Statement of
Wayne L. Hammon
Administrator, Division of Financial Management
Change in Employee Compensation (CEC) Committee
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Co-chairs and Members of the Committee, I'm here to discuss with you the Governor Otter's recommendation on proposed changes in salaries and benefits as required by state code as Ms. Castro reviewed with you this morning. I apologize for not being with you prior to lunch due to a scheduling conflict.

First, let me introduce myself.

I am Wayne Hammon and since July 2007 it has been my pleasure to serve as the Administrator of the Division of Financial Management within the Executive Office of Governor C.L. "Butch" Otter. In this role, I am the Governor's primary budget advisor and the chief budget officer for the State of Idaho.

The Governor's recommendation was developed in cooperation between DFM, the Division of Human Resources, the Department of Administration and other stakeholders. Since you spent much of the morning with Administrator Wright and will hear next from Director Gwartney, I will keep my comments short.

The first of the four items to be addressed according to code deals with system wide structure adjustments necessary to remain competitive.

One of my first tasks after arriving at DFM this past summer was to work with a team of talented experts on this exact question. Our team has spent a great deal of time and effort over the last six months identifying what remaining competitive actually means as well as assessing the State's position in the market.

We have learned that in order to be competitive we must not only address salary, but the entire state employee benefits package. Ms. Wright reviewed a number of these changes with you this morning. And while the Governor is making specific salary recommendations, he is also recommending changes in the other benefits sate employees enjoy in order to remain competitive.

It is important to Governor Otter that everyone understands the direct linkage between his CEC recommendation and the recommended changes in the other areas of the total benefit package.

Simply put, the State cannot afford one without the other. We cannot continue to subsidize the benefit package in the manner we have grown accustomed to and provide a significant CEC increase. Likewise, it would be improper to ask state employees to assume a larger responsibility for their benefits without dramatically improving their direct compensation.

Mr. Gwartney will address these issues in much more detail later.

The second item identified in code addresses specific occupational inequities. One thing is clear, occupational inequities do exist in our current pay structure.

For example, attorneys at the State Appellate Public Defender's office are compensated at rates significantly lower than at the Attorney General's office. And both are paid less than their counterparts in private practice. The Governor's FY2009 budget recommendation includes a salary parity line item in addition to the CEC adjustment to address this need in the Public Defender's office.

There are other areas of inequity where we must take action. Areas readily identified include fire fighters within the Department of Lands, technical reviewers at the Public Utilities Commission, and referees at the Industrial Commission.

In some cases, fire fighters working for the State have been placed shoulder-to-shoulder with fire fighters from the U.S. Forest Service or BLM only to learn that they are making only half what their colleagues are being paid. These fire fighters might start the season as state employees, but many have found their way to federal employment by the end of the summer.

Each of the occupations I listed earlier is addressed in the Governor's FY2009 budget recommendation with specific line items above the CEC adjustment. But other inequities also exist.

Our team worked with members of the Governor's cabinet to evaluate other areas of potential market inequities. Some can and should be addressed through the CEC merit process. Others require more study. Sill others may require new occupation specific pay lines on the state salary structure.

DFM is working with DHR and our other partners to finalize these remaining issues.

The third area I would like to address is that of merit CEC increases. The Governor feels strongly about the need to dramatically increase the salaries of state employees.

Studies conducted by the Department of Labor, DHR and others have consistently demonstrated that the State's pay scale is at least 15 percent below market. It doesn't matter if we are talking about accountants, lawyers, state troopers, secretaries, janitors or even DFM budget analysts – the State simply does not pay its employees enough.

The Governor's FY2009 budget recommendation includes a five percent CEC increase to be distributed on merit. Further, the Governor believes that we need to commit ourselves to a series of such CEC increases over a period of five to six years. Only then will we be able to close the gap between the marketplace and state employment.

Doing so is expensive. A five percent CEC increase impacts all funds and totals over $78 million in the General Fund alone.

Despite its costs, the Governor has made the CEC increase one of his highest priorities for this year's legislative session.

As I mentioned earlier, the Governor's commitment on this issue runs in tandem with his equally strong belief that we must make other adjustments to the total employee benefit package.

Those other elements of the employee benefit package are the fourth and final area of concern for today. I will defer that topic to Mr. Gwartney who has been leading the Governor's efforts on this front.

Before answering your questions let me state how much I appreciate the opportunity to speak with each of you today. We had planned a briefing on this subject for the co-Chairs of this committee and I am pleased that schedules allowed for me to instead provide the briefing to the entire committee.

I look forward to working with each of you as we address these important issues in the weeks and months to come.

Thank you.