Use of Salary Savings to Fund Employee Compensation

Change in Employee Compensation Committee

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by Bryon Welch and Amanda Bartlett

Office of Performance Evaluations

Evaluation approach

Statewide accounting and payroll systems

Longitudinal analysis

Excludes postsecondary institutions

Definition

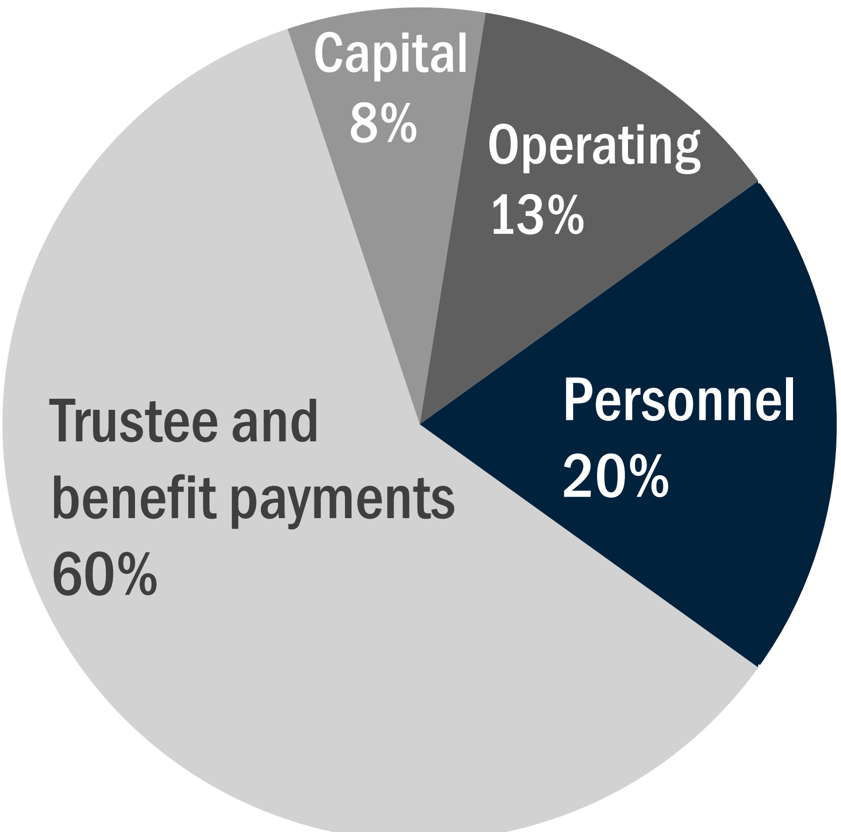
Salary savings

is the difference between the personnel **budget** and actual personnel **expenditures**

Salary savings generated

+	−
Overappropriation	Underappropriation
Turnover	Leave balance payouts
Vacant positions	
Position filled at lower pay rate	Position filled at higher pay rate

Personnel appropriations



Appropriations for
FY 2005–2014

Total: $59 billion
Personnel: $12 billion

Statewide average

Average
salary savings
11%

Types of salary savings

46%
used for personnel expenditures

41%
reverted

13%
transferred to another expenditure category

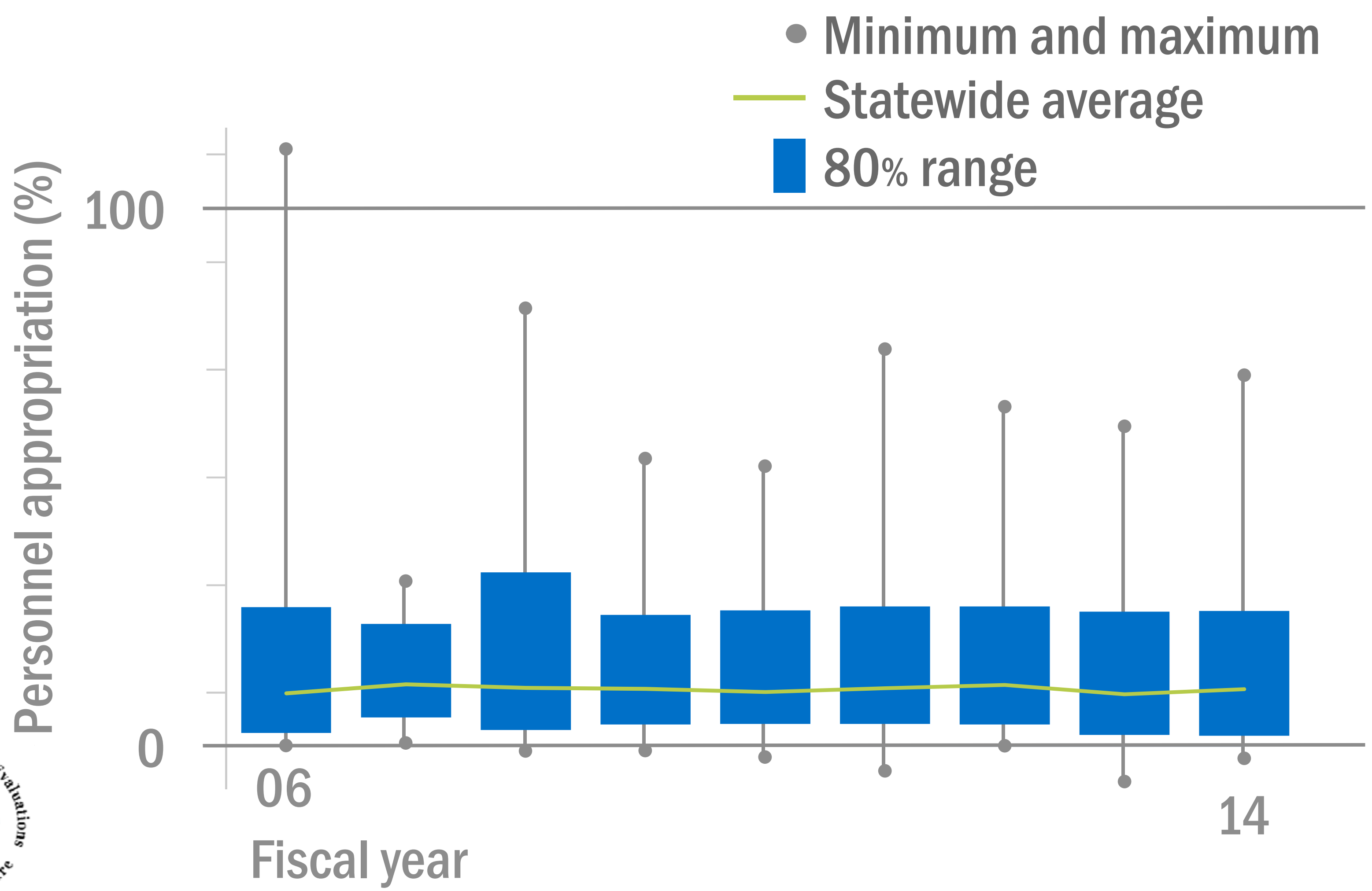
Less than half was used on new or unexpected **personnel expenditures**

Statewide average

Average salary savings

11%

Agency-level savings varied to a large degree



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Significant factors

Turnover rate

Dependence on the general fund

Size of the agency

Branch of government

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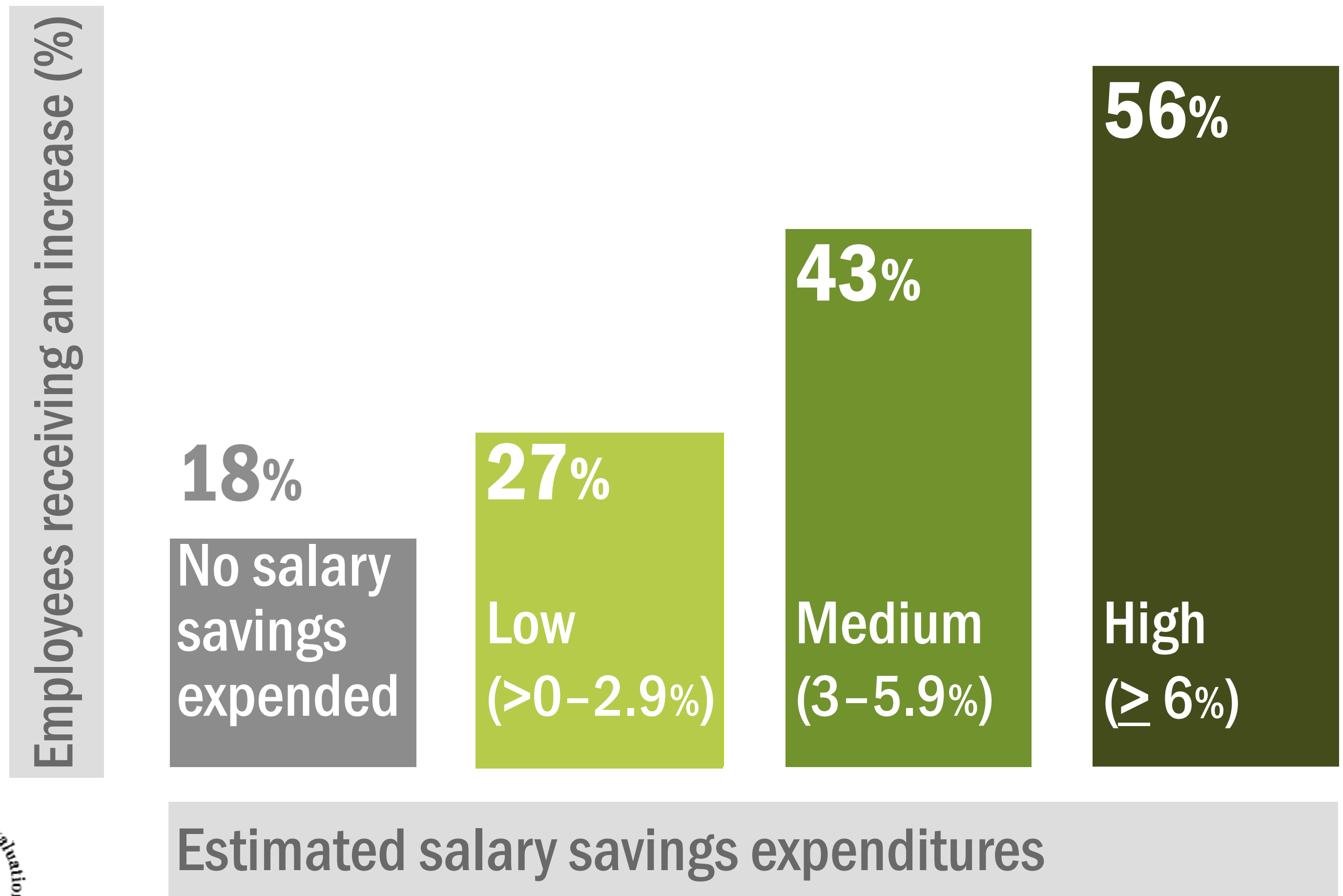
Agencies with more salary savings used for personnel expenditures provided ongoing salary increases to more employees



Effect on ongoing salary increases

CEC provides increases to a **large** portion of employees.

62%

Years **with** a CEC appropriation

Salary savings provides increases to a **small** portion of employees.

11%

Years **without** a CEC appropriation

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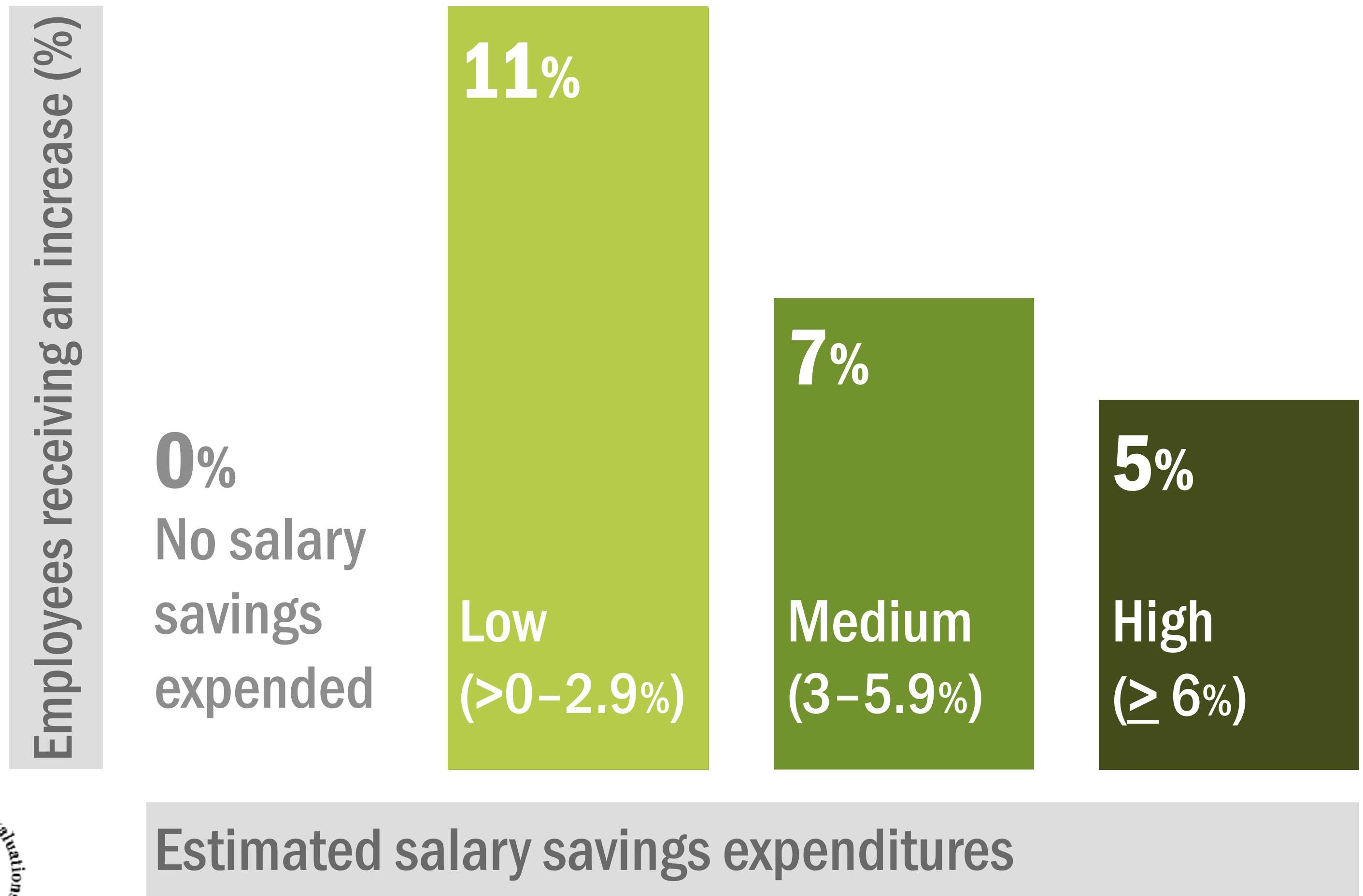
Agencies with less salary savings used for personnel expenditures provided one-time pay increases to more employees



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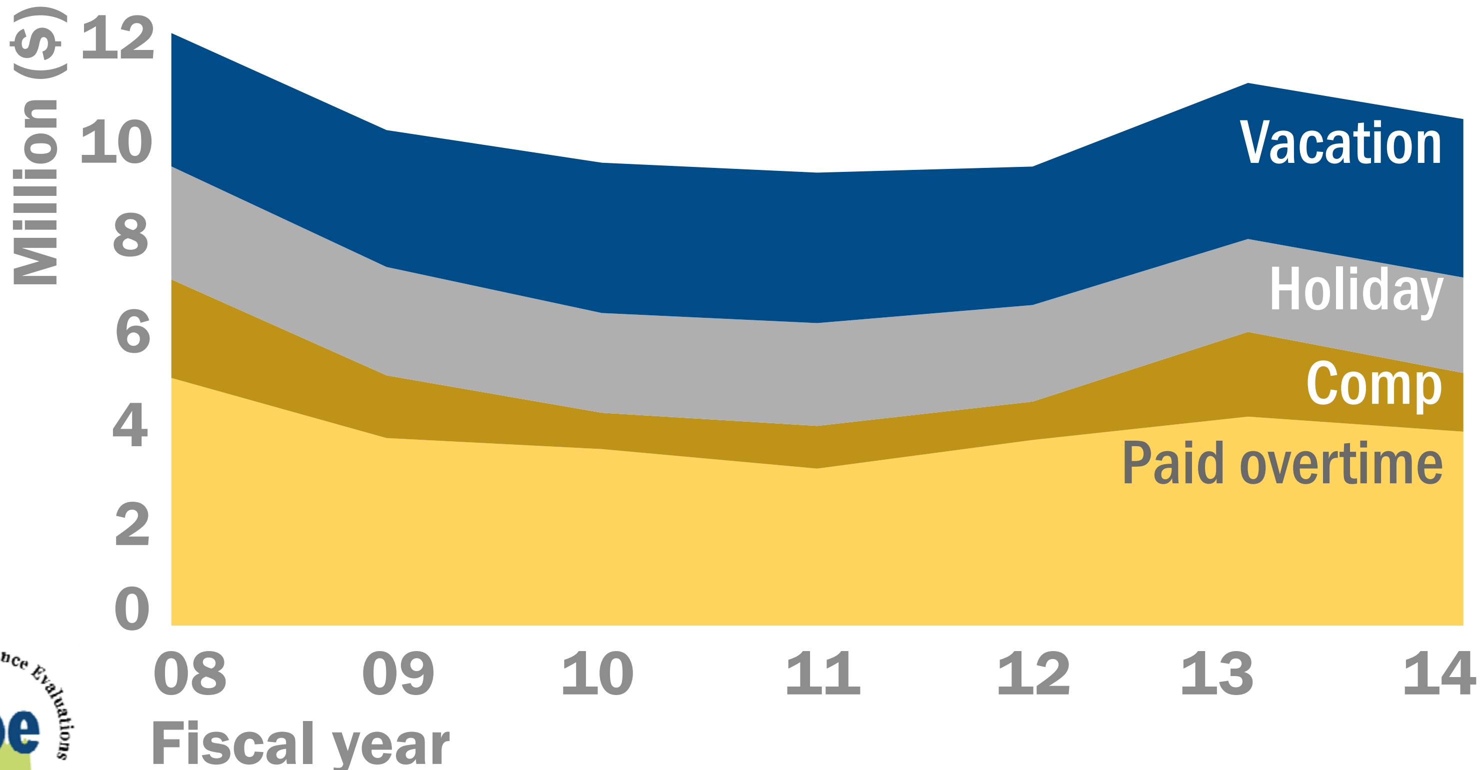
Additional demands

Leave balance payouts and overtime represent major personnel expenditures that are not consistently incorporated into budgets.



Impacts of relying on salary savings

Agencies have discretion to award **targeted** increases to employees.

Impacts of relying on salary savings

Distribution is **inequitable** based on variable turnover rates and the lack of uniformity in the way agencies budget for personnel costs.

Impacts of relying on salary savings

Agencies who adhere to their budgets have little or no salary savings available, resulting in a **perverse incentive** to deviate from personnel budgets.

Impacts of relying on salary savings

Agencies **cannot** rely on salary savings for **long-term** planning.

Policy considerations

Should statewide data systems be integrated to precisely monitor and manage salary savings?

Policy considerations

Should paid overtime and leave balance payouts be uniformly incorporated into agency personnel budgets?

Policy considerations

Does legislative intent in Idaho Code align with today's legislative priorities?

Policy considerations

In addition to a CEC and salary savings, what other tools can be used to address unmet employee compensation needs?

Other compensation **tools**
could help meet the
Legislature's statutory obligations
and provide the type of
career progression and market competitiveness that
a CEC and salary savings
cannot address.