MINUTES

CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE:	Wednesday, January 18, 2023
TIME:	12:00 P.M.
PLACE:	Room EW20
MEMBERS PRESENT:	Senators Co-chairman Cook, Guthrie, Burtenshaw, Carlson, Ward-Engelking
	Representatives Co-chairman Bundy, Holtzclaw, Kingsley, Wheeler, Gannon
ABSENT/ EXCUSED:	None

Co-Chairman Bundy called the meeting to order at 12:04 p.m.

Alex Adams, Administrator, Division of Financial Management, explained how the Division of Financial Management (DFM) develops the budget and the Change in Employee Compensation (CEC) recommendation. Looking at the past five years, DFM then creates a forecast for the next five. Revenue collections for the last five years shows rapid growth from fiscal years 2020 through 2022, going from $4 billion to $5 billion and then $6 billion in revenue collection with the question if revenue collection will hit $7 billion in the following year. Idaho saw big growth during the pandemic years with PP loans for business, stimulus checks for individuals, and a larger collection of sales and income tax which is associated with record levels of federal spending. **Mr. Adams** said based on the current projection, Idaho will see a drop off in revenue for fiscal years 2023 and 2024 partly due to federal transfer payments and deliberate policy choices that the Legislature and the Governor have made (i.e., tax cuts from 6.295% to 6% to 5.8% that was implemented on January 3, 2023). During the Special Session in 2022, $410 million was pulled out of the general revenue stream on an on-going basis for and public schools. DFM is projecting a mild recession in 2023, which the Governor's budget is based around, that will be similar to size, duration, and magnitude of the 1991 recession. Those three trends, the predicted recession, the deliberate tax policy choices, and tapering off of federal funds, is why there is projected a year-over-year dip to FY 2023 and FY 2024 and growth projected after that.

At Economic Outlook and Revenue Assessment Committee (EORAC), **Mr. Adams** said that DFM had the most conservative forecast of all that presented, and it is built on conservative assumptions to avoid budget whiplash. The Governor's recommendation, which is built off of the Division of Human Resources' recommendation, for the FY 2024 CEC includes a 4% merit increase (with law enforcement receiving an additional 6%), a salary structure adjustment of 8.5%, maintaining current pay line exceptions, and to maintain a competitive benefits package. The two-year structure of the Governor's recommendation is similar to multi-year career ladders, such as the one for teachers. Even though DFM has a conservative forecast, Idaho is doing things to sustain the economy such as leaving a 3-4% cushion in each year, bolstering rainy day funds to stay at maximum, paying off debt, prepaying fire expenses, etc. **Mr. Adams** concluded his presentation by recapping the Governor's recommendation.

Sen. Ward-Engelking asked, with a 3 to 4% budget surplus built into the budget, 8% inflation, 22% turnovers, and 2,500 vacancies of state employees, if there is room in the Governor's budget to increase merit pay for state employees. **Mr. Adams** replied that is up for legislative debate, and DFM built the budget around a conservative estimate that will sustain over time. He said that it is a good idea to be careful and should be done over multiple years. The Governor built his recommendation off of historical precedent of previous governors. **Sen. Ward-Engelking** stated that she is hoping that Idaho can do more for our state employees as city and local employees are getting better pay and raises.

Rep. Gannon said the Committee got comments from state employees about the inflation rate (which was 9.1% last year), increases in the cost of rent, food and goods, and the 22% turnover. **Rep. Gannon** asked for ideas the state can do to get rent and prices down to more manageable levels; maybe a compensation method to raise state employees up so they can face the difficult issues they are facing. **Mr. Adams** replied that that he doesn't believe the policies in Washington D.C. will get inflation under control. He continued that housing and rental is beyond the scope of the CEC Committee but those were all data points that DHR considered in their report. Last year's CEC was on average 8% so it did ride on top of inflation and the Governor's recommendation is on top of last year's.

Rep. Gannon asked what a legislator can do right now to solve this problem that state employees are talking about. **Mr. Adams** replied that tax relief has been given, and the Governor has proposed $120 million in property tax relief, invested in wastewater infrastructure, investments to keep user taxes and fees low, kept school levies low, put money into the housing trust fund to create more than 1000 workforce affordable housing unit. A lot of what Governor Little is doing is addressing that and the state is doing its best to control what it can.

Rep. Wheeler asked if a recession would occur, would it be similar to the one in 1991 and what decisions did the state make then. When is the best time to respond to a recession, which could mean holding back on a CEC recommendation. **Mr. Adams** said that DFM built the recession forecast starting the first quarter of FY 2023 and then resolving it in the 3rd quarter of FY 2023. The IHS Stock Forecast predicted unemployment at 5.3 % and Idaho is well below that. The Great Recession was in the 9-10% range and even the national statistic is not in that range. Regarding when to respond to a recession, usually the state cuts first to stabilize and mitigate the depths over a three to four year period; currently preparing for the downside while make the upside investments such as record investments in education.

Rep. Wheeler asked if the two year CEC recommendation is adopted, will it give the state the opportunity to react and do something different in the second year. **Mr. Adams** replied that with the two year recommendation, we can have time to reassess the economic climate next year. We are seeing a resolution of the mild recession, can see the revenue growth in the other years. FY 2025 will see the change in sales tax to General Fund dollars simultaneously $330 million and $80 million pulled out for the Special Session but that is not an inflator. The recommendation from DHR fits well, and DFM updates the forecast twice a year with monthly revenue updates.

Sen. Guthrie commented that when looking at the information shown at the previous CEC Committee meeting, open positions decreased and the number of applications went up as a result of action taken. The state is reacting to and facing the challenges.

Jennifer Pike, Administrator, Office of Group Insurance, Dept of Administration reviewed statutory authority in Section 67-5760 through 5772, Idaho Code and the mission of the Office of Group Insurance (OGI). The aforementioned sections also include the Group Insurance Advisory Committee, which meets publicly three times a year to discuss current issues and changes. **Ms. Pike** then explained OGI's organizational structure and listed tasks and responsibilities. OGI serves 25,000 plus employees and retirees, 200 plus Human Resource people, and has 126 different agencies that participate in group insurance. The FY 2023 budget was $889,700, which includes the base operations and personnel costs.

All benefits-eligible employees have three competitive benefits packages to choose from that include dental, vision, telemedicine, and many other programs. She hears the most about active and retired eligibility as it is the most expensive as it the highest dollar program. **Ms. Pike** also reviewed the options available for life insurance and other similar options.

In FY 2022-2023, at the direction of the Governor and the Legislature, OGI made many changes to benefits: adding specialty pharmacy, ER copays, increased dental coverage, and other changes. OGI is working on creating incentives for employees in their benefits choices and continuing to be actively involved in the development of the LUMA program. OGI's mission is to balance the right plan for the employee population with rising healthcare costs.

The most significant project is the onboarding of 26 school districts to the state's health plan, which is about 5,000 new employees, growing the population by 30%. The Legislature set aside $75 million to the Department of Education to assist districts with buy-ins. OGI received $16 million in buy-ins and the Department of Education paid about $13.3 million of that for the schools. OGI is expecting more schools to join this upcoming year. Over 57, 000 employees and dependents have active plan membership.

In FY 2021, the Department of Administration requested and received from the Legislature $10 million for reimbursement of COVID costs for employees and their dependents and the department received an additional $3 million at the end of the year. In FY 2023, the department requested $25 million to offset the rest of the costs of FY 2022 and into FY 2023. As of December 2022, $16 million was expended and they expect to expend the rest by the end of FY 2023 year. For FY 2024, the Governor has recommended $25 million for COVID related claims from ARPA funds to offset additional COVID costs. Until the federal state of emergency has been lifted, many costs related to COVID have to be covered, sometimes up to 100%.

The biggest initiative for the coming year is a Health Savings Account (HSA) rollout as is authorized by Section 67-5761B, Idaho Code. With a high deductible health plan, both employee and employer can contribute a certain amount, and the savings can accumulate; age 65, the savings can be used for other things. Those covered by insurances like Medicare and Tricare are not eligible to be enrolled in an HSA.

Ms. Pike explained the recommended changes for FY 2024. Besides the HSA rollout, the recommendations include increasing PPO and traditional health plan coinsurance, increasing High Deductible Health Plan (HDHP) and Traditional Plan deductibles, and to improve strategies to incentivize employee enrollment in HDHPs by reducing or maintaining premiums while increasing Traditional Plan premiums.

Total medical plan costs are roughly an 80/20 split between the employer and employee, which has been consistent for several fiscal years. The spike in costs from FY 2022 to FY 2023 is due to drastic increases in population and the rising cost of healthcare; the plan would still have experienced about a 7% increase in plan costs without the population increase. In FY 2024, medical costs are expected to continue to increase. **Ms. Pike** further explained that current strategies are supposed to slow down the state's costs and the members' costs in the future.

For FY 2023, the medical and dental appropriation is $12,500. For FY 2024, **Ms. Pike** showed the various appropriation cost options and how it would affect the reserve balance and reserve limitations. The Governor's recommendation is $13,750, which would include all plan changes, leaving only a 10% reserve. If no changes are made, the cost would be $14,420. The average cost for someone to be on the plan in FY 2023 is $14,890 and will be $15,116 in FY 2024. Expected claims costs will go down in following years but it is important to use federal funds to shore up COVID-related costs. The reserve balance is held inhouse, and the 10% contingency reserve requirements puts a limit on the state's financial liability claims to exceed projections. The state had reserves from FY 2021 that have been drawn down the last two years. Actuaries project that the state will continue to draw down on this balance and will end the year with $60 million.

Rep. Gannon said that looking from FY 2023 to FY 2024, there isn't much change in the average cost, and asked if it was because of ARPA money. **Ms. Pike** replied that it is the whole cost of the plans divided by the membership, so it is the average cost.

Rep. Gannon asked why the difference was so small. **Ms. Pike** explained that actuaries have projected that there will only be a small increase due to less claims as compared to the previous years from COVID.

Sen. Ward-Engelking said Ada County and the City of Boise annual benefits cost less than the State and that some employees on a single user plan sometimes do not have to pay a premium. She asked Ms. Pike to explain why costs at a local level are cheaper. **Ms. Pike** replied said that every entity makes its own decisions on how to share costs. Boise does have a narrow network with a zero dollar premium if the employer chooses to use the smaller service area. The department does have the bids out and is constantly discussing the best ways to balance the benefits and cost.

Don Drum, Executive Director, Public Employee Retirement System of Idaho (PERSI), began with an update starting with FY 2021. In FY 2021, PERSI had a 27.5% market return and was well funded at 106%. With these statistics, PERSI lowered the assumed rate of return on future investments from a net 7% to a net 6.3% for two reasons: market volatility and to lower the hurdle for Idaho to break even. Idaho has the 5th lowest public pension plan based on assumed rate of return. PERSI funding dropped to 82.6% at the end FY 2022, after a 6.3% assumed adjustment, which was caused by market volatility. The state has seen a small growth in active members, (2.5%) because many members leave for jobs that also offer PERSI.

PERSI tracks normal costs for three groups: general members, public safety members, and teachers. However, teacher costs have drifted when it used to be close to general members. Public safety has a different structure and it is normal for costs to be higher. Cost for general members is 15.11% and for teachers is 17.53%. Contribution costs pay down the unfunded liability, however, general members were paying more than double the other groups. The PERSI Retirement Board decided to make a fairness adjustment where everyone pays equally for the unfunded liability and increased rates for teachers. General members will see a rate decrease the beginning of FY 2024. Last year, the Legislature created a new class for teachers. Teacher rates have drifted due to starting their careers right after they graduate, being the longest living members so retirement is longer, and with Educator Return to Work in 2007 [Section 59-1356(4), Idaho Code] changed the retirement pattern. This has resulted in paying teachers more benefits. Public safety has specific benefits that raise costs along with growth in that group, growing faster than the other groups. The fairness adjustment will increase employer costs for public safety member rates to 23.09%, general member rates to 17.89%, and teachers to 20.31% starting FY 2024.

There was a cost of $28,000 per person who took advantage of the Educator Return to Work Act. Due to that cost, the department made it a built-in cost so everyone is paying for that option in the new contribution rate. Under Section 59-1322 (5), Idaho Code, if the fund's amortization period exceeds twenty-five years, the Retirement Board must propose a contribution rate increase. While PERSI can change the rates, only the Legislature can change benefits. Due to the grace period that is required to enact new rates, they would not be implemented until FY 2025, which allows time to see if there will be a recovery in the market. The Board also took into consideration the impacts that cause market volatility such as the pandemic, the war in Ukraine, inflation, and the federal adjustment of rates. The Board would have to introduce a rate of 3.5%. With return rates having been as high as 6% in August and as low as -5% in October, investment experts said that FY 2023 would not have a good return on the market. **Mr. Drum** further explained that current rates can absorb a 6% loss in the market in FY 2023 without needing to propose rate increases. Rate changes can be changed or postponed later depending on the state of the market.

Mr. Drum stated that the Retiree Board revisited funding guidelines and its first priority is sustaining the funds. There is a risk of giving cost of living adjustments (COLAs) bigger than can be afforded. There is an annual mandatory COLA of 1% (Section 59-1355, Idaho Code) however, the Board has discretion to give a higher COLA (up to a maximum of 6% in a year) based on changes in the Consumer Price Index for All Urban Consumers (CPI-U). Historically, the Board does not give a COLA increase if there is a rate adjustment. Regarding discretionary COLAs in the chart, **Mr. Drum** explained that in 1997 a 1% COLA cost about $18 million, and in 2022 it was up over $130 million. The COLA cost growth is due to baby boomers retiring and that will continue for ten to fifteen years. COLAs for 8.7% to 8.3% inflation are not possible. Retirees were caught up in COLAS as recently as 2019. If there is negative inflation, retirees' COLAs that they have received can be reduced. Moderate growth in the rates and PERSI has six months before looking at FY 2025. For past recessions, they proposed three rate increases and were able to eliminate others. Lastly, legislation [Section 59-1302(27), Idaho Code] was passed in FY 2022 that allowed PERSI retirees, retired before January first of 2022, to go back to work full-time and the retirees could receive retirement benefits along with the job salary. The reemployment of retired members did not change retirement patterns and it helped fill vacancies. It has a sunset clause and costs were probably minimal to the PERSI plan. As for the future of the retirement fund, people live longer, and younger people want to retire earlier. PERSI needs to fulfill the different needs of today's work force compared to when the PERSI plan was originally designed in the 1960s and 1970s. **Mr. Drum** said he could do a cost-analysis of any ideas put forth by the Committee.

Rep. Gannon inquired about improvements to PERSI as it is one of the ways Idaho has promoted employment; with only 1% to 4% merit increase, PERSI does not seem to be a great sales pitch to prospective employees. Mr. Drum replied that he is very thankful to have a stable retirement benefit with PERSI, especially with Social Security being cut in the future. PERSI will be sustainable to future employees if it is maintained correctly.

Sen. Guthrie commented that rates are jacked-up to make PERSI sustainable was a negative sales pitch, particularly to young people. He also inquired about the increase to COLA last year. **Mr. Drum** replied that last year was a 2% discretionary COLA for a total of 3%. At some point, rates and benefits will hit a glass ceiling as there is always a cost associated with benefit enhancement.

Christine Otto, Principal Analyst, LSO Budget and Policy Analysis, began her presentation by explaining employee pre-tax pay to show what the CEC did in FY 2023 and how it affected pre-tax pay. She separated examples out into three levels of pay: $13, $25, and $32 an hour. The chart was further separated into healthcare premiums, broken out by the PPO plan (87% of employees have PPO plans). She gave examples for the new pay rate of FY 2023; **Ms. Otto** described the differences for an employee with dependents and the amount of take-home pay. This information shows how the CEC changes have affected the employees.

Ms. Otto explained a salary savings report t to answer questions from the previous CEC meeting. On the left hand side of the chart shows the functional area, which is organized similar to the Legislative Budget Book, and all funds for personnel costs (except higher education and public health districts). The first column included FY 2022 total personnel costs appropriations, which are about $1.2 billion, and of that amount, $1.14 billion was expended on personnel costs. The amount not spent was $121.5 million (column three) which was 9.6% of the total appropriations; 3.1% of that was transferred to another object code not related to personnel costs, 6.3% was unspent and reverted, and 0.2% was reappropriated into the next fiscal year.

When looking at all funds, both dedicated and federal funds are received through appropriations to spend those dollars. Agencies need the cash to back it up; if there is not enough cash on hand, the agencies cannot spend the dedicated and federal fund appropriations. On the right hand side of the chart shows the FY 2022 General Fund Personnel Costs. The FY 2022 general fund personnel cost appropriation was about $502 million, of which $471.5 million was spent on personnel costs; $31 million or 6.2% was either unspent or transferred. Of that 6.2%, 4.7% was transferred to another object code and 1.5% was reverted back or unspent.

Ms. Otto provided a handout to the Committee with compiled information on individual agency salary savings that is submitted annually to the Division of Human Resources per Section 67-5309(C)2, Idaho Code and compiled by the Budget and Policy Analysis division.

Sen. Burtenshaw inquired if the amount of $7.5 million in salary savings occurs every year.

Ms. Otto replied that the $7.5 million was the unspent amount of the salary savings and the actual salary savings amount was $31 million or 6.2%.

Sen. Burtenshaw inquired if the All Funds Personnel Costs document provided individual agency salary savings.

Ms. Otto replied that was correct; the last two rows show the totals and the rows above it show each agency's amounts.

Sen. Burtenshaw asked for confirmation about a 10% limitation to an agency's ability to move funds around without JFAC approval.

Ms. Otto confirmed that there are limitations in code.

Sen. Burtenshaw said that is looks like agencies have transferred more than that per the document.

Ms. Otto clarified that the report is at statewide level and the report does not show amounts by individual agency.

Sen. Ward-Engelking inquired if directors need to keep personnel funds on hand to pay out vacation or sick days and retirement.

Ms. Otto replied that directors could if they had funds, or they could come to the Legislature for a supplemental appropriation if there were not enough funds.

Sen. Ward-Engelking asked if some of the funds transferred out could be for contracted labor or if it would still be under personnel costs.

Ms. Otto replied that if funds were for a contracted employee, it would come out of operating expenditures.

Sen. Guthrie asked for clarification that if the total of salary savings is $121 million not expended out of all funds, on the transfer out, was it accurate that none of it was used for personnel costs.

Ms. Otto replied yes, that if it transferred to a different category, it is not used for personnel costs.

Sen. Guthrie said that the $79 million and $3 million columns on the All Funds Personnel Costs report do not seem to add up. He clarified that the All Funds Personnel Costs column of All Funds Reappropriated can't be right that this amount is used only for raises.

Ms. Otto explained that raises are considered a personnel cost so it would be in the second column, FY 2022 Expenditures.

Sen. Guthrie was hoping to get data on individual positions; if the $1.4 billion includes stipends and one time raises that were outside the scope of what was appropriated for positions.

Ms. Otto said that she could provide information from DHR that shows onetime bonuses and raises. The purpose of this report was to show what was not spent in personnel costs.

Sen. Ward-Engelking asked for confirmation that when hiring a traveling nurse, money is transferred to operating cost. That money could be used to hire someone to do work that the state does not have an employee to do.

Ms. Otto confirmed that was correct. When hiring a contract employee, it is paid out of operating expenses.

Sen. Cook asked Ms. Otto to walk through the totals for Department of Health and Welfare in the All Funds Personal Costs report.

Ms. Otto replied that in FY 2022, for the Department of Health and Welfare, $227,763,200 was appropriated for personnel costs, $209,870,600 of that was expended, for a difference of just under $17.9 million, $8.4 million was transferred to a different object code, $9.2 million was unspent and no funds were reappropriated.

Christine Otto, Principal Analyst, LSO Budget and Policy Analysis, gave a summary of over 200 pages of written testimony; 221 total responses, 220 state employees, and one from the general public. Trends show that 76% of the total, or 169 respondents, made references to making less than the public or the private sector, needing a second source of income, needing welfare assistance, and salary inversion or salary compression. 68% mentioned inflation is high, high cost of living, livable wages are different, and CEC is not keeping up. 57% said morale was low, workload and responsibilities are increasing, fears of max exit, not feeling valued as employees. 39% responded with a "grateful but…". About 86 employees were grateful for last year's CEC but…. Those respondents did state they had a desire to continue working for the state and are loyal to their agency and mission. And then 16%, or 35 respondents had some sort of dissatisfaction with current benefits package, such as sick leave and the retirement process.

Sen. Ward-Engelking asked with a lot of vacancies, do employees get paid the same or extra when they have to pick up the slack, do they get paid extra or work for same.

Ms. Otto replied that she is unable to answer that as each agency operates differently.

Dave Jeppesen, Director of the Idaho Dept. of Health and Welfare (IDHW), stated that, in addition to the previous year's CEC package increase and permission to award retention bonuses, another key retention tool was the telework option. The telework option was embraced by almost 50% of the department's staff in some form and, as an offshoot benefit, there was a reduction in office costs. Despite these changes, he reported that the turnover rate was 18.7% for FY 2022 when the department's goal was to have no more that 14%. Mr. Jeppesen stated that 60% of those that left reported receiving a pay increase at their new employment. He reported that the number of applicants for available positions were few and often did not meet the requested requirements. In fact, State Hospital North had no applicants for three months for open positions, which has resulted in fewer patients being accepted/treated. Exit interviews showed that most nurses left due to pay factors. Much like other hospitals across the nation, the department has given in to hiring traveling nurse staff, which was very costly. In fact, many of the department's employed nurses have left to become a traveling nurse. **Mr. Jeppesen** supported the Governor's recommended 4% increase for FY 2024.

Sen. Ward-Engelking inquired whether low morale influenced staff's decisions to leave. Mr. Jeppesen acknowledged that it was part of the decision. He noted that remaining staff were then tasked with extra duties in addition to working with traveling nurses who were being paid more; and yes, it was discouraging and influenced morale.

Rep. Gannon inquired about the type of work that staff left for that allowed for such large increases in pay. **Mr. Jeppesen** explained that many certified and licensed staff such as social workers, RNs, and LPNs left for private sector employment that could offer larger pay wages. **Rep. Gannon** asked how a 4% increase would compare to those private sector wages. **Mr. Jeppesen** stated that the 4% increase, in addition to a 2% increase specified for healthcare, would be a significant benefit to those dedicated to healthcare professions, though the state may never be comparable to those in the private sector.

Rep. Holtzclaw inquired about the department's flexibility in pay scale. **Mr. Jeppesen** noted that the department was able to offer retention bonuses, temporary pay increases, or performance bonuses, which have been endorsed for nursing staff. He submitted that the department needed to balance current needs with future needs of staffing positions (i.e., fill current needs without overdrawing the budget to the point where it could not increase the number of staff positions).

Jess Byrne, Director of the Idaho Dept. of Environmental Equality (IDEQ), thanked the committee for previous efforts to compensate employees. He noted that many of his department's positions were highly specialized and technical. Excessive turnover directly impacted the department's ability to provide necessary services. Historically, the department's turnover was 10-12% but for FY 2022 the rate was 23%, and was on pace to match that again this year. **Mr. Byrne** reported that, during exit interviews, compensation was the number one–and often only–reason given for leaving; employees leaving reported an average 29% increase in salary at their new employment. Alarmingly, burnout was the second reason cited for employees in exit interviews. He reported that the department struggles to recruit new employees and the openings were posted two to four times to fill the position. No area was more difficult than positions in the engineering field, which often were posted three to seven times. **Mr. Byrne** noted that the department has always competed with the private sector but now it was noticing competition with other agencies. Services provided by Idaho's DEQ service is well recognized by other states and agencies because its staff believe in the mission and enjoy the public service aspect. He urged the committee to support the governor's recommended CEC increase.

Rep. Holtzclaw inquired whether the department had apprenticeship programs. **Mr. Byrne reported** that the department did have a few internship programs but stated that most interns were looking for paid positions. The department's most successful program was a summer seasonal position for water quality monitoring that led to fulltime employment with the department. He noted that there was often not enough funding to establish these type of programs.

Susan Buxton, Director of Idaho Parks and Recreation (IDPR), appreciated the pay increase for the previous year. She noted that it helped provide an almost 9% increase in the pay for many of their employees on the lower end of the pay scale such as rangers, technician, groundskeepers, and reservation staff. **Ms. Buxton** supported the recommended CEC increase for this fiscal year. She echoed other agencies about the difficulties in recruiting and retaining staff, even though the department was able to provide an agency-wide CEC of 2%. **Ms. Buxton** reported that the department operated 30 parks and 3 offices with 179 full-time staff, 316 seasonal staff, and approximately 598 volunteers (museum and campground hosts). She reported that there were approximately 50 full-time rangers, all of whom are college graduates and some with advanced degrees, who were employed at $21-22/hour. She noted that it was challenging to live on this wage as many of the properties were located in resort-type communities. **Ms. Buxton** stated that the department attempted to employ 350-400 seasonal staff who received an average wage of $10-12/hour; some parks were able to offer $14 or $17/hour to be competitive with local private entities and other states' minimum wages when near the borders. As an example: US Forest Service entry-level ranger is $26.50/hour; Bureau of Land Management ranger is $33.17/hour; and a National Parks ranger is $26.50/hour. **Ms. Buxton** emphasized the need to get wages closer to the market rate in order to retain and recruit staff. She reported that the turnover rate for IDPR was 10.2% for FY 2022. During exit interviews, staff claimed to love the job and working in Idaho but could not afford to live on the wage to pay for rent, gas expenses, or family needs. She noted that this was very difficult for the department to continue providing quality operations and programing amidst record tourist numbers (7 million in 2022, 7.5 million in 2021, and 7.7 million in 2020 = the top three years in the state's history) visiting Idaho facilities. These increases are due to more population within the state and more people using our state for recreation. There is no longer a shoulder season; individuals recreate year-round and some live to work that lifestyle now, too. **Ms. Buxton** observed that the recreational season and amount of individuals using recreational areas has increased but the budget to accommodate that use has not. In response to Sen. Ward-Engelking's earlier question about staffing morale, **Ms. Buxton** reported that the department attempts to compensate employees when possible for taking on additional duties. She also noted that the department is now able to offer a paid apprentice program for maintenance artisans.

Rep. Wheeler inquired about the volunteer program: how were volunteers incentivized, how were volunteers recruited, and how to get more youth volunteers. **Ms. Buxton** responded that the department had a unique individual who recruited volunteers and worked to get volunteers their choice assignments. Many volunteers returned year after year, some to their favorite park and some enjoyed rotating their assignments, because they felt like family members of the department. She noted that there was no limit of volunteers. For recruiting, the department worked with the University of Idaho's McCall Outdoor Science School (MOSS) program to recruit interns and youth volunteers. She explained how the ranger position was varied in its duties and was a great job training experience for those who were willing to meet the challenge of the position. Additionally, rangers work with visiting school and youth groups and encourage them to seek employment in the outdoors.

Scott Stokes, Director of the Idaho Transportation Department (ITD), recognized that the work completed by his department affected every Idaho citizen in some manner. He reported that the department was currently involved in over 174 construction valued at 1.6 billion dollars; projects were multi-year projects within the seven-year construction plan. He noted that these projects put a lot of weight on the engineering staff, which is where he would focus his remarks. The department does have an internship program for engineers (engineers must train for 4 years before licensing); the department has 45 positions for the intern program. Last year the turnover rate for those in training was 29%. The turnover rate for the department's licensed engineers of 136 positions was 18%. In exit interviews, the department found its competition to be widespread among cities, counties, and private firms but that the increase in pay was approximately $10/hour more. He noted that 70-80% of current engineering work was done by private contractors. **Mr. Stokes** supported the governor's proposed pay increase and thanked the committee for the generous increase issued in the previous year.

Rep. Gannon inquired whether employees who left ITD were returning with private consultants to work as contractors. **Mr. Stokes** submitted that private firms sought out engineers trained under ITD's program for their experience.

Rep. Holztclaw asked about the amount of outside contractors being employed by ITD and why was it so high of a percentage. **Mr. Stokes** explained that it would be ideal not to have such a high percentage—a 50/50 share would be ideal–but that it was necessary at this time due to the large amount of projects in progress due to funds being available for projects.

Rep. Gannon summarized that ITD was the closest in parity to the private sector. **Mr. Stokes** agreed with the observation due to the fact that the agency was strictly a dedicated fund agency whose budget was able to be more flexible than other agencies. More than 10 years ago, ITD studied how to reduce its staffing by 185 positions in order to resolve pay issues without requesting more funding for that purpose.

Rep. Wheeler inquired about the department's overall turnover rate. **Mr. Stokes** reported it to be 18%.

Josh Tewalt, Director of the Idaho Dept. Of Corrections (IDOC), acknowledged the significance of the previous FY's CEC increase and supported the governor's recommendation for this FY, especially for law enforcement. Brought in a third-party company to evaluate the department's hiring process to ensure that better candidates were selected. The hiring process was reduced from approximately 90 days to 20 and the department was able to drill down on issues that reduced turnover. At its worst, the department was down approximately 300 positions and even now was at 220 positions. Pay has increased from $14/hour four years ago to today's $20.20/hour but just across the border the competing agencies offer $25-27-33/hour. **Mr. Tewalt** acknowledged the support for law enforcement services in a time when many law enforcement entities were being defunded.

Rep. Gannon inquired whether the 220 positions was just for corrections officers. **Mr. Tewalt** agreed. **Rep. Gannon** asked about the the vacancy rate then, as a percentage. **Mr. Tewalt** estimated it to be approximately 20%. **Rep. Gannon** inquired about vacancy of staff overall. **Mr. Tewalt** estimated it to be about 16%. **Rep. Gannon** asked whether correctional officers were of a younger generation. **Mr. Tewalt** shared that there was quite a variety of individuals in different stages of their life who applied for the position.

Rex Force, Vice President for Health Sciences for Idaho State University, acknowledged that the previous year's CEC package was meaningful and appreciated. He noted that the package was critical in the recruitment/retainment of staff. He recognized that, in his 30-year experience with the university, there was a widening gap between private and public sector wages. **Mr. Force** reported that the university was experiencing an unprecedented 30% increase in turnover within the past year. Additionally, there were failed job searches and declined job offers for employment for key searches that influence students. He supported an additional increase to ensure competitive wages.

Rep. Gannon asked about the turnover rate. **Mr. Stokes** reported that the typical turnover rate was 8-11% and now the university was at 17-20%.

Alberto Gonzalez, Administrator for the Office of Information and Technology Services (ITS), acknowledged that, although he was in a different role last year, the effect of the CEC package that was granted was appreciated. He reported that ITS lost 26 employees or 20% of staff who cited wages as the number one reason. **Mr. Gonzalez** explained that losing an employee affected the remaining employee morale and workload, the service that could be offered/completed, efficiency of other agencies, and impacted the existing budget whether for overtime or for paying contractors (sometimes at 2x the hourly wage). He noted that those that stayed with the state enjoyed making a difference and the benefits and simply wanted to be recognized for the skills that they have and to be able to keep pace with the cost of living. **Mr. Gonzalez** supported the governor's recommendation for this year's CEC increase.

Kedrick Wills, Colonel and Director for the Idaho State Police (ISP), acknowledged that the previous year's CEC package was helpful and appreciated. He noted that ISP was about 50% troopers and 50% supportive staff in the roles of dispatchers, forensics, sex-offender registry, fingerprint technicians, etc. – all of which required very specific skills and training. Currently, ISP had only nine recruits –normally it would be about 20 trainees – at a training at a cost of approximately $1 million. This amount of money emphasized the importance of recruiting and evaluating applicants for hire. **Col. Wills** reported that a trend of "getting them in the door" and then losing them to other departments was occurring. He noted that the department was in support of the governor's CEC recommendation.

Sen. Cook asked for clarity about the cost to train the current nine recruits. **Col. Wills** responded that from the moment the candidate takes the written test to the moment the candidate is on patrol that it would be approximately $1.2 million. **Sen. Cook** asked whether it was less costly when more recruits were in a class. **Col. Wills** responded that it was only slightly less as meals and equipment costs were valuated at a per student rate while the instruction costs for 9 or 20 was about the same.

Rep. Gannon inquired about the vacancy rate of ISP troopers. **Col. Wills** reported that the department was at 8% open with troopers and 14% open for professional staff. **Rep. Gannon** asked whether the 10% increase was for troopers or professional staff. **Col. Wills** explained that the recommendation of 4% plus an additional 6% was for troopers holding a rank of trooper through major. **Rep. Gannon** asked whether ISP was getting officers from other states to fill vacancies. **Col. Wills** explained that individuals stated that the cost of living was not on par with the wages being offered by ISP. **Rep. Gannon** wondered, with a 10% pay increase and a 9% increase in inflation, whether a 15% pay increase would better assist ISP in keeping/recruiting troopers. **Col. Wills** submitted that officers who left the department reported receiving $4-5/hour pay increase.

Rep. Bundy noted that the next meeting the committee would vote on the CEC recommendation for FY 2024. The recommendation will be presented to the Joint Finance-Appropriation Committee. A motion should consider at least four of the components 67-530C(2), Idaho Code): market related changes (aka - salary structure adjustment), pay line exceptions, merit increase, and benefit package. Additionally, there would need to be fiscal notes to accompany those. Motions are confidential unless one gives permission to share the document with other members of the committee.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 3:38 p.m.

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Co-Chair Cook

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Chair-Chair Bundy

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Angela Haugh
Secretary