



STATE OF IDAHO

March 22, 2019

MEMORANDUM

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

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

FROM: Alex Adams, Administrator
Division of Financial Management

Handwritten signature of Alex Adams in black ink.

Susan E. Buxton, Administrator
Division of Human Resources

Handwritten signature of Susan E. Buxton in black ink.

SUBJECT: FY 2020 CEC Guidance

The Legislature has appropriated funding for a 3% change in employee compensation and directed that a portion of that amount be used to provide no less than \$550 per year increase for permanent state employees. In addition, the Legislature directed that the pay schedule be adjusted upward by 3%.

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/PDFs/Section1Compensation_010818.pdf
- All proposed pay increases must follow the agency's compensation policies.
- The Executive Branch policy limits performance bonuses to no more than 20% of an agency's workforce. Performance bonuses should not be requested as part of an agency's CEC plan. If allowed by an agency's compensation policies, performance bonus requests may be submitted to DFM with accompanying justification to recognize exemplary performance at any time during the fiscal year, as circumstances warrant.

FY 2019 - Early Implementation

If an agency has FY 2019 Personnel Costs appropriation above its projected personnel expenditures for the fiscal year, it can be used to early implement the agency-wide FY 2020 CEC using the directions for FY 2020 below.

If included in the agency's CEC plan, agencies may distribute FY 2019 salary savings as a bonus to employees at the maximum of their pay grade or who reach the maximum of their pay grade prior to FY 2020 due to early implementation. Bonus amounts can be calculated using the following method:

$$\frac{(\text{Employee's FY 2020 pay rate} - \text{FY 2019 pay grade maximum})}{\text{FY 2019 pay period hours after CEC plan effective date}} \times$$

Due to the 3% shift of the pay structure, these bonuses will not be available in FY 2020.

Effective Dates and Coding:

- One-time Payment Code TSM (Temp Bonus Max) should be used for these actions and the permanent record information in IPOPS should read "FY 2019 Over Max Bonus."
- These bonuses must have an effective date of June 2, 2019, or earlier to use FY 2019 salary savings. These bonuses cannot be effective before the CEC plan implementation date.

FY 2020 COMPONENT 1 - \$550 per Employee

The Legislature directed that "state agencies and institutions shall increase the ongoing annual salaries of their permanent state employees by no less than \$550 effective by July 1, 2019." To achieve this, agencies must give all permanent employees a \$0.27 per hour pay rate increase by no later than June 16, 2019.

For purposes of the \$550 increase, a permanent employee is defined as any state employee not occupying a group or temporary position. Performance is not a factor in these salary changes and probationary employees must also receive this increase.

Effective Dates and Coding:

- Change reason CD (CEC Distribution) should be used for these actions and the permanent record information in IPOPS should read "FY 2020 CEC."
- When implementing the CEC at the beginning of FY 2020, the effective date of June 16, 2019 (pay date July 12, 2019) must be used.
- This pay increase must be provided to employees prior to any other FY 2020 CEC plan components.

FY 2020 COMPONENT 2 - Performance-based Pay Increases

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/tools.html>.
- To receive a performance-based pay increase, employees must have a performance evaluation rating of “Achieves Performance Standards” or better. The performance evaluation must be current and cannot have been used for the FY 2019 CEC.
- All agency employees must complete the statewide mandatory cyber security training before an agency’s CEC plan may become effective.

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 2020 CEC.”
- When implementing the CEC at the beginning of FY 2020 the effective date of June 16, 2019 (pay date July 12, 2019) must be used.

FY 2020 COMPONENT 3 - Payline Move

The FY 2020 pay schedule will be adjusted upward by 3%. Therefore, any employee with a rate of pay that falls below the new minimum rate of his or her pay grade on June 16, 2019, 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 2020 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/PDFs/FY2020_Pay_Structure.pdf and will be in effect starting with the pay period begin date of June 16, 2019 (pay date July 12, 2019). 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 16, 2019 (pay date July 12, 2019), 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 2020 Payline Adjustment.”
- If the agency's CEC plan is effective prior to June 16, 2019, the code EA (Salary Equity Adjustment Increase) may be used to increase an employee's pay to the FY 2020 pay grade minimum. The permanent record information in IPOPS should read “FY 2020 New Minimum.”

Director Pay Changes

Pay increases for directors will be determined by the Governor. For those reporting to a Board or Commission, the governing board shall make a recommendation in a letter to the Governor for his review by May 6, 2019. Recommendations shall be submitted to DFM at info@dfm.idaho.gov.

Director pay increases may have a different effective date than the CEC plan implementation date.

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, 2, and 3. 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.
- Spreadsheets detailing individual pay changes that contain personnel information should not be submitted to the agency's DFM analyst until after approval of the CEC plan. 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 (CD, CC, EA, etc.).
- Due to continued increasing costs of health care, employees will see an increase in health insurance premiums in FY 2020. The health insurance cost to agencies is remaining constant with the FY 2019 amount at \$11,650.
- Idaho Code, Section 67-5309B(6) requires that the department director “designate in writing whether such in-grade advancement is temporary, conditional, and permanent.” In this

written documentation for CEC increases, agencies must clearly state that the \$550 annual increase does not necessarily indicate positive performance. A sample letter is attached.

- Compensation and CEC distribution plans must be submitted to info@dfm.idaho.gov by May 6, 2019. All plans are subject to review. Please submit your 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

The Idaho Legislature has directed that “state agencies and institutions shall increase the ongoing annual salaries of their permanent state employees by no less than \$550 effective by July 1, 2019.” As a result, you will receive a \$0.27 increase to your pay rate. This increase is not based on your performance rating.

In addition, due to your [performance rating] performance rating, you will receive a [#] percent pay increase. [performance comments]

Your new pay rate, effective [Date], 2019, 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