STATE EMPLOYEE COMPENSATION INTERIM COMMITTEE

JFAC Room, Statehouse, Boise, Idaho
August 29, 2005

MINUTES

(Subject to Approval by the Committee)

The meeting was called to order at 1:00 p.m. on August 29, 2005, by Co-chair Representative Bob Schaefer. Other committee members present were: Co-chair Senator John Andreason, Senators Joe Stegner, Dick Compton, John McGee, Kate Kelly and Representatives Larry Bradford, Ken Roberts, Rich Wills, Jana Kemp, Anne Pasley-Stuart and Shirley Ringo. Senators Michael Jorgenson and Bert Marley were absent and excused. Staff members present were Matt Freeman, Paige Alan Parker and Charmi Arregui.

Others present on July 29, 2005, included: Ann Heilman and Jay Anderson, Division of Human Resources; Andrew Hanhardt and Amanda Brown, Service Employees International Union (SEIU); Dona VanTrease, Vicki Patterson and Vickie Burnet, Idaho Public Employees' Association (IPEA); Jane Buser, Mark Dunham and Debra Alvord, Boise State University (BSU); Tim O'Leary, Idaho State Police (ISP); Brandon Woolf, State Controller's Office, EIS; Judie Wright, Division of Financial Management (DFM); Mary Harker, Idaho Transportation Department (ITD); Michael Gifford, Associated General Contractors (AGC); Diana Jansen, Department of Health & Welfare (DHW); Judi Gregory, Department of Juvenile Corrections (DJC); Dave Tuthill and Amy Castro.

Co-chair Representative Schaefer thanked everyone for attending the meeting and recognized **Representative Kemp** who began a discussion on the length of the minutes from the previous meeting on July 25 and 26, 2005. It was agreed that the length would be cut considerably in the future, and **Representative Kemp moved that the committee approve the minutes dated July 25 and 26, 2005, with some minor corrections, and the minutes were approved as corrected by voice vote.**

Representative Schaefer asked **Mr. Matt Freeman**, Legislative Services Office, Budget & Policy Analysis, to review HCR22 and its charge to the committee.

Senator McGee suggested that the committee might want to focus on some of the highlighted information in the July 25 and 26, 2005, minutes, which included questions brought up, suggestions for future agendas or topics the members wanted to focus on. **Representative Kemp** had compiled a list of 44 questions from those minutes, attached to the 7 charges to the committee, and offered to make that list available to the committee members, a copy of which is available in the Legislative Services Office.

Representative Schaefer introduced a panel of human resource directors who had been asked to speak to the committee on their suggestions and recommendations. These panel members were: **Jane Buser**, Executive Director of Human Resources, Boise State University (BSU), and was also representing colleagues at Idaho State University and Lewis-Clark State College; **Mary Harker**, Human Resource Manager, Idaho Transportation Department (ITD); **Diana Jansen**, Human Resource Administrator, Department of Health & Welfare (DHW); and **Tim O'Leary**, Human Resource Director, Idaho State Police (ISP). **Ms. Buser** began the presentation by referring to a packet of information compiled for the committee entitled "Agency HR Directors Report," a copy of which is available in the Legislative Services Office.

Ms. Buser (BSU) stated that the panel was asked to share their experiences in terms of challenges facing state agencies, with regard to human resources. **Ms. Harker** (ITD) expressed her appreciation for the committee's important work, then pointed out that market competitiveness has a huge impact on the state's ability to recruit and retain employees. Compensation remains challenging for everyone, trying to deliver a pay-for-performance system that is meaningful and that truly recognizes and reinforces good performance. In order to design a system that supports an organization's goals, it must be funded and it must be supported by a performance system that defines and measures what the organization values and for which it is willing to pay. In order for a pay-for-performance system to work effectively, a pay plan must be developed that is goal driven, can be applied consistently over time, and is funded.

Ms. Harker (ITD) stated that the national average annual salary of all state employees *decreased* by 2.1 percent from 2002 to 2003. The selling price of a single family home has *risen* 26% to 73% in the last year. According to the Institute of Government Study, 50% of government jobs are in occupations requiring specialized training, education or job skills compared with 29% in the private sector. Idaho ranks 34 out of 50 states in its average state employee pay. Bordering states of Oregon, Washington, and Nevada rank 19, 14 and 17 respectively, so Idaho is far behind these nearby competitive states. New Idaho businesses are offering much higher starting wages than the state, so recruiting, retaining, and turnover costs have become staggering. The average cost to replace a nonprofessional worker is $12,000 per employee; for a professional, that figure rises to $35,000 per employee. The average cost of training provided to an employee at ITD is $820 per year, so loss of productivity is approximately $9,880 per vacant position.

Ms. Harker (ITD) stated that not dealing with compensation and all the issues that stem from that is costing the state a huge amount of money and loss of productivity. **Ms. Harker** stated that her mantra was flexibility and funding, adding that one size does not fit all, since each agency has their own unique challenges.

Ms. Buser (BSU) spoke next, pointing out that some people think of the compensation plan or policy as the Hay System, and that is not the case. The Hay System is only a methodology to evaluate jobs, to point factor positions, and is used by 4,000 organizations worldwide. According to **Ms. Buser**, the Hay System is a good system; it probably needs some tweaking and updating to become more effective in order to support what compensation policy or plan that the state develops. An extensive study was conducted in Idaho by HayGroup in 1993 and recommendations made by them were:

- Lack of funding of the pay plan was the number one issue;
- Another issue was that the pay plan must be budgeted at midpoint (market);
- It was recommended that the state develop a statement of "compensation philosophy" which would provide the framework within which compensation decisions could be made;
- It was further recommended that employees should be able to expect to move to midpoint of their pay grade within a five-year time period.

Recommendations made by HayGroup were not acted upon. Another Hay audit took place in 1998, working with HR directors to look again at the system, and some of the same recommendations were made. These recommendations were not acted upon. **Ms. Buser** ended her presentation by stating that developing a *philosophy* for what needs to be done to begin to address all these issues might be a very important starting point for this committee.

Mr. Tim O'Leary (ISP) was the next speaker on the panel, and began by saying that Idaho needs to be able to hire top-tier candidates to perform services in all parts of the state, thereby investing in their future and that of our state. **Mr. O'Leary** (ISP) referred to page 18 in the HR Report to a section titled "A Performance Based Compensation Plan for the state of Idaho." **Mr. O'Leary** stated that this plan is needed, in his opinion, to foster employment stability and reduce turnover, adding that the plan has to be performance based, must be competitive in order to attract top-tier candidates, and the plan must be equitable and fair. A compensation plan needs to be easily administered and not complicated, meaning flexible, allowing agency directors to address their individual, specific challenges in attracting and retaining top quality employees. **Mr. O'Leary** pointed out that salaries would be only a part of the compensation plan, emphasizing the importance of incentives being built into a plan that are as important as salary to employees. **Mr. O'Leary** believes that the state can come up with something better than the current bonus system. A compensation plan must be flexible enough to allow for agency directors to make adjustments based upon what the local market is, not just Idaho statewide, because each area of Idaho has unique circumstances and challenges. **Mr. O'Leary** commented on how competitive some positions are, such as engineers, nurses, physicians, and law enforcement officers, all of which are so vital to everyone in Idaho. Competitive market data can be different in every area of the state, and yet a plan needs to be fair and equitable. **Mr. O'Leary** referred to page 20 of the HR Report to "A Pay Plan Template" as an outline of what could be utilized in almost any state agency, emphasizing the need for flexibility to address specific recruitment and retention challenges, with a reasonable expectation that qualified and productive employees should reach a true market rate within about five years.

Representative Ringo asked a question regarding the pay plan template on page 20 of the HR Report about ways an employee could receive points, whether an employee would receive one point for each of those items or collectively, and **Mr. O'Leary** answered that each item would receive one point. In the early stages of a career it takes two points to move up five percentage points; after a person meets market, then it takes three points to move up another five percentage points, and the bar gets higher as an employee gets further up the ladder.

Representative Kemp commented that the implication on page 20 of the HR Report was that there is not currently a statewide pay plan template and asked if that was correct? **Mr. O'Leary** answered that was correct. **Representative Kemp** referred to page 12 of the HR Report to five bulleted items that **Ms. Ann Heilman**, Director, DHR, suggested for consideration, strategies to address concerns that were raised by the HayGroup's 1998 audit. **Representative Kemp** stated that there were recommendations made by HayGroup that were not acted upon, asking if any of Ms. Heilman's strategies were acted upon between 1999 and 2005? **Mr. O'Leary** answered that the first item "Payline exceptions for critical positions in each agency," is available to agencies and being currently utilized. **Mr. O'Leary** added that agencies have become creative in dealing with personnel matters and in enhancing salaries, and proposed that the legislature make a concerted effort to move toward a goal to eventually fund at market level, emphasizing that if there is not a plan, the state will never get there. **Mr. O'Leary** closed his presentation by referring to page 22 of the HR Report on "Proposals, State Compensation Policy," suggesting that the state set the goal of being able to reach 90% of the local market rate by July 1, 2006; to reach 94% of local market rate by July 1, 2007; to reach 97% of local market rate by July 1, 2008; and to reach local market rate by July 1, 2009, admitting this was ambitious, but not impossible. In order for agencies to continue to be run by competent people, performing critical tasks that Idaho citizens need on a day-to-day basis, the state should now be planning for the next 15 or 20 years, according to **Mr. O'Leary**.

Senator Compton asked **Mr. O'Leary** if key ISP troopers were leaving the force? **Mr. O'Leary** responded that several had left ISP and several have other job offers. **Senator Compton** asked what the differential pay was in starting salaries between ISP and other law enforcement agencies? **Mr. O'Leary** answered that some agencies are starting to hire a three-year veteran, promising to start them at the salary for a three-year veteran at their agency; Boise offers new officers a $5,000 signing bonus as well. Brand new recruit salaries are somewhat competitive, but at the five-year mark, ISP cannot begin to compete with other agencies. **Senator Compton** asked if there were benchmark goals for troopers at ISP, so that a trooper could visualize or plan a future for advancement with financial gain? **Mr. O'Leary** answered that ISP has a specific framework called the "Choice Plan," which was introduced to the committee at the meeting on July 25 and 26, 2005, but it needs funding to become an effective tool for ISP. **Mr. O'Leary**

pointed out again that flexibility within agencies is key; one plan that works for ISP may not work successfully for another agency.

Representative Wills asked what the price tag would be for the state to implement a program similar to ISP's Choice Plan statewide for all state employees, just the starting price tag? **Mr. O'Leary** thought that the price tag would be about $5.5 million for a 1% salary increase for all state employees; a 3% increase would cost the state about $16.5 million.

Representative Kemp referred to page 22 of the HR Report, Proposals, where it said: "Each department shall construct a plan ..." and asked if any department or agency plans had been received, other than the Choice Plan from ISP, and there was not a firm response to her question. **Representative Kemp** asked if the implication was that not a single state agency in Idaho has a compensation plan that is funded? **Mr. Freeman** said that state agencies had not been specifically polled, and asked if the committee wanted that done? **Representative Kemp** asked if she could put that request in the form of a motion, and **Representative Schaefer** stated that her request had been duly noted.

Ms. Heilman (DHR) stated that by administrative rule, each state agency has to file a compensation plan with DHR for their employees to ensure fairness and equity, and that plan must be current before any distribution of funds is made. Agencies who have a proposal for an internal agency operation, such as ISP's Choice Plan, may not be shared with DHR, unless asking for DHR's assistance. DHR does have a requirement for each agency to have a plan in place for distribution of any merit moneys, and those plans are on file in DHR. **Representative Kemp** referred to the report which stated that back in 1993 and again in 1999, the HayGroup recommended that the state develop, for legislative adoption, a statement of compensation philosophy to provide a framework within which compensation decisions could be made, and to form a 3-5 year rolling compensation plan; she questioned why agencies were never requested to organize and submit plans? **Ms. Heilman** responded that these were separate issues, one being the plan of the state of Idaho, the legislature, and plans for agencies, setting up their preferences, but when there is no funding, these plans collapse.

Ms. Jansen (DHW) was the next speaker on the panel; she thanked the committee for allowing the panel to speak and volunteered for the panel to be available to the members for any future information they may need. **Ms. Jansen** has worked at DHW for 15 years and stated that she has never seen so many employees leaving DHW, as they are currently, seeking higher pay after DHW has spent precious time and money training these competent employees to provide services to the citizens of Idaho. Recruiting and retraining is very expensive, and turnover creates stress for the remaining, dedicated employees who are providing services to clients that DHW serves. To hire new employees, DHW has to pay a higher starting salary rate than some current employees make, creating internal inequity and low morale, leading to increased turnover, which is a vicious cycle. **Ms. Jansen** asked for funding from the legislature to stop this cycle. She also emphasized again the need for agency flexibility, using BSU as an example of how important it is for them to be able to allow a professor's moving expense, which includes moving the cost of their books and data which are an integral part of their teaching position. **Ms. Jansen** assured the committee that HR infrastructures have similarities in their foundation, it being important that balance is maintained, but that flexibility within different agencies is necessary for recruitment and retention. **Ms. Jansen** stated that the turnover for DHW's registered nurses statewide is 36%; the turnover for senior registered nurses and managers is now at 40%. DHW's social workers and technicians have a 17% turnover rate and there are 300 social workers, so 51 quit every year, and the cost of replacement and retraining is extremely expensive, plus loss of productivity.

Senator Andreason asked each person on the panel to answer 3 questions:
(1) When you're recruiting, what is the major problem you face?

(2) How much does it cost to train a nonprofessional, as well as a professional, approximately?
(3) What is the main reason for losing an employee?

Ms. Buser (BSU) answered that salary is the biggest recruiting problem; candidates want to work at BSU, but candidates withdraw when salaries cannot compete; she did not have figures for cost of training. The main reason for losing an employee was a better salary elsewhere.

Ms. Jansen (DHW) answered that salary is the biggest recruiting problem; she didn't have cost figures for retraining; 40% of employees state in exit interviews that they leave for better salaries elsewhere. Reasons employees want to stay with DHW could be provided to the committee by **Ms. Jansen**.

Ms. Harker (ITD) answered that their biggest challenge is getting qualified, quality employees because they cannot compete with other starting salaries elsewhere. **Ms. Harker** stated that many employees require certification, the cost of which is covered by ITD, but the larger expense is losing expertise. ITD turnover has always been low, but 50% of the employees who left, did so to seek better pay elsewhere.

Mr. O'Leary (ISP) gave one example of what the biggest challenge in recruiting is. He went to ISU to recruit, and one student ready to graduate in a science group was interested in ISP forensics, but when told what the starting salary was for ISP troopers, the graduate's response was that he could make more money than that as an intern at Simplot. **Mr. O'Leary** did say that starting salaries for ISP troopers is somewhat competitive only at entry level, but anyone good at math knows that in five years they could be far ahead money-wise at another agency. With regard to cost for training a nonprofessional, he guessed that there would be about a $1,000 direct cost. Productivity for the first several months and up to 1½ years at ISP is much less than compared to a fully functioning, highly competent person whose cost for loss of productivity would be about $12,000. For professional troopers, by graduation time, ISP invests $85,000 in each of them; at end of field training, that cost goes up to $100,000 for training alone. By the time a trooper is prepared to be promoted to senior command level, ISP has invested about $250,000 per trooper. The reason troopers leave is better pay elsewhere.

Senator Compton asked ITD if they were still short engineers in the Coeur d'Alene area where a tremendous amount of new construction is being done on Highway 95? **Ms. Harker** answered that there were nine engineer positions available, one was filled, and temporary personnel were being used. **Senator Compton** asked where those nine engineers went who quit working at ITD? **Ms. Harker** responded that they went to consulting engineering firms who are very familiar with ITD's business. ITD hires consulting firms, and they love to hire ITD's engineers because they are fully trained and know all the inner workings of how business is transacted; a few went to states outside the area. Cities and counties pay about $3-$9 more per hour than ITD pays, and the work is very similar. ITD is losing more fully trained engineers at the journeyman level.

Representative Ringo referred to the "Agency HR Directors Report" on page 20 "A Pay Plan Template," stating that an employee who fully meets performance expectations is obviously doing a quality job, and it bothered her to realize that if an employee stays at the same salary doing that quality job, they actually lose money, due to cost-of-living that is always on the rise. That situation seemed, to her, not fair, and asked the panel for a response to that. **Mr. O'Leary** answered that the pay plan template would be driven by performance, stating that an employee who "meets performance" would be given a point, but one who "exceeds expectations" would get two points. A creative, motivated employee could earn extra points to move higher up the pay plan template. **Mr. O'Leary** believes that if agencies are given more flexibility to address equity problems and to make adjustments within their agencies based on individual situations and problems, then he didn't believe that employees would suffer loss of buying power as much from year to year. Funding and flexibility in compensation were emphasized over and over by the panel members, funding being the number one issue.

Representative Roberts referred to page 9 in the "Agency HR Directors Report" regarding average annual salaries of all state employees in states in the U.S.; he asked **Ms. Harker** (ITD) if the rank of #34 for Idaho with average annual salary being $39,321 included benefits and if that remained constant in each state shown? **Ms. Harker** stated that the average salaries shown did not include benefits and that remained constant for each state. **Representative Roberts** asked if there was information available to show comparisons between states with regard to benefit packages. **Ms. Harker** agreed to look for that information.

Representative Roberts asked **Ms. Jansen** (DHW) if the turnover percentages for employees leaving DHW reflected any employees changing departments within DHW? **Ms. Jansen** answered that the percentages reflected employees leaving DHW to work for providers or hospitals. **Ms. Harker** (ITD) added that their percentages for turnover did not reflect retirement, an internal job change, or personal reasons; ITD's percentages reflected only those employees who left for better compensation elsewhere.

Senator Stegner stated that there is a budget process in Idaho whereby agencies submit their budget requests to the Governor's office and the legislature. The CEC (Changes in Employee Compensation) is a percentage increase in personnel costs for all agencies. Each agency then decides how to distribute an increase to their employees. In the "Agency HR Directors Report," on pages 20 and 21, the Pay Plan Template would require some automatic increases, something other than zero on an annual basis. **Senator Stegner** stated that it would be helpful and very interesting to him to know what estimated costs would be to implement those objectives. How would these panelists suggest the legislature implement these objectives in the current political reality? **Senator Stegner** asked: "What is your advice when you make these suggestions for implementation, knowing that an automatic roadblock can occur when the Governor or JFAC says it cannot be funded? Do we need to look at ways to change the entire budget process in order to have any kind of meaningful change in the state compensation system?" **Senator Stegner** invited comments and suggestions. **Mr. O'Leary** answered that ISP's Choice Plan is not brand new and ISP has not been able to get a request for funding in front of anyone. ISP is hoping to include their Choice Plan in their budget request this year, but that would only be the first hurdle, recognizing that there are some impediments over which he had no control, and suggesting that legislators may be able to provide major input. **Mr. O'Leary** added that on page 21 of the HR Report there is no automatic increase; if employees perform at a "meets expectations" level, there is an expectancy for an increase in compensation.

Ms. Jansen (DHW) talked about years ago when state employees were regularly compensated with salary raises, and when the economy plummeted, employees were patient and understanding. Now that three years have gone by without ongoing pay increases, employees are becoming less patient and less understanding. **Ms. Jansen** encouraged the committee to figure out something, form a concept or philosophy, form some plan for the state to work toward, because something is better than nothing.

Ms. Buser (BSU) commented that it seemed to her that the legislators play a key role in political reality, expressing hope that this committee will recommend or consider some of the suggestions on pages 24 and 25 of the HR Report. **Ms. Buser** asked the committee to recommend more agency flexibility, if funding is not possible, to help agencies better manage their human resource issues. She asked the committee to look at shift and geographic differentials, to remove the cap on lump sum bonuses, and to allow bonuses to attract new employees or retain others. **Ms. Harker** (ITD) suggested that the state's budget process may need some analysis in order to allow agencies more flexibility to meet their unique needs in ways that best work for them.

Senator Stegner explained that it was impossible for one legislature to commit to something for the following year; even if a statute were drafted that was passed by the germane committee and then by the legislature to implement a point system that may mandate some automatic increases every year, depending on situations within the department and the employees who met goals, he assumed that a number of employees would by statute be told that they would get an increase in salary, therefore expecting that increase. Reality is, however, that next year the Governor could veto that appropriation bill or the legislature could change the statute.

Senator Andreason thanked the panelists for their input to the committee and asked them to rejoin them on August 30, 2005, in case questions arose, and they agreed to return.

The next speaker was **Mr. Charles Winder**, Chairman, ITD Board, who stated that ITD was at a crossroads in how it manages the department and how it provides services to the state. In order to provide those services, the quality and number of people necessary to provide those services becomes the key issue. **Mr. Winder** introduced **Mr. Michael Gifford**, Executive Director, Associated General Contractors (AGC). ITD does not view the private sector as their competitor, but ITD is, in fact, in competition for employees within the private sector and with counties, highway districts, cities, and municipalities throughout the state. This is generating a true crisis for ITD. **Mr. Winder** referred to page 2 of an ITD handout entitled "Idaho at the Crossroads - State Workers in Crisis," a copy of which is available in the Legislative Services Office, and asked the committee to follow along with some critical points. He commented that back in 1995-1996, there was a freeze put on ITD employees, and ITD works today with about that same number of employees. No new employees are expected to be added to deliver the *Connecting Idaho* initiative. **Mr. Winder** pointed out that ITD has become involved in the demand for improved transit throughout the entire state, putting increased demands on ITD employees; he thinks that due to increased medical costs, employees have experienced significant losses in their benefits, with no significant increase in salaries over the last ten years. With only a 2% increase in funding over the last four budget years, state employees experienced a 9% inflation increase; based on that, employees are losing money. The ITD Board thinks that all state employees need a 16.6% market adjustment. For ITD's labor and craft positions, a 17.1% increase is needed; engineering, 28.5%; and IT support, 25%, just to get them to a comparable market wage that is competitive in the private sector. It would take 19 years under the current pay situation to get employees to the policy point. However, ITD hires new employees and pays them more than experienced, existing employees, which creates a huge morale problem and management issues. ITD lost 646 employees from 2000 to 2004, nearly half of its workforce. Most were skilled professional and technical positions. Ninety-three of the employees who left had been at ITD for more than five years. More than 20% of ITD employees hold a second job, and this is increasing. **Mr. Winder** requested that the ITD Board and the executive team of ITD be allowed to manage their personnel and to manage the demands to retain those employees. ITD's Board recommended the following:

- Provide ITD latitude to move funds among the following standard classes: personnel, operating, capital outlay and contracting construction, trustee and benefits, which would require legislative action.
- Allow ITD to recruit and hire employees independent of DHR, which would require legislative action.
- Use $15 million (approximately 2.9% of FY07 budget) to retain and recruit qualified and experienced employees. At this level, ITD would still pay lower than market rate.
- Allow the ITD Board and executive team discretion to compensate critical job classifications as market and demand dictate.
- Establish a pilot program to manage these four recommendations. Establish and review reporting benchmarks annually through the budgeting process.

Representative Schaefer asked why ITD wanted to circumvent DHR to recruit and hire their own employees? **Mr. Winder** asked **Ms. Harker** to answer that question and she stated that time is of the essence in a competitive environment, and ITD needs the flexibility to be able to make an offer, give a signing bonus, or do whatever is necessary to hire a competent employee before they lose them to a competitor. ITD loses many candidates simply due to hurdles and time, so trying something different on a pilot program would help ITD speed up the process considerably. **Mr. Winder** explained that sometimes it takes months to go through the hiring process, and good people usually won't wait that long; there is too much competition.

Senator Compton asked for clarification on the recommendation of using $15 million to retain and recruit qualified and experienced employees, and **Mr. Winder** explained that ITD does not need any new money; they would manage within the funds available.

Representative Kemp asked **Mr. Winder** to provide draft language for the recommendations that ITD said would require legislative action; she explained that if the committee had language from agencies as to what they envision, that would help the committee prioritize possible recommendations coming out of this committee. **Representative Kemp** asked that the language from all five of ITD's recommendations be available to the committee for their next meeting; **Mr. Winder** responded that **Mr. Charles Rountree**, Executive Director, ITD, would provide that information to the committee, at their request.

Senator Andreason asked **Mr. Winder** if ITD were to use $15 million (of the FY07 budget) for salary increases, how much would the average salary increase be? **Mr. Winder** answered that it was his understanding that would be approximately a 15% increase in ITD's budget for personnel costs. **Senator Andreason** asked: "Are you saying that state employees would receive an average 15% salary increase?" **Mr. Winder** answered that he couldn't say it would be an average, adding that ITD had to follow the merit process, but that ITD would try to bring employees to policy line in order to hire at rates that would allow ITD to be competitive and to retain them. **Ms. Harker** (ITD) clarified that ITD's employees are very spread out with regard to pay grades, so there may be one employee at 102% and another at 114%, so percentage increases are going to differ, depending on an employee's pay grade. **Ms. Harker** added that ITD's target point is 115% of the pay range, since that is market.

Representative Roberts commented that if ITD's $15 million would come out of either a combination of state fuel tax or federal fuel tax, then there would be a reduction in a given budget of that same $15 million for capital expenditures and road improvements. **Mr. Winder** responded that other than the money ITD pays for project construction, federal dollars don't go to salaries; from the standpoint of state dollars that go for salaries, yes, that being one of the reasons being able to move money around within categories was discussed. A change in management philosophy is going to be necessary to hire and retain quality employees to get the work done at ITD. **Representative Roberts** asked if ITD thought there would be an increase in the fuel tax to help pay for these things and keep up with maintenance in the state? With an increase in federal moneys coming in, **Representative Roberts** asked if, in several years, an increase in fuel taxes would make up for these expenditures? **Mr. Winder** answered that a task force on transportation funding needs for the future had been meeting for 6-9 months, and stated that they will be giving a report to the legislature during the 2006 session. Mr. Winder added that he did not think that ITD would be coming to the legislature to ask for funding increases for salaries. Senator Compton asked if part of that $15 million would fill open engineering positions, and Mr. Winder answered that ITD had money allocated for those positions, but that ITD had to go through a very slow process to request moving expenses. The additional 15%, or about $15 million, would go to help ITD hire quality employees and to retain them, to become competitive. **Senator Andreason** summed up that ITD has a very difficult job ahead of them, especially with the GARVEE (Grant Anticipation Revenue Vehicles) funds and the number of projects ahead for ITD, in light of the problems with personnel in hiring and retention and **Mr. Winder** affirmed that the crisis at ITD began 3-5 years ago, when ITD began losing valuable engineers, so this crisis did not occur overnight.

Mr. Michael Gifford (AGC) addressed the committee; he represents commercial building and highway construction firms in Idaho. He pointed out that ITD had experienced perceptible loss in personnel and in key positions; construction employment has increased 16% in Idaho in the last year, which is not related to Co*nnecting Idaho* or the GARVEE bonding. He explained that to deliver a successful project for the citizens of Idaho, it takes a partnership between experienced contractors and experienced ITD staff to deliver that project on time to minimize inconvenience to the public, and safety must be a priority. One of the biggest hurdles to a successful project from the contractor perspective is inexperienced ITD personnel being assigned to a project. Key positions require technically skilled employees in specific areas, and that often requires flexibility to accomplish that. **Representative Roberts** asked if **Mr. Gifford** sees ITD increasing their use of private contractor engineering firms to help fill their personnel shortages? **Mr. Gifford** did not know to what extent ITD does this.

Senator Compton asked what would be necessary to allow ITD to recruit and hire employees, independent of DHR, as they had requested? **Ms. Heilman** responded that this is controlled by statute, so a change in statute would be required and that most critical probably is veterans preference, adding that it was worth looking at to see if the system could be modernized to speed things up. **Representative Schaefer** asked if that is done for ITD, would it have to be done for other agencies? **Ms. Heilman** replied that a pilot project could be set up for ITD, at the discretion of the legislature, considering all the pros and cons. **Representative Schaefer** asked how long the hiring process was, normally? **Ms. Heilman** responded that it is a complicated process; there are different kinds of screening and, by law, applications must be ranked and veterans points added, and most frustrating for all involved is the fact that the state can only hire from the top ten scored. Getting those top ten candidates listed takes several weeks at least, and DHR could come up with suggestions for a system that agencies might prefer, if there were enough support. **Ms. Heilman** stated that something could be added to code to allow for pilot projects when there are recruiting difficulties for critical positions, allowing an agency to be exempt from certain requirements. **Senator Compton** asked **Ms. Heilman** to bring to the committee some suggestions for doing this. **Mr. Winder** asked that ITD be given the opportunity to work with **Ms. Heilman** to target specific problems at ITD, to be considered in such a pilot project.

Senator Andreason reiterated that language in an appropriation bill authorizing number of FTE's in a given budget for each agency is spelled out very clearly for that budget year. **Mr. Winder** pointed out that ITD was not asking for more FTE's, but rather ITD was asking for help in filling vacancies and retaining employees necessary to perform ITD's workload.

Representative Kemp asked if Ms. Heilman could present a proposal for a state plan for compensation based on all of the agencies' existing plans, the agencies' desires for strategies, based on sound human resource policy, which would allow the committee an opportunity to make plans and proposals. Representative Schaefer stated: "We have a motion." Senator McGee seconded the motion, and the motion passed by voice vote. Ms. Heilman stated that DHR would be glad to help with this, pointing out the diverse assortment of pay policies and funding in the state, adding that DHR would try to have this available for the next meeting.

Mr. Matt Freeman, Senior Budget & Policy Analyst, Legislative Services Office, had been asked to give a report on reviewing salary savings, but stated that he was still reconciling a few differences in numbers. He stated that the report would be finalized by the next meeting. **Mr. Freeman** referred to ITD's presentation, page 10, item 1: "Provide ITD latitude to move funds among the following standards classes: personnel, operating, capital outlay and contract construction, trustee and benefits (will require legislative action)." **Mr. Freeman** commented that **Representative Kemp** had requested language from ITD on this; he clarified that this is a lump sum budget which, if approved by JFAC, removes all statutory restrictions that limit the transfer of moneys among personnel costs, operating expenses, capital outlay and trustee/benefit payments. **Mr. Freeman** handed out (1) Issues Raised at July 25-26 meeting (identified by **Representative Kemp** and compiled by **Mr. Freeman**) dated August 30, 2005, and (2) a response to questions previously asked by the committee, received from Director **Pamela Ahrens**, Department of Administration (ADM), dated August 25, 2005, copies of which are available in the Legislative Services Office. The meeting on August 29, 2005, was adjourned at 4:30 p.m.