MINUTES

CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE:	Friday, January 13, 2017
TIME:	1:00 P.M.
PLACE:	WW53
MEMBERS PRESENT:	Senators Co-Chairman Patrick, Guthrie, Martin, Lakey, Thayn, Souza, Anthon, Ward-Engelking, and Burgoyne Representatives Co-Chairman Anderson, Hartgen, Wood, Harris, Holtzclaw, Packer, Redman, King, and Chew
ABSENT/ EXCUSED:	None
NOTE:	The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library. (A copy of all presentations can be found at https://legislature.idaho.gov/sessioninfo/2017/joint/cec-material.)
CONVENED:	**Co-Chairman Patrick** called the meeting of the Change in Employee Compensation Committee (CECC) to order at 1:00 p.m.
PRESENTATION:	**Jani Revier**, Administrator, Division of Financial Management (DFM), presented the Governor's Change in Employee Compensation (CEC) recommendation as required by Idaho Code § 67-5309C. She talked about the process for approving CEC plans. She stressed that approval of CEC plans centered around complying with law, and the DFM had the task of complying with the Governor's policies and philosophies. In addition, she addressed legislator's concerns of "merit" and "director discretion" resulting in directors rewarding "buddies." The DFM worked hard to ensure that did not happen, and the approved plan makes CEC distributions transparent to employees. **Ms. Revier** stated that the process started as soon as the Governor signed an appropriation bill that contained a CEC appropriation, as well as any relevant intent language, from the legislature. Members of the CECC were given a copy of the Fiscal Year (FY) 2017 memo to review. For ease of tracking, CEC plans are submitted to the generic DFM address. They are logged in and saved on a shared server that can be accessed by both the Department of Human Resources (DHR) and DFM staff. DHR is the first reviewer of plans as the main component in the matrix. Idaho Code §67-5309B requires a merit increase matrix that is either developed or approved by the DHR. **Ms. Revier** stated that the merit-based system stressed that higher performers would receive faster salary advancement.

Ms. Revier explained that the Governor was a strong believer in this merit system, and to meet his expectations, agencies were not allowed to have "a show" of merit. For instance, a 3 percent CEC would not be approved if the matrix had a spread of only a tenth of a percentage, 2.9 percent, 3 percent, or 3.1 percent, as that does not truly recognize performance. A minimum spread of CEC is not specified. One reason no minimum CEC is set is that the DFM does not want agencies to see the minimum and feels that is what is expected; the other reason is that employee salaries is an area for director discretion. When a spread appears too tight, the DFM would contact the agency. There could be agency-specific reasons why one agency needs a tighter spread than another. **Ms. Revier** stated that this was an area where the DFM would enforce the code and the Governor's policy that the plan be merit-based.

Ms. Revier explained other matrix components. **Ms. Revier** pointed out that Idaho Code §67-5309B states that in addition to merit, the matrix is based upon the employee's proximity to the State midpoint market average commonly referred to as the employee's compa-ratio. The DFM has not required agencies to direct higher increases to those with lower compa-ratios if a director does not want to do so. In those cases, the compa-ratio of the matix is assumed to be 70 to 125 percent depending on the employee's performance rating rather than a compa-ratio of 70 to 114 percent based on employee performance. Since code allows for the adaptation of a matrix to fit agency-specific needs, DFM does not limit the ability of directors to use other matrix components, such as years of service. The State compensation system is not based on longevity, but using that component has been very important to some directors, particularly when compression is being targeted. **Ms. Revier** stated that a spread within the matrix was not allowed. For example, a plan indicating that those with a solid sustained performance will receive a 2 to 3 percent increase would not be approved because the salary increase contains a range. The Governor feels employees should be able to look at the plan and clearly understand why they received any increase. This also removes the feeling that, despite having identical performance evaluations, employees are treated differently based on favoritism.

Ms. Revier stated the DFM approved, with proper justification, limited additional increases outside the matrix that are proposed by directors. These may be to address: salary equity (as defined by DHR); position changes; compression; retention; or other issues. **Ms. Revier** reiterated that increases outside the matrix must be properly justified. Any time an agency wants to give a larger, outside-the-matrix increase to an employee, the director knows that he must be willing to call it out in the public plan, and to defend it to other employees, the press, the Governor, and the legislature. If a director is not willing to defend a plan before the CECC, the agency returns to the drawing board. Another area where the Governor's policy is more limiting than Idaho State Code is in regard to bonuses. The Governor recognizes that in limited cases, bonuses are warranted, but does not support widespread use. Bonuses, particularly at the end-of-year, can create poor management. Therefore, the Governor has instituted a policy limiting bonuses to no more than 20 percent of an agency's workforce each year. He encourages agencies to use salary savings to implement the CEC plans as early as possible, which results in more funds for employees in the current fiscal year.

Ms. Revier stated the DFM's main responsibility is ensuring agencies have the funds to cover their proposed CEC plans. Agencies are not to over-commit personnel budgets as there is no way to fix a shortfall at the end of the fiscal year. The DFM also reviewed to make sure all available CEC appropriation is used, and if not, why not. DFM also reviews important factors like implementation dates, proper coding, understanding how agencies will treat employees on probation at the time of CEC implementation, and other issues.

Ms. Revier stated there was discussion about sweeping salary savings from agencies to fund a CEC, and the CECC's questions may not have been properly addressed. First, DFM cannot sweep savings with all funds. Savings of federal funds cannot be pooled. Federal dollars are used for positions supporting specific programs and services, and stay within those programs. **Ms. Revier** explained to the CECC that sweeping salary savings from agencies would create a disincentive for those agencies to create savings. Savings happen through finding efficiency. Sometimes employees are able and willing to work harder if the extra work comes with a pay increase. If those dollars would be lost to other agencies, directors and employees would not have an incentive to look for efficiencies. Other savings comes from the loss of longer-term, higher-paid employees. This is happening less frequently as it becomes necessary to increase starting wages to recruit. Those savings are generally reinvested into existing employees. If reinvestment is not an option, agencies would have an incentive to turn those dollars into higher starting wages to solve recruitment problems.

DISCUSSION: **Representative Harris** asked Ms. Revier to go through two examples again. **Ms. Revier** explained that the matrix was an example of a very simple matrix. In this matrix, an employee who does not meet expectations will not receive an increase; an employee meeting expectations will receive a 2 percent increase; an employee who has a solid sustained performance will receive a 3 percent increase; and exemplary performers will receive a 4 percent increase. Many agencies use this matrix. Some agencies want to take into account more factors using compa-ratio. Some agencies break compa-ratio down into even more lines.

Representative King referred to a Boise State University (BSU) landscaper who testified yesterday, and asked why he had not received a raise for three years. She asked if there was a group of people who have not received a raise. **Ms. Revier** responded that she did not know specifics of that individual. In general, individuals who do not receive a raise are not performing, are new, or are on probation.

Representative Holtzclaw asked about salary savings. If someone is hired at a lower salary than the previous employee, can the difference be used for raises for other employees? How long does the employer keep that dollar difference? **Ms. Revier** responded CEC uses savings to reward employees across the agency, especially top performers and those who have been at the agency the longest. **Ms. Revier** further explained that there are one-time salary savings as well as ongoing salary savings. The ongoing salary savings are used to augment CEC matrices, so more than a 3 percent CEC can occur.

Representative Harris asked if universities were being funded by a different mechanism. **Ms. Revier** responded that universities were funded through the general fund, tuition, endowment funds, and federal grants. Universities have their own system of CEC.

Senator Souza asked about positions within a department that are never filled, and what happened with the money allocated for that salary at the end of the year. **Ms. Revier** answered with an example from the Idaho Transportation Department (ITD) which reduced their number of employees. Reorganization may shift how money is allocated. **Senator Souza** responded that her question was somewhat answered, but she envisioned a large department that had five or six openings and they were not going to fill them for an entire fiscal year, for whatever reason. Would it be an advantage to try to use as many funded positions as possible for other benefits the CEC might want within individual departments? Those open positions could create quite an additional cost. **Ms. Revier** replied that DFM and the Joint Finance-Appropriation Committee (JFAC) looked at full-time positions (FTP) often just for this reason. If an agency has an FTP count higher than needed with no intention of filling those positions, the additional funding could be allocated for health benefits. If FTP counts are adding up, the agency is asked by the DFM what their plans are for the open position. Other times, the agency may reduce their FTP so they do not get unfair advantage over other agencies.

Senator Guthrie said he looked at the salary savings report in 2014. There was $105 million in salary savings. **Senator Guthrie** asked if Ms. Revier knew what the figure was for 2015 and 2016. **Ms. Revier** said she did not know. **Senator Guthrie** stated that he did not think the salary savings was a fair tool that is accessible to all departments. Some agencies had advantages while other agencies did not. He questioned if there was not a better mechanism for equity among the departments. **Ms. Revier** responded and asked the CECC to keep in mind one-time versus ongoing raises. To augment fees, the CEC would have to be ongoing. The CEC could only look at general funds. The CEC cannot take federal and dedicated funds, or the purpose of those funds is violated. The salary savings is a much smaller number. Some of the specially dedicated funds have spending authority. Sometimes there is not the actual cash to back up the spending authority. **Senator Guthrie** said he thought the salary savings was a mixture of one-time and ongoing. **Ms. Revier** agreed there was a mixture.

Senator Burgoyne questioned if it would not be a good idea to take some of the salary savings to increase the CEC budget. He said he thought salary savings exacerbated the differences between individual employees and the agencies. Could the salary savings be used to generate more money for the majority of employees, and to fill in some gaps? **Ms. Revier** said she thought the salary savings would essentially disappear. Directors would not look to find efficiencies. There would not be an incentive to improve. She also saw directors replacing entry-level employee salaries at the same pay scale as retiree salaries.

Senator Burgoyne asked if rather than sweeping 100 percent, but only sweeping 50 or 25 percent, would that still provide incentive. **Ms. Revier** questioned how this would be applied when dealing with dedicated funds, general funds, and federal funds. Should general funds be given to dedicated fund agencies? Federal funds are limited in how they can be spent. The only funds involved would be general funds. General funds are not generally given to strictly generate fund agencies or agencies that are federally funded. **Ms. Revier** said she did not know if transferring salary savings funds would be an appropriate use of funds collected. Those being taxed for services would not be happy with their funds being swept. The practice of sweeping the funds and redistributing them would be

very difficult.

Senator Burgoyne agreed that it would be difficult, but that did not mean they should not try to make it work, and try to make it work equitably.

Co-Chairman Patrick responded that JFAC had a responsibility here. **Ms. Revier** replied that salary savings would disappear.

Senator Souza said she believed saying the directors would not do what is best for the State or employees would be seen as a territorial challenge. The CECC heard that Idaho did not compare to neighboring states' salaries. If the CECC can find savings within the budget for salaries that are not being utilized and use them for a 5 percent instead of a 3 percent raise, why would they not try to do that? **Ms. Revier** said she did not want to give the impression the directors were not trying to do what was best for the State, their agencies, and their employees. The directors were working every day to improve the lives of Idahoans, and they take their responsibilities very seriously. If the CECC removed the incentive, then the directors would be upset about moving the money to another agency.

Senator Lakey said he understood the need for discretion. He would be concerned about creating a "use it or lose it" scenario. He asked Ms. Revier for suggestions on how the playing field might be leveled. **Ms. Revier** said to continue to give a recommended CEC. Almost every agency had salary savings at some point. The CEC was the leveling factor for all of the agencies.

Senator Harris asked if a long-term salary saving was one way agencies did more with less. **Ms. Revier** responded some agencies would have a harder time reducing employees, while some agencies are in a better position to reduce their workforce.

PRESENTATION: **Robyn Lockett**, Budget and Policy Analyst, Legislative Services Office (LSO), spoke about the 2017 Fiscal Year (FY) Salary Adjustments for State Employees. **Ms. Lockett** said the FY 2016 personnel appropriations was $717 million of the general fund. Of those, all but $7 million or 1.6 percent of the general fund personnel budget was spent.

Representative Wood said when there is a discussion about salary savings, the CECC thinks there is a pot of money somewhere. Many departments are taking salary savings and spending it on salaries to keep employees critical to the department. The salary savings money is actually being spent on personnel. It was necessary to go back and look at that whole process and ask what the money was spent on by the departments. Almost all of the money spent by the department was called salary savings. In one particular job, salary savings was actually being spent on personnel. **Co-Chairman Patrick** stated in the past, that was his experience also.

Senator Burgoyne commented on the "use it or lose it" concept being a fact-of-life. This CEC issue presented a challenge. He did not think zero-based budgeting was the panacea. There was a need at the end of the year, to justify what was done. **Senator Burgoyne** said he was in favor of dedicated funds, but concerned by them. DFM has to pick a system to dedicate funds. The problem was the formula chosen did not generate enough revenue, or it generated too much. The question was raised of what would be the right balance. There was an issue of fairness between employees. **Senator Burgoyne** remarked he was troubled by

the employee performance ratings. If the job is done satisfactorily, the employee should be rewarded. He decided in his private business whether an employee got to stay based on performance. Compensation is not sentimental. He had to pay people a certain amount to attract and to keep them. Job retention had nothing to do with what they deserved. When systems were created with differences between employees that they could not understand, it was a problem. If the workforce perceived inequities, there was a problem with turnover, productivity, moral, etc. **Ms. Revier** said Idaho did not currently appropriate on the basis that agencies would lose money if they did not spend it. Agencies, for a variety of reasons, had fluctuations in the money needed to be spent every year. If the State changed the way it did business, there could be repercussions. The system is a merit-based system and required in Idaho Code. The system is not pass/fail. There is disparity amongst employees in job classes. Some of the disparity is due to director discretion. An employee in a job class in one agency may be more valuable to the operations of an agency than an employee in the same job class in a different agency. Some of the disparity is a result of how the agency is composed and the priorities of the agencies. Disparity is also due to funding sources. It is difficult to say that any individual in the same classification should receive the exact same pay. There is a range to recognize a difference from agency-to-agency.

PRESENTATION: **Susan Buxton**, Administrator, Division of Human Resources (DHR), presented the Agency Compensation Plan Approval Process and Implementation of Change in Employee Compensation (CEC) Funding.

Senator Thayn asked if there was any information on employee satisfaction. **Ms. Buxton** stated some agencies have a leaving interview. A statewide survey of agencies may be done to see which used a leaving interview. **Ms. Buxton** said she wanted to focus on the CEC implementation process. In addition to a CEC distribution plan, agencies are required to submit updated compensation policies that are consistent with Idaho Code, DHR rule, and Executive Branch Agency Compensation. **Ms. Buxton** stated how proud she was of her employees. She stated they are very conscientious about how State funds are utilized. The State has four evaluation ratings: does not achieve; achieves; solid; and exemplary. The performance evaluation must be current, within the last 12 months, and cannot have been used for prior CECs. Sometimes the State had to go through an appeal, or problem-solving to make an adjustment to an evaluation. Performance must be a factor as stated in Idaho Code §67-5309B(4). The DHR may also address agency-specific issues including recruitment, retention, compression, salary equity, or compa-ratio. There must also be a meaningful distinction between increases for performance ratings. Increases are merit-based and cannot be across-the-board. Plans must include implementation dates, and identify probationary and group positions. There must be proper justification for any increases proposed, in addition to those distributed through the CEC matrix. Non-classified positions were included and must comply with Idaho Code § 59-1603, which requires non-classified employees to be treated similar to classified employees.

Senator Guthrie said he wanted to tie a few things together relative to the Hay Study. He remarked that the Hay Study was out of Washington. He asked what if they looked at relationships to market in Idaho only. Were figures adjusted for cost-of-living so there was a clear picture of spending power? **Ms. Buxton** replied the DHR looked at the market and asked the Hay Group to look at methodology

and state law. She specifically referred to Idaho Code § 53-09C and said many employees were lost to Washington State, as well as other states. Best practice methodology was used to ensure the survey was accurate. **Ms. Buxton** stated that it was better to have an expert look at the actual facts, not the result they wanted.

Senator Souza said it was mentioned that there were some adjustments made in comparing Idaho to other states. How did the Hay Group do those adjustments? **Ms. Buxton** replied the Hay Group compared like jobs in Idaho to like jobs in Washington and other states. The Hay Group took into consideration differences between Idaho's economy, cost of living, etc. For example, if a person doing a job in Idaho moved to a branch in Seattle doing the same job, would they have to be paid more because the cost-of-living is more there.

Senator Souza mentioned that there was a new public policy center at BSU that does research. The DHR may want to use them in the future. **Ms. Buxton** replied they would be happy to work with BSU. The strength of the benefits program does not offset the salary. The total compensation system, salary, and benefits shall be competitive with relevant labor market averages. The average annual salary for a classified employee is $34,032 which is 24 percent below the market average, and 20 percent below the public sector average.

Senator Anthon discussed the term "market average." That means looking at the bottom end to the top end. Employees are being lost. What that suggests is that higher paying markets are the meter by which we say we are well below market. He asked if he was misunderstanding. **Ms. Buxton** said Hay looks at other markets, some pay higher and some pay lower. The Hay Group is not just looking at the higher paying markets. **Senator Anthon** said that answered his question. Some areas would intuitively pay more than Idaho. **Ms. Buxton** responded that she understood his concern. That is why an updated review from the Hay Group was requested by the DHR.

Senator Guthrie asked for clarification. He said he would like to see what the survey would look like for a self-contained comparison in Idaho. He heard that there was no cost-of-living adjustment (COLA). **Senator Guthrie** said there was concern about internal equity. **Ms. Buxton** replied that there was a frustration about how DHR looked at comparative markets. The CECC had to look at the State of Idaho as well as other states. **Senator Guthrie** asked for confirmation that there was no COLA . **Senator King** said that she heard that across-the-board pay raises were not given. An across-the-board increase, or a COLA would solve the problem of the landscaper from BSU. **Ms. Buxton** replied that a COLA is not in Idaho Code. There have been times when the Legislature added on a 1 percent raise one-time only. The CECC could look at the matrixes.

Senator Burgoyne asked if there were markets in the country that were included in the survey where Idaho was ahead. He said that from some of the questions and some of the answers the impression was that there were only higher paying areas included.

Susan Buxton replied that other national databases were used. She referred to Appendix H of the FY 2018 CEC and Benefits Report from the meeting of January 10, 2017.

Senator Burgoyne said the idea of a COLA was interesting. He said that if all competitors were surveyed, and he found out that he was below pay, he would give his employees a raise. The survey itself substituted for the COLA. In terms of the methodology, was the idea that a separate COLA calculation was not needed? **Ms. Buxton** said the methodology was set with code and rule at how the State was to look at compensation for the State workforce. There had been a change in market. The calculations can be looked at, but she is limited to code.

PRESENTATION: **Ms. Buxton** finished her presentation from Tuesday regarding the recommendation for DHR which included her CECC report. She presented a slide on State Workforce and Retirement Rates. She discussed FY 2016 voluntary turnovers and new hires by generation: Traditionalists, Baby Boomers, Generation X, and Millennials. She stated there were 631 State employees who retired in fiscal year 2016, which was 2.4 percent of the workforce. **Ms. Buxton** said that was significant. The Traditionalists and Baby Boomer groups had large losses. Seventeen percent of Baby Boomers are vacating jobs, and those positions are not being refilled by Baby Boomers. The Millennials are filling the majority of those positions, which is a national trend. The top five contributors to employee satisfaction were: 1.) respectful treatment; 2.) overall compensation; 3.) overall benefits; 4.) job security and 5.) trusting senior management. DHR recommends the entire salary structure to be increased by 3 percent.

Senator Thayn asked if there was more competition between the lower, mid, or higher paying rates. **Ms. Buxton** stated that job classification determined rates. There was a lot of competition in the State for good office help and a lot of competition in trades. There was more competition for higher skilled jobs. **Senator Thayn** summarized that there is competition at all pay levels and it may come from different areas. **Ms. Buxton** said minimum wage will always be the lowest pay raise. **Ms. Buxton** pointed out the FY 2016 classified turnover rate for the State of Idaho was 14.2 percent, compared to the national turnover rate of 16 percent.

Senator Souza asked whether excluding employees who transferred, but remained in the State, what the turnover rate was compared to other markets. **Ms. Buxton** responded the turnover rate is 14.2 percent in Idaho. The national rate is 16 percent. **Senator Souza** clarified that if there is a turnover rate of 14 percent, and 7 percent are in agency transfers, that the overall transfer rate out of the State is 7 percent. **Ms. Buxton** replied the differential would be less, and she would get more information. **Senator Souza** requested comparisons to other states' turnover rates. **Co-Chairman Anderson** asked if there was a value in distinguishing between classified and non-classified employees. **Ms. Buxton** said the State had a civil service system, and there was a place for classified and a place for non-classified.

PRESENTATION: **Robyn Lockett**, Principal Budget and Policy Analyst, Legislative Services Office (LSO), presented the Idaho Legislature's CECC 2017 Fiscal Year (FY) 2017 Salary Adjustments for State Employees Report and outlined State agency personnel costs. **Ms. Lockett** said the average salary for personnel is $41,000 per year. The CEC recommended, and the legislature supported, funding for a 3 percent ongoing CEC based on merit, and to be distributed at the discretion of the agency head. Agency compensation plans were approved by the Division of Financial Management (DFM) before increases could be implemented. DFM worked with the DHR to review and approve each plan. Internal equity and Statewide equity considered were availability of funds, and required the plans to be based on employee evaluation ratings rather than across-the-board increases. Once an agency's compensation plan was approved by DFM and DHR, the agency could begin implementing the pay changes. Agencies have several means to provide additional money to an employee, as long as the agency has the funds to warrant the compensation. A CEC is just one way that an employee's pay rate can increase, but it is not the only way.

Ms. Lockett explained all types of raises, as well as an early implementation of the FY 2017 CEC in FY 2016. During this time, there were 16,713 pay changes for about 12,900 employees, with some receiving more than one increase. Those changes equated to an overall Statewide median increase of approximately 3.6 percent. Because the CEC was funded on merit, rather than across-the-board, some employees received a 2 percent increase and others received a 3 percent. In cases where an agency is larger or has salary savings, that agency may have paid more than the 3 percent. The median increase was 3.6 percent, while the average was 4.5 percent. **Ms. Lockett** said 80 percent of the pay changes were CEC related. Other changes were due to equity adjustments, promotions, rehires, Idaho Code, and other factors. **Ms. Lockett** stated that between March 1 and December 15, 2016, State agencies provided 1,015 one-time bonuses, valued at $1.2 million, which is just over 5 percent of all state employees. Last year, aproximately 8 percent of employees received a one-time bonus. The majority of bonuses were for outstanding performance. Data from the Rainbow Report indicated that so far in 2017, as well as 2016, 18 percent of employees earned less than $20,000; 31 percent earned between $20,000 and $39,999; and 31 percent earned between $40,000 and $59,000. The remaining 20 percent made more than $60,000. Over the course of four years, the number of employees making more than $40,000 per year has increased by 6 percent.

Ms. Lockett emphasized that to really understand what has happened in the workforce, it was necessary to look at each individual agency. **Ms. Lockett** said she saw a slow, but steady increase in overall compensation. **Ms. Lockett** attributed that to the ongoing 3 percent CEC recommendation. **Ms. Lockett** concluded with the elected officials, whose salaries are set in Idaho Code, the average change Statewide for elected officials was 2.3 percent. The average Statewide employee's raise was 1.86 percent.

DISCUSSION: **Representative Harris** asked for clarification. He questioned why median changes were more important than average changes. **Ms. Lockett** explained that the median changes Representative Harris referred to were from 2015 and was not reflected in 2016. She stated that averages were often skewed by higher increases. In dollar amount, the average change was about 75 cents.

Co-Chairman Anderson asked if there were statistics for turnovers. **Ms. Lockett** stated that information was available in the Hay Report. **Co-Chairman Anderson** requested the total amount paid to employees. **Ms. Lockett** said $1.6 billion is the cost for salaries, benefits, and variable benefits. Added to that are public school funds and higher education funds. The average salary per employee was $63,800.

PRESENTATION: **Cathy Holland-Smith**, Budget and Policy Analysis Division Manager, Legislative Services Office (LSO), explained the Governor's recommendation for a 3 percent CEC. She went over FY 2018 three percent Total Funds Recommendation for Agencies, FY 2016 Total Funds Personnel Costs Reversions, and FY 2016 All Funds Personnel Cost Appropriations. **Ms. Holland-Smith** explained how the funds were split up. The Governor's recommendation for a CEC was for permanent employees. **Ms. Holland-Smith** reviewed figures from the General Fund. She stated that public schools were included in the information. **Ms. Holland-Smith** then reviewed dedicated funds. **Ms. Holland-Smith** reported this information was used to make a Statewide decision.

Representative Redman asked if the federal funds for 2018 were transferred to State general funds. **Ms. Holland-Smith** responded that many State employees were paid from multiple sources. State appropriations may have to be reappropriated. In 2016, college and university appropriations went up due to a carryover of dedicated funds. **Ms. Holland-Smith** said sometimes not all of the appropriation is spent. Typically, the larger the agency, the smaller the percentage will be left on the table. One reason for the reserve is that money cannot be transferred into personnel. There are exceptions where money may be transferred into personnel. Colleges and universities are able to use capital money for personnel money, so they spent more of the general fund than was appropriated. Small agencies tend to be more conservative in spending since appropriations can never be exceeded.

Ms. Holland-Smith pointed out that in the 2016 dedicated funds, some of the money was not spent. Out of the federal personnel funds, 11.4 percent was not spent. **Ms. Holland-Smith** discussed that some of the unspent money can go back into the general fund.

Representative Packer asked how more money could be reverted back. **Ms. Holland-Smith**, referred to a Medicaid example, saying that Medicaid was allowed to make expenditure adjustments. CEC's were allowed to transfer in money outside of Medicaid and personnel. Adjustments can be made to transfer money in, as well as transfer money out. The General Fund is the most closely monitored source.

Ms. Holland-Smith stated federal funds are driven largely by the Department of Labor (DOL) and the Department of Health and Welfare (DHW). These agencies want the legislature to know that they need more funding.

Senator Guthrie asked about salary savings. What was the FY total savings for 2016 for all fund sources? **Ms. Holland-Smith** said it was $156.9 million for all funds appropriated.

Co-Chairman Patrick asked if there were further questions. He stated that there would be one more meeting on Tuesday, January 17. At that meeting, he asked the CECC to make a recommendation to JFAC. **Co-Chairman Anderson** asked the CECC to think about the information presented over the weekend. The CECC needed to act expeditiously. There were four things to think about: 1.) salary structure; 2.) do they want to maintain preferential treatment; 3.) income people receive; and 4.) benefits of approximately $1,000 per employee.

Senator Guthrie stated adjustments needed to be made according to COLA's in different states. **Senator Guthrie** stated that it did not do the State any service when the State is behind market, and Idaho is being compared to big markets. The information has to be accurate. It makes a negative sales pitch. He would like to take into account a COLA.

Susan Buxton addressed the CECC. She referred to the CEC report, and pointed out that the Hay Group reflects the cost of labor and there is some correlation. **Representative King** said that she looked up the COLA and Idaho is 21st in the United States. There are 19 other states where it is cheaper to live.

ADJOURNED: There being no further business at this time, **Co-Chairman Patrick** adjourned the meeting at 3:57 p.m.

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Representative Neil Anderson
Co-Chairman

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Linda Kambeitz
Secretary

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Senator Jim Patrick
Co-Chairman

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Audrey Hays
Assistant Secretary