



STATE OF IDAHO

March 19, 2021

MEMORANDUM

TO: Executive Branch Agency/Department Heads
(with the exception of Constitutional Officers)

CC: Agency/Department HR Officers
Agency/Department Fiscal Officers

FROM: Susan E. Buxton, Administrator
Division of Human Resources

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Alex J. Adams, Administrator
Division of Financial Management

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SUBJECT: Guidance for FY 2022 Change in Employee Compensation

For FY 2022, the Legislature directed that the pay schedule be adjusted upward by 2%. In addition, the Legislature has appropriated funding for a 2% change in employee compensation (CEC).

Additionally, for FY 2021, the Legislature appropriated funding for a 2% change in employee compensation that was not implemented due to budget concerns.

Both the FY 2021 and FY 2022 CEC must be implemented together in accordance with this guidance memo.

To assist in the development of your agency's CEC distribution plan, DFM and DHR are providing guidance as outlined in this memo.

Compensation Policies

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 compensation policy, which can be found at: https://dhr.idaho.gov/wp-content/uploads/Section1Compensation_010818.pdf.

All proposed pay increases must follow the agency's compensation policies.

The Executive Branch policy limiting bonuses to no more than 20% of any agency's workforce remains in force.

Early Implementation

If an agency has FY 2021 Personnel Cost (PC) appropriation above its projected personnel expenditures for the fiscal year, it can be used to early-implement the agency-wide FY 2022 CEC using the directions below.

If included in the agency's CEC plan, agencies may use the one-time payment code TSM (Temp Bonus Max) to distribute FY 2021 PC appropriation to employees at the maximum of their pay grade or who reach the maximum of their pay grade prior to FY 2022 due to early implementation. The permanent record information in IPOPS should read "FY 2021 Over Max Bonus." One-time payment amounts can be calculated using the following method:

$$\frac{(\text{Employee's FY 2022 pay rate} - \text{FY 2021 pay grade maximum}) \times \text{FY 2021 pay period hours after CEC plan effective date}}{\text{FY 2021 pay period hours after CEC plan effective date}}$$

The TSM bonus is calculated using the employee's new pay rate at the maximum of their pay grade for FY 2022, NOT the pay rate they would have been moved to once run through the matrix absent a maximum for FY 2022.

FY 2022 COMPONENT 1 – Payline Move

The FY 2022 pay schedule will be adjusted upward by 2%. Therefore, any employee with a rate of pay that falls below the new minimum rate of his or her pay grade on June 13, 2021, must receive a rate adjustment to at least the new minimum.

Performance is not a factor in these salary changes and probationary employees must also receive this increase. Employees receiving these adjustments are eligible to receive the appropriated ongoing FY 2022 CEC, if they meet the requirements of your agency plan.

Effective Dates and Coding:

The new pay schedule is available at: <https://dhr.idaho.gov/state-employee-compensation/> and will be in effect starting with the pay period begin date of June 13, 2021 (pay date July 9, 2021). **Agencies are encouraged to immediately adjust hiring practices to start employees at or above the new minimum.**

If the agency's CEC plan is effective June 13, 2021 (pay date July 9, 2021), use change reasons PU (Classified Payline Movement – Upward) or LU (Non-classified Payline Movement – Upward) for these actions. The permanent record information in IPOPS should read "FY 2022 Payline Adjustment."

If the agency's CEC plan is effective prior to June 13, 2021, use change reasons PU or LU and include the following permanent record information in IPOPS: "Early Implementation of FY 2022 Payline Adjustment."

FY 2022 COMPONENT 2 - Performance-Based Pay Increases

CEC Eligibility Requirements

- To receive a performance-based pay increase, employees must have a current (within the last 12 months) performance evaluation rating of “Achieves Performance Standards” or better.
- Employees must complete the statewide respectful workplace and cyber security training before they are considered eligible for a performance-based pay increase.

Matrix Requirements

An example template is available at <https://dhr.idaho.gov/state-employee-compensation/>. Agency CEC plans must include a CEC distribution matrix developed using the following criteria:

- Performance and compa-ratio must be factors as stated in Idaho Code, Section 67-5309B(4):
“Pay for performance shall provide faster salary advancement for higher performers based on a merit increase matrix developed by the division of human resources. Such matrix shall be based upon the employee's proximity to the state midpoint market average, and the employee's relative performance. Such matrix may be adapted by each agency to meet its specific needs when approved by the division of human resources.”
- To emphasize merit, the matrix should have a meaningful distinction between increases for performance ratings.
- In addition to performance and compa-ratio, directors are encouraged to develop a matrix that addresses agency-specific issues including, but not limited to, compression, high turnover, and retention.
- Numbers within the matrix must be exact and cannot include a range (for example, 3%, not 3-4%) so that pay increases are easily calculable given the criteria provided. Sample pay matrixes are available at: <https://dhr.idaho.gov/state-employee-compensation/> (right click to download).
- The matrix must include the number of employees in each category.

Effective Dates and Coding:

- Change reason CC (Merit Increase Performance) should be used for these actions and the permanent record information in IPOPS should read “FY 21 and 22 CEC.”
- When implementing the CEC at the beginning of FY 2022, the effective date of June 13, 2021 (pay date July 9, 2021) must be used.

Director Pay Changes

Pay increases for directors will be determined by the Governor. For those reporting to a Board or Commission, the board should make a recommendation by letter to the Governor for his review. Recommendations should be submitted to DFM at info@dfm.idaho.gov by May 14, 2021.

Director pay increases may have a different effective date than the CEC plan implementation date. The effective date will be based on when the Governor makes his approval and no retroactive payments will be

made to directors, regardless of if/when an agency early implements.

General Guidance and Reminders

- Plans must include implementation dates and identify any portions of the plan for which probationary, group, and/or temporary positions are eligible. Proper justification must also be provided in the plan for any increases proposed in addition to those distributed through Components 1 and 2. These may include adjustments to address salary equity, position changes, compression, or other issues.
- Plans must specify how nonclassified positions are treated and must comply with Idaho Code, Section 59-1603:

“To the extent possible, each nonclassified position in the executive department will be paid a salary or wage comparable to classified positions with similar duties, responsibilities, training, experience and other qualifications.”
- The agency must show how it will cover all proposed salary actions within its budget limitations.
 - NEW!! Spreadsheets detailing individual pay changes that contain personnel information should be submitted to the agency’s DFM analyst for review *with* the CEC plan. Please submit the spreadsheet in draft format with a “draft” watermark across all pages. Once the agency has received final approval of the CEC plan, send a final spreadsheet to your DFM analyst prior to IPOPS entry. Do not email or distribute social security numbers when providing information to DHR and DFM.
- Employees should not approve their own personnel actions in IPOPS.
- If an employee is receiving multiple pay increases on the same date with differing change reasons, it should be submitted as a single IPOPS transaction with all applicable change reason codes included (CC, EA, etc.).
- Idaho Code, Section 67-5309B(6) requires that the department director “designate in writing whether such in-grade advancement is temporary, conditional, and permanent.” As such, each agency shall provide employees with a letter outlining any CEC increase provided to them for FY 2022. A sample letter is attached.
- Compensation and CEC distribution plans must be submitted to info@dfm.idaho.gov by **May 14, 2021**. All plans are subject to review. Please submit your CEC distribution plan with an implementation date allowing for a minimum of two weeks for review time as well as adequate time to meet payroll processing deadlines.

Please feel free to contact DFM or DHR should you have any questions on this matter or if our offices can be of assistance as you develop your plan.

DATE

TO: Employee Name

FROM: Director

SUBJECT: Employee Compensation

For Fiscal Year 2022 (FY 2022), the Idaho Legislature has directed that the pay schedule be adjusted upward by 2%. In addition, the Legislature has appropriated funding for a 2% change in employee compensation (CEC). Additionally, for FY 2021, the Legislature appropriated funding for a 2% change in employee compensation that was not implemented due to budget concerns.

Both the FY 2021 and FY 2022 CEC are being implemented in FY 2022 in accordance with direction by the Legislature.

Due to your [performance rating] performance rating, you will receive a [#] percent pay increase. [Insert comments about performance]

Your new pay rate, effective [Date], 2021, will be \$[#] per hour, bringing your annual salary to \$[#].

Along with your salary, your total compensation includes many benefits such as health insurance (medical, dental, vision); life and disability insurance; retirement; and paid time off (vacation, sick, and 10 paid holidays). For more information on your total compensation package, log into the State Controller's website at www.sco.idaho.gov and click on the "Admin-Comp & Benefits Statement" link.

Thank you for your contributions to public service.

Sincerely,

Director