NEWS RELEASE

Office of Performance Evaluations
Idaho Legislature
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FOR IMMEDIATE RELEASE
Date: January 12, 2014

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Use of Salary Savings to Fund Employee Compensation

Full report and one-page highlights are available on the OPE website:
http://www.legislature.idaho.gov/ope/

(BOISE)—Idaho state government uses several tools to provide pay increases to its more than 24,000 state workers. The two most common are a legislative-funded Change in Employee Compensation (CEC), which is a percentage increase to each agency's personnel budget, and salary savings that is generated when agencies spend less than their planned personnel obligations within a fiscal year. State agencies use both tools to compensate employees for performance with one-time or ongoing pay increases.

During the recent recession, state agencies relied on salary savings for merit-based pay increases because the Legislature did not appropriate funds for a CEC. The lack of funding affected employee pay competitiveness, and legislators wanted to know how salary savings had been used and whether it was a viable tool for pay increases.

For fiscal years 2006–2014, $1 out of every $5 was appropriated for personnel. In an evaluation report issued by the independent, nonpartisan Office of the Performance Evaluations, evaluators found that of this $1, salary savings averaged less than 11 cents. State agencies provided pay increases with 4.6 cents and reverted most of the rest to state coffiers.

Evaluators found that salary savings varied among agencies and from one fiscal year to the next, creating inequities among agencies and inconsistency across years. An agency's ability to generate savings depended on its size, turnover rate, branch of government, and dependency on general fund dollars.

Because of these reasons, evaluators concluded that the use of salary savings is not an adequate tool to fund competitive employee compensation on a sustainable basis.

State law outlines the Legislature's intent to fund a competitive compensation and benefit package for its state workers. In a 2013 report, evaluators found that 90% of classified workers were paid below policy pay rates. Set by the state, policy pay rates measure the competitiveness of state employee pay with pay for similar jobs in private and other government sectors. Classified state workers' average pay rate was 15% below the policy rate.

Two years later, the salary gap continues to be the same in spite of the use of salary savings and a CEC approved by the Legislature last year.

Evaluators urged policymakers to consider other compensation tools to help meet the Legislature's statutory obligations and provide the type of career progression and market competitiveness that a CEC and salary savings does not address.

The Office of Performance Evaluations is a nonpartisan, independent office that evaluates whether state government programs and agencies are operating efficiently and cost-effectively, and are achieving intended results. OPE conducts all reviews in response to direction from an equally bipartisan committee of the Legislature, the Joint Legislative Oversight Committee. OPE's reviews are used by the Legislature to make policy and budget decisions, and by agencies to improve performance.