

MINUTES  
**CHANGE IN EMPLOYEE COMPENSATION COMMITTEE**

**DATE:** Wednesday, January 26, 2022

**TIME:** 1:00 P.M.

**PLACE:** Room WW02

**MEMBERS PRESENT:** Senators Co-chairman Patrick, Agenbroad, Guthrie, Ward-Engelking

Representatives Co-chairman Holtzclaw, Syme, Kingsley, McCann, Gannon

**ABSENT/  
EXCUSED:** Senator Souza

**Co-chairman Patrick** called the meeting to order at 2:13 pm.

**MOTION:** **Co-chairman Holtzclaw** made a motion to approve the minutes of the January 12, 2022, meeting. **Sen. Ward-Engelking** seconded the motion. **Motion carried by voice vote.**

**Co-chairman Patrick** reminded the committee of their legal responsibility, as written in Idaho Code. He noted state employees submitted a great deal of written testimony and much of it expressed dissatisfaction with current compensation. He reminded the committee they make a policy recommendation to JFAC, who will sort through the exact fiscal impact.

**Co-chairman Holtzclaw** noted much of the written testimony discussed inflation and housing costs. He said the state is losing good employees because agencies cannot pay them what they should.

**ORIGINAL MOTION:** **Co-chairman Patrick** made a motion to **accept the Governor's FY 2023 Change in Employee Compensation (CEC) recommendations. Rep. Kingsley** seconded the motion. First, that the compensation schedule be shifted upwards by 2% at all pay rates in all pay grades, with the exception of Pay Grade D where the minimum shall stay at \$7.25 per hour, for FY 2023, and that the Legislature fully fund that shift. The estimated fiscal impact is \$29,226,600 to bring all employees up by 2%. Of the total, \$14,429,800 is from the General Fund, \$10,246,600 is from dedicated funds, and \$4,550,200 is from federal funds.

Second, maintain all job classifications with a current pay line exception to address specific recruitment or retention issues as recommended in the FY 2023 Change in Employee Compensation & Benefits Report from the Division of Human Resources. There is no additional cost for this recommendation because the pay line exceptions are already covered in the personnel cost appropriation in each agency budget.

Third, provide a 3% increase in funding for a merit-based salary increase for state employees, with flexibility allowed for agency heads and institution presidents to distribute those funds as they see fit. The 3% CEC is estimated to cost \$43,839,900 from all funds, of which \$21,644,700 is from the General Fund, \$15,369,900 is from dedicated funds, and \$6,825,300 is from federal funds.

Fourth, maintain the current employee benefit package for FY 2023 with an increase to appropriation for the employer share of health benefits. This will maintain the current employee group insurance package with an increase to the current year appropriation from \$11,650 to \$12,500 for an increase of \$850 per full-time position (FTP) for health insurance. Additionally, this motion would maintain current Public Employee Retirement System of Idaho (PERSI) benefits with the same employer and employee contribution rates, but include a one-year holiday for employers that contribute to the PERSI-managed sick leave plan.

**SUBSTITUTE MOTION:**

**Sen. Ward-Engelking** made a substitute motion that matched the original motion except for the third component. **Rep. Gannon** seconded the motion. **Sen. Ward-Engelking** moved for FY 2023 a 5% increase in funding for a merit-based salary increase for state employees, with flexibility allowed for agency heads and institution presidents to distribute those funds as they see fit. The 5% CEC is estimated to cost \$73,066,500 from all funds, of which \$36,074,500 is from the General Fund, \$25,616,500 is from dedicated funds, and \$11,375,500 is from federal funds.

**Sen. Ward-Engelking** stated the committee is statutorily required to make sure state employee's salaries and benefits are competitive and funded appropriately. This year there is an ongoing, \$600 million surplus and is the right time to reward employees so they are not losing money due to inflation. She also noted the Governor's recommendation was from fall 2021 when the revenue forecast was unsure; now it is better than expected.

**AMENDED SUBSTITUTE MOTION:**

**Rep. Syme** made an amended substitute motion that matched the original motion except for the third component. **Co-chairman Holtzclaw** seconded the motion. **Rep. Syme** moved for FY 2023 an increase of up to \$1.00 per hour per permanent employee for a merit-based salary increase and to give agency heads and institution presidents the flexibility to distribute any unused funds as they see fit for retention and recruitment purposes, subject to approval by the Division of Human Resources (DHR) and the Division of Financial Management (DFM). The intent is to give a higher percentage raise to the lower wage jobs than to the higher wage jobs. The \$1.00 per employee CEC is estimated to cost \$48,958,400 from all funds, of which \$24,930,700 is from the General Fund, \$16,139,200 is from dedicated funds, and \$7,888,500 is from federal funds.

**Rep. Gannon** stated the Mountain Region, which includes Idaho, is experiencing 8.6% inflation; this needs to be factored into policy decisions. He stated none of the motions raises wages because of reduced buying power due to inflation.

**Sen. Guthrie** expressed his desire to hear more positive aspects of being a state employee. He felt all the testimony was negative, but the committee and the public should appreciate the value of the benefits package and how that would translate in terms of hourly wages. He stated the public should be allowed to testify in the future and the names of those who submit written testimony should not be redacted.

**Rep. McCann** expressed agreement with **Sen. Guthrie's** comments, but expressed concern that many state employees have left for better paying jobs and better than or equal benefits. She stated this year is a golden opportunity to invest in the state workforce and expressed **support** for the substitute motion.

**Sen. Agenbroad** remarked the committee needs to be very prudent when spending taxpayer dollars and many things can change before FY 2023 begins, including efforts to address inflation at the federal level. He expressed the need to take care of the people who run the state, and also understand the value of the benefits and work culture offered to state employees.

**Sen. Ward-Engelking** noted benefits are good, but cannot pay for food and rent. She said the state is competing with other entities, including Ada County where employees are getting a 9% raise and increased benefits. While no one can predict the future, much of the budget surplus is ongoing and employee turnover is a significant cost to the state.

**Rep. Syme** spoke to his motion, explaining a merit-based raise of up to \$1.00 per hour is greater than a 3% raise for those making less than \$70,000. About 5,200 state employees make more than that, so their percentage raise would be less than 3%. This option costs approximately \$5 million more than a 3% merit-based increase.

**Lori Wolff**, Administrator, DHR, explained in the past percentage based, merit pay raises have been used to avoid compression issues, but it is technically feasible to implement **Rep. Syme's** approach. She noted the vacancy rate is spread across all pay grades and is highly dependent on the actual position.

**ROLL CALL  
VOTE ON  
AMENDED  
SUBSTITUTE  
MOTION:**

Roll call vote was requested. **Motion failed by a vote of 4 AYE and 5 NAY and 1 Absent/Excused. Voting in favor of the motion: Co-chairman Holtzclaw, Sen. Guthrie, and Reps. Syme and Kingsley. Voting in opposition to the motion: Co-chairman Patrick, Sens. Agenbroad and Ward-Engelking, and Reps. McCann and Gannon. Sen. Souza was absent/excused.**

**ROLL CALL  
VOTE ON  
SUBSTITUTE  
MOTION:**

Roll call vote was requested. **Motion failed by a vote of 4 AYE and 5 NAY and 1 Absent/Excused. Voting in favor of the motion: Co-chairman Holtzclaw, Sen. Ward-Engelking, and Reps. McCann and Gannon. Voting in opposition to the motion: Co-chairman Patrick, Sens. Agenbroad and Guthrie, and Reps. Syme and Kingsley. Sen. Souza was absent/excused.**

**Co-chairman Patrick** reminded the committee that a great deal of research and data analysis was done to make the Governor's CEC recommendations.

**ROLL CALL  
VOTE ON  
ORIGINAL  
MOTION:**

Roll call vote was requested. **Motion failed by a vote of 4 AYE and 5 NAY and 1 Absent/Excused. Voting in favor of the motion: Co-chairman Patrick, Sens. Agenbroad and Guthrie, and Rep. Kingsley. Voting in opposition to the motion: Co-chairman Holtzclaw, Sen. Ward-Engelking, and Reps. Syme, McCann, and Gannon. Sen. Souza was absent/excused.**

**ORIGINAL  
MOTION:**

**Rep. McCann** made a motion to first, shift the compensation schedule upwards by 4% at all pay rates in all pay grades, with the exception of Pay Grade D where the minimum shall stay at \$7.25 per hour, for FY 2023, and that the Legislature fully fund that shift. The estimated fiscal impact is \$58,453,200 to bring all employees up by 4%. Of the total, \$28,859,600 is from the General Fund, \$20,493,200 is from dedicated funds, and \$9,100,400 is from federal funds.

Second, maintain all job classifications with a current pay line exception to address specific recruitment or retention issues as recommended in the FY 2023 Change in Employee Compensation & Benefits Report from the Division of Human Resources. There is no additional cost for this recommendation because the pay line exceptions are already covered in the personnel cost appropriation in each agency budget.

Third, provide a 3% increase in funding for a merit-based salary increase for state employees, with flexibility allowed for agency heads and institution presidents to distribute those funds as they see fit. The 3% CEC is estimated to cost \$43,839,900 from all funds, of which \$21,644,700 is from the General Fund, \$15,369,900 is from dedicated funds, and \$6,825,300 is from federal funds.

Fourth, maintain the current employee benefit package for FY 2023 with an increase to appropriation for the employer share of health benefits. This will maintain the current employee group insurance package with an increase to the current year appropriation from \$11,650 to \$12,500 for an increase of \$850 per full-time position (FTP) for health insurance. Additionally, this motion would maintain current Public Employee Retirement System of Idaho (PERSI) benefits with the same employer and employee contribution rates, but include a one-year holiday for employers that contribute to the PERSI-managed sick leave plan. **Sen. Ward-Engelking** seconded the motion.

**Rep. McCann** stated she supported fully funding any shortfall within higher education in implementing the CEC in order for the institutions to not need to raise tuition and fees. The estimated fiscal impact is approximately \$10,861,300.

**SUBSTITUTE MOTION:**

**Rep. Gannon** made a substitute motion that matched the original motion except for the first component. He moved that the compensation schedule be shifted upwards by 5% at all pay rates in all pay grades, with the exception of Pay Grade D where the minimum shall stay at \$7.25 per hour, for FY 2023, and that the Legislature fully fund that shift. The estimated fiscal impact is \$73,066,500 to bring all employees up by 5%. Of that total, \$36,074,500 is from the General Fund, \$25,616,500 is from dedicated funds, and \$11,375,500 is from federal funds. **Motion failed due to lack of a second.**

**SUBSTITUTE MOTION:**

**Co-chairman Holtzclaw** made a substitute motion that matched the original motion except for the first and third components. **Rep. Syme** seconded the motion. For the first component Co-chairman Holtzclaw moved that the compensation schedule be shifted upwards by 3% at all pay rates in all pay grades, including seasonal and temporary workers, with the exception of Pay Grade D where the minimum shall stay at \$7.25 per hour, for FY 2023, and that the Legislature fully fund that shift. The estimated fiscal impact is approximately \$45 million. For the third component he moved for FY 2023 an increase of up to \$1.00 per hour per permanent employee for a merit-based salary increase and to give agency heads and institution presidents the flexibility to distribute any unused funds as they see fit for retention and recruitment purposes, subject to approval by the Division of Human Resources (DHR) and the Division of Financial Management (DFM). The \$1.00 per employee CEC is estimated to cost \$48,958,400 from all funds, of which \$24,930,700 is from the General Fund, \$16,139,200 is from dedicated funds, and \$7,888,500 is from federal funds.

**Lori Wolff** testified as long as the cost of applying a salary structure shift to temporary and seasonal employees is included in the appropriation, she did not foresee any implementation issues.

**ROLL CALL VOTE ON SUBSTITUTE MOTION:**

Roll call vote was requested. **Motion failed by a vote of 3 AYE and 6 NAY and 1 Absent/Excused. Voting in favor** of the motion: **Co-chairman Holtzclaw, and Reps. Syme and Kingsley. Voting in opposition** to the motion: **Co-chairman Patrick, Sens. Agenbroad, Guthrie, and Ward-Engelking, and Reps. McCann and Gannon. Sen. Souza was absent/excused.**

**ROLL CALL  
VOTE ON  
ORIGINAL  
MOTION:**

Roll call vote was requested. **Motion failed by a vote of 4 AYE and 5 NAY and 1 Absent/Excused. Voting in favor of the motion: Sen. Ward-Engelking and Reps. Kingsley, McCann, and Gannon. Voting in opposition to the motion: Co-chairman Patrick, Co-chairman Holtzclaw, Sens. Agenbroad and Guthrie, and Rep. Syme. Sen. Souza was absent/excused.**

**Co-chairman Patrick** called a recess of the committee.

**Co-chairman Patrick** reconvened the meeting at 3:33 pm.

**Co-chairman Patrick** and **Co-chairman Holtzclaw** stated the committee should take their time, sort out their ideas and have another meeting next week.

**ADJOURN:**

There being no further business to come before the committee, the meeting adjourned at 3:37 pm.

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Senator Patrick  
Co-chair

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Erica McGinnis  
Secretary

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Representative Holtzclaw  
Co-chair