluation the OIG has chosen to focus on FEC staffing levels in the "permanent GS category," in large part because this category represents the largest cohort of employees at the FEC, but also because "GS permanent staff are widely used at other independent agencies, allowing FEC staffing profiles and trends to be compared broadly against other agencies" and "Commissioners are Presidentially Appointed and Senate-confirmed (PAS) positions provided by statute and thus fall outside of agency management." Having made the choice to focus on the most comparable datasets, and to exclude consideration of factors outside of Management's control, the Evaluation does not give further consideration to commissioners and commissioners' staff, which comprise more than 7 percent of the agency's workforce.

In contrast, Management's more FEC-focused assessment of staffing risks takes into account all employee cohorts. Taking all types of employees into account surfaces the specific staffing risks to the FEC that result from the loss of a quorum of commissioners. As illustrated in the OIG's **Chart 3: FEC Headcount by Staffing Segment, FY 2015-2022,** shown below, the FEC did not have a full complement of Commissioners between FY 2017 and FY 2021. Significantly, as noted in the OIG's Evaluation, footnote 6, the FEC lacked a quorum of four commissioners for nearly all of FY 2020.

[8] Additional human capital management activities identified in Recommendation 1, such as "retention, succession planning, development, and acquisition of personnel, experience, and skills essential to successful delivery of FEC mission priorities" were discussed and addressed in greater detail as part of the OIG's Audit Report of the Federal Election Commission's Human Capital Management Program for Fiscal Year 2022. Management refers the OIG to that discussion.



Without a quorum of at least four commissioners, the FEC cannot take any official actions except those enumerated in FEC Directive 10, *Rules of Procedure of the Federal Election Commission Pursuant to 2 U.S.C. 437c(e),* Section L. Specifically, under Directive 10 when the Commission is without a quorum it can only make acting or temporary appointments of staff at the GS 15 level or above and cannot appoint a permanent Staff Director, General Counsel or Chief Financial Officer.[9]

In FYs 2020 and 2021, the FEC listed in its ERM "Absence of a Quorum/Confirmation of Commissioners" as a Very High or High risk that was outside of the agency's control.[10] According to Management's internal assessments, the lack of a commissioner quorum during part of 2019 and most of 2020, and the lack of a full complement of commissioners during FYs 2017 and 2018, negatively impacted the agency's staffing and budget planning in two ways. First, no permanent selections could be made at the GS 15 level or above, which left senior staff in acting positions and had a cascading effect on the agency's ability to hire for permanent positions across GS levels. Second, the lack of a full complement of commissioners and commissioners' staff during FY 2017 through FY 2020 reduced the year-over-year baseline for the FEC's personnel costs, which is the starting point for future budget planning and forecasting activities under Office of Management and Budget guidance. Because the appointment and confirmation of commissioners and the timing of such appointments and confirmations are outside of Management's control, Management necessarily included funds

[9] https://www.fec.gov/resources/cms-content/documents/directive_10.pdf.

[10] https://www.fec.gov/resources/cms-content/documents/FY_2020_Agency_Financial_Report.pdf and https://www.fec.gov/resources/cms-content/documents/FY_2021_Agency_Financial_Report.pdf,

for six commissioners and sixteen commissioner staff members when projecting future budget levels. In years where no commissioner confirmations occurred, the FEC filled staff positions with funds otherwise set aside for these leadership positions. When the FEC gained a full complement of commissioners and their staff, these personnel funds were no longer available for use by other offices and divisions. Although commissioners and their staffs represented a relatively small number of positions overall, the vacant seats were significant because of the relatively small number of employees at the FEC and the fact that these positions are at higher pay levels. Thus, in Management's assessment of FEC staffing trends, an up-to 50 percent reduction in employees within the Commissioners cohort between 2016 and 2021, though only representing three employees, had an outsized effect on the agency's staffing plans that is not captured in the OIG's Evaluation and not easily resolved by a recommendation that focuses on retention and succession planning in the GS permanent cohort.

In another instance, the OIG compares the FEC's appropriations history over the past several years to that of the 32 agencies identified by OPM as "medium independent agencies" and notes that the FEC's relatively flat funding levels over this period are not reflective of an overall trend across agencies. Management agrees that without sustained increases in funding levels, the agency will be significantly challenged to meet workload and mission requirements. However, as discussed above, Management questions whether the group of 32 agencies included in a dataset based on staff size remains a useful point of comparison when agencies are compared according to appropriation history.

Moreover, when the OIG considers the FEC's appropriation history it does not appear to similarly consider the timing of agency appropriations and the effects of continuing resolutions on the FEC's ability to hire. The OIG began its Evaluation in January 2023, at the start of the second quarter of FY 2023. This was also when federal agencies received their FY 2023 appropriations after spending the first quarter of the fiscal year under a series of continuing resolutions, some of which lasted only a week. With a single appropriation for personnel and non-personnel expenses, and approximately 70 percent of its annual budget dedicated to personnel costs each year, the FEC is particularly sensitive to the availability of funding when it chooses to hire. Although the agency was able to move quickly to hire once 2023 funds were released at the end of December, a quarter of the fiscal year had already elapsed. As the OIG notes in its Evaluation, Congress has since publicized a possible FY 2024 budget for the FEC that would represent a 9.6 percent cut from FY 2023 levels. Currently the FEC is again funded by continuing resolutions through the first quarter of the fiscal year, and in keeping with prudent management practices has slowed hiring while it awaits funding for FY 2024. Lengthy continuing resolutions that slow the pace of hiring during the fiscal year are among Management's considerations when determining actual hiring number numbers during the year, as opposed to projected hires. Thus, in cases such as this, neither the agency's hiring pace nor the upcoming level of funding for the agency requested in CBJs are a cause of the slow pace of hiring.

The disparity between the types of concerns resulting from OIG's high-level assessment of staffing, hiring and retention at the FEC and those resulting from Management's assessment is most notable where the OIG posits potential causes for the FEC's reduced staffing levels. For example, the OIG raises a concern that over time the FEC workforce has become more expensive to the agency, even beyond amounts attributable to increases in salaries and benefits costs, because more employees are at higher grade levels and more employees are at higher step levels within their grades. The OIG notes that, "this change may reflect a shift away from clerical or manual review processes to automated technology-leveraged processes and higher per-dollar returns on personnel costs." Nevertheless, the OIG maintains that the shift toward higher-grade-level and higher step-level employees has raised the agency's per-employee costs in a manner that negatively impacts overall staffing levels.

Management agrees with the OIG that the agency's staff has shifted toward higher grade-levels and step-levels within grade. However, Management points out that a reduction in positions at lower GS levels has been a response to, not a cause of, lower staffing levels. In recent years, given the percentage of obligations tied to personnel expenses, the FEC has critically considered every hire. Currently staffing planning is happening on a micro-level by the agency's divisions, where workload, tools, mission and funding are taken into account with every request to hire. These requests are then prioritized at a macro-level by agency leadership and the Personnel Committee, budget permitting. Efficiencies employed by Management to maintain agency performance at lower staffing levels specifically include long-term plans to detail employees to high priority roles, implementing technological and automation efficiencies and pooling support services. Pooling support resources and cross training employees to perform major functions are also mitigation strategies identified in the FEC's ERM to lower the risks stemming from a high volume of retirement eligible employees and major functions being performed by a single individual. Although these mitigations strategies have resulted in the FEC hiring and retaining staff at higher salary levels, they have also ensured that the agency continues to meet its mission with reduced staffing levels.

Thus, while Management appreciates the context provided in this Evaluation and will continue to investigate the FEC's staffing and funding posture in relation to that of other agencies of a broadly similar staffing size, Management does not agree that information provided in the Evaluation supports the remediations described in Recommendation 1. As such, Management does not concur with Recommendation 1. FEC's practical approach to human capital planning and budget planning forecasts long-term costs within OMB instructions, contemplates and attempts to mitigate budget uncertainty, and addresses the stated HR management strategies with the goal of building a workforce that can successfully deliver FEC mission priorities. As outlined above, the robust and context-specific strategies and considerations used by the Agency to conduct this iterative work takes place on an ongoing basis.

Recommendation 2

The FEC OIG recommends that the FEC evaluate the sufficiency of HR staffing levels and of overall HR resources available to the agency. The FEC should, as appropriate, increase resources to levels commensurate with other medium independent agencies and to provide capacity for HR-related strategic initiatives.

The FEC generally agrees with Recommendation 2 and has already undertaken the activities described in the recommendation. As described in responses to the OIG's Audit of Human Capital Management Program for Fiscal Year 2022, the FEC performs evaluations of staffing for all divisions on a continuous basis. The evaluation period of the Special Review of Staffing, Hiring, and Retention was FY 2022, and since that time, the Office of Human Resources (OHR) and Office of the Staff Director (OSD) management reviewed and evaluated OHR staffing levels to determine the ongoing sufficiency of HR staffing levels and of overall HR resources available to the agency. As a result of this review, it was determined that OHR needed to prioritize backfilling a vacant HR Specialist position and created two new positions to fill gaps identified in the aforementioned evaluation. The FEC's Personnel Committee supported OHR's requests and approved filling all three positions as well as a backfill position created when an HR Specialist received an internal promotion. OHR permanently filled three of these positions in FY 2022 and FY 2023. While the fourth position has approval to fill, OHR currently cannot fill the position. As described in greater detail above, uncertainty regarding the timing and the level of funding for the FEC for the balance of FY 2024 has led to a pause in hirings, and OHR will seek to fill the position once hiring resumes.

These additional hires bolster OHR's workforce and capacity, while also significantly reducing the gap between the FEC's per-employee HR staff levels and those at other medium independent agencies, noted by the OIG. The additional staff onboarded by OHR brings the office to a total of six employees,[11] which is a 50 percent increase over previous staffing levels. With the agency's current workforce of 307 employees, the per-employee HR staffing level is reduced from 74.5 employees per HR employee as cited in Table 6 of the Evaluation to 51.2 employees per HR employee. Further, once OHR is able to hire for the seventh staff position, the per-employee HR staffing level would be further reduced. If the FEC maintains its current staffing level, the per-employee HR staffing ratio reduces even further to 43.9 employees per HR employee. This is very close to the average ratio of 35.1 staff per HR employee that the Evaluation cites for medium independent agencies.

In addition, the agency continues to use OPM's HR Solutions as a resource to further expand its capacity. While not factored into the per-employee HR staffing level, relying on this service allows the FEC access to increased staffing resources and to consult subject matter experts when needed. Benefits to FEC's OHR include:

[11] Five of these employees are in Occupational Series Code 0201.

- Access to higher-graded experts than what FEC has been historically able to recruit and retain in comparable subject matter areas;
- The ability to scale up and scale down on a particular subject matter area, such as staffing, as workload dictates;
- The ability to shift resources between HR specialties, such as move staffing to classification; and
- Access to support for internal and external audits, government-wide best practices, and special/complex cases.

Management appreciates the OIG's agreement "in principle" that "OPM's HR Solutions has the potential to leverage the FEC's investment in overall human resources capacity." Management intends to continue the FEC's partnership with HR Solutions during the remainder of FY 2024 and throughout FY 2025.

Thus, Management partially concurs with Recommendation 2. While Management generally agrees with the recommendation and the important role HR plays in Agency administration and support, Management has already completed the evaluation activities suggested in the recommendation and has implemented multiple strategies to enhance HR resources available to the agency within current budget constraints. The FEC's existing evaluation process paired with successfully implemented strategies demonstrates that FEC's current approach to evaluating and monitoring the sufficiency of HR staffing levels and HR resources available to the agency is working effectively. As such, while Management's current evaluation process will continue, it considers this recommendation closed.

<u>Recommendation 3</u>
Evaluate Budget Justifications: The FEC OIG recommends that the FEC evaluate data provided to OMB and Congressional appropriators to ensure budget justifications adequately communicate the agency's personnel budget requirements.

Management agrees with the recommendation and partially agrees with the conclusions reached by OIG through the analyses included in the report. The OIG Evaluation provides important historical context of FEC's budgets. For much of the last decade, FEC's budgets have been flat and likely decreasing in real terms once personnel and other inflation is considered. One consequence of this decrease in inflation adjusted budgets is lower staffing levels.

Management intends to respond to Recommendation 3 by incorporating important pieces of the OIG analysis into its Budget document. These include the impact of mandatory pay and benefit increases on the topline FEC budget estimate. In recent years, FEC requested increases to support growth in personnel and non-personnel areas of the budget. For example, the FY 2023 requested and enacted appropriation resulted in an over nine percent increase in the FEC budget. Utilizing the OIG material for future budgets will help clarify how higher personnel costs will grow budget need to maintain current service levels.

While we agree with Recommendation 3, Management sees several additional aspects of the Federal budget cost estimating and approval process as predominant factors that determine ending budget figures and that were only partially considered in OIG's conclusions. For example, an important perspective when analyzing FEC's budget is its relatively small place in the structure of the larger Federal Budget process. For instance, like other agencies, FEC must generally follow OMB circular A-11 guidance for preparation of its budget. The current version of A-11 provides guidance and direction to forego budgeting for within-grade pay increases and incorporate savings from hiring lag times, leave without pay and filling vacancies at lower rates of pay. In addition, it provides guidance to budget at entry level salaries, when, for example, replacing employees who retire. While FEC maintains certain flexibilities through its independent budget bypass authority, it must be cognizant of the structure and format of information provided by other agencies to provide the most useful and compelling information for Congress and OMB.

The OIG also rightly identifies the almost two-year time lag between initial budget development and enactment. During this time, Congress and OMB analyze individual budgets and often make decisions based the collective defense and nondefense discretionary and mandatory spending levels. These discussions can often take time and ultimately drive the specific funding levels for individual agencies, such as the FEC, as well the timing of appropriation enactment during the fiscal year. In addition, during this time, FEC's operations and needs evolve, based on attrition of specific employees, technology trends and potentially because of policy changes.

By its nature then, the FEC budgets are estimates that must incorporate some degree of possible future scenarios. This can be seen, for instance, in per employee costs estimated in FEC budgets. Much of the per staff, per year difference in budget calculations compared to the OIG analysis is likely due to when employees on-board, instead of specific cost drivers identified by OIG. These timing differences can lead to meaningful differences in budget execution. For example, a later enactment of an appropriation and consequently later initiation of hiring can create a funding balance at the end of the fiscal year. The one-year availability of FEC appropriations would then cause this funding to be "lost" and could harm the viability of future FEC requests. The reverse is also true, if enactment of an appropriation occurs before the timing estimates assumed in the initial budget. Given this, the FEC budgets take great care to estimate funds needed to support agency priorities, while also requesting levels that are executable within many possible future scenarios.

Appendix E: Edits and Changes Between the Draft Evaluation Provided to Management and the Final Report

The following list identifies all additions and revisions made to this report between the draft version provided for FEC management response and the final published version.

- Accessibility content has been added in compliance with Section 508 Standards[95] of accessibility to persons with disabilities.

- The FEC Management Response was added in its entirety as Appendix D.

- A summary of the FEC Management Response, including OIG observations, was added.

- Summary section 12 on supervisory disparities was expanded to incorporate a chart showing that the FEC successfully bridged the supervisory gap that had historically existed with respect to women. This chart had previously appeared only in the evaluation body.

- The first "not" was removed from the third bullet in the list of takeaways. "The decline is not attributable to hiring, not attrition (which has been low at the FEC)." now reads "The decline is attributable…".

- A statistic was introduced and used in the OIG discussion of the FEC Management Response. It had not been present in the Draft Evaluation reviewed by management and reads as follows:

  > "Of the 31 non-FEC agencies in this comparison group, five had staffing level declines greater than the FEC (an average of 16.9% compared to the FEC's decline of 11.5%). These five are the Holocaust Museum, Surface Transportation Board, Railroad Retirement Board, Peace Corps, and Presidio Trust. The remaining 26 agencies experienced an average staffing level increase of 4.7%."

- The discussion of the databases that were utilized was revised to correctly identify retirement eligibility as the analysis derived from FEC-provided (not public) data. A footnote was also added referencing our use of HR-provided data to corroborate the impact of OPM's HR Solutions services.

- A footnote was added in the discussion of Chart 6, Decrease in the FEC's Inflation-Adjusted Appropriations, to provide the inflation-adjusted decrease for the period FY 2015 through FY 2022 of 4.2%.

- The statement above Table 5 (on salary growth by staff cohort) that commissioner salaries had been reduced by $200 over the FY 2015 to FY 2022 period was corrected to

[95] https://www.section508.gov/

indicate that commission salaries have been flat. The discrepancy stems from a payroll discrepancy that was subsequently corrected.

- Paragraph five of "Specific Agency Benchmarks for Number of HR Staff and Ratio of Total Staff to HR Staff" was edited to provide improved clarity:

  Original. "…we agree in principal that OPM's HR Solutions has the potential to leverage the FEC's investment in overall human resources capacity. One piece of evidence cited by HR to support this view is that the average time to hire at the FEC has decreased by 37 days since HR Solutions was engaged in 2018.

  Revised. "…we agree in principal that OPM's HR Solutions has the potential to leverage the FEC's investment in overall human resources capacity. FEC HR did cite a reduction in time to hire since HR Solutions was engaged in 2018 as specific evidence that HR Solutions services have improved FEC HR performance. The OIG was able to confirm that the average time to hire was reduced by 37 days from FY 2018/2019 to FY 2022/2023 with efficiency gains in hiring phases under both HR Solutions and FEC HR responsibility.

- The actual 5.31% increase (as opposed to projected 5.2%) for 2024 in the GS pay table was referenced and footnoted after Chart 13.

- The FY 2024 budget discussion was updated to reflect that the FEC is currently under a second continuing resolution expiring March 8, 2024.

- Furloughs are referenced as a tool to reduce personnel spending in the section examining the implications of a FY 2022 ($74.5 million) appropriation level for FY 2024. This tool was highlighted by the FEC in its Management Response to the Evaluation draft.

- Clarification was added for Chart 15 (proportion of FEC staff by race/ethnicity) that the data presented is based on DC-based permanent staff (career staff: GS permanent and SL).

- Corresponding clarification was added for Chart 18 (proportion of FEC staff and supervisors by race/ethnicity) that SL staff were excluded. SL statistics are presented in the added footnote.

Cover art: "Cherry Blossoms around the Tidal Basin in Washington, D.C."

From the photographs in the Carol M. Highsmith Archive, Library of Congress, Prints and Photographs Division. Source.