STATE OF IDAHO
Executive Office of the Governor

MEMORANDUM

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

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

FROM: Lori A. Wolff, Administrator
Division of Human Resources

Alex J. Adams, Administrator
Division of Financial Management

DATE: March 11, 2022

SUBJECT: **Guidance for FY 2023 Change in Employee Compensation**

FY 2023 Change in Employee Compensation

For FY 2023, the Legislature appropriated the following:

- A fully funded upward adjustment of the compensation schedule by 3% to provide a 3% ongoing salary increase for all permanent positions[1]; and
- $1.25 per hour increase for each permanent employee, to be distributed based on merit with flexibility as determined by agency directors.

To assist in the development of your agency's Change in Employee Compensation (CEC) distribution plan, DFM and DHR are providing guidance as outlined in this memo. A sample CEC distribution plan is available at: https://dhr.idaho.gov/state-employee-compensation/

FY 2023 COMPONENT 1 – 3% Salary Increase

Agencies are first directed to allocate a permanent, 3% ongoing salary increase to all eligible state employees, up to the maximum of the FY 2023 pay schedule (this may require two IPOPS actions if any agency is early implementing their CEC). Temporary employees are not included in this requirement; however, agencies may include them using their existing appropriations.

Performance is not a factor in these salary changes and probationary employees must also receive this increase.

[1] Regular budgeted positions, including classified and non-classified, regardless of probation status. Temporary employees are not included.

FY 2023 COMPONENT 2 – Performance-Based (Merit) 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 and have successfully completed entrance probation.
- The performance evaluation cannot have been used for the FY 2022 CEC distribution.
- Employees must complete the statewide respectful workplace and cybersecurity training before they are considered eligible for a performance-based pay increase.

Matrix Requirements

Agency CEC plans must include a CEC distribution matrix (a sample pay matrix is available at: https://dhr.idaho.gov/state-employee-compensation/) 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 so that pay increases are easily calculable given the criteria provided.
- The matrix must include the number of employees in each category and the distribution must be based on **hourly dollar amounts**.

EARLY IMPLEMENTATION

General Guidance

If agencies have existing FY 2022 appropriation to implement their CEC plan prior to June 12, 2022, they may do so with an effective date as early as March 20, 2022.

When calculating available FY 2022 appropriation for early implementation, agencies must include the health insurance increase for FY 2023 that will be in effect for the last two pay periods of FY 2022. This is approximately $35.42 per full-time employee per pay period.

Agencies who choose to implement any part of their CEC plan early must use the FY 2022 pay schedule (available at: https://dhr.idaho.gov/state-employee-compensation/) to determine pay grade maximums and compa-ratios.

NEW The 3% ongoing salary increase covered in component 1 may be implemented prior to the agency's full CEC plan submittal, at agency discretion. Component 1 may be implemented with an effective date as early as March 20, 2022. Agencies who choose to do this must submit a spreadsheet with all salary increases to their DFM analyst, including the total cost of implementing early and verification that the agency's FY 2022 appropriation will cover the cost.

Over Max Bonus

If an agency is early implementing their CEC plan and has employees who are at the maximum of the FY 2022 pay schedule after their CEC increase, they may issue the employee a one-time payment code **TSM** (Temp Max Bonus).

The TSM bonus is calculated using the employee's new pay rate at the maximum of their pay grade for FY 2023. The employee's new pay rate cannot exceed the FY 2023 maximum for their pay grade. If the increase calculated using the agency's approved matrix exceeds the FY 2023 maximum, then the FY 2023 maximum will be the employee's new pay rate.

One-time payment amounts can be calculated using the following method:

(Employee's FY 2023 pay rate – FY 2022 pay grade maximum) *X*
FY 2022 pay period hours after CEC plan effective date

The permanent record information in IPOPS should read "FY 2022 Over Max Bonus."

TSM bonuses are only available for early implementation of CEC.

If the agency chooses to early implement components 1 and 2 on separate effective dates, the TSM request should include one total amount that includes calculations pursuant to each component and effective date and be requested when the CEC plan is submitted (rather than as part of Component 1).

DIRECTOR PAY CHANGES

As the 3% ongoing salary increase CEC is not based on merit, agencies must include Directors' 3% salary increase when the agency implements Component 1 of their CEC plan. This increase does not require a performance evaluation or recommendation from board members or the Governor's Office.

- Agencies should use the IPOPS code "LU (Non-classified payline movement upward) and the permanent record information should say "FY 2023 Permanent 3% Salary Increase."

Merit-based pay increases for directors will be determined by the Governor. Separate communication and guidance will be issued by the Governor's office directly to Directors and Board chairs for how CEC recommendations will be addressed for FY 2023.

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 CEC PLAN 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. Employees on entrance probation are not eligible to receive performance-based CEC until after completion of probation, if included in the agency plan.

- Proper justification must 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 non-classified positions, specifically those with no identified pay grade are to be 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 by utilizing the budget matrix included in the Example CEC Plan template on the DHR website. The budget matrix should include all amounts requested regardless of implementation dates of each component.

- Spreadsheets detailing individual pay changes that contain personnel information should be submitted to the agency's DFM analyst for review along with the CEC plan. Please submit the spreadsheet in draft format with a "draft" watermark across all pages.

- **NEW:** Once the agency has received final approval of the CEC plan, send a final spreadsheet to your DFM analyst *prior* to IPOPS entry. The agency should then submit a handful of IPOPS for review and approval to ensure accuracy prior to submitting all agency IPOPS actions. Do not email or distribute social security numbers when providing information to DHR and DFM.

- Agencies must not communicate CEC increases to their employees or the content of the agency CEC plan until the CEC plan has been approved by both DHR and DFM.

- 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 2023. A sample letter is attached. If agencies implement component 1 and 2 separately, they will need to issue two (2) letters.

- Compensation and CEC distribution plans must be submitted to info@dfm.idaho.gov by **May 13, 2022**. 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.

EFFECTIVE DATES AND CODING

- Employees should not approve their own personnel actions in IPOPS.

- When implementing the CEC at the beginning of FY 2023, the effective date of June 12, 2022 (pay date July 8, 2022) must be used.

- If implementing all components of the agency plan with the same effective date, use one IPOPS action with the change reasons **PU/LU** and **CC** for these actions. The permanent record information in IPOPS should read "FY 2023 CEC."

- If implementing component 1 first, with an earlier effective date than component 2:

    - For the 3% ongoing salary increase, 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 2023 Permanent 3% Salary Increase."

    - For the performance-based increases, change reason **CC** (Merit Increase Performance) should be used and the permanent record information in IPOPS should read "FY 2023 Merit CEC."

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

{If implementing Component 1 and Component 2 separately, agencies may adapt the MOU accordingly}

DATE

TO: Employee Name

FROM: Director

SUBJECT: Employee Compensation

For Fiscal Year 2023 (FY 2023), the Idaho Legislature has directed that all eligible permanent employees receive an ongoing salary increase of 3%. In addition, the Legislature has appropriated funding for a change in employee compensation (CEC) to be based on performance.

Due to your [performance rating] performance rating, you will receive a $[#] per hour payincrease. [Insert comments about performance]

Your new pay rate, effective [Date], 2022, 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 11 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