

MINUTES
CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE: Wednesday, January 12, 2022
TIME: 12:30 P.M.
PLACE: Room EW20
MEMBERS PRESENT: Senators Co-chairman Patrick, Agenbroad, Guthrie, Souza, Ward-Engelking
Representatives Co-chairman Holtzclaw, Syme, Kingsley, McCann, Gannon
ABSENT/ EXCUSED: None

Co-chairman Patrick called the meeting to order at 1:02 pm.

Co-chairman Patrick and **Co-chairman Holtzclaw** welcomed the committee members and guests.

Christine Otto, Senior Budget and Policy Analyst, Legislative Services Office, reviewed the state employee compensation philosophy, as found in Idaho Code. She explained the four components of employee compensation: salary structure adjustments, pay-line exceptions, merit increases and changes to the benefit package.

Lori Wolff, Administrator, Division of Human Resources (DHR), presented DHR's change in employee compensation (CEC) recommendations for FY 2023. She noted it is an aggressive recommendation that addresses all four facets of employee compensation. DHR recommends first, a fully funded 2% increase to the salary structure; the estimate fiscal impact is \$14.4 million from the general fund and \$15.9 million in other funds, for a total of \$30.3 million. Second, provide a 3% merit-based increase, for a 5% total CEC; the estimated fiscal impact is \$21.6 million from the general fund and \$23.9 million from other funds, for a total of \$45.5 million. Third, continue current pay-line exceptions and fourth, maintain the overall design of the benefits package and percentage contributions for employees. She cited inflation, rising housing costs, and increases in workload as reasons to increase pay and noted over 85% of state employees with at least five years of experience are still paid below the policy rate (midpoint) of their pay grade. She discussed challenges with retention at both ends of the wage spectrum.

Ms. Wolff provided the results of the state's compensation surveys for 2021. Idaho state employees' total compensation is 12.2% below market for the private sector and 6.7% below market for the public sector; the survey included both local market and neighboring state comparisons. She stated money helps, but it will not be the ultimate motivator in getting employees to stay. She acknowledged the need to be in touch with what a younger generation of employees values in a job, including more flexibility. She also discussed salary savings; approximately 9% of the personnel cost (PC) appropriation to executive agencies was not used for PC. She explained it is hard to predict vacancies and how long a position may go unfilled.

MOTION: **Sen. Souza** made a motion to accept the Governor's CEC recommendations.
Motion failed due to lack of a second.

Co-chairman Patrick called a recess of the committee at 2:45 pm.

Co-chairman Patrick reconvened the meeting at 2:57 pm.

Alex Adams, Administrator, Division of Financial Management, provided the Governor's FY 2023 CEC recommendations. He noted state revenues grew 23% last year (the equivalent of four years of growth), while the Governor's budget proposal adds 8.1% in ongoing spending. The Governor supports DHR's recommendations for state employee compensation. He recommends maintaining the benefits package by covering COVID-related expenses through American Rescue Plan Act (ARPA) funds, so employee contributions will not rise. Mr. Adams explained the proposed DHR Innovation Center to streamline and improve business practices across state agencies, rather than simply adding employees to solve problems. He stated the Governor's office is open to any and all strategies to address employee retention.

Jennifer Pike, Administrator, Office of Group Insurance (OGI), gave an overview of the current benefits packages and some of OGI's accomplishments last year, including launching diabetes and weight management programs. She noted OGI received additional CARES funding for COVID-19 cost reimbursements, bringing the total received to nearly \$13 million. Projected medical plan costs were relatively flat in FY 2020 and 2021, but are now increasing again. Diminished reserve balances will require a higher appropriation this year; the governor's recommendation is to appropriate \$12,500 per enrolled employee, which is an increase of \$850 from the FY 2022 amount. She noted OGI hopes to launch a health savings account program next year, when the Luma Project launches.

Alex Adams provided an overview of federal funds that may be available to use for personnel costs. He noted Idaho received some of the lowest per capita COVID-19 funds and anything available to the state is from ARPA Discretionary Funds to State and Local Governments. Stipulations within ARPA and **S 1204** passed last year led the Governor to only recommend premium pay for teachers and conclude there is too much red tape for the federal funds to be used for across-the-board pay increases or bonuses to state employees.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 3:58 pm.

Senator Patrick
Co-chair

Erica McGinnis
Secretary

Representative Holtzclaw
Co-chair