

HB

14

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF ADMINISTRATION

DIVISION OF PERSONNEL

P.O. BOX C
JUNEAU, ALASKA 99811-0201
PHONE: (907) 465-4430

RECEIVED FEB 10 1987

February 9, 1987

The Honorable Fran Ulmer
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Ulmer:

As requested, a copy of the testimony I presented to the House State Affairs Committee on HB 14 last Friday is enclosed.

Sincerely,



Diana DeSimone
Director

DD/nl
20/4D3/0209-02
Enclosure

cc: Commissioner Garrey Peska
Department of Administration

TESTIMONY DELIVERED TO HOUSE STATE AFFAIRS
Friday, February 6, 1987
By Division of Personnel Director Diana DeSimone
on HB 14

Private employers often use bonus systems to encourage their managers to watch the bottom line. Profit sharing plans are a variation on this approach. Basically, the greater the profit attributed to an individual or group, the greater the bonus. The incentive is a strong one, and there is a direct relationship between results and rewards.

In the public sector, incentive and bonus systems are oriented towards extraordinary cost savings, increased productivity, and improved efficiency and service. Just as profits in private industry must be tangible, so must cost savings and efficiency be tangible in the public sector.

To the extent that this proposed legislation will encourage employees to develop ways of doing the State's work cheaper and better, the concept is a good one. Those people who do have a better idea should be rewarded--whether the award is monetary or honorary.

I prepared a zero fiscal note for the Division of Personnel. This was based on the assumption that the only impact of the program on the Personnel Board would be in adopting regulations and deciding on the exact amount of awards in excess of \$10,000. And that such activities would not require special meetings of the board.

But this does not mean that an award program costs nothing to run. We are concerned that there may be costs. Someone or some group must certify cost savings, someone or some group must establish rating criteria, review all suggestions, decide on the winners, and explain themselves to the losers.

Other states that administer such programs usually end up with a small staff. In Washington, the \$100,000 needed to run the program is funded by 2 percent of the savings generated by the program.

Another item that will need to be addressed is what happens to the money saved??? Will this money be removed from next fiscal year's budget from that division or department? If so, there may be some resistance to the program from those managers.

Third, this legislation would have individual departments making award decision for amounts up to \$10,000. I would recommend a consistent statewide approach, either by placing responsibility for the program in a central agency and by consistent regulation. Agency heads may award money to all employees with cost savings or none. They may use future savings in calculating award or not.

Finally, awards should be for proven cost savings only; any projects of future savings should be based on the current fiscal year actual savings.

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/19/87

FURTHER REFERRALS: Finance

DATE: 2-6-87

The State Affairs Committee has considered HB 14

"An Act establishing a state employee incentive award system"

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

State Representative (I would like this handled thru GOVERNOR'S OFFICE)
D. A. [Signature]
[Signature]
Dave [Signature]
[Signature]

SIGNING OTHER RECOMMENDATIONS:

Terry Martin - No Rec.

[Signature]
 Chairman's signature



RECEIVED FEB 6 1987

Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Representative Fran Ulmer
Chairperson, House State Affairs

FROM: Cherie Shelley
Executive Director

SUBJECT: House Bill 14 - "An Act establishing a State employee
incentive award system"

DATE: February 5, 1987

The Alaska Public Employees Association supports HB 14. We know that employee incentive programs have worked well in the private sector for many years and more recently in many public sectors across the nation.

The aim of the state has and always will be to increase the quality and efficiency of its services to the benefit of Alaskans. Improvement of state operations through its employees' suggestions, inventions, or by other means is, of course, a plus factor. The proposed legislation not only will have the effect of encouraging the development of new ideas but will have the added bonus of recognition and accolade that is rarely, if ever, enjoyed by a state worker.

The legislation will also encourage those who discover or complete an invention or procedure not to leave state service in order to obtain material benefits elsewhere for their project. The employees with the initiative and capability to develop original procedures or inventions are of the calibre that the state can least afford to lose.

We thank you and the other sponsors of HB 14 for your awareness of the need and means to expand and recognize the creative potential of its employees.

CS/kr

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227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 2, 1987

MEMORANDUM

TO: Representative-Elect Johnny Ellis

FROM: Ginny Fay
Legislative Analyst *GF*

RE: State Employee Incentive Programs
Research Request 87.061

You requested information regarding what other states have incentive programs that pay state employees for ideas that save the government money or increase productivity in their work places. You also requested information on private sector incentive programs. I have attached a House Research Memorandum (83.193) on the federal employee incentive program, the California Merit Award Program, and the National Association of Suggestion Systems which offers programs to the private sector.

In January 1985, the Illinois Legislative Council completed a research memorandum on employee award systems. The memorandum provides background information on state programs and shows the cost savings of programs in ten states for one year. For the ten surveyed states, the amount awarded to employees was approximately seven percent of the calculated cost savings. The Illinois research memorandum is attached (Attachment B).

Most state award programs apply only to nonsupervisory employees. The State of Connecticut, however, has an incentive program for managers which provides salary increases or bonuses for management that increases the effectiveness of productivity of agencies. The Connecticut program description is attached (Attachment C).

Attachment D--entitled Incentive Pay for State Employees Act--is from the Council of State Governments. It is draft legislation based on the North Carolina statute. The draft act establishes a program of cash bonus awards for any unit of state government that demonstrates improved efficiency and reduced costs without a decrease in services.

In 1982, the states of Florida and Connecticut completed audit and status reports, respectively, on their state incentive programs. These reports are attached (Attachment E).

I hope this information is useful to you. Please do not hesitate to contact this agency if you would like additional information.

GF

Attachments

ATTACHMENT A

Employee Incentive Systems
House Research Memorandum 83-193



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

September 13, 1983

MEMORANDUM

TO: Representative Jerry Ward
FROM: David Teal *Teal*
Legislative Analyst
RE: Employee Incentive Systems
Research Request 83-193

You asked this agency to provide information on the federal employee incentive plan. Rosalie Howse, of the federal Office of Personnel Management, sent a package of material describing the program. I have enclosed that material, as well as material received from other sources, with this memorandum. The information is summarized below.

The Federal Employee Incentive Awards Program

The Federal Incentive Awards Program was established by Congress in 1954. Although the incentive program is sometimes referred to as a suggestion system, the program offers other incentives in addition to cash awards for suggestions. Incentives such as presidential awards, merit pay increases and other monetary and honorary awards are granted through the program in recognition of sustained superior performance or special acts or services substantially beyond normal job requirements. These awards are described in the attached federal personnel manual; this memorandum focuses on awards for employee suggestions.¹

According to the attached report on the federal incentive awards program, public recognition of outstanding contributions by federal employees encourages other federal employees to perform in a similar manner. The government gains both tangible and intangible benefits from the program. Some employee ideas allow the government to direct staff, time, space and materials to other uses. Other ideas produce benefits that are less easy to measure, but which represent advancements in fields such as medical research, national security and environmental protection.

¹Appendix A of the personnel manual offers a summary of awards and the requirements for obtaining them.

Representative Ward
September 13, 1983
Page 2

Each federal agency is allowed to set its own scale of awards for suggestions. Appendix C of the attached federal personnel manual provides an award scale offered as guidance to agencies in determining the size of award to be granted. For contributions with tangible benefits, the scale suggests that the award be 10 percent of the first \$10,000 saved, 3% of the next \$90,000, and .5% of savings in excess of \$100,000, to a maximum cash award of \$35,000. All awards refer to savings realized during the first year a suggestion is implemented. Awards are to be based on tangible benefits when possible, and awards based on intangible benefits are to be comparable with awards granted for suggestions with measurable benefits. An honor award may be granted in addition to, or instead of, a cash award.

A suggestion must be constructive and be submitted in writing in order to be eligible for an award. A suggestion must generally be outside the job responsibilities of the person or persons who submit the suggestion, and cannot concern employee services or benefits, working conditions, housekeeping, routine safety practices or maintenance of building and grounds. Once an award is made, the suggestion becomes the property of the government.

The reports on the Federal Incentive Awards Program focus on financial aspects of the program. The 1981 report states that the \$54.4 million in cash awards paid in 1981 were associated with \$1.9 billion in measurable benefits, for an average return of \$36 in savings for every dollar awarded. Longer-term data show benefits of over \$12 for every dollar paid in awards.

State Employee Suggestion Systems

California also reported a ratio of about \$12 in benefits for every dollar awarded by the State Merit Award Board. Ms. Louise Williams, an assistant administrator of the program, sent a letter and attachments describing the California incentive system. Like the federal system, the California Merit Award Program is more than a suggestion system; the Board rewards employee acts of heroism and superior accomplishment. The material sent by California is attached.

The California program is run by a staff of five. California has about 160,000 state employees eligible for awards (managers are ineligible) and received over 2,000 suggestions during fiscal year 1982. Twelve percent of suggestions resulted in cash awards by the Merit Board in 1982. A five-member board settles any disputes that arise.

Several other states have incentive systems. Nebraska is currently surveying all states to determine the range of incentive programs that exist. A copy of results of that survey will be sent to us when the review process is completed.

Representative Ward
September 13, 1983
Page 3

The National Association of Suggestion Systems (NASS) publishes a membership directory as part of its member services. I contacted that organization in an attempt to obtain a listing of states with incentive programs. They did not send a directory, but did send a package describing member services. The material sent by NASS is attached.

NASS has published a set of legal guidelines for establishing a suggestion system and also hosts seminars and conferences on the subject. Although the organization appears to be oriented toward serving the private sector, government agencies are encouraged to join.

* * *

I hope this memorandum is useful. I will forward the results of the Nebraska survey when we receive them. If you have further questions, please contact us.

DT

Attachments

- Federal Office of Personnel Management
 - "Achievements" 1980 and 1981
 - Chapter 451, Federal Personnel Manual
 - New Incentive Awards Regulations
 - Fed Facts #1
- California Merit Awards Board
 - Administrative Manual
 - Code and Board of Control Rules
 - Financial Recapitulation
 - miscellaneous forms
- National Association of Suggestion Systems
 - Member Services Package



United States
Office of
Personnel Management

Washington, D C 20415

JUL 21 1983

In Reply, Please Refer to

Letter Reference

Mr. David Teal
House Research Agency
Pouch Y
Juneau, AK 99811

RECEIVED
JUL 25 1983

HOUSE RESEARCH AGENCY

Dear Mr. Teal:

As a follow-up to our conversation, enclosed are materials which describe the Federal Incentive Awards Program established by Congress in 1954.

Included are copies of law, regulation, and guidance to agencies in administering incentive programs. Also provided are published reports covering Federal awards program results for fiscal years 1980 and 1981 and a fact sheet for FY 1982 (report currently being printed).

Changes to the awards program are currently being considered. If implemented, these changes will more closely relate employee performance appraisals with pay and incentives. General information on the Government's proposed "Performance Management System" is included.

We hope these materials will be of interest and useful in establishing an incentive program for employees working for the State of Alaska. Should you have any questions or desire further information, please let us know.

Sincerely,

Rosalie E. Howse, Acting Chief
Incentive Awards Branch

Enclosures

STATE MERIT AWARD BOARD

1115 11TH STREET
SACRAMENTO, CALIFORNIA 95814

(916) 324-0522/ATSS 454-0522



July 20, 1983

David Teal
Alaska Legislature
House Research Agency
Pouch Y
Juneau, Alaska 99811RECEIVED
AUG 22 1983

HOUSE RESEARCH AGENCY

Dear Mr. Teal:

You recently requested information about the State's Merit Award Program.

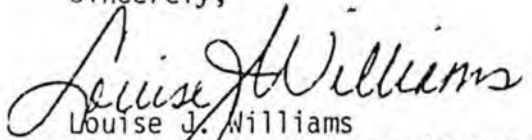
The program was established in 1950 to encourage employees to submit their ideas for improving procedures and reduce expenditures. Our office reviews all the new suggestions and refers all eligible ideas to the appropriate department for evaluation. Department reports are reviewed by staff of the Merit Award Board to ensure that a fair and impartial report has been prepared. Employees are notified of the decision of the department if adopted and the Merit Award Board recommends approval of an award. If a suggestion cannot be adopted, the employee receives a copy of the department's decision.

In addition to our suggestion program, we also recognize State employees for acts of heroism and for superior accomplishments. The awards for heroism are honorary, consisting of a certificate and a medal of valor which is presented by the Governor. This action is defined under a Special Act category as an extraordinary act of heroism by a State employee performed at great risk to his own safety or life in an effort to save human life. The Special Service category is defined as an act of heroism by a State employee performed at personal risk to save property. These awards are intended to be "prestige" awards and are made on a highly selective basis.

We have two categories for the Superior Accomplishment awards. One is the Sustained Superior Accomplishment which is defined as an act of superior job performance resulting in an exceptional contribution to the efficiency of State Government. The other is a Superior Accomplishment which is defined as an act which results in an outstanding and superior achievement of a non-recurring nature as an important contribution to science or research or improvement in an agency's operation. For your information, I am enclosing copies of the law; regulations; form letters; and application form; and the SAM which thoroughly explains our operation.

We believe this program is a vital program which has resulted in savings of millions of dollars for California, as well as improved operations. If I can provide any further information, please let me know.

Sincerely,



Louise J. Williams

Assistant Merit Award Administrator

LJW:sm

NATIONAL ASSOCIATION OF SUGGESTION SYSTEMS

HEADQUARTERS

SUITE 1200

230 NORTH MICHIGAN AVENUE

CHICAGO, ILLINOIS 60601

312/372-1770

July 25, 1983

Mr. David Teal, Assistant Director
House of Representatives/Research Agency
Pouch #Y
Juneau, Alaska 99811

Dear Mr. Teal:

Thank you for your inquiry about membership in the National Association. Your request is most welcome and we invite you to take a first-hand look at the benefits of Suggestion Systems and Membership in the Association.

Suggestion Systems have gained increasing importance as effective management tools for using employee ideas to improve efficiency, attitude and competitive position. The potential for creative thinking and originality exists in all of us - it only takes motivation and the knowledge of proven ways to surface these ideas and use them. NASS provides these proven methods.

The enclosed literature highlights NASS Services and Benefits. Annual dues for 1983 are \$175 for the Full category and \$125 for the Affiliate category, plus a one-time -only initiation fee of \$25. Dues allow us to provide, at no additional cost, our Membership Roster, Annual Statistical Report, bi-monthly publication NEWS/VIEWS, the quarterly NASSPAK, a library for reference materials and a consultation service which offers expert advice on specific problems you may encounter.

If you are looking for a "ready to use" suggestion program that can easily be put into place, consider the Team Idea Plan (TIP) described herein. As an introductory offer to the TIP, you can purchase the plan and become a member for 1983 for the sum of \$300 which includes the \$25 initiation fee. Another of our important publications, the KEY PROGRAM, is referred to as the "bible" of Suggestion System Administration. It tells you how to set up and maintain an on-going, formalized System. Description enclosed.

I have been my organization's representative for more than four years and have found our membership to be the best investment we could have made for better operation of our employee suggestion program. Why not take advantage of membership (and benefits) now. You can do so by filling out and returning the membership application enclosed.

Sincerely,



Stephen A. Blay, Jr. (CMSS)
NASS Membership Chairman
Chief, Employee Suggestion Program
Electric Boat Div., General Dynamics Corp.
Groton, CT



Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

542 4th Avenue, Suite C
Fairbanks, Alaska 99701
(907) 456-8161

POSITION PAPER
HB 14 STATE EMPLOYEE INCENTIVE AWARD SYSTEM

In government, generally, there are many work place situations in which changes can be made that would improve efficiency and reduce costs without decreasing services.

Several states, as well as the federal government, have established monetary incentive programs to encourage workers to bring their ideas to the attention of those who can implement the necessary changes. A New York state employee found a way to save \$419,000 on an agency ventilation system, while a janitor in Missouri suggested a method for installing a new lighting system that cost only \$400 instead of the projected \$3,400.

The State of Alaska does not have such a program. With revenues declining it would be in the state's interest to encourage cost saving measures wherever they can be found.

HB 14 would establish a monetary incentive program to encourage suggestions by state employees to improve state operations, or to encourage employees to perform a special service in the public interest in connection with their official employment.

The legislation is consistent with AS 39.25.250(3) which requires development of "programs for the improvement of employee effectiveness and morale." In most cases, the cash awards would not exceed \$10,000. It is conceivable that technical changes in accounting practice, oil flow metering, or other petroleum or gas measures could save the state millions of dollars. In unusual cases such as these, an award not in excess of \$25,000 could be approved by the Personnel Board. The active participation of the Governor in the award process would give even greater weight to the incentive program, and would improve morale through greater recognition of the individuals contribution.

A recent "Survey of State Practices for Recognizing Managerial Performance" provides evidence that this type of program is reaping positive benefits in other parts of the nation. These programs vary from providing recognition in the form of noncash prizes and certificates, to cash prizes that include a percentage of the savings realized by the state. I believe that such a program will benefit the state at both the monetary and human levels.



RECEIVED FEB 6 1987

Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Representative Fran Ulmer
Chairperson, House State Affairs

FROM: Cherie Shelley
Executive Director

SUBJECT: House Bill 14 - "An Act establishing a State employee
incentive award system"

DATE: February 5, 1987

The Alaska Public Employees Association supports HB 14. We know that employee incentive programs have worked well in the private sector for many years and more recently in many public sectors across the nation.

The aim of the state has and always will be to increase the quality and efficiency of its services to the benefit of Alaskans. Improvement of state operations through its employees' suggestions, inventions, or by other means is, of course, a plus factor. The proposed legislation not only will have the effect of encouraging the development of new ideas but will have the added bonus of recognition and accolade that is rarely, if ever, enjoyed by a state worker.

The legislation will also encourage those who discover or complete an invention or procedure not to leave state service in order to obtain material benefits elsewhere for their project. The employees with the initiative and capability to develop original procedures or inventions are of the calibre that the state can least afford to lose.

We thank you and the other sponsors of HB 14 for your awareness of the need and means to expand and recognize the creative potential of its employees.

CS/kr

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Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Cambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305

POSITION PAPER
HB 14

HB 14 establishes incentive and cost-saving disclosure awards for State employees. This proposed legislation is consistent with AS 39.25.250(3) which requires development of "programs for the improvement of employee effectiveness and morale."

This legislation impacts the Personnel Board and the Division of Personnel in two ways.

Sec. 39.51.120(b) requires the board to determine the size of a cash award when a commissioner of a department or the executive head of an agency certifies to the board that a suggestion or accomplishment "is highly exceptional and unusually outstanding." The other impact comes in Sec. 39.51.140 which states the Personnel Board "may adopt regulations" in order to implement this program.

As conveyed in the attached Fiscal Note, this legislation would not require increased appropriations if matters associated with the incentive program could be added to the agendas of normally scheduled meetings. The scheduling of special meetings of the Personnel Board to decide on the amount of awards would increase expenses and, therefore, be a source of concern to the Department of Administration, Division of Personnel.

HB 14 allows much latitude on the part of a commissioner of a department or the executive head of an agency to decide the specific kind of achievement to be recognized, the size of awards not in excess of \$10,000, and the determination to certify to the Personnel Board for a larger award. The Department of Administration, Division of Personnel is concerned that this bill, as written, could lead to inconsistencies because of the lack of uniformity between departments and the absence of guidelines. Final legislation should include such clarification to ensure it is implemented in a consistent manner.

A recent "Survey of State Practices for Recognizing Managerial Performance" ³ provides evidence that this type of program is reaping positive benefits in other parts of the nation. These programs vary from providing recognition in the form of noncash prizes and certificates to cash prizes which include a percentage of the savings realized. Based on the expectations that there will be actual savings as the result of this bill, we support it.

Diana DeSimone
Diana DeSimone, Director
Division of Personnel

1/20/87
Date

Garrey Peska
Commissioner Garrey Peska
Department of Administration

1/22/87
Date

F.

Comments Regarding HB14

My initial reaction to HB14 was one of "this is a bad idea"; however, after reading the bill I feel the intent is good and should serve as a beginning point to establish an incentive system. I do have a few general comments which are presented below:

1) It is not clear state government agencies in Alaska have adequately assessed the impact of non-monetary or small cash awards on employee behavior - - whether it is for special savings, a suggestion, or whatever. If such data exists, it has not been presented to date.

2) While it can be argued that incentive programs are effective, should we reinforce employees, beyond special recognition and possibly a nominal award (e.g. \$100) for suggestions/proposals that they may make in the normal course of their job? Those individuals who make suggestions or propose money-saving proposals generally rise to the top -- there are built-in long term incentives already. In addition, there are employees in state agencies who are paid to propose cost-saving measures/suggestion or whatever.

3) Programs that work in other systems do not necessarily generalize to other systems. Have we adequately assessed this bill?

4) Ideas are the consequence of a number of individuals/input. Major program changes are the result of many small contributions -- why not reward divisions?

5) What constitutes a suggestion? To me, a suggestion is the case where everyone wins -- yet suggestions can be punitive.

-D

I agree,
Suggestions
for CS?
7

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 14
Publish Date: _____

REQUEST

Revision Date: _____ Agency Affected: Division of Personnel
Title: An act establishing a State BRU: Personnel
Employee Incentive Award System.
Sponsor: Koponen Components: Centralized Administrative Services
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

The Division of Personnel will incur no cost provided the Personnel Board is not required to hold special meetings for per diem and travel to decide the size of awards. Special meetings would add expense.

Prepared By: Diana DeSimone Phone: 465-4430
Division: Personnel Date: 11/3/87
Approved by Commissioner: Garrey Peska Date: 1/22/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

QUESTIONS AND ANSWERS REGARDING HB 14

HOW WOULD THE STATE PROMOTE AN INCENTIVE PROGRAM?

Simple means, such as notices in APEA newsletters, posters on bulletin boards, etc.

HONOR AWARDS OR JUST MONETARY?

The award could be either, with some provision set up to make the determination.

HOW WOULD THE AWARD BE PRESENTED?

Some states have an "awards ceremony" with the governor presenting the awards. In Oregon, the recipients have their pictures taken with the governor while receiving the award. Recognition is as important as actual cash.

IF A SUGGESTION IS REJECTED, HOW DO YOU KEEP SOMEONE ELSE FROM MAKING MINOR CHANGES AND CALLING THE IDEA THEIR OWN?

The commissioner or agency head would have to be discreet to a certain point. Possibly, a copy of the suggestions should be given to the Personnel Board as well as the department head. This might help alleviate any problems.

WILL THERE BE MONEY REQUIRED TO MAKE THE DECISIONS REGARDING THE AWARDS AND THE PRESENTING OF THE AWARDS?

The Personnel Board is already in existence. If the awards were to be presented in conjunction with a governor's visit to an area, there should be no extra expense. If someone was flown to Juneau just for the occasion, there would be an added expense.

WOULD THIS PROGRAM BE MANDATORY STATEWIDE, OR COULD DEPARTMENTS (AGENCIES) DECIDE WHETHER OR NOT TO BE INVOLVED?

This would be a statewide program.

SOME DEPARTMENTS HAVE LARGER BUDGETS THAN OTHERS. WOULD THERE BE A PROBLEM WITH A "LARGE BUDGET" AGENCY GIVING OUT AN EXCESSIVE AMOUNT OF AWARDS COMPARED TO AN AGENCY WITH A SMALLER BUDGET FOR COMPARABLE SUGGESTIONS?

Agencies with larger budgets might offer less money per suggestion, they could award more suggestions, but not have larger awards. Another idea would be to have all departments contribute to a "pool" from which to make awards.

SHOULD THE PROGRAM RUN FOR A LIMITED AMOUNT OF TIME?

The program would not need a limit. As time goes by, it should become more publicized and thus, could generate more cost saving ideas.

COULD AN AWARD BE SPLIT BETWEEN SEVERAL MEMBERS OF A DEPARTMENT?

Yes, the awards could be split any way it seemed logical.

WHEN AN AWARD IS PRESENTED, HOW LONG WOULD IT BE BEFORE ACTION IS TAKEN ON THE SUGGESTION?

Each suggestion will require a different amount of time to complete, however, they should have some sort of time limit such as, within the current fiscal year, etc.

Incentive Pay for State Employees Act

This draft act establishes a program of cash bonus awards for any unit of state government that demonstrates improved efficiency and reduced costs without a decrease in services. The act creates an interagency incentive committee to oversee the program and make the awards. The program is voluntary and must be participated in by the entire unit. Up to 25 percent of money saved can be shared by the unit's workers as bonuses. The act specifies the criteria to be used by the awards committee in judging if the savings are legitimate. The intent is to provide a tangible incentive for state employees to save money and improve efficiency in services.

The draft legislation is based on a North Carolina statute.

Suggested Legislation

(Title, enacting clause, etc.)

1 Section 1. [*Short Title*] This act may be cited as the [state] Incentive Pay
2 for State Employees Act.

1 Section 2. [*Committee Established*] There is hereby created the Commit-
2 tee for Review of Applications for Incentive Pay for State Employees,
3 hereinafter referred to as "the committee." The committee shall consist of
4 the [secretary of administration], who shall act as chairman, the [state
5 auditor], the [state budget officer], and the [state personnel director]. The
6 governor, lieutenant governor and speaker of the house of representatives
7 shall each also appoint one person who has experience in administering in-
8 centive as used in industry.

1 Section 3. [*Application for Incentive Awards*.]

2 (a) With the exception of units within the [legislature], the governor's of-
3 fice, the lieutenant governor's office, and the [department of the state
4 auditor], any unit of state government having an identifiable self-contained
5 budget, or having its financial records maintained according to an account-
6 ing system which identifies to the satisfaction of the [state auditor] the ex-
7 penditures and receipts properly attributable to that unit, may make ap-
8 plication to the committee for selection as a candidate for the award of in-
9 centive pay to its employees. Such application must be submitted prior to
10 the beginning of any fiscal year and must have the approval of the head of
11 the state department within which the unit is located.

12 (b) Applications shall be in the format specified by the committee and
13 shall contain such information as may be required, including, but not limited
14 to those evaluation components developed by the application [state] [state]
15 provide quantitative measures of [state] [state] and [state]

...ds for any unit of state
 reduced costs without a
 incentive committee to oversee
 voluntary and must be par-
 oney saved can be shared by
 e criteria to be used by the
 nate. The intent is to provide
 ey and improve efficiency in
 a statute.

...as the [state] Incentive Pay

...hereby created the Commit-
 Pay for State Employees,
 e committee shall consist of
 as chairman, the [state
 ate personnel director]. The
 the house of representatives
 verience in administering in-

...s.)
 legislature], the governor's of-
 e [department of the state
 n identifiable self-contained
 ed according to an account-
 of the [state auditor] the ex-
 o that unit, may make ap-
 didate for the award of in-
 must be submitted prior to
 the approval of the head of
 eated.
 ed by the committee and
 d, including but not limited
 he applying unit which will
 ut and performance.

16 (c) The committee shall evaluate the applications submitted, and from
 17 those proposals which are considered to be reasonable and practical and
 18 which are found to include developed performance indicators which lend
 19 themselves to a judgment of success or failure, the committee shall select the
 20 units to participate in the incentive pay program for the fiscal year.

1 Section 3. [Qualifications.]

2 (a) To qualify for the award of incentive pay to its employees, a unit
 3 selected must demonstrate to the satisfaction of the committee that it has
 4 operated during the fiscal year:

- 5 (1) at less cost than the immediately preceding fiscal year and either
- 6 with an increase in the level of services rendered or with no decrease in the
- 7 level of services rendered; or
- 8 (2) at no greater cost than the immediately preceding fiscal year and
- 9 with an increase in the level of services rendered.

10 (b) The committee shall satisfy itself that the claimed cost of operation is
 11 real and not merely apparent, and that it is not, in whole or in part, the
 12 result of:

- 13 (1) chance.
- 14 (2) a lowering of the quality of the service rendered.
- 15 (3) reduced pass-through or transfer expenditures.
- 16 (4) receipts realized in excess of amounts budgeted.
- 17 (5) nonrecurrence of expenditures which were single outlay, or one-
 18 time expenditures, in the preceding fiscal year.
- 19 (6) failure to reward deserving employees through promotions,
 20 reclassification, award of merit salary increments, or salary increases
 21 authorized by salary range revisions.
- 22 (7) postponement of normal purchases and/or repairs to a future fiscal
 23 year.
- 24 (8) stockpiling inventories in the immediately preceding fiscal year so
 25 as to reduce requirements in the eligible fiscal year.
- 26 (9) substitution of federal funds, other receipts, or non-state funds for
 27 state appropriations.
- 28 (10) unreasonable postponement of payments of accounts payable until
 29 the fiscal year immediately following the eligible fiscal year.
- 30 (11) shifting of expenses to another unit of government.
- 31 (12) any other practice, event, or device which the committee decides
 32 has caused a distortion which makes it falsely appear that a savings or in-
 33 crease in level of services has occurred.

34 (c) Conversely, the committee shall consider as legitimate savings those
 35 reduction in expenditures made possible by such items as the following:

- 36 (1) reduction in overtime.
- 37 (2) elimination of consultant fees.
- 38 (3) less temporary help.
- 39 (4) elimination of budgetary deficiencies.

- 40 (5) improved methods of communication.
- 41 (6) improved systems and procedures.
- 42 (7) better deployment and utilization of manpower.
- 43 (8) elimination of unnecessary travel.
- 44 (9) elimination of unnecessary printing and mailing.
- 45 (10) elimination of unnecessary payments for advertising, member-
- 46 ships, dues, subscriptions, etc.
- 47 (11) elimination of waste, duplication, and operations of doubtful
- 48 value.
- 49 (12) improved space utilization.
- 50 (13) any other items considered by the committee as representing true
- 51 savings.

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1 Section 4. [*Awards.*] At the conclusion of the eligible fiscal year, the
 2 committee shall compare the expenditures of that unit for the immediately
 3 preceding fiscal year and, after making such adjustments as in its judgment
 4 are required to eliminate distortions, shall determine the amount, if any,
 5 that the unit has reduced its cost of operations or increased its level of ser-
 6 vices in the eligible fiscal year. Adjustments to eliminate distortions may in-
 7 clude any legislative increases in employee compensation and inflationary
 8 increases in the cost of services, materials and supplies. If the committee
 9 shall also determine that in its judgment a unit qualifies for award, it shall
 10 award and is hereby authorized to award to the employees of that unit a
 11 sum not in excess of 25 percent of the amount determined to be the savings
 12 to the state for the level of services rendered. The amount awarded shall be
 13 divided and distributed in equal shares to the employees of the unit, except
 14 that employees who worked for that unit less than the full 12 months of the
 15 fiscal year shall receive only a pro rata share based on the fraction of the
 16 year worked for that unit. Funds for this incentive pay shall be drawn from
 17 the unit's principal department's ending balance for the eligible fiscal year.

Sug:

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1 Section 5. [*Annual Report.*] The [secretary of administration] shall cause
 2 to be prepared and submitted to the [legislature] a comprehensive annual
 3 status report on the committee's activities, decisions, awards, and recom-
 4 mendations with respect to the employee incentive pay program.

1 Section 6. [*Severability.*] [Insert severability clause.]

1 Section 7. [*Repeal.*] [Insert repealer clause.]

1 Section 8. [*Effective Date.*] [Insert effective date.]



Alaska State Legislature

House

Official Business

TO: House State Affairs Committee

FROM: Judy Crondahl *JC*

SUBJECT: House Bill 14

DATE: February 6, 1987

Pouch V
State Capitol
Juneau, Alaska 99811

An additional file of information is available on Research Report 87.061, State Employee Incentive Programs, completed by the House Research Agency. Please see me if you are interested in seeing this report.



State of Idaho
DIVISION OF FINANCIAL MANAGEMENT
EXECUTIVE OFFICE OF THE GOVERNOR

CECIL D. ANDRUS
Governor

Statehouse
Boise, ID 83720

January 13, 1987

(208) 334-3900

Candise L. Griffin
Legislative Assistant
State of Alaska
Office of the Governor
P.O. Box A
Juneau, Alaska 99801-0101

Dear Ms. Griffin:

Enclosed is a copy of the State of Idaho's statutory language for the Employee Incentive Award, per your recent request to Governor Evans.

Sincerely,

A handwritten signature in cursive script that reads "Susan K. Simmons".

Susan K. Simmons
Financial Management Analyst

SS:sg

encl.

any of the purposes of this act as well as gifts and donations from individuals and private organizations or foundations. [1970, ch. 69, § 4, p. 165.]

Compiler's notes. The words "this act" refer to S.L. 1970, ch. 69, compiled herein as §§ 67-6001 — 67-6006.

67-6005. State departments and agencies to cooperate. — The commission shall have the full cooperation of all executive departments and agencies of the state in obtaining information and performing its duties. [1970, ch. 69, § 5, p. 165.]

67-6006. Report and recommendations. — On or before the first day of November of each year next preceding the first session of each legislature the commission shall submit a report to the governor, including recommendations based upon its studies. [1970, ch. 69, § 6, p. 165.]

Compiler's notes. Section 7 of S.L. 1970, ch. 69 read: "The provisions of this act are hereby declared to be severable and if any provision of this act or the application of such provision to any person or circumstance is

declared invalid for any reason, such declaration shall not affect the validity of remaining portions of this act."

Section 8 of S.L. 1970, ch. 69 declared an emergency. Approved February 28, 1970

CHAPTER 61

STATE EMPLOYEE INCENTIVE AWARDS

SECTION.

67-6101. Legislative intent.
67-6102. Awards committee — Creation —
Membership.
67-6103. Meetings.
67-6104. Rules and regulations.

SECTION.

67-6105. Awards.
67-6106. Participation — Limitations.
67-6107. Funding.
67-6108. [Repealed.]

67-6101. Legislative intent. — It is hereby declared to be the policy of the state of Idaho to further encourage state employees to develop new concepts for the improvement of efficiency and economy in state government through certificates of merit or monetary awards for suggestions, concepts and ideas that will directly conserve man-hours, supplies, equipment, operating costs or that contribute directly to carrying out the mission of a department of state government. [I.C., § 67-6101, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's notes. Former §§ 67-6101 — 67-6107 which comprised S.L. 1971, ch. 75, § 1-8, p. 179, was repealed by S.L. 1971, ch. 22, § 1.

67-6102. Awards committee — Creation — Membership. — There is hereby created in the office of the governor the state employees incentive award committee. The committee shall consist of the governor, or his representative, who shall serve as chairman, the legislative auditor, and three (3) private citizens who represent business, management or industry. The three (3) citizen members shall be appointed by the governor to serve two (2) year terms. [I.C., § 67-6102, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's notes. Former § 67-6102 was repealed, see compiler's notes, § 67-6101.

67-6103. Meetings. — The committee shall meet twice annually, or at such other times as the chairman may determine, in the office of the governor. At such time, the committee shall consider nominations submitted to the committee by the various directors of the executive agencies. A quorum shall consist of three (3) members. All committee meetings shall be open to the public. [I.C., § 67-6103, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's notes. Former § 67-6103 was repealed, see compiler's notes, § 67-6101.

67-6104. Rules and regulations. — It shall be the duty of the committee to administer the provisions of this act and to promulgate rules and regulations for the successful implementation of this act. Such rules and regulations shall include, but are not limited to, the following:

- (1) the establishment of a procedure for submission, screening and eligibility of all suggestions, ideas, and concepts;
- (2) the approval of those suggestions which will produce economies or improvements in the operations of an agency;

Rules and regulations promulgated by the committee shall not be subject to the provisions of chapter 52, title 67, Idaho Code. [I.C., § 67-6104, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's notes. Former § 67-6104 was repealed, see compiler's note, § 67-6101.

The words "this act" refer to S.L. 1976, ch. 2 compiled as §§ 67-6101 — 67-6107.

67-6105. Awards. — Upon approval of a concept, idea, or suggestion, submitted to the committee pursuant to adopted rules or regulations, the committee is hereby empowered to grant monetary awards or certificates of merit for the submission of ideas by state employees which would:

- (1) implement a cost savings,
- (2) increase efficiency,
- (3) better utilize resources.

The committee is not bound at any time to make an award, nor is a minimum number of awards to be made to each state department. The amount of the award shall be dependent upon the value and benefit of the suggestion as determined by the committee. The committee may request outside expertise in the judging of awards and may request additional information from the applicant or the department, as to the design, function, and applicability of the suggestion.

A monetary award or a certificate of merit made by the committee shall entitle the state of Idaho to full rights to utilize the suggestion; however, it shall not constitute a purchase of any property right of the employee in the idea or suggestion. [I.C., § 67-6105, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's note repealed, see com:

67-6106. P Idaho are elig: to the terms o (1) for sugg: employees, or (the suggestion (2) for sugge or planning. assignments: (3) which sh added by 1976.

Compiler's note repealed, see comp.

67-6107. Fu accompanying committee, sta: amount permit: [I.C., § 67-6107

Compiler's note repealed, see comp.

67-6108. Exen

Compiler's note comprised S.L. 1974 by S.L. 1974, ch. 22

SECTION.

67-6201. Purpose.

67-6202. Idaho hou

67-6203. Commis: Appoi

67-6204. Vice chair and Appoi

67-6205. Definition

67-6206. Powers of

67-6207. Managem

67-6207A. 1977

67-6207B. 1977

Compiler's notes. Former § 67-6105 was repealed, see compiler's notes, § 67-6101.

67-6106. Participation — Limitations. — Employees of the state of Idaho are eligible to participate in the suggestion awards program, pursuant to the terms of this act; however, no award shall be made:

(1) for suggestions which represent a part of the normal duties of the employees, or over which the employee has the sole authority to implement the suggestion;

(2) for suggestions made by employees whose normal duties are research or planning, unless the subject matter is unrelated to normal work assignments;

(3) which shall exceed three hundred dollars (\$300). [I.C., § 67-6106, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's notes. Former § 67-6106 was repealed, see compiler's notes, § 67-6101. For the words "this act," see compiler's notes, § 67-6104.

67-6107. Funding. — The director shall submit in writing a statement, accompanying each proposal, in such form as may be required by the committee, stating that the expense of any award up to the maximum amount permitted, shall be borne by the department suggesting the award. [I.C., § 67-6107, as added by 1976, ch. 2, § 1, p. 9.]

Compiler's notes. Former § 67-6107 was repealed, see compiler's notes, § 67-6101.

67-6108. Exemption from administrative procedure law. [Repealed.]

Compiler's notes. This section which comprised S.L. 1971, ch. 75, § 8 was repealed by S.L. 1974, ch. 22, § 1.

CHAPTER 62

IDAHO HOUSING AGENCY

SECTION.		SECTION.	
67-6201.	Purpose.	67-6207C.	Housing sponsorship.
67-6202.	Idaho housing agency created.	67-6207D.	Periodic examination of income of persons residing in housing projects.
67-6203.	Commissioners — Chairman — Appointments.	67-6208.	Tax exempt status.
67-6204.	Vice chairman, executive director and other personnel — Appointments — Quorum.	67-6209.	Housing projects — subjected to ordinances and regulations.
67-6205.	Definitions.	67-6210.	Power to issue bonds.
67-6206.	Powers of agency.	67-6211.	Additional definitions and capital reserve fund procedures.
67-6207.	Management and operation of housing projects — Priority of applications — Limited profit sponsors.	67-6212.	Refunding of obligations.
67-6207A.	Additional powers.	67-6213.	Deposit of funds.
67-6207B.	Mortgage loans — Rules and regulations — Purchase.	67-6214.	Rights of bondholder.
		67-6215.	Rights not to be impaired by state.
		67-6215A.	Remedies of bondholders.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 2, 1987

MEMORANDUM

TO: Representative-Elect Johnny Ellis

FROM: Ginny Fay
Legislative Analyst *G. Fay*

RE: State Employee Incentive Programs
Research Request 87.061

You requested information regarding what other states have incentive programs that pay state employees for ideas that save the government money or increase productivity in their work places. You also requested information on private sector incentive programs. I have attached a House Research Memorandum (83.193) on the federal employee incentive program, the California Merit Award Program, and the National Association of Suggestion Systems which offers programs to the private sector.

In January 1985, the Illinois Legislative Council completed a research memorandum on state employee award systems. The memorandum provides background information on state programs and shows the cost savings of programs in ten states for one year. For the ten surveyed states, the amount awarded to employees was approximately seven percent of the calculated cost savings. The Illinois research memorandum is attached (Attachment B).

Most state award programs apply only to nonsupervisory employees. The State of Connecticut, however, has an incentive program for managers which provides salary increases or bonuses for management that increases the effectiveness of productivity of agencies. The Connecticut program description is attached (Attachment C).

Attachment D--entitled Incentive Pay for State Employees Act--is from the Council of State Governments. It is draft legislation based on the North Carolina statute. The draft act establishes a program of cash bonus awards for any unit of state government that demonstrates improved efficiency and reduced costs without a decrease in services.

In 1982, the states of Florida and Connecticut completed audit and status reports, respectively, on their state incentive programs. These reports are attached (Attachment E).

I hope this information is useful to you. Please do not hesitate to contact this agency if you would like additional information.

GF

Attachments

ATTACHMENT A

Employee Incentive Systems
House Research Memorandum 83-193



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

September 13, 1983

MEMORANDUM

TO: Representative Jerry Ward
FROM: David Teal *Teal*
Legislative Analyst
RE: Employee Incentive Systems
Research Request 83-193

You asked this agency to provide information on the federal employee incentive plan. Rosalie Howse, of the federal Office of Personnel Management, sent a package of material describing the program. I have enclosed that material, as well as material received from other sources, with this memorandum. The information is summarized below.

The Federal Employee Incentive Awards Program

The Federal Incentive Awards Program was established by Congress in 1954. Although the incentive program is sometimes referred to as a suggestion system, the program offers other incentives in addition to cash awards for suggestions. Incentives such as presidential awards, merit pay increases and other monetary and honorary awards are granted through the program in recognition of sustained superior performance or special acts or services substantially beyond normal job requirements. These awards are described in the attached federal personnel manual; this memorandum focuses on awards for employee suggestions.¹

According to the attached report on the federal incentive awards program, public recognition of outstanding contributions by federal employees encourages other federal employees to perform in a similar manner. The government gains both tangible and intangible benefits from the program. Some employee ideas allow the government to direct staff, time, space and materials to other uses. Other ideas produce benefits that are less easy to measure, but which represent advancements in fields such as medical research, national security and environmental protection.

¹Appendix A of the personnel manual offers a summary of awards and the requirements for obtaining them.

Each federal agency is allowed to set its own scale of awards for suggestions. Appendix C of the attached federal personnel manual provides an award scale offered as guidance to agencies in determining the size of award to be granted. For contributions with tangible benefits, the scale suggests that the award be 10 percent of the first \$10,000 saved, 3% of the next \$90,000, and .5% of savings in excess of \$100,000, to a maximum cash award of \$35,000. All awards refer to savings realized during the first year a suggestion is implemented. Awards are to be based on tangible benefits when possible, and awards based on intangible benefits are to be comparable with awards granted for suggestions with measurable benefits. An honor award may be granted in addition to, or instead of, a cash award.

A suggestion must be constructive and be submitted in writing in order to be eligible for an award. A suggestion must generally be outside the job responsibilities of the person or persons who submit the suggestion, and cannot concern employee services or benefits, working conditions, housekeeping, routine safety practices or maintenance of building and grounds. Once an award is made, the suggestion becomes the property of the government.

The reports on the Federal Incentive Awards Program focus on financial aspects of the program. The 1981 report states that the \$54.4 million in cash awards paid in 1981 were associated with \$1.9 billion in measurable benefits, for an average return of \$36 in savings for every dollar awarded. Longer-term data show benefits of over \$12 for every dollar paid in awards.

State Employee Suggestion Systems

California also reported a ratio of about \$12 in benefits for every dollar awarded by the State Merit Award Board. Ms. Louise Williams, an assistant administrator of the program, sent a letter and attachments describing the California incentive system. Like the federal system, the California Merit Award Program is more than a suggestion system; the Board rewards employee acts of heroism and superior accomplishment. The material sent by California is attached.

The California program is run by a staff of five. California has about 160,000 state employees eligible for awards (managers are ineligible) and received over 3,000 suggestions during fiscal year 1982. Twelve percent of suggestions resulted in cash awards by the Merit Board in 1982. A five-member board settles any disputes that arise.

Several other states have incentive systems. Nebraska is currently surveying all states to determine the range of incentive programs that exist. A copy of results of that survey will be sent to us when the review process is completed.

Representative Ward
September 13, 1983
Page 3

The National Association of Suggestion Systems (NASS) publishes a membership directory as part of its member services. I contacted that organization in an attempt to obtain a listing of states with incentive programs. They did not send a directory, but did send a package describing member services. The material sent by NASS is attached.

NASS has published a set of legal guidelines for establishing a suggestion system and also hosts seminars and conferences on the subject. Although the organization appears to be oriented toward serving the private sector, government agencies are encouraged to join.

* * *

I hope this memorandum is useful. I will forward the results of the Nebraska survey when we receive them. If you have further questions, please contact us.

DT

Attachments

Federal Office of Personnel Management
"Achievements" 1980 and 1981
Chapter 451, Federal Personnel Manual
New Incentive Awards Regulations
Fed Facts #1
California Merit Awards Board
Administrative Manual
Code and Board of Control Rules
Financial Recapitulation
miscellaneous forms
National Association of Suggestion Systems
Member Services Package

STATE MERIT AWARD BOARD

1115 11TH STREET
SACRAMENTO, CALIFORNIA 95814

(916) 324-0522/ATSS 454-0522



July 20, 1983

David Teal
Alaska Legislature
House Research Agency
Pouch Y
Juneau, Alaska 99811RECEIVED
AUG 22 1983

HOUSE RESEARCH AGENCY

Dear Mr. Teal:

You recently requested information about the State's Merit Award Program.

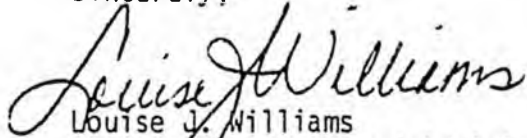
The program was established in 1950 to encourage employees to submit their ideas for improving procedures and reduce expenditures. Our office reviews all the new suggestions and refers all eligible ideas to the appropriate department for evaluation. Department reports are reviewed by staff of the Merit Award Board to ensure that a fair and impartial report has been prepared. Employees are notified of the decision of the department if adopted and the Merit Award Board recommends approval of an award. If a suggestion cannot be adopted, the employee receives a copy of the department's decision.

In addition to our suggestion program, we also recognize State employees for acts of heroism and for superior accomplishments. The awards for heroism are honorary, consisting of a certificate and a medal of valor which is presented by the Governor. This action is defined under a Special Act category as an extraordinary act of heroism by a State employee performed at great risk to his own safety or life in an effort to save human life. The Special Service category is defined as an act of heroism by a State employee performed at personal risk to save property. These awards are intended to be "prestige" awards and are made on a highly selective basis.

We have two categories for the Superior Accomplishment awards. One is the Sustained Superior Accomplishment which is defined as an act of superior job performance resulting in an exceptional contribution to the efficiency of State Government. The other is a Superior Accomplishment which is defined as an act which results in an outstanding and superior achievement of a non-recurring nature as an important contribution to science or research or improvement in an agency's operation. For your information, I am enclosing copies of the law; regulations; form letters; and application form; and the SAM which thoroughly explains our operation.

We believe this program is a vital program which has resulted in savings of millions of dollars for California, as well as improved operations. If I can provide any further information, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Louise J. Williams". The signature is written in dark ink and is positioned above the typed name.

Louise J. Williams
Assistant Merit Award Administrator

LJW:sm



United States
Office of
Personnel Management

Washington, D C 20415

JUL 21 1983

Mr. David Teal
House Research Agency
Pouch Y
Juneau, AK 99811

RECEIVED
JUL 25 1983

HOUSE RESEARCH AGENCY

Dear Mr. Teal:

As a follow-up to our conversation, enclosed are materials which describe the Federal Incentive Awards Program established by Congress in 1954.

Included are copies of law, regulation, and guidance to agencies in administering incentive programs. Also provided are published reports covering Federal awards program results for fiscal years 1980 and 1981 and a fact sheet for FY 1982 (report currently being printed).

Changes to the awards program are currently being considered. If implemented, these changes will more closely relate employee performance appraisals with pay and incentives. General information on the Government's proposed "Performance Management System" is included.

We hope these materials will be of interest and useful in establishing an incentive program for employees working for the State of Alaska. Should you have any questions or desire further information, please let us know.

Sincerely,

Rosalie E. Howse, Acting Chief
Incentive Awards Branch

Enclosures

NATIONAL ASSOCIATION of SUGGESTION SYSTEMS

HEADQUARTERS

SUITE 1200

230 NORTH MICHIGAN AVENUE

CHICAGO, ILLINOIS 60601

312/372-1770

July 25, 1983

Mr. David Teal, Assistant Director
House of Representatives/Research Agency
Pouch #Y
Juneau, Alaska 99811

Dear Mr. Teal:

Thank you for your inquiry about membership in the National Association. Your request is most welcome and we invite you to take a first-hand look at the benefits of Suggestion Systems and Membership in the Association.

Suggestion Systems have gained increasing importance as effective management tools for using employee ideas to improve efficiency, attitude and competitive position. The potential for creative thinking and originality exists in all of us - it only takes motivation and the knowledge of proven ways to surface these ideas and use them. NASS provides these proven methods.

The enclosed literature highlights NASS Services and Benefits. Annual dues for 1983 are \$175 for the Full category and \$125 for the Affiliate category, plus a one-time -only initiation fee of \$25. Dues allow us to provide, at no additional cost, our Membership Roster, Annual Statistical Report, bi-monthly publication NEWS/VIEWS, the quarterly NASSPAK, a library for reference materials and a consultation service which offers expert advice on specific problems you may encounter.

If you are looking for a "ready to use" suggestion program that can easily be put into place, consider the Team Idea Plan (TIP) described herein. As an introductory offer to the TIP, you can purchase the plan and become a member for 1983 for the sum of \$300 which includes the \$25 initiation fee. Another of our important publications, the KEY PROGRAM, is referred to as the "bible" of Suggestion System Administration. It tells you how to set up and maintain an on-going, formalized System. Description enclosed.

I have been my organization's representative for more than four years and have found our membership to be the best investment we could have made for better operation of our employee suggestion program. Why not take advantage of membership (and benefits) now. You can do so by filling out and returning the membership application enclosed.

Sincerely,



Stephen A. Blay, Jr. (CMSS)
NASS Membership Chairman
Chief, Employee Suggestion Program
Electric Boat Div., General Dynamics Corp.
Groton, CT



ATTACHMENT B

Illinois Legislative Council
State Employee Awards Memorandum
January 17, 1985

07952 ~~100~~

ILLINOIS LEGISLATIVE COUNCIL

RESEARCH MEMORANDUM

STATE EMPLOYEE REWARDS FOR MONEY SAVINGS IDEAS

Summary

Practical ideas suggested by state employees will save \$5.1 million during FY 1984 for 10 state governments surveyed. New York's largest award (\$15,000) went to an employee who found a way to save \$419,000 on an agency ventilation system. A California worker received \$51,000 for an idea that helped the state recover over \$1 million in lost revenue. Effective suggestion systems cut costs, boost morale, and show taxpayers government is cost conscious.

State laws usually grant the department of personnel the authority to administer a suggestion system, and set the award limit between 5 and 25 percent of the savings up to a maximum of \$1,000 to \$10,000. The department that would implement a suggestion decides whether or not it will be accepted and funds awards from savings incurred. Award amounts are usually approved by an appointed board or committee within the department of personnel. New York and New Jersey do not set a limit on award amount. The state legislature can grant awards over the limit in California (\$3,000) and Florida (\$2,000).

Karen A. Fahrion

Karen A. Fahrion
Research Associate

KAF:lam

Employee suggestion programs are used to gather and evaluate ideas for saving the employer money or improving operations and to reward employees whose suggestions are implemented. For years private corporations have awarded bonus checks, gift certificates, merchandise, cash, or gold pins as incentives to generate good suggestions. They tie the size of the award to cost savings. Effective systems cut costs and improve morale. Employee suggestions saved 700 companies about \$800 million in 1983.¹ Awards up to \$25,000 may be granted to federal civil service employees under federal law,² and many states have such programs for their employees.

Features of State Programs

Nineteen state governments report operating suggestion systems and 2 more states are developing them under legislation enacted in 1984.³ State laws and procedures used in 10 states with well-known programs are surveyed here (California, Florida, Georgia, Michigan, Missouri, New Jersey, New York, North Carolina, Rhode Island, and Washington). Half of these systems were established 25 to 40 years ago; the rest were enacted in the mid 1970's, except Washington (1983) and Missouri which passed a law in 1973 but did not start its program until May of 1984.

The 10 states surveyed adopted a total of 977 suggestions that will save \$5.1 million in FY 1984.⁴ About 12 percent of all suggestions submitted were approved. The number of suggestions submitted ranged from 61 in Georgia to over 2,000 in California. California adopted the most suggestions (403) and reported the highest total awards (\$147,260) and the most savings (\$1,480,604). Although Washington adopted only 35 suggestions, estimated savings totaled over \$520,000. (See Table 1.)

TABLE 1: AWARDS AND SAVINGS FROM STATE EMPLOYEE SUGGESTIONS, FISCAL YEAR 1984

State	Number of suggestions		Amount	
	Received	Adopted	Awarded	Saved
California	2,336	403	\$147,260	\$1,480,604
Florida	663	119	32,505	280,000
Georgia	61	7	9,638	96,380
Michigan	1,133	133	28,323	1,155,548
Missouri	650	12	2,000	92,000
New Jersey	353	74	41,282	430,448
New York	1,437	169	37,445	406,641
North Carolina	619	19	11,680	437,170
Rhode Island	200	6	4,000	200,000
Washington	836	35	23,300	521,400
TOTAL	8,288	977	\$337,433	\$5,100,191

Source: Compiled by Legislative Research Unit from telephone survey on Jan. 7, 1985.

Suggestions Rewarded

Practical suggestions cut costs and resulted in significant cash awards and recognition for employees in several states. A Florida worker received \$15,000 for saving the state \$150,000 a year by suggesting that the black stripe painted beneath the white stripe dividing highway lanes (to emphasize the division) be omitted on roads that were already blacktopped. Another Florida employee received \$2,000 for suggesting the correctional system could save money without sacrificing nutritional value by serving broken grain rice instead of whole grain rice. New York's largest award (\$15,000) went to an employee who found a way to save \$419,000 on an agency ventilating system. A California employee received \$51,000 for an idea that helped the state recover over \$1 million lost revenue.

In Missouri the largest award was only \$600, but winners also received substantial recognition. Award checks were presented by the Governor to 12 employees a week before Christmas at a ceremony attended by their supervisors and other department administrators. Among the winners were a janitor at a mental health facility who suggested a method for installing a new emergency lighting system that cost only \$400 instead of \$3,400; a nurse who found a way to cut hospital food waste; and a worker who found a way for the state to recover funds it had overpaid on welfare checks.

Review Process

Civil service employees submit suggestions by filing a form with the department of personnel. A small unit or board in that department numbers and catalogues ideas and reviews them to make sure they have not already been suggested. Proposals are then forwarded to the agency that would implement the idea for full review and implementation or rejection. (Only Michigan differs. The idea is submitted to the affected agency and forwarded to personnel only if implementation and a monetary award are recommended.)

In most states each executive branch department designates a suggestion coordinator, who accepts proposals and forwards them for review either to a committee appointed by the agency's director or to the unit or individual that would implement the idea. Although the affected agency decides whether or not to implement the suggestion and recommends the award amount, monetary awards must be approved by an appointed board or committee in each state except Missouri, New York, and North Carolina. (In Missouri the implementing department approves the award amount. In North Carolina and New York the department of personnel determines the amount.)

Awards are paid by the agency that implements the suggestion. Administrators, managers, or persons with the authority to develop or implement their own suggestion as part of their regular job duties are usually exempt from participation.

Statutory Provisions

State law in six of the survey states (California, Florida, Missouri, New York, North Carolina, and Rhode Island) simply grants the department of personnel authority to administer an employee suggestion award program for ideas implemented that eliminate or reduce state expenditures or improve operations. They set the award limit between 5 and 25 percent of the savings up to a maximum of \$1,000 to \$5,000. New York does not limit the award; it is 10 percent of the first year's net savings.

In the other four states (Georgia, Michigan, New Jersey, and Washington) the laws are more specific. They include policy and procedural details, established by the department of personnel in the other states. No award limit is set in New Jersey. Each state's provisions are detailed in Appendix A. Examples of laws are given in Appendix B.

Special Provisions

Most programs operate under the general process just described. Significant variations are covered below.

Employee Eligibility. Retired state employees may also participate in California and New York. Michigan allows non-civil-service employees in the executive, legislative, and judicial branches to participate.

Confidentiality. California and Missouri refer to all proposals by number to insure an impartial review of suggestions. The employee's identity is revealed only if a suggestion is implemented.

Time Limit. Agencies must evaluate suggestions within a time limit in Florida (120 days) and Missouri (60 days).

Type of Award. Michigan law permits the director of the department of personnel to award up to 30 days of personal leave with pay. Certificates of merit may be issued in Georgia, Michigan, New Jersey, and New York.

Legislative Approval. The state legislature may grant awards above the limit in California (\$3,000) and Florida (\$2,000).

Administration and Advice

Other states report administering programs with a small staff, usually consisting of a manager, assistant, and one or two clerical employees. Sometimes their involvement is part of other job duties. In Florida the program's FY 1985 appropriation is \$80,000 and in Washington it is \$100,000. Washington's program collects 2 percent of savings under a state policy promoting self-funding.

States stress the importance of prompt handling of suggestions, computerized recordkeeping, and continuing publicity with emphasis on recognition of winners and saving tax dollars.

Other advice includes:

- Require 1 year of implementation before making award.
- Set a 60, 90, or 120 day time limit for agency review.
- Keep a supply of suggestion forms and return envelopes at each agency.

- Announce and promote the program with material inserted in pay envelopes.
- Hold a training seminar for agency coordinators.
- Allow award limit to reach at least \$5,000 or \$10,000.

Notes

1. National Association of Suggestion Systems, information received by telephone on Jan. 4, 1985.
2. 5 U.S.C.A. sec. 5403.
3. Ten states surveyed are: Calif. Gov't. Code, sec. 19823 (West); Fla. Stat. Ann., sec. 110.223; Ga. Code Ann., sec. 45-21-7; Mich. Comp. Laws Ann., sec. 38.1161; Mo. Ann. Stat., sec. 36.030; N.J. Stat. Ann., sec. 11:2C-1; N.Y. Civil Service Law, sec. 145; N.C. Gen. Stat., sec. 143-340; R.I. Gen. Laws, sec. 36-4-62; Wash. Rev. Code Ann., sec. 41.60. National Association of Personnel Administrators reports by telephone that following 9 states also have systems: Ark., Col., Conn., Hawaii, Idaho, Ohio, W. Va., Wisc., and Wyoming. South Carolina and Virginia are developing systems: S.C. Code, sec. 1-1-920; Va. Code, sec. 21.1-144.5k. Nebraska and Pennsylvania report they abolished their systems due to lack of administrative support.
4. Suggestion system data gathered by telephone survey, Jan. 7, 1985.

APPENDIX A: AWARD PROVISIONS IN SURVEY STATES

<u>State</u>	<u>Provision</u>
California	5-member Merit Award Board appointed by the director of the department of personnel approves awards under \$3,000. Legislature approves awards over \$3,000.
Florida	State Awards Committee appointed by the director of personnel approves awards not to exceed \$2,000 or 10% of the first year's gross savings, whichever is greater. Legislature may grant larger award. Awards are paid after measurable savings have been documented for the first year.
Georgia	State Personnel Board approves awards not to exceed \$2,000. Certificates of merit or an appropriate pin or button may also be issued.
Michigan	5-member Suggestion Awards Board appointed by the director of the department of personnel approves awards of 10% of estimated savings not to exceed \$1,000. The suggestion administrator appointed by the director approves awards under \$100 and merit certificates. The director may award personal leave up to 30 days.
Missouri	Department that implements suggestion approves award not to exceed \$1,000.
New Jersey	5-member State Employees' Awards Committee appointed by the governor upon nomination by the president of the Civil Service Commission approves awards. No amount limit. Certificates or medals may also be awarded.
New York	State Civil Service Commission approves awards. No amount limit. Based on 10% of first year's net savings. Certificates and medals may also be awarded.
North Carolina	Department of Administration approves awards up to 25% of savings during first year implemented not to exceed \$5,000.
Rhode Island	5-member State Awards Committee appointed by the administrator of personnel approves awards of 5% of savings up to \$2,000 based on actual savings during first year implemented. Paid as lump sum at end of first 12 months.

Appendix A (cont'd)

State	Provision
Washington	6-member Productivity Board appointed by various officials approves awards based on net savings as follows: 10% of first \$10,000; 8% of next \$20,000; 6% of next \$30,000; 4% of next \$40,000; 2% of amount over \$100,000. No award may exceed \$10,000. Two percent of savings must be given to Productivity Board to make it self-funding after June 30, 1985.

Source: Calif. Gov't Code, sec. 19823 (West); Fla. Stat. Ann., sec. 110.223; Ga. Code Ann., sec. 45-21-7; Mich. Comp. Laws Ann., sec. 38.1161; Mo. Ann. Stat., sec. 36.030; N.J. Stat. Ann., sec. 11:2C-1; N.Y. Civil Service Law, sec. 145; N.C. Gen. Stat., sec. 143-340; R.I. Gen. Laws, sec. 36-4-62; Wash. Rev. Code Ann., sec. 41.60.

APPENDIX B: SAMPLE LAWS FOR NORTH CAROLINA, RHODE ISLAND, AND NEW JERSEY

NORTH CAROLINA §143-340. Powers and duties of Secretary. (1) To establish a meritorious service award system for State employees suggestions which may include cash awards to be paid from savings resulting from the adoption of employee suggestions, but in no case shall the cash award exceed twenty-five percent (25%) of the savings resulting during the first year following adoption or a maximum of five thousand dollars (\$5,000).

RHODE ISLAND §36-4-62. Pay incentive program. There is hereby established a pay incentive program for all state employees except department heads, administrators or any supervisors considered by the personnel administrator to be at the management level. Any state employee who submits recommendations or proposals to eliminate inefficiencies, duplication or waste shall receive five percent (5%) of any savings realized up to a maximum of two thousand dollars (\$2,000) which relate directly to said employee's proposed change. The incentive pay shall be computed on the actual savings for a twelve-month period. Said period to run from the time that the proposed change is instituted. The incentive pay shall be paid to said employee at the end of the twelve-month period in a lump sum from the budget account of the department that realized the savings and shall be in addition to said employee's regular salary. Employees who qualify for the incentive pay shall receive the lump sum only for the first year's savings and not for any subsequent years. The personnel administrator shall promulgate such rules as he may consider necessary, appropriate or desirable to carry out the provisions of this section.

NEW JERSEY §11:2C-1. Establishment of awards program. There is hereby established as a function of the Department of Civil Service the supervision and administration of awards programs for State employees.

§11:2C-2. New Jersey State Employees' Awards Committee. As the administrative agency of the awards program, there is established in the Department of Civil Service a committee to be known as the New Jersey State Employees' Awards Committee, which shall consist of five persons who shall be State officers or employees, and no two of whom shall be employed in the same department of the State Government, and who shall be appointed by the Governor upon nomination by the president of the Civil Service Commission. Of the members first appointed to the committee, two shall be appointed for terms of three years, two for two years and one for one year and thereafter appointments shall be made for terms of three years. Members shall serve for the terms for which they are appointed and until their successors shall have been appointed and qualified; a vacancy occurring by reason other than expiration of term shall be filled for the unexpired term.

§11:2C-3. Compensation and expenses of committee members. Members of the committee shall serve without compensation but shall be reimbursed for their actual and necessary expenses incurred in performance of their duties as members of the committee.

Appendix B (cont'd)

New Jersey §11:2C-4. Organization of committee; meetings. The committee shall meet and organize as soon as practicable after the first appointment of members, and annually thereafter, on the call of the president of the Civil Service Commission, and select a chairman from among its members. The committee shall hold regular meetings at least once each month during the year, except during July and August, at the call of the chairman or the president of the Civil Service Commission.

§11:2C-5. Assistance from State Department or agency. The committee is authorized to request, and shall receive, such assistance as it may require from any State Department or Agency.

§11:2C-6. Plans for award programs. The committee shall, under the supervision and direction of the president of the Civil Service Commission, establish, maintain and administer plans for award programs for State employees designed to promote efficiency and economy in State Governmental functions, to reward individual employees for meritorious performances and suggestions. Award programs may include any or all of the following: a suggestion award program, awards for heroism, an efficiency and incentive award program, awards for professional accomplishment, and awards for service.

§11:2C-7. Awards. The committee shall, within available appropriations therefor, establish and make awards in the form of cash, medals, citation certificates, insignia or other appropriate devices to employees selected as recipients of awards by the committee or departmental committees in accordance with programs established pursuant to this act.¹
(1. Sections 11:2C-1 to 11:2C-9.)

§11:2C-8. Rules and regulations; annual report. The committee shall be responsible for the formulation of programs and for the supervision and direction of departmental awards committees and shall have the power to adopt and promulgate rules and regulations for the conduct and operation of awards programs. The committee shall make an annual report, through the president of the Civil Service Commission, to the Governor concerning the operation of the awards programs established pursuant to this act.¹
(1. Sections 11:2C-1 to 11:2C-9.)

§11:2C-9. Awards committees in departments and branches of government. There shall be established in each principal department in the executive branch of the State Government an awards committee to be known as "Awards Committee of the Department of," to consist of not less than three members who shall be appointed by the head of the department. An awards committee of not less than three members shall be appointed by the Chief Justice from among the employees of the judicial branch of the State Government and an awards committee of not less than three members may be appointed by the head of any permanent department, board or commission in the legislative branch of the Government. The departmental awards committees and the awards committee for the judicial branch of Government established pursuant to this section shall be responsible for the conduct and operation of departmental awards programs within their respective departments or branches. Departmental and branch awards committees shall operate under the supervision and direction of, and in accordance with rules and regulations promulgated by, the New Jersey State Employees' Awards Committee.

ATTACHMENT C

Connecticut Management Incentive Program

MIP HANDBOOK

Management Incentive Plan
Professional Incentive Plan

STATE OF CONNECTICUT

PIP

1986

DEPARTMENT OF ADMINISTRATIVE SERVICES
State Personnel and Labor Relations Division

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This MIP/PIP Handbook has been prepared to provide for managers and agency heads information about your respective rights and responsibilities under the legislatively mandated program.

STATE OF CONNECTICUT William A. O'Neill, Governor

State Personnel and Labor Relations Division
Department of Administrative Services

INTRODUCTION

As managers, we recognize the value of a systematic approach to planning, communicating expectations and getting feedback, evaluating performance, identifying improvement opportunities, and rewarding excellence. It is with these managerial principles in mind, that the Management Incentive Plan continues to develop. This plan can be a valuable tool in our common task, to accomplish the mission and goals of each agency and thus serve the State of Connecticut.

This manual has been prepared to define the common goals and procedures for the Management Incentive Plan statewide. It does not cover all the details which have been developed in agency MIP manuals (for example, executive team functions, mission statements or internal procedures and timetables). It does provide the current MIP policies and the philosophy behind these policies. The material in this manual supercedes agency procedures in areas where they overlap.

The implementation of a Management Incentive Plan is a challenging task. Development of clear, measurable objectives for each manager requires discipline and precise focus. Defining quality and maintaining standards of accountability is even more demanding. Making the difficult decisions involved in appraisals, while encouraging growth requires interpersonal skill, objectivity, and integrity. Yet the efforts are worthwhile.

The Management Incentive Plan has the support of Connecticut's Executive and Legislature. Yet only through the commitment of agency leadership and of participating managers can the Management Incentive Plan facilitate effective planning, communication, and both personal and organizational development.

PURPOSE OF MIP

The purpose of the Management Incentive Plan is to:

- *Facilitate joint planning between a manager and supervising manager on what the manager is expected to accomplish.*
- *Establish clear, achievable, measurable, results-oriented performance objectives, consistent with the unit's and the agency's priorities and mission and considered fair by the manager and supervising manager.*
- *Promote ongoing communication between the manager and supervising manager concerning expectations, how well the manager is meeting these expectations, and what steps need to be taken to ensure that objectives are met.*
- *Ensure regular evaluations of progress and promotion of the manager's professional development.*
- *Identify corrective action needed where a manager has not accomplished a performance objective.*
- *Serve as a basis for the manager's annual salary increase or bonus payment.*
- *Provide a basis for differentiating among varying levels of performance.*
- *Improve individual job performance and thereby increase the effectiveness of the agency.*

These actions, in combination, should serve to encourage creativity and job satisfaction through promoting both a sense of common mission and individual recognition.

HISTORICAL BACKGROUND

The 1978 General Assembly passed legislation placing managerial employees on a management incentive plan. This new program was based upon recommendations of the Gengras Commission Task Force on Management of Human Relations.

The State Personnel Division of the Department of Administrative Services encouraged agencies to develop their own Management Incentive Plan manuals in accordance with general guidelines. Agencies were to form executive teams, identify agency mission statements, and prepare plans for approval by the Personnel Development Section of the State Personnel Division. This office also provided training and technical assistance.

Basic features of the plan then, as now, included the planning and objective setting process, performance evaluation based on success in meeting agreed-upon goals, and offering annual increases with a differential reflecting performance differences.

The Management Incentive Plan was implemented on a pilot basis in the first five agencies in 1979-80. Payments of 0 to 10% were made to managers. These increases could be built into salaries up to 10% above position rate.

In response to initial problems with MIP implementation, additional payment guidelines were issued and 10 more agency plans were approved in 1980-81.

In 1982 an advisory committee, chaired by Labor Commissioner Joseph Peraro, reviewed MIP experience and recommended some changes in procedure, including the provision that managers at position rate would receive MIP amounts as a bonus payment, not built into salary.

In 1983 the Legislature called for a joint study of MIP by the Department of Administrative Services and the Management Advisory Committee (Special Act 83-55) to "review the need for the Management Incentive Plan and the State's ability to administer such a plan equitably..."

Among other recommendations arising from this study, was a DAS recommendation for a Quality Control Committee. This committee was established by legislation and recommended three major changes in MIP policy:

- *Redefining eligibility for the MIP and establishing a Professional Incentive Plan for those in the Management Pay Plan who do not meet the MIP definition of managers;*
- *Simplifying the rating system to allow only five final rating categories;*
- *Tying those categories to specific limitations on percentages of payout and eliminating the "agency pool."*

It was also a recommendation of the Quality Control Committee that this statewide MIP manual be created to provide consistent statewide MIP Policy and Procedures.

THE MIP PROCESS

Eligibility for participation—

You are eligible for MIP if you work in an agency with an approved MIP plan, are excluded from a bargaining unit, are paid on a managerial pay plan and if you are: (1) responsible for the supervision of employees comprising an agency unit, or (2) in a unique position having full responsibility for a major agency program. (See Page 17 for the Professional Incentive Plan.)

This section of the MIP handbook is an overview of the yearly MIP cycle.

DEVELOPING OBJECTIVES

An objective is a statement of specific results to be achieved within constraints such as time and cost. Objectives should include information which makes possible an evaluation of achievement.

The scope of MIP is the manager's entire job. Therefore, objectives should cover all basic duties and responsibilities as well as special projects. One of the advantages of setting objectives rather than rating managerial skills is that we are more able to appraise results achieved than means employed. The more specific the objectives are, the more objective the appraisal can be.

Types of objectives identified for MIP purposes are:

- *Maintenance — objectives concerned with fulfilling normal job duties.*
- *Problem Solving — objectives aimed at reducing or solving problems.*
- *Innovative — objectives involving new and innovative programs.*

All managers will not necessarily have an equal opportunity to set innovative or problem solving objectives each year. However, objectives can be set to define normal work responsibilities even if several special projects or objectives to "stretch" the manager's capacity are not realistic.

Ideally, each manager's objectives should interface with every other manager's to form a composite agency mission statement. To facilitate this, agency heads and/or executive teams should review the agency mission statement and communicate to managers any new or revised directions or priorities for the agency before individual objectives are done. Certain basic organizational functions will vary little from year to year. Other innovations, improvements and projects will be one-time objectives. This top-down approach enables agency heads to convey agency priorities to managers as the yearly planning process begins.

To formulate objectives the manager should group his or her basic functions and special projects into a workable number of categories. Those functions will be stated as desired outcomes.

A complete objective:

- *begins with an action verb (e.g. to increase, reduce, install, implement, develop, submit);*
- *states a clear desired result which will then define achievement of the objective;*
- *is as specific and measurable as possible (in terms of time, cost, percentage); and*
- *relates to the agency mission.*

If it is helpful to break down a complex objective into smaller and more specific achievement milestones, attaching an action plan is an excellent organizing tool.

Each completed objective should then have a priority number assigned to it based upon its relative importance. The priority numbers will indicate the weights of the objectives and will be very important in determining the yearly composite rating. For example, an outstanding rating on a priority 1 objective will carry considerable weight toward a high final rating. An outstanding rating on a priority 6 objective would mean much less. The manager and supervising manager should also discuss the amount of difference between the priority numbers. Is priority 2 nearly as important as priority 1, or only half as important?

The more concrete and specific the objective is, the easier it will be to identify performance measures. The question to ask to identify these measures is, "How can I tell the difference between a good job and a poor job on this objective?" Quantity, quality, accuracy, efficiency and timeliness are typical considerations. Quality alone has many aspects. For example, in a major report it might include:

- *completeness of treatment*
- *style and format*
- *appropriateness of input from other units*
- *how well it serves its original purpose*
- *whether it is used*
- *how it is received by users, and/or supervising managers*

It is important that supervisor and manager are clear about what factors will be evaluated. Some of these may be subjective, while others will be more easily quantified. The performance measures may refer to both the product and the process.

The constraints section of the MIP form provides a safety valve for the manager. Obstacles which may affect progress on the objective, e.g., staffing, availability of resources, approval by other units or agencies, budget, or cooperation of others outside the manager's control, may all be constraints.

The target date should reflect the date that a given project should be complete. On an ongoing objective there may be no particular date to record. In this case the date of the annual appraisal reviews should be used. For a multi-year project an end-of-year checkpoint date would be appropriate. For best use as a planning tool, a specific target date should be seriously considered. Expecting to complete every project in June is not optimal.

Acceptance. Once agreement is reached with the supervising manager on a manager's objectives, signatures and dates should be placed on the form (the front sheet is suggested) to indicate acceptance.



PROGRESS REVIEWS

Throughout the course of the year the supervising manager and the manager should meet to share information and solve problems. Frequent informal progress review meetings reduce the number of "surprises" later in the year.

In addition to these informal discussions, it is strongly recommended that formal progress reviews are done quarterly. These reviews should be noted briefly on the MIP form with date and initials of manager and supervising manager.

Experience has shown that face-to-face meetings between the individual manager and the supervising manager to review progress are essential to make the MIP process effective. Managers benefit from the opportunity to

report on their progress and to seek the advice, counsel, and assistance of supervising managers. The supervising manager can often play an active role in solving problems confronting managers since he/she may have the information or authority to make decisions the individual managers could not make on their own.

Periodic progress review ensures timely feedback to each party during the performance period. It facilitates communication between the management levels and allows the system to be responsive to problems, crises and opportunities encountered in a changing environment.

Any or all of the following topics could constitute the agenda of a progress review meeting:

- **update on progress toward established objectives**
- **removal of obstacles to progress**
- **identification of performance problems and proposed solutions**
- **revision of established objectives (including deletion, if required)**
- **establishment of new objectives or priorities**
- **discussion and assessment of overall performance to date**

Any major new development (crisis, problem or opportunity) may signal the need to hold a progress review. This might result in agreeing upon a new objective or adjusting those previously established in response to the new development.

Any variance between planned and actual progress should be discussed and reconciled.

3

ANNUAL REVIEW

The annual review concludes the MIP cycle at the end of each fiscal year. In this step the manager and supervising manager meet to discuss, summarize and document the results achieved during the year.

A major advantage of measuring results achieved on objectives rather than management skills is that this practice can reduce the subjectivity inherent in any performance evaluation system. By using mutually agreed upon performance criteria, both parties use the same yardstick for measuring the manager's performance. If the criteria have been made clear, and the communication of expectations has been open, no surprises should occur at year's end.

The procedure to be followed in determining a manager's final rating requires care and skill. The annual review is an occasion for communication, motivation, and learning. Although the evaluation is the primary responsibility of the supervising manager, the annual review should be structured to enable the manager to participate in an accurate assessment of his/her job performance for the period.

It is very important to remember that each manager must be rated based upon his/her assigned responsibilities and objectives. This precludes comparison of the worth or importance to the agency of one manager's work over another's. The supervising manager should assume that a high ranking manager is already being compensated for his/her heavy responsibilities by the level of position classification and salary group. The MIP rating is to be based on how well the tasks of the year were performed, not on how important the tasks were relative to those of other managers.

Managers should expect that fulfillment of all one's objectives will result in a "fully successful" rating. This is a desirable rating and will currently merit a 3.5% salary increase (or bonus if the manager is at the top of the salary range). As many as 80% of managers can be expected to achieve a final rating of "fully successful."

Only if the manager's performance is extraordinary because of obstacles overcome, fulfilling particularly difficult or significant objectives, or reaching a truly outstanding quality of achievement, can the supervising manager recommend one of the two highest managerial ratings.

Ultimately, this recommendation must be reviewed by the agency head or executive team to ensure that the limitations on the two highest rating categories are not exceeded in the agency.

It is important for supervising managers to make responsible rating decisions at the first rating level. If a far greater percentage of high ratings than can be accepted are recommended to an agency head, only resentment can result.

We strongly recommend that the final composite rating and payout be given to the manager by the supervisor only after the final signature by the agency head. This recommendation is especially important where excellent or outstanding ratings are contemplated.

Much of the real value of the annual rating lies in the communication between parties concerning what has been done well, and where further growth can be directed. Summarizing the year's performance, providing constructive feedback on strengths and weaknesses, identifying accomplishments, and specifying corrective action or avenues for professional growth are the real worth of the review.

4

COMPLETED APPRAISAL/PAYOUT

Both rating categories and amounts of money available for increases and bonuses are now standard statewide to maintain equity and consistency throughout. Once the composite annual rating is approved, the supervising manager should share the following payout information with the manager. The MIP payout is intended as an incentive to managers to do the planning and communicating involved in the MIP process, as well as a reward for what has been achieved during the year.

The five (5) rating categories for MIP are: outstanding, excellent, fully successful, needs improvement and unacceptable. Rating definitions have been defined as follows:

OUTSTANDING	<i>Reserved for those few managers whose achievements are substantially in excess of planned objectives and job requirements. Consistently performs in a manner which is clearly exceptional.</i>
EXCELLENT	<i>Objectives and job requirements are met in all areas and surpassed in some. Quality of results is superior.</i>
FULLY SUCCESSFUL	<i>Achieves all objectives and job requirements. Competent in all responsibilities of the position. Requires minimal direction.</i>
NEEDS IMPROVEMENT	<i>Objectives/job requirements are not fully achieved. Requires substantial direction. May be developing in position.</i>
UNACCEPTABLE	<i>Objectives/job requirements are not achieved. Requires continuous direction. Overall performance unacceptable.</i>

Fully recognizing that these definitions are ambiguous and general, more finite limitations have been established to define and limit the use of categories.

The number of managers who can be rated in the two highest categories will be strictly limited. An "outstanding" rating can be defined as ranking in the top 8% of managers in Connecticut, or in each MIP Agency. The "excellent" category will be limited to the next 12% of managers. In the three remaining categories, percentages of managers may vary as the agency deems necessary.

Limiting to 20% those managers who may receive a rating beyond "fully successful" serves to control the total cost of the program, to define the categories in a more concrete way, and to encourage substantial differentiation while discouraging fine distinctions among the majority of solidly competent managers.

Payouts to managers will be limited based on the final rating categories achieved. The limit on payout to outstanding performers is currently 8% of salary or of the position rate/maximum, whichever is lower.

To excellent performers the current top payout is 5%, to those with a fully successful rating 3.5%, and to those who need improvement 2%. Unacceptable performers receive no MIP Increase. These data are summarized in the grid that follows.

Rating Category	Outstanding*	Excellent*	Fully Successful*	Needs Improvement	Unacceptable
Limit on Category	8%	12%			
Maximum % MIP Payout	8%	5%	3.5%	2%	0
* - "Good" performance for statutory purposes.					

MIP payouts will be made in the form of salary increases up to 3.5% or the salary range maximum. Payments beyond 3.5% or the position rate/maximum will be in the form of a single lump sum bonus.

Two consecutive needs improvement ratings will result in the loss of an MIP payout in the second year.

All requests for payments of outstanding or excellent performance will require that a copy of the Manager's MIP form be submitted to DAS.



STATE OF CONNECTICUT
MANAGEMENT INCENTIVE PLAN
PLANNING AND APPRAISAL RECORD

MANAGER

TITLE

AGENCY AND UNIT

RATING PERIOD	FROM	TO
---------------	------	----

SUPERVISING MANAGER

TITLE

PURPOSE OF THE MANAGEMENT INCENTIVE PLAN

- Facilitate joint planning between a manager and supervising manager on what the manager is expected to accomplish
- Establish clear, achievable, measurable, results-oriented performance objectives, consistent with the unit's and the agency's priorities and mission and considered fair by the manager and supervising manager.
- Promote ongoing communication between the manager and supervising manager concerning expectations, how well the manager is meeting these expectations, and what steps need to be taken to ensure that objectives are met.
- Ensure regular evaluations of progress and promotion of the manager's professional development.
- Identify corrective action needed where a manager has not accomplished a performance objective.
- Serve as a basis for the manager's annual salary increase or bonus payment.
- Provide a basis for recognizing exceptional or below standard performance.
- Improve individual job performance and thereby increase the effectiveness of the agency.

GOALS AND OBJECTIVES -- THE PLANNING PROCESS

The manager, together with the supervising manager, will list the manager's performance objectives for the fiscal year in order of priority. Each objective should state what the manager plans to accomplish, and identify one or more performance measures to determine whether the objectives are accomplished, and specify the target date for completion. (Use additional sheets, if necessary)

PRIORITY NO	TARGET DATE	OBJECTIVE
-------------	-------------	-----------

OBJECTIVE (continued)

CONSTRAINTS

PERFORMANCE MEASURES

PRIORITY NO	TARGET DATE	OBJECTIVE
-------------	-------------	-----------

OBJECTIVE (continued)

CONSTRAINTS

PERFORMANCE MEASURES

PRIORITY NO	TARGET DATE	OBJECTIVE
-------------	-------------	-----------

OBJECTIVE (continued)

CONSTRAINTS

PERFORMANCE MEASURES

PRIORITY NO	TARGET DATE	OBJECTIVE
-------------	-------------	-----------

OBJECTIVE (continued)

CONSTRAINTS

PERFORMANCE MEASURES

PROGRESS REVIEW — THE COMMUNICATION PROCESS

In addition to informal discussions of progress, the supervising manager should periodically review the progress in meeting goals and objectives set by each manager in his/her staff. Quarterly reviews are recommended. The purpose of this discussion is to assess accomplishments, identify obstacles, determine appropriate actions, and, if necessary, to revise objectives.

ACTIVITY NO	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
ACTION STEPS TAKEN				
ADJUSTMENTS NEEDED				
Date				
Manager's and Supv. Initials:				

ACTIVITY NO	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
ACTION STEPS TAKEN				
ADJUSTMENTS NEEDED				
Date				
Manager's and Supv. Initials				

ACTIVITY NO	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
ACTION STEPS TAKEN				
ADJUSTMENTS NEEDED				
Date				
Manager's and Supv. Initials				

ACTIVITY NO	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
ACTION STEPS TAKEN				
ADJUSTMENTS NEEDED				
Date				
Manager's and Supv. Initials				

ANNUAL REVIEW — THE APPRAISAL PROCESS

At the end of the 12-month period, the manager and supervising manager will meet to determine whether each objective has been accomplished. The supervising manager will determine, after discussion with the manager, the final performance rating for each objective and the composite rating. It is important to note that each composite rating must be finally considered in the context of all other agency managers, and must reflect the limitations on rating categories applicable statewide.

RATING DEFINITIONS

OUTSTANDING	Reserved for those few managers whose achievements are substantially in excess of planned objectives and job requirements. Consistently performs in a manner which is clearly exceptional.
EXCELLENT	Objectives and job requirements are met in all areas and surpassed in some. Quality of results is superior.
FULLY SUCCESSFUL	Achieves all objectives and job requirements. Competent in all responsibilities of the position. Requires minimal direction.
NEEDS IMPROVEMENT	Objectives/job requirements are not fully achieved. Requires substantial direction. May be developing in position.
UNACCEPTABLE	Objectives/job requirements are not achieved. Requires continuous direction. Overall performance unacceptable.

OBJECTIVE <i>(Listed by Priority #)</i>	OUTSTANDING	EXCELLENT	FULLY SUCCESSFUL	NEEDS IMPROVEMENT	UNACCEPTABLE

SIGNATURES <i>(Manager's signature confirms report was discussed with supervisor. It does not indicate approval of Rating.)</i>	SIGNED (Manager)	DATE
	SIGNED (Supervising Manager)	DATE
	SIGNED (Agency Head or designee)	DATE

COMPOSITE RATING *(Check one)*

Outstanding
 Excellent
 Fully Successful
 Needs Improvement
 Unacceptable

COMMENTS

PROFESSIONAL INCENTIVE PLAN

When the Management Incentive Plan was established in 1978, all managers in an agency with an approved MIP plan were eligible to participate. That definition of "manager" included all individuals paid on a managerial pay plan including individuals who managed agency units and programs, as well as other employees such as high level confidential employees.

In 1985 the Management Incentive Plan Quality Control Committee recommended a redefinition of eligibility for participation in the MIP plan, as follows:

For MIP purposes only, a manager will be defined as one who:

1. Is excluded from a bargaining unit and paid on a managerial pay plan, and
2. Is either responsible for the supervision of employees comprising an agency unit or holds a unique position having full responsibility for a major agency program.

Duties of these employees should include the traditional managerial functions of planning, organizing, directing and controlling resources for an agency.

Those employees who do not meet this definition, but are in the managerial pay plan and in an MIP participating agency are included in the Professional Incentive Plan (PIP). The PIP does not require setting formal objectives. Instead, this PIP plan uses a customized evaluation form (see Page 18). We encourage supervisors of PIP employees to list specific job functions on which the employee will be rated and to discuss this with the PIP employee early in the fiscal year.

Professional Incentive Plan employees are eligible for bonus payments above the position rate and are subject to the same rating categories as those in the Management Incentive Plan (See Annual Review). Indeed, to determine the number of agency managers eligible for an outstanding or excellent rating, all those on the managerial pay plan should be combined (MIP and PIP).

Because objective setting is not required of PIP employees, payout limits at the highest levels are somewhat lower, as shown in the current payout levels below.

Rating Category	Outstanding*	Excellent*	Fully Successful*	Needs Improvement	Unacceptable
Limit on Category	8%	12%			
Maximum % PIP Payout	7%	4.5%	3.5%	2%	0
* - "Good" performance for statutory purposes.					

**PERFORMANCE APPRAISAL
PROFESSIONAL INCENTIVE PLAN
PER-133 NEW 9-85**

STATE OF CONNECTICUT

NAME		TITLE			
AGENCY	UNIT	RATING PERIOD	FROM	TO	
SUPERVISING MANAGER		TITLE			

RATING DEFINITIONS

OUTSTANDING	Consistently performs in a manner which is clearly exceptional. A final rating of Outstanding implies that the employee ranks in the top 8% of agency employees on the managerial pay plan.
EXCELLENT	Standards are met in all areas and surpassed in some. A final rating of Excellent implies that the employee ranks in the next 12% of employees on the managerial pay plan.
FULLY SUCCESSFUL	Competent in all responsibilities of the position. Requires minimal direction. Meets all job standards.
NEEDS IMPROVEMENT	Job requirements are not fully achieved. Requires substantial direction. May be developing in position.
UNACCEPTABLE	Job requirements are not achieved. Requires continuous direction. Overall performance unacceptable.

INSTRUCTIONS: List specific tasks performed by this employee under the **JOB FUNCTIONS** category shown below. To be most objective, the evaluation should be based on results achieved, rather than means employed.

The **PRIORITY** column should be used to list the importance of this area to the employee's job. A one (1) indicates highest priority. Number each major task responsibility.

PRIORITY NO.	JOB FUNCTIONS	REVIEWS	UN-ACCEPTABLE	NEEDS IMPRVMT.	FULLY SUCCESSFUL	EXCELLENT	OUT-STANDING
		First					
		Second					
		First					
		Second					
		First					
		Second					
		First					
		Second					
		First					
		Second					

INSTRUCTIONS: In the overall categories listed below, detail the strengths and/or weaknesses being rated in each section, as relevant.

QUALITY OF WORK:	Consider knowledge of duties, thoroughness, accuracy, judgment, organization.					
	First					
	Second					
	First					
	Second					
	First					
	Second					
INITIATIVE:	Consider innovation, problem-solving, follow-through, motivation.					
	First					
	Second					
	First					
	Second					
	First					
	Second					

DEPENDABILITY: Consider reliability, timeliness of work, attendance.

	REVIEWS	UN-ACCEPTABLE	NEEDS IMPRVMT.	FULLY SUCCESSFUL	EXCELLENT	OUT-STANDING
	First					
	Second					
	First					
	Second					
	First					
	Second					

COOPERATION AND PUBLIC RELATIONS: Consider relations with superiors, peers, the public.

	First					
	Second					
	First					
	Second					
	First					
	Second					

COMMUNICATION: Consider written and oral skills.

	First					
	Second					
	First					
	Second					
	First					
	Second					

SUPERVISION: Consider delegation, training, contact with subordinates.
(if applicable)

	First					
	Second					
	First					
	Second					
	First					
	Second					

SIGNATURES
 Manager's signature
 returns report was
 discussed with supervisor.
 It does not indicate
 approval of Rating).

SIGNED (Manager)	DATE
SIGNED (Supervising Manager)	DATE
SIGNED (Agency head or designee)	DATE

At the end of the rating period, a final rating must be given to the PIP employee. This annual rating will carry a particular percentage of payout, as follows:
 Rating in the two highest categories must reflect the limitations on these categories which apply to both MIP and PIP standards. Thus, the annual rating should
 not be completed until an agency review is done.

ANNUAL RATING	<input type="checkbox"/> Unacceptable	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Fully Successful	12% Limit	8% Limit
				<input type="checkbox"/> Excellent	<input type="checkbox"/> Outstanding
MAXIMUM PERCENTAGE PAYOFF	0%	2%	3.5%	4.5%	7%

APPENDIX A

Several statutes relevant to MIP are reproduced here for easy reference.

The following is a recapitulation of:

- Section 5-210(d)—the law establishing the Management Incentive Plan;
- Section 5-237(a)—the statute establishing the Management Salary Review Committee and allowing the appeal of an MIP increase; and
- Section 5-237(b)—the Statute establishing the Quality Control Committee.

SECTION 5-210(d)—"The Commissioner of Administrative Services may establish one or more State Incentive plans for employees whose positions have been designated managerial or confidential. Notwithstanding the provisions of this section (5-210(a,b,c)), annual salary increases or lump-sum payments for employees whose positions have been designated managerial or confidential may be based on annual performance appraisals made by agency heads or their designees in accordance with state Incentive plans approved by the Commissioner of Administrative Services. Such salary increases shall be in accordance with the provisions of the compensation schedule then in effect. Such employees shall receive an increase for "good" performance up to the position rate."

SECTION 5-237(a)—"Any employee in a state incentive plan whose annual increase as a result of a performance evaluation is less than three and one-half percent, and provided that such employee's existing salary plus the performance increase would not be more than the position rate for the salary range for the employee's class, may request a review by a salary review committee consisting of one member chosen by the employee, one member chosen by the director of personnel and labor relations, and one permanent member who shall be appointed by the governor for a term of two years from a list of names submitted by the state board of mediation and arbitration. In no event may a nonpermanent member be chosen who is currently or was formerly in the direct line of supervision of the employee in his employment. Within thirty days after such committee has completed its review, it shall forward to the director of personnel and labor relations its written recommendation and supporting data and such other information as such committee considers appropriate. A copy of the recommendation shall be sent to the employee and the employee's agency head."

Any employee whose position has been designated managerial or confidential who is aggrieved by the decision of the commissioner of administrative services pursuant to section 5-210, as amended by section 1 of this act, concerning which state incentive plan is applicable to such employee, may request a review by a salary review committee in accordance with the provisions of subsection (a) of this section.

SECTION 5-237(b)—" (a) There is established a quality control committee to review and evaluate the ongoing performance of state incentive plans established by the commissioner of administrative services pursuant to section 5-210, as amended by Section 31 of Public Act 85-510. The committee shall consist of the commissioner of administrative services, the secretary of the office of policy and management and the chairman of the management advisory council, or their designees, [the chairmen and ranking members of the joint standing committee of the general assembly having cognizance of matters relating to appropriations and the budgets of state agencies, or their designees, and] two public members appointed by the commissioner of administrative services and two members of the general assembly. One such legislative member shall be appointed jointly by the co-chairpersons of the joint standing committee of the general assembly having cognizance of matters relating to appropriations and the budgets of state agencies and one shall be appointed jointly by the ranking members of said committee. The terms of members appointed prior to the effective date of this

act shall expire on said effective date. The legislative members of the committee appointed on or after said effective date and one of the public members first appointed shall serve for terms of two years. The other public member first appointed on or after said date shall serve for a term of one year. Thereafter, all appointed members shall serve for terms of two years.

(b) The committee shall (1) consider ways to make state incentive plans more effective and (2) review and evaluate, on a continuing basis, the effectiveness of the implementation by state agencies of such plans, including improvements in productivity and the establishment of standards for such agencies. The committee shall periodically report its findings and recommendations to the commissioner of administrative services.

.....Sec. 2. This act shall take effect January 1, 1987.

APPENDIX B

Several letters have been issued over the years setting procedures for MIP payments. The sections of these letters which are still relevant are shown below.

- The letter of December 1, 1980 concerning promotion and new hires into the Management Pay Plan provides the following:
 1. Promotion between January 1 and June 30
 - a. Adjust employee's rate of pay by 1 $\frac{3}{4}$ % effective July 1.
 - b. Adjust employee's rate of pay by 1 $\frac{3}{4}$ % effective January 1.
 - c. Employee will be given a permanent AI date of July 1 thereafter, and will receive increases in accordance with the standard procedure of 3 $\frac{1}{2}$ % up to the position rate or in accordance with MIP if in effect for that agency.
 2. Promotion between July 1 and December 31
 - a. Adjust employee's rate of pay by 1 $\frac{3}{4}$ % effective January 1.
 - b. Employee will be given a permanent AI date of July 1 thereafter, and will receive increases in accordance with the standard procedure of 3 $\frac{1}{2}$ % up to the position rate or in accordance with MIP if in effect for that agency.
 3. New hires in management classes.
 - a. If hired between January 1 and June 30 the employee will receive a 1 $\frac{3}{4}$ % increase on January 1 following and then be given a permanent July 1 date thereafter, with eligibility for increases as listed above in paragraph 1,c.
 - b. If hired between July 1 and December 31 the employee will have a permanent July 1 date with the same eligibility for increases as listed in paragraph 1,c.

- The October 7, 1982 letter to agency heads concerns partial year payments for MIP managers who transfer during the MIP year.

"1. Any manager who spends 6 months or less in an agency in the fiscal year may not receive more than 3½% increase for good performance.

2. Any manager who leaves the employ of an agency and moves to another state agency between January 1 and April 1 may have their MIP percentage prorated up to three-fourths of the maximum rate. Any manager who is in the employ of an agency beyond April 1 should receive from the agency that they are transferred to a full MIP increase based on the percentage recommended by the original agency."

3. Managers at position rate/(maximum) recommended for a lump sum increase who leave the employment of the State of Connecticut after July 15th of the year...are entitled to get the one lump sum bonus payment..."

- The letter of August 18, 1982 to Agency Heads concerning the computation of bonus payments states in part:

"Incentive compensation for managerial personnel at or above position rate must be in the form of a lump sum payment which is to be based on the position rate of the salary group involved.... The actual salary rate of a manager above position rate will not be used in this computation...."

ATTACHMENT D

Model Legislation--Incentive Program
for State Employees Act

Incentive Pay for State Employees Act

This draft act establishes a program of cash bonus awards for any unit of state government that demonstrates improved efficiency and reduced costs without a decrease in services. The act creates an interagency incentive committee to oversee the program and make the awards. The program is voluntary and must be participated in by the entire unit. Up to 25 percent of money saved can be shared by the unit's workers as bonuses. The act specifies the criteria to be used by the awards committee in judging if the savings are legitimate. The intent is to provide a tangible incentive for state employees to save money and improve efficiency in services.

The draft legislation is based on a North Carolina statute.

Suggested Legislation

(Title, enacting clause, etc.)

1 Section 1. [*Short Title.*] This act may be cited as the [state] Incentive Pay
2 for State Employees Act.

1 Section 2. [*Committee Established.*] There is hereby created the Commit-
2 tee for Review of Applications for Incentive Pay for State Employees,
3 hereinafter referred to as "the committee." The committee shall consist of
4 the [secretary of administration], who shall act as chairman, the [state
5 auditor], the [state budget officer], and the [state personnel director]. The
6 governor, lieutenant governor and speaker of the house of representatives
7 shall each also appoint one person who has experience in administering in-
8 centive as used in industry.

1 Section 3. [*Application for Incentive Awards.*]

2 (a) With the exception of units within the [legislature], the governor's of-
3 fice, the lieutenant governor's office, and the [department of the state
4 auditor], any unit of state government having an identifiable self-contained
5 budget, or having its financial records maintained according to an account-
6 ing system which identifies to the satisfaction of the [state auditor] the ex-
7 penditures and receipts properly attributable to that unit, may make ap-
8 plication to the committee for selection as a candidate for the award of in-
9 centive pay to its employees. Such application must be submitted prior to
10 the beginning of any fiscal year and must have the approval of the head of
11 the state department within which the unit is located.

12 (b) Applications shall be in the format specified by the committee and
13 shall contain such information as may be required, including but not limited
14 to those evaluation components developed by the applying unit which will
15 provide quantitative measures of program output and performance.

16 (c) The committee shall evaluate the applications submitted, and from
 17 those proposals which are considered to be reasonable and practical and
 18 which are found to include developed performance indicators which lend
 19 themselves to a judgment of success or failure, the committee shall select the
 20 units to participate in the incentive pay program for the fiscal year.

1 Section 3. [Qualifications.]

2 (a) To qualify for the award of incentive pay to its employees, a unit
 3 selected must demonstrate to the satisfaction of the committee that it has
 4 operated during the fiscal year:

5 (1) at less cost than the immediately preceding fiscal year, and either
 6 with an increase in the level of services rendered or with no decrease in the
 7 level of services rendered; or

8 (2) at no greater cost than the immediately preceding fiscal year and
 9 with an increase in the level of services rendered.

10 (b) The committee shall satisfy itself that the claimed cost of operation is
 11 real and not merely apparent, and that it is not, in whole or in part, the
 12 result of:

13 (1) chance.

14 (2) a lowering of the quality of the service rendered.

15 (3) reduced pass-through or transfer expenditures.

16 (4) receipts realized in excess of amounts budgeted.

17 (5) nonrecurrence of expenditures which were single outlay, or one-
 18 time expenditures, in the preceding fiscal year.

19 (6) failure to reward deserving employees through promotions,
 20 reclassification, award of merit salary increments, or salary increases
 21 authorized by salary range revisions.

22 (7) postponement of normal purchases and/or repairs to a future fiscal
 23 year.

24 (8) stockpiling inventories in the immediately preceding fiscal year so
 25 as to reduce requirements in the eligible fiscal year.

26 (9) substitution of federal funds, other receipts, or non-state funds for
 27 state appropriations.

28 (10) unreasonable postponement of payments of accounts payable un-
 29 til the fiscal year immediately following the eligible fiscal year.

30 (11) shifting of expenses to another unit of government.

31 (12) any other practice, event, or device which the committee decides
 32 has caused a distortion which makes it falsely appear that a savings or in-
 33 crease in level of services has occurred.

34 (c) Conversely, the committee shall consider as legitimate savings those
 35 reductions in expenditures made possible by such items as the following:

36 (1) reductions in overtime.

37 (2) elimination of consultant fees.

38 (3) less temporary help.

39 (4) elimination of budgeted positions

- 40 (5) improved methods of communication.
 41 (6) improved systems and procedures.
 42 (7) better deployment and utilization of manpower.
 43 (8) elimination of unnecessary travel.
 44 (9) elimination of unnecessary printing and mailing.
 45 (10) elimination of unnecessary payments for advertising, member-
 46 ships, dues, subscriptions, etc.
 47 (11) elimination of waste, duplication, and operations of doubtful
 48 value.
 49 (12) improved space utilization.
 50 (13) any other items considered by the committee as representing true
 51 savings.

1 Section 4. [*Awards.*] At the conclusion of the eligible fiscal year, the
 2 committee shall compare the expenditures of that unit for the immediately
 3 preceding fiscal year and, after making such adjustments as in its judgment
 4 are required to eliminate distortions, shall determine the amount, if any,
 5 that the unit has reduced its cost of operations or increased its level of ser-
 6 vices in the eligible fiscal year. Adjustments to eliminate distortions may in-
 7 clude any legislative increases in employee compensation and inflationary
 8 increases in the cost of services, materials and supplies. If the committee
 9 shall also determine that in its judgment a unit qualifies for award, it shall
 10 award and is hereby authorized to award to the employees of that unit a
 11 sum not in excess of 25 percent of the amount determined to be the savings
 12 to the state for the level of services rendered. The amount awarded shall be
 13 divided and distributed in equal shares to the employees of the unit, except
 14 that employees who worked for that unit less than the full 12 months of the
 15 fiscal year shall receive only a pro rata share based on the fraction of the
 16 year worked for that unit. Funds for this incentive pay shall be drawn from
 17 the unit's principal department's ending balance for the eligible fiscal year.

1 Section 5. [*Annual Report.*] The [secretary of administration] shall cause
 2 to be prepared and submitted to the [legislature] a comprehensive annual
 3 status report on the committee's activities, decisions, awards, and recom-
 4 mendations with respect to the employee incentive pay program.

1 Section 6. [*Severability.*] [Insert severability clause.]

1 Section 7. [*Repeal.*] [Insert repealer clause.]

1 Section 8. [*Effective Date.*] [Insert effective date.]

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ATTACHMENT E

State of Florida and State of Connecticut
Award Systems Status Reports

00010

STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL



*** PERFORMANCE AUDIT ***
OF

THE MERITORIOUS SERVICE AWARDS PROGRAM

December 8, 1982

STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL

PERFORMANCE AUDIT
OF

THE MERITORIOUS SERVICE AWARDS PROGRAM

December 8, 1992

Audit Supervised by:

Wade Melton
Senior Public Accounts Auditor

Audit Made by:

Kent Hutchinson
Senior Public Accounts Auditor



STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL
TALLAHASSEE

ERNEST ELLISON, C. P. A.
AUDITOR GENERAL

December 8, 1982

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

I have directed that a performance audit be made of the Meritorious Service Awards Program. The results of the audit are presented to you in this report. The audit was made as part of an ongoing program of performance auditing by the Office of the Auditor General as mandated by Section 11.45(3)(a), Florida Statutes.

Respectfully yours,

Ernest Ellison
Auditor General

PERFORMANCE AUDIT
OF
THE MERITORIOUS SERVICE AWARDS PROGRAM

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PERFORMANCE AUDIT
OF
THE MERITORIOUS SERVICE AWARDS PROGRAM

I DESCRIPTION AND BACKGROUND

Program

The primary goal of the Meritorious Service Awards Program, authorized by Section 110.223, Florida Statutes, is to motivate State Career Service employees to make suggestions that will directly or indirectly reduce the cost of State government. The program is also intended to reward employees who by their superior accomplishments make exceptional contributions to the efficiency, economy, or other improvements in operations of State government. The Meritorious Service Awards Program is composed of two sub-programs: State Awards and Agency Awards.

State Awards. Under the State Awards sub-program, which is operated on a State-wide basis, an employee may receive a monetary award for a suggestion that is implemented by a State agency. Awards are made for two types of suggestions: (1) suggestions that will directly lower the cost of government, and (2) suggestions that will indirectly reduce costs by improving working conditions, changing procedures, revising or otherwise improving operating efficiency, but which will not result in measurable cost-savings. Section 110.223, Florida Statutes, provides that an award for the first type of suggestion shall not exceed \$2,000 or up to 10 percent of the first year's savings, whichever is greater. Rule 22A-12.17(2), Florida Administrative Code (F.A.C.), provides that an award for the second

type of suggestion be no more than \$100 from each agency that adopts the suggestion.

Agency Awards. Under the Agency Awards sub-program individual State agencies are authorized to develop award programs. Unlike the State Awards sub-program, which is intended to motivate employees to make suggestions that reduce costs, this sub-program is intended to motivate and sustain high levels of individual or organizational accomplishments. Agencies may grant awards for accomplishments such as outstanding employee job performance, acts of heroism, or special achievements. Under this sub-program, an agency may make honor or cash awards. Honor awards usually take the form of a medal, plaque, or certificate. Cash awards must be approved by majority vote of the State Awards Committee and are limited under Rule 22L-12.04(4), F.A.C., to a maximum of \$2,000 per award.

Organization

An awards program for State employees was first authorized by Chapter 61-221, Laws of Florida, effective July 1, 1961. Responsibility for program administration was placed with the State Personnel Board (Governor and Cabinet) until July 1, 1969, when this responsibility was transferred to the Department of Administration (DOA) by the Governmental Reorganization Act of 1969. Section 110.223, Florida Statutes, makes the Department of Administration responsible for adopting and implementing the Meritorious Service Awards Program.

The Department of Administration adopted Chapter 22A-12, F.A.C., to govern the State Awards sub-program and Chapter 22L-12, F.A.C., to govern the Agency Awards sub-program. Under these rules, responsibility for administering these sub-programs is assigned to both the State Awards Committee and individual State agencies. The specific duties of the Committee and agency depend on the sub-program administered.

The State Awards Committee is composed of seven State employees nominated by agency heads and appointed by the Secretary of DOA. The Secretary of DOA, or his designee, serves as an ex-officio member of the Committee with no voting privileges.

DOA provides limited staff assistance for the State Awards Committee by performing the central administrative activities necessary to support the program. DOA staff members also conduct workshops to coordinate efforts to promote the program, which is publicized by agency personnel, agency newsletters, and the news media. Most publicity for the program has been generated by awards presentations, Cabinet awards ceremonies, and annual State awards luncheons.

Under the State Awards sub-program, employees submit their suggestions to DOA, which reviews them for completeness, logs them, and sends them to the employees' agencies for evaluation. Agencies are required to investigate and evaluate suggestions within 90 days. Initial evaluations are made by agency award committees, which are composed of at least three employees who are appointed by the agency head. These committees base their evaluations on a number of factors, including the feasibility of implementing the suggestion, the

eligibility of the employee making the suggestion to receive an award, and the probability of future benefits. Agency heads are responsible for approving suggestions recommended by agency award committees. Agency heads must also take the necessary steps to ensure suggestions are implemented; their failure to do so renders employees' suggestions ineligible for award.

Suggestions that have been approved by agency heads are returned to DOA and placed on the agenda of the State Awards Committee. The State Awards Committee is responsible for final review of these suggestions and for approval, by majority vote, of all awards given.

If a suggestion is rejected by an agency, a copy of the evaluation report stating the reason for rejection is sent to the employee, and the original report is filed with DOA. An employee whose suggestion has been rejected by an agency may request the State Awards Committee to review the rejection. The State Awards Committee is also responsible for reviewing the amount of an award established for a suggestion if it is asked to do so. In either case, the decision of the State Awards Committee must be approved by the agency head responsible for implementing the suggestion.

According to DOA records, State employees have submitted over 18,000 suggestions under the State Awards sub-program since January 1, 1969, when DOA began maintaining program statistics. Approximately 12.5 percent of these suggestions have been implemented and approved for award. The Department reports that during this 13-year period, over \$300,000 (an average of \$23,155 per year) has been awarded for suggestions that directly reduced the cost of State

government, while more than \$37,000 (an average of \$2,847 per year) has been awarded for suggestions that indirectly reduced costs. Funds have not been directly appropriated to finance the State Awards sub-program. However, the Legislature authorized payment of these awards from the funds where the estimated savings should have been realized by implementing the suggestions.

In April 1981, DOA adopted Chapter 22L-12, F.A.C., establishing the Agency Awards sub-program. This rule permits individual agencies to develop and implement their own plans to award employees or organizational units for superior accomplishments. Each agency's plan must be approved by DOA. Agencies participating in this sub-program may grant honor or cash awards. All cash awards, however, must be approved by the State Awards Committee before funds are disbursed. Funds for awards under this sub-program are provided by agencies amending their approved operating budgets and are not derived from savings. The Legislature has not directly appropriated funds for awards made under the Agency Awards sub-program.

As of November 17, 1982, six agencies had developed and implemented their own plans to make awards for superior accomplishments. Three of these agencies adopted programs providing for both cash and honor awards: the Department of Transportation, the Department of Professional Regulation, and Florida State University. Three agencies adopted programs providing only honor awards: the Department of Health and Rehabilitative Services, the Department of State, and the Florida Commission on Human Relations.

Operating costs for the Meritorious Service Awards Program include administrative costs and the costs of awards given. Administrative costs include a portion of the salaries of State Awards Committee members, agency award committees members, DOA staff, and numerous other State employees. These persons review the viability of suggestions, estimate savings, and process paperwork in addition to performing other assigned duties. Records of the type and amount of staff hours allocated to the program by these individuals have not been maintained. Thus it was not practicable for us to determine these costs. The only cost statistics kept by DOA on the program are those for cash awards paid (see Table I-1).

TABLE I-1
STATE AWARDS COST STATISTICS - 1969 to 1981

Calendar Year	Number Suggestion Adopted	Amount Paid Tangible Awards	Amount Paid Intangible Awards	Total Cash Paid
1969	113	\$ 7,262	\$ 1,821	\$ 9,083
1970	165	12,098	2,495	14,593
1971	141	14,701	2,015	16,716
1972	229	25,594	3,283	28,877
1973	157	26,360	2,208	28,568
1974	186	30,802	3,332	34,134
1975	300	31,387	4,082	35,469
1976	194	40,722	2,555	43,277
1977	126	13,060	2,078	15,138
1978	200	25,943	3,088	29,031
1979	178	21,970	3,133	25,213
1980	162	29,380	3,580	32,960
1981	<u>115</u>	<u>21,735</u>	<u>3,341</u>	<u>25,076</u>
TOTAL	<u>2,266</u>	<u>\$301,014</u>	<u>\$37,011</u>	<u>\$338,135</u>

Source: DOA statements.

II AUDIT PLAN

Scope and Objectives

Performance audits are conducted by the Auditor General as part of the Legislature's oversight responsibility for public programs. The purpose of this audit was to evaluate the management of the Meritorious Service Awards Program implemented by Department of Administration and to review the effectiveness and efficiency of program operations. Our review of the program was limited to its administration on a State-wide basis.

Methodology

A variety of accepted performance auditing and program evaluation methods were used. Department of Administration program records and reports were reviewed and analyzed as deemed necessary. Selected members of the Department of Administration staff, members of the State Awards Committee and agency awards committees, and other interested parties were interviewed to obtain additional information about program effectiveness and suggestion investigation and evaluation practices. In addition, we conducted a survey of State Career Service employees to obtain an understanding of their perceptions of the program.

III GENERAL AUDIT CONCLUSIONS

The primary goal of the Meritorious Service Awards Program is to motivate Career Service employees to make suggestions that will reduce the cost of State government or increase the efficiency and effectiveness of its operations. The program is also intended to reward superior employee performance and to improve employee morale. Rewards to employees under the program may be in the form of cash or honor awards.

Present program operations do not assure that these objectives are being achieved because:

- o Employees are only marginally motivated to make cost-saving suggestions;
- o Specific criteria to determine employee award eligibility on a consistent and equitable basis have not been established;
- o The amount of cash awards paid is, in most instances, determined by judgments or estimates of cost savings, not actual cost savings; and
- o Adequate procedures to measure cost savings have not been established and in most instances, actual cost savings have not been measured or documented.

In view of these deficiencies, we are unable to determine the effectiveness of the program as to its accomplishments and cost.

The promotion of economy and efficiency in State government is essential. In our opinion, a properly operated program to reward employees for their suggestions and superior accomplishments could promote a less costly government. However, if employees are not motivated to make suggestions and award amounts are not determined on a consistent and equitable basis among the State agencies, the program

could be counter-productive. If these program deficiencies are not corrected by DOA, the Legislature should consider abolishing the program or make other provisions for its administration.

IV FINDINGS AND RECOMMENDATIONS

The Current Award Review Processes are Ineffective in Assuring That Award Amounts are Accurate.

Under the State Awards sub-program, employees making suggestions that directly lower the cost of government are eligible to receive up to \$2,000 or 10 percent of the first year's savings, whichever is greater. Rule 22A-12.15(1), F.A.C., provides that these awards shall normally be paid promptly after adoption of the suggestion; however, if the full amount of savings cannot be determined until after completion of a trial period or for some other reason, a partial award may be paid the employee and the remainder shall be paid when the first year's savings have been determined. The rule clearly states that savings will be determined before the final award is made. However, the written instructions on the DOA form agencies are required to complete to recommend suggestions for award require agency staff to compute the award amount by multiplying estimated annual savings by 10 percent. This form does not make provision for the granting of a partial award until the first year's actual savings can be documented.

Many awards are based on estimated savings rather than actual savings. We reviewed 26 awards that were given for suggestions purportedly resulting in tangible savings to the State. The amount of the award given for each of these 26 suggestions exceeded \$1,000. In all but two of the suggestions we reviewed, the awards were based on 10 percent of the estimated savings instead of actual savings.

The difference between estimated savings and actual savings may be substantial. For example, on January 8, 1982, the State Awards Committee approved a \$13,942.33 award to a Right-of-Way Agent based on a suggestion with an estimated first-year savings of \$139,423.30. The employee suggested that the State use a different method to compute compensation to homeowners who are displaced by highway construction. However, the Federal Highway Administration withdrew its approval of the new method of compensation and required the agency to discontinue use of the new method by February 22, 1982. The State Right-of-Way Administrator informed us that the suggestion yielded an actual first year's savings to the State of \$41,673.20. Thus, the award amount should have been \$4,167.32 rather than \$13,942.33.

We recommend that DOA establish procedures to require agencies proposing awards to accurately document the cost savings resulting from suggestions. If actual savings cannot be immediately determined, a partial award should be granted pending determination of actual savings and final award amount. DOA should revise the form agencies use to recommend suggestions for awards to assure that award amounts are determined correctly.

The State is Not Realizing the Full Benefit of Some Employee Suggestions.

One of the major objectives of the State Awards sub-program is to reduce the cost of State government by rewarding employees for suggestions that improve government operations. To ensure that full benefit is received from employee suggestions, Rule 22A-12.08, F.A.C., states that DOA shall review each suggestion to determine if it is applicable to an agency other than the one for which it was proposed.

If DOA determines that a suggestion has interagency application, it shall forward the suggestion to each agency to which it applies.

DOA, however, does not have written procedures to ensure that suggestions are routinely reviewed for interagency applicability. Some suggestions were forwarded to other agencies at the request of the State Awards Committee, but these requests were not often made. We found suggestion award files which appeared to have interagency applicability; however, these files were not referred to agencies other than the suggesters' employing agencies.

For example, one employee received an award for suggesting that his agency use a smaller size paper for computer printouts. His agency adopted the suggestion, which yielded an estimated first-year savings of \$11,200. Although this suggestion could have benefited other agencies, it was not forwarded to them for review.

Suggestions which may apply to other agencies should be forwarded for their evaluation. Otherwise, the State may not fully realize the benefit of a suggestion or properly recognize and reward the employee making the suggestion.

We recommend that DOA establish procedures to assure that suggestions are forwarded to agencies that could benefit from implementing them. To accomplish this, DOA could routinely determine the interagency applicability of suggestions submitted and forward suggestions to each agency that may be able to implement them. Or DOA could routinely forward a copy of all suggestions to all agencies and allow each agency to determine whether a suggestion is applicable to its operations.

The Amount of Cash Awarded for Suggestions That Do Not Yield Tangible Savings Cannot be Determined by Objective Criteria.

Employees making suggestions that indirectly reduce the costs of government by improving working conditions, changing procedures, revising or improving operating efficiency, but which do not result in overall measurable cost-savings are eligible to receive cash awards. Awards for these suggestions shall not exceed \$100 from each agency that adopts the suggestion. Rule 22A-12.17, F.A.C., prescribes criteria for determining the value of a suggestion. The reviewing agency awards committee evaluates the suggestion and assigns points for each criterion. The total points assigned determines the amount of the award.

The major problem with the point system established by DOA is the subjectiveness of criteria used to determine the value of a suggestion. For example, one of the criteria used to evaluate a suggestion is the "ingenuity of the idea." Members of agency awards committees must use judgment to determine whether an idea is "unimaginative," "average," or "very resourceful and clever." Decisions based on judgment may be subject to question. For example, one employee suggested that her agency use a standardized handbook to train new clerical personnel. While the agency awards committee reviewing this suggestion rated it as "very resourceful and clever," another committee could have rated it "average." Because these criteria are subjective, the State Awards Committee, in a few instances, has spent an inordinate amount of time reviewing awards of this type. Furthermore, we have no objective standards to evaluate the amount awarded for these suggestions, and, to review the appropriateness of award amounts, we must substitute our judgment for

that of the Committee approving the award. Under these circumstances, we find it difficult and even perhaps impossible to second-guess the judgment of the Committee and their interpretation of the rules.

Because it is difficult to objectively value suggestions that do not yield tangible savings, we recommend DOA authorize only honor awards for this type of suggestion. If DOA determines that cash awards are necessary, then a nominal cash payment of a fixed amount should be granted. This will eliminate the need for agency award committees and the State Awards Committee to use subjective judgment in evaluating these suggestions. Furthermore, the implementation of this recommendation will reduce the time spent by the State Awards Committee reviewing this type of award.

Rules Adopted by DOA Do Not Provide Adequate Criteria to Guide the Determination of Employee Eligibility.

In addition to encouraging Career Service employees to develop and formally present ideas that will enhance the efficiency and effectiveness of State government operations, the Meritorious Service Awards Program is designed to reward superior employee performance and to improve employee morale. The success of the Program in attaining these goals, however, depends on equitable treatment of group members.

Employees' perceptions are critical to the success of a reward program. If awards given under the program are not based on objective uniform criteria, employees may perceive the program as inequitable. These perceptions may have a greater negative impact on employee performance and morale than the positive impact gained from granting awards.

Section 110.223, Florida Statutes, which establishes the Meritorious Service Award Program, describes the award concept and establishes maximum award amounts. The Statutes do not establish eligibility criteria; these criteria were developed by DOA in Chapter 22A-12, F.A.C., for the State Awards sub-program and in Chapter 22L-12, F.A.C., for the Agency Awards sub-program.

Rule 22A-12.06(3), F.A.C., states:

...an employee shall not normally be eligible for an award for a suggestion which directly relates to the employee's performance of his/her assigned duties and responsibilities and which the employee has authority to implement without authorization of the employee's superiors.

According to DOA officials, the purpose of the rule was to prevent employees from receiving additional compensation for making suggestions considered to be part of their jobs for which they were hired and paid salaries.

Under the State Awards sub-program, the agency awards committees are responsible for determining whether an employee making a suggestion is eligible for an award. Our review of suggestions submitted showed that different agency awards committees applied varying interpretations of Rule 22A-12.06(3), F.A.C., when determining employee eligibility. Some agency awards committees determined that employees were ineligible for awards because their suggestions were related to their assigned duties and responsibilities. Other agency awards committees approved awards for employees whose suggestions fell within their assigned duties. For example, a maintenance electrician was denied an award for his suggestion that his agency purchase and use nonbreakable receptacle plates to replace plates that were

constantly being broken. He was deemed to be ineligible for an award because "Use of the proper electrical supplies is a part of the day-to-day job for an electrician." However, an engineer employed by a different agency received a \$2,785.30 award for his suggestion that the agency stop installing vertical clearance signs on bridges and sign structures that exceed minimum clearance standards. According to his position description, this engineer's responsibilities included making plans for State highway signs and pavement marking.

Differences in eligibility criteria also exist in the Agency Awards sub-program. As of November 17, 1982, only 6 of 35 State agencies (including 9 universities) had received DOA's approval to participate in the Agency Awards sub-program; thus, employees of 29 agencies are not eligible for awards in the Agency Awards sub-program. Furthermore, the participating agencies provide different types of awards for similar types of employee performance. For example, one agency makes an award to its outstanding employee of the year. The award consists of a certificate of appreciation, a plaque, and a public announcement of the achievement. Another agency annually awards sustained employee superior achievements by giving \$1,000 to its outstanding employee. Each award is for the agency's outstanding employee, yet the awards given are vastly different.

We recommend that DOA take steps to ensure that awards under the Meritorious Service Awards Program are made on an equitable basis by establishing objective standards to guide the granting of awards. Chapter 22A-12, F.A.C., should be amended to clearly exclude monetary awards to employees for fulfilling their job responsibilities. In addition, DOA should amend Chapter 22L-12, F.A.C., to ensure that all

agencies establish similar awards for similar types of meritorious performance under the Agency Awards sub-program. Once these rules are established, the State Awards Committee should monitor the awards given to ensure compliance with the revised rules.

The Goal of Motivating Employees to Make Suggestions Has Not Been Attained.

The primary purpose of the State Awards sub-program is to reduce the cost of State government or improve its operations. These cost savings are realized by implementing suggestions which are submitted by State Career Service employees. Therefore, the success of the program is directly affected by the degree it motivates employees to make suggestions.

To evaluate employee participation in the State Award sub-program, we first reviewed and analyzed DOA's program statistics. In addition, we conducted a random telephone survey of State Career Service employees to obtain their perceptions of the State Awards sub-program. Results from our evaluation indicate that employees are only marginally motivated to submit cost-saving suggestions.

Our review and analysis of State Award statistics indicates that employee motivation to submit awards has been declining. We found that State employees submitted 1,071 suggestions during the 1981 calendar year. This is the fewest number of suggestions submitted since 1969, when DOA began maintaining program statistics. In 1975, employees submitted 1,989 suggestions, which represents the largest number of suggestions made during a calendar year.

These statistics become even more meaningful when compared to the total number of fixed positions authorized by the Legislature (see Table IV-1). This analysis shows the number of suggestions per 100 fixed positions has decreased from 2.29 in 1975 to 1.07 in 1981. This represents a 53 percent decrease in the number of suggestions received as it relates to the number of fixed positions.

TABLE IV-1
COMPARISON OF SUGGESTIONS TO FIXED POSITIONS

Calendar Year	Number Fixed Positions <u>1/</u>	Number Suggestions Received	Number of Suggestions per 100 Fixed Positions
1969	61,484	1,256	2.04
1970	64,952	1,392	2.14
1971	67,105	1,325	1.97
1972	74,804	1,547	2.07
1973	82,774	1,676	2.02
1974	86,223	1,792	2.08
1975	86,972	1,989	2.29
1976	87,710	1,475	1.68
1977	90,021	1,220	1.36
1978	91,414	1,083	1.18
1979	92,999	1,112	1.20
1980	94,301	1,208	1.28
1981	99,675	1,071	1.07

1/ Represents number of positions fixed by the Legislature for the Executive Branch of government at the end of the calendar year. These figures include both Career Service and exempt positions. Historical records for Career Service positions have not been maintained. (Information from Governor's Office of Planning and Budgeting.)

Due to such limited employee participation, we conducted a random telephone survey of 127 Career Service employees in order to obtain their perceptions of the State Awards sub-program. (See Exhibit 1.) In summarizing the results of the survey, the following information was obtained.

Approximately 13 percent of the respondents to the survey stated that they were unfamiliar with the State Awards sub-program. Forty-three percent indicated that they were only somewhat familiar with the program, but did not understand its purpose. Twenty-nine percent indicated that they were familiar with its purpose, but not with its mode of operations. Only 15 percent responded that they were very familiar with this sub-program. Therefore, less than half (44 percent) of the employees surveyed understood either its purpose or mode of operations.

We surveyed these same employees to determine how they found out about the State Awards sub-program. This question was asked to help us evaluate the effectiveness of program promotion. Most of the respondents indicated that information came from sources within their individual agencies, such as bulletin boards, personnel offices, co-workers, agency newsletters, inter-office memorandums, and new employee orientation materials. Other sources of promotional information included State Awards application displays, newspaper articles, and DOA presentations which were conducted at the inception of this sub-program. While we found numerous different sources of promotional information, DOA has not adequately organized its promotion of the sub-program to effectively inform employees of either its purpose or mode of operations.

Finally, we wanted to determine whether employees were actually motivated to participate in the State Awards sub-program. We asked those surveyed if they believed the State Awards sub-program motivates Career Service employees to make suggestions. Sixty-nine employees (63 percent) indicated Yes, with 15 of these respondents giving a qualified response. These respondents usually qualified their responses by stating that employees were motivated by the sub-program only under certain conditions. Even though most surveyed employees believed that the sub-program motivated others to make suggestions, 67 respondents (61 percent) said that they were not personally motivated.

To further understand employee participation, we asked respondents if they had ever considered making a suggestion for a State award. While 57 percent responded Yes, less than 30 percent of those responding Yes have formally submitted their ideas.

Based on a review and analysis of program statistics, survey results, and conversations with program administrators, we believe that the State Awards sub-program is not effective in motivating employees. In our opinion, this lack of employee participation is largely the result of ineffective program promotion. If the State Awards sub-program is to be beneficial in reducing costs of State government or in improving its operations, the sub-program should be more widely publicized and employees encouraged to participate.

We recommend that DOA establish a promotional program for the State Awards sub-program. Under this promotional program, all new Career Service employees should be provided information concerning the State Awards sub-program as part of employee orientation. DOA should review and advise agency personnel officers of more effective methods of program promotion, such as advertising in agencies' newsletters.



Department of Administration

NEVIN SMITH
Secretary of Administration

435 CARLTON BUILDING
TALLAHASSEE, FLORIDA 32301
(904) 488-4116

BOB GRAHAM
Governor

November 30, 1982

Mr. Ernest Ellison
Auditor General
Post Office Box 1735
Tallahassee, Florida 32304

Dear Mr. Ellison:

This is in response to the performance audit report concerning the Meritorious Service Awards Program, which was recently completed by your staff. We basically agree with the comments, conclusions, and criticisms contained within the report. Moreover, we agree that the recommendations made must be implemented if the program of meritorious service awards is to remain in its present structure. However, we are also fully convinced that a broader change must be made in the program if it is to accomplish its primary mission to motivate employees to offer suggestions which when adopted will offer a more efficient and effective government.

The most telling conclusion in the report is that the current awards programs are not effective in motivating employees. We do not believe that a large and significant portion of the work force would be motivated even if more money were devoted to promoting the existing program. It is for this reason that we propose a new direction for the program which we believe will enhance employee productivity.

Within the Bureau of Program Assistance in the Department of Administration, much research and practical applications have been undertaken to increase motivation through productivity improvement efforts within agencies. Two methods currently utilized by the Bureau of Program Assistance in several agencies are Quality of Work-life Committees and Quality Circles. These groups are composed of employee representatives, and are designed to identify problems which hinder effectiveness and productivity and develop alternative solutions. They also look at ways efficiency can be improved by changing the way in which work is performed. The recommendations developed by these groups are then presented to management staff, who determine the feasibility of implementation. Changes are then monitored to determine to what extent productivity has improved.

EQUAL OPPORTUNITY EMPLOYER

AFFIRMATIVE ACTION EMPLOYER

Mr. Ernest Ellison
November 30, 1982
Page Two

Some results of this process include improved communication; needed revision and refinement of agency procedures; increased team spirit; increased emphasis on job safety; creation of uniform policies; and guidelines for employee conduct in specialized fields. For example, within the Department of Law Enforcement, recommendations resulted in:

- the development of an employee recognition program;
- the establishment of a department-wide flextime policy designed to recognize employees' needs for more flexible working hours while maintaining sound administration of all programs; and
- the development of uniform fitness standards for law enforcement agents.

Results within the University of Central Florida include:

- instituting controlled distribution of supplies which resulted in \$3,000 cost savings;
- investigating the feasibility of creating an "open warehouse store" at central receiving, where offices could send equipment not used in their departments and other offices could "shop" for equipment that may be useful to them; and
- identifying obsolete equipment and forms.

The Department of Corrections discontinued the regular shift rotation of its supervisors at the recommendation of an employee who pointed out that such rotation caused problems in the performance evaluation process and led to employee grievances.

The achievements cited above in improving productivity are being made without the cumbersome and lengthy review process and without the monetary commitment required for the existing meritorious awards program. We, therefore, are proposing both statutory and rule changes to that program, which we have attached for your information. These changes would, in summary, provide for the following:

1. Each agency would be required to appoint an agency committee which would recommend the adoption of suggestions in that agency and award a suitable certificate to each employee whose suggestion is adopted.
2. Annually, each agency's committee would review all suggestors recognized during that year and present first, second, and third-place cash awards of \$500, \$250, and \$100 and a suitable plaque.

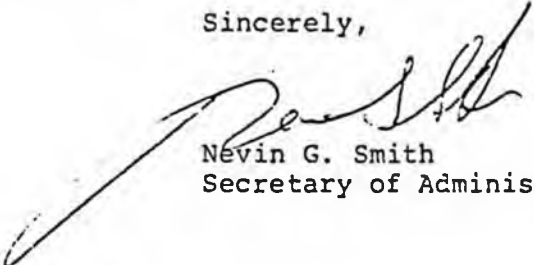
Mr. Ernest Ellison
November 30, 1982
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3. On an annual basis, suggestions made by the first-place award recipients within each agency would be submitted to a statewide committee appointed by the Governor and Cabinet. This committee would select three employees who would receive cash awards of \$10,000, \$5,000 and \$2,500, respectively, and an honorary resolution by the Governor and Cabinet.
4. As it pertains to special categorical awards, each agency would be authorized to recognize employees on an ongoing basis by awarding suitable certificates.

At the end of each year, the Department of Administration would publish and disseminate to all agencies a final compilation of all suggestions adopted or contributions made so that each agency might review and adopt those suggestions which it feels pertinent to agency operations.

I feel certain that this approach would contribute more toward the accomplishment of improved employee productivity than would the existing program. I would welcome any comments you might have.

Sincerely,



Nevin G. Smith
Secretary of Administration

NGS/ch
Attachment

Auditor General's Note:

The attachment to which the Secretary refers constitutes a public record of his office and is not reproduced in this report.

VI EXHIBITS

Exhibit

Page
No.

1. Telephone Survey of State Career Service Employees.

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Exhibit 1: Telephone Survey of State Career Service Employees

The primary objective of our survey was to obtain State Career Service employees' perceptions of the Meritorious Service Awards Program. A telephone survey questionnaire was developed to collect this information.

A random sample of 225 names from the State of Florida 1982 Telephone Directory was used for the survey sample. Ninety-eight members of the sample were determined nonapplicable for survey purposes. Non-Career Service employees, terminated employees, and employees who were not available during the survey period comprise the majority of the nonapplicable members of the sample.

One hundred twenty-seven responses were received from Career Service employees. Some respondents were unable to reply to some questions with a "Yes" or "No" answer. In these instances, the respondents qualified their responses. For example, one employee's response to the question, "Generally, do you believe the State Awards program motivates Career Service employees to make suggestions?" was "Yes, but it depends situationally on the employee's specific job and agency." These qualified responses are indicated in the results to the survey questions. Selected questions and answers from the telephone survey are found below.

o How familiar are you with the State Awards program?

Not Familiar	17	13.4%
Somewhat Familiar	55	43.3
Familiar	36	28.3
Very Familiar	<u>19</u>	<u>15.0</u>
Total Responses	<u>127</u>	<u>100.0%</u>

(Of the 110 respondents indicating familiarity with the program the following questions were asked.)

o How did you find out about the State Awards program?

Agency Bulletin Board	21	17.5%
Agency Newsletter	13	10.8
Agency Personnel Office	14	11.7
Co-workers/Supervisor	17	14.2
DOA Presentation	6	5.0
Inter-office Memorandums	13	10.8
New Employee Orientation Materials	6	5.0
Newspaper	6	5.0
State Awards Application Display	11	9.2
Other	<u>13</u>	<u>10.8</u>
Total Responses	<u>120(1)</u>	<u>100.0%</u>

Note: (1) Some respondents indicated more than one answer.

o Generally, do you believe that the State Awards program motivates Career Service employees to make suggestions?

Yes	69(1)	62.7%
No	33(2)	30.0
No Opinion	<u>8</u>	<u>7.3</u>
Total Responses	<u>110</u>	<u>100.0%</u>

Notes: (1) 15 responses were qualified.
(2) 6 responses were qualified.

o Does the State Awards program motivate you?

Yes	43(1)	39.1%
No	<u>67</u>	<u>60.9</u>
Total Responses	<u>110</u>	<u>100.0%</u>

Note: (1) 4 responses were qualified.

o Have you ever considered making a suggestion for a State Award?

Yes	62	56.4%
No	<u>48</u>	<u>43.6</u>
Total Responses	<u>110</u>	<u>100.0%</u>

(Of the 62 respondents that considered making a suggestion the following question was asked.)

o Have you ever formally submitted a suggestion for a State Award?

Yes	18	29.0%
No	<u>44</u>	<u>71.0</u>
Total Responses	<u>62</u>	<u>100.0%</u>

JOINT COMMITTEE ON LEGISLATIVE MANAGEMENT
OFFICE OF LEGISLATIVE RESEARCH

February 2, 1982

FROM: Office of Legislative Research
D'Ann Mazzocca, Research Analyst

RE: The Connecticut State Employees' Suggestion Awards Program

You requested information on Connecticut's State Employees Suggestion Awards Program. Specifically you asked about:

- 1) the history, organizational detail and present status of the program, including information about an advisory council;
- 2) the accumulated savings to the State since its inception in 1972, its efficiency in processing suggestions and any other available analyses of the program; and
- 3) the practice of other states with suggestion programs, especially regarding legislative involvement in an advisory or oversight council.

SUMMARY

The Connecticut State Employees' Suggestion Awards Program was established to reward employees for promoting efficiency and economy in state government.

Its statutory authority dates back to 1953. Responsibility for its administration has shifted from an Employee Merit Award Board in 1953 to the Personnel Commissioner in 1972 to the Department of Administrative Services (DAS) in 1977.

The program's administrator receives suggestions at his Central Office at DAS from any of approximately 40,000 eligible state employees and refers them to relevant agency committees for evaluation. A review and verification of large-savings suggestions is conducted before final approval.

Awards ranges from a minimum of \$15 to a maximum of \$5,000 depending upon effectiveness of improvements and amount of savings to the state.

Available data suggests that the state may have saved close to five million dollars since 1971 by implementing employees' suggestions.

The program has been undergoing reevaluation since a 1979 DAS internal study which identified weaknesses and made recommendations designed to improve efficiency and effectiveness.

The current operating procedures are being reviewed in an attempt (1) to reduce the substantial backlog of almost 700 suggestions, (2) to decrease the processing time which sometimes runs into years, and (3) to increase the percentage of high savings suggestions.

Two procedural changes presently under consideration are:

- 1) a preliminary screening of suggestions to identify and expedite processing of those with greater potential savings; and
- 2) periodic circulation among departments of brief descriptions of implemented suggestions to encourage more widespread adoption of effective practices.

One of the 1979 recommendations already implemented in the interest of efficiency was the elimination of the Advisory Committee. The committee had been composed of representatives from the largest state agencies and had been responsible for reviewing the suggestions with potential savings of \$500 or more. That review is now conducted directly by the Central Office with assistance from a management analyst from the Office of Policy and Management (OPM).

A survey of the organization and procedures of employee suggestion programs in New York and New Jersey is included below. The National Association of Suggestion Systems was unable to identify any state with direct legislative participation in such programs. New Jersey currently has under consideration, however, a proposal for what might be termed "executive oversight."

FURTHER EXPLANATION

Background

The Connecticut State Employees' Suggestion Awards Program provides monetary awards to eligible state employees for constructive ideas that "bring about efficiency and economy in state government by eliminating unnecessary expenditures and improving operations" (Sandra Bilon, Connecticut Personnel Commissioner in a 1976 memorandum).

History

Connecticut's program dates back to the 1953 establishment of an Employee Merit Award Board. In 1963 the Commissioner of Finance

and Control was required to make a fiscal analysis of each approved suggestion. This requirement was repealed in 1972 by a statute designating the program as one of the responsibilities of the Personnel Commissioner. The 1977 administrative reorganization of the executive branch shifted this responsibility to the Commissioner of the Department of Administrative Services (DAS) where it remains. Program operation and procedural details are not specified by statute and are matters of internal policy. C.G.S., Sec. 5-200 requires the DAS Commissioner to "devise plans for, and cooperate with, appointing authorities and other supervising officials in the conduct of employee training programs and employee suggestion award programs to the end that the quality of service...may be continually improved."

Budget

Until 1977, the budget for awards was provided by the individual departments implementing suggestions. Special acts in 1977 and 1978 appropriated \$100,000 to DAS for program administration and all awards. Since that time the awards allocation has been a separate line item in the DAS budget and has been reduced to \$25,000 per year.

Administrative Structure

Mr. Ben Marino is the administrator of the suggestion program's Central Office. He is supervised by Mr. Thomas Barnett, Director of Communications in the DAS Commissioner's office.

Eligible Suggestions

Eligible suggestions are "those constructive ideas that improve methods, equipment, procedures, make working conditions better and safer, reduce time and cost of a work operation or improve relationships with or services to the public" (application form; copy attached).

Eligible Employees

Any state employee is eligible to submit suggestions "except student employees at the State University or State Colleges, stipend and contract employees" (application form). Historically, however, employees in the Judicial, Legislative and Elected Offices Branches have participated very little in the program.

History of Evaluation Procedure

Since 1972, the procedure for evaluating suggestions has remained largely the same.

Completed suggestion forms are mailed to the program office where they are time stamped and assigned a number to protect the identity of the suggester during the evaluation process. They are then referred to the agency best able to evaluate their content.

Each agency has its own evaluation committee comprised of individuals appointed by the department head. These committees conduct a standardized review (form attached) of the eligibility of the suggestions and decide whether they qualify for adoption. Their decisions are forwarded back to the Central office which notifies the suggesters of the evaluation results.

A review is conducted of those suggestions expected to save \$500 or more in order to verify the facts and any background material relevant to the suggestion.

An organizational change about two years ago shifted this "large-savings review" function from an Advisory Committee of Agency representatives to the Central Office which utilizes the services of a management analyst from OPM.

Awards: Criteria, Size, Procedure

Suggestions considered adoptable receive a minimum award of \$15. Intangible suggestions whose benefits are not measurable by dollar savings can receive a maximum award of \$100. Their award is determined by a rating scale including categories such as degree or nature of benefit, extent of application, ingenuity of the idea, cost of adoption, effort involved, completeness of proposal, degree of health or safety hazard addressed, probability of hazard before improvement, and effectiveness of improvement.

Tangible cost savings suggestions are awarded 25% of the ensuing net savings during the first year of implementation up to a maximum of \$5,000. If the estimated savings is greater than \$500, \$125 is awarded at the time of adoption and the remainder awarded one year later based on the actual savings. The OPM analyst reviews the first year's experience after implementation in order to determine the amount of the percentage award. Department supervisors present smaller awards whereas commissioners usually handle larger presentations. Maximum awards of \$5,000 are presented by the Governor.

Current Status

Suggestion Program Report

In April 1979 a study of the employee suggestion program was prepared by the Assistant Director of Employee Communications for the Director of Personnel and Labor Relations. That report identified general problems of the program and made recommendations designed to improve its effectiveness.

Problems

Those problems which were identified include:

- (1) A substantial backlog and lengthy processing time of suggestions. Mr. Barnett has informed me that there is a current backlog of 684 suggestions pending and that 63 of these date back to late 1979.
- (2) Weakness in the management of the Central Office.
- (3) Relatively low priority of concern at the individual department level.
- (4) Procedural inefficiencies.

Adopted Recommendations

The report developed a nine-point series of recommendations. Two of these have already been implemented and others are currently under consideration. The first recommendation was to restructure the Program in keeping with the 1977 reorganization of Connecticut's Executive Branch. It was implemented by reducing the number of suggestion evaluation committees from over one hundred to slightly more than thirty, reflecting and corresponding to the reduction in number of state agencies. This was to permit the Central Office to focus its efforts and improve efficiency.

Another recommendation which has been adopted was the elimination of the Advisory Committee to "streamline suggestion processing."

Advisory Committee

The Advisory Committee was organized in 1972. Its members tended to be senior staff representatives of what were then the largest state agencies. They reviewed suggestions with a potential savings of \$500 or more which had been approved by agency evaluation committees. A consultant to the committee researched each of these. After verifying the facts claimed by the suggestion and any relevant background material, the committee would make the final decision to grant the award or reject the suggestion.

The report recommended that the Committee's analyst consultant work directly with the administrator in the Central Office and that the members of the Committee serve instead on the evaluation committee of their individual departments.

As noted above, this review of large savings suggestions is now performed by an OPM management analyst who works with the DAS suggestion administrator and supervisor.

Further Recommendations

The remaining seven recommendations, listed below have not been implemented to date.

1. Strengthen the weaknesses in the management of the Central Office.
2. Update the procedures manual and institute training programs for suggestions processors.
3. Shorten turnaround time for processing suggestions by increasing the follow-up originating from Central Office.
4. Inspire management support and program priority through the efforts of Central Office.
5. Increase the number of suggestions that result in large savings through Central Office stimulation.
6. Redesign and rewrite printed material for improved appeal and clarity.
7. Promote the program for better employee utilization, and improve the publicity of the program, particularly awards presentations.

Objectives

According to Mr. Barnett, his office is working with representatives from OPM and the suggestion system staff to develop procedures for increasing the efficiency and effectiveness of the program.

Among their objectives are:

1. Reduce the substantial backlog of suggestions.
2. Speed up the processing time to approximately 90 days. According to the National Association of Suggestion Systems, almost 3/4 of the national organizations participating in a 1980 study reported an average processing time of 90 days or less.
3. Increase the number of large-savings suggestions.
4. Promote the widespread adoption of effective suggestions.
5. Elicit a greater proportion of suggestions worth adopting.

Two procedural changes presently under consideration are:

1. Eliminate a strict chronological processing of suggestions in favor of a preliminary screening. This would enable staff to identify and expedite the evaluation of those with the widest applicability and greatest potential savings to the state.

2. Periodically compile lists of adopted suggestions and forward them to all state departments. This is intended to encourage wider adoption of worthwhile suggestions.

A letter from DAS Commissioner Freedman has been written to the department heads of evaluating committee agencies to solicit their cooperation and advice concerning the current backlog and possible program changes.

Program Effectiveness

Total Savings

There are no data from which to accurately calculate the program's savings to the State since 1971. It is possible to approximate total savings by multiplying the estimated first year savings of each fiscal year by the number of years of implementation of the relevant suggestions (see attached chart). Because no records are kept concerning the number of years each suggestion continues to be implemented, this must be estimated as well. The National Association of Suggestion Systems has estimated that the average life of an implemented suggestion is five years. Using this figure we can estimate that the State has saved close to five million dollars since 1972 by implementing state employees' suggestions. The total of estimated first year savings over the decade is approximately \$1,403,567 or almost a million and a half dollars. Since the total awards outlay has been \$221,137 for that period we can estimate the total savings per award-dollar spent as \$21.80 and the average yearly savings per award dollar as \$6.35.

AVERAGE SAVINGS PER ADOPTION

The National Association of Suggestion Systems' (NASS) 1980 Statistical Report lists the nationwide average savings per adopted suggestion as \$1,702.34. Connecticut's average savings per adoption has varied widely during the decade from a low of \$346 in fiscal year (FY) 1974-75 to a current high of \$3,044 in FY 1980-81.

AVERAGE SAVINGS PER 100 ELIGIBLE EMPLOYEES

The NASS report figured \$10,485 as the average savings per one hundred eligible employees of all reporting governmental and industrial organizations. The average for the governmental programs alone was \$1,201 compared to Connecticut's \$898 for FY 1980-81.

PRACTICE IN OTHER STATES

New Jersey

Statutory Authority

Under Sections 11:26-1 through 9 of the New Jersey Statutes an awards program for State employees is established as a function

of the Civil Service Department. This program rewards employees for the promotion of efficiency and economy in government functions, meritorious performance, and suggestions. It is administered by a committee of five State officers or employees appointed by the Governor for a three year term. According to the statute this committee is to meet at least monthly, except during the Summer, and to serve without compensation.

Each principal department in the State government is to have its own awards committee comprised of not less than three people appointed by the department head for a one-year term. The recipients selected by the central and departmental committees are to be presented with appropriate awards by the central committee.

In addition to Statutory Authority, the New Jersey Administrative Code 4:1-22.1, 4:1-22.2 and the Civil Service Personnel Manual Series 22 offer more detailed rules and regulations.

Procedures for Adopting Suggestions

The administrative aspects of the Awards Committee are handled by Mr. William Scheuer, Executive Secretary to the State Awards Committee and Director of Personnel Services in the Department of Civil Service. His support staff of four assist him in his duties in regard to the awards committee.

All State employees are eligible to submit suggestions. According to Subpart 22-1101 of the Civil Service Personnel Manual a suggestion is a written proposal "which will produce notable economy or improvement in an operation of State government or one which will improve service to the public, employee safety, public safety or employee welfare."

Completed suggestion forms are processed and numbered at the program office. Nevertheless, the identity of the suggester purposely remains available during the evaluation process as recommended by the National Association of Suggestion Systems. The suggestion is forwarded to the appropriate department committee for evaluation and subsequently returned to the central committee for a final decision. This committee delegates the final review and decision for awards up to \$100 to Mr. Scheuer. Awards are only made for implemented suggestions. However, partial implementation is adequate.

Procedures of Awarding Adopted Suggestions

Awards range from \$15 to \$5000. Though the maximum suggested award for intangible suggestions is \$100, exceptions are made when sufficient justification is provided. The rating scale for evaluating intangible suggestions includes the categories of effectiveness, seriousness of the present problem, probability of actually happening, and ingenuity of the solution.

Suggestions from non-management employees earning less than \$26,488 which result in measurable savings are awarded 10% of the net first year savings minus implementation cost. Suggestions from management staff which are approved are rewarded by a flat cash award not to exceed \$500.

A "time off" option is available under certain circumstances in lieu of a cash award. Awards from \$25 to \$49 are equivalent to one additional paid vacation day whereas \$50 to \$100 awards convert to 2 days.

In addition to cash awards or equivalent "time off," special awards consisting of plaques are presented to the department with the highest number of approved suggestions per 100 employees and another to the department whose employee suggestion implementation resulted in the highest dollar savings to the State for the year. Individuals receive plaques when their accumulated awards reach \$5000 and they also become lifetime members of an advisory board to the central committee.

An additional type of special award consists of the selection of State and departmental "Suggester of the Year."

Cash awards, the most characteristic type of award in the program, are drawn from a budget of \$50,000 in a central fund administered by the Department of Civil Service.

Awards of \$15 are distributed by the recipient's superior. Those less than \$500 are presented at department ceremonies and higher awards are handled by the Commissioner of Civil Service.

New York

Statutory Authority

Under Article IX, Sections 145 and 146 of the New York Statutes, the State Civil Service Commission is assigned the power and duty to establish and maintain plans to encourage current and retired State employees to offer meritorious suggestions promoting efficiency and economy in the performance of any function of State government.

The Civil Service Commission is to initially appoint departmental evaluation committees whose membership will be periodically modified by department head nominations. The nature and extent of merit awards is also to be determined by the Commission.

Established in 1946, the New York program is the oldest in the country and is a member of the National Association of Suggestion Systems.

The program is publicized to 188,000 eligible State employees through posters distributed every six to eight weeks. In addition, some agencies introduce suggestion blanks during orientation of new employees.

Procedures for Adopting Suggestions

The New York State Employees' Suggestion Program is coordinated by Ms. Ethel Noiseux who is assisted by two stenographers.

According to the coordinator all current and retired State employees, except teachers and employees in the State Thruway Authority, can participate in the program.

Completed suggestion blanks are returned to the coordinator who discusses them with her immediate supervisory and head of personnel services. Though each suggestion is assigned a number, it is the suggester's decision whether or not to remain anonymous during evaluation. Appropriate department committees of 3 to 8 members who hold two-year terms are next to receive the suggestions. Suggestions with committee decisions are returned to the coordinator who passes them on to the Commission's Subcommittee on Merit Awards. This Subcommittee is comprised of the two Civil Service Commissioners, excluding the President. The Subcommittee report and decision are read by the Civil Service Commission. The Commission's decision is the final one and usually concurs with the Subcommittee. Awards are not granted until suggestions are implemented.

Procedures for Awarding Adopted Suggestions

Adopted suggestions receive minimum awards of \$25. There is no maximum award and the largest granted to date was \$15,000. Awards are based on the first year net savings and a rating scale of factors such as ingenuity, nature of the proposal, extent of use, effectiveness, and importance of operation effected.

Awards are funded by benefiting departments. When in excess of \$1000, an initial \$100 is paid by the Department of Civil Service and the remainder is awarded by the appropriate department one year after implementation.

Small awards are presented by the recipient's immediate superior whereas larger ones are distributed by department heads. It is their prerogative to hold photo sessions or other ceremonial procedures. Extremely large awards are presented by the Governor.

Role of Legislators in Program Procedure

I was unable to identify any state with direct participation of legislators within the structure of an employee suggestion program. Neither the management staff of Connecticut's program nor the Executive Secretary of the National Association of Suggestion Systems were aware of any such standardized involvement in other states. The 49 state survey conducted as part of the 1979 DAS report included several questions about the administration and processing of suggestion programs. No mention was made of legislative involvement on advisory or oversight boards in any of the replies.

However, Mr. Scheuer, Director of New Jersey's program, indicated that his office is proposing the establishment of what might be termed "executive oversight" or "executive liaison." They have suggested to the Governor of New Jersey that a representative from his office be a member of their Awards Committee which is authorized to approve or disapprove all suggestions.

The goal of this proposed link to the Governor's office, according to Mr. Scheuer, is to overcome resistance within the individual departments to changes which would result from suggestions. Moreover, they believe it would encourage departmental evaluation on a more timely basis. This proposal has not yet been implemented.

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Attachments

Incentive Pay for State Employees Act

This draft act establishes a program of cash bonus awards for any unit of state government that demonstrates improved efficiency and reduced costs without a decrease in services. The act creates an interagency incentive committee to oversee the program and make the awards. The program is voluntary and must be participated in by the entire unit. Up to 25 percent of money saved can be shared by the unit's workers as bonuses. The act specifies the criteria to be used by the awards committee in judging if the savings are legitimate. The intent is to provide a tangible incentive for state employees to save money and improve efficiency in services.

The draft legislation is based on a North Carolina statute.

Suggested Legislation

(Title, enacting clause, etc.)

1 Section 1. *[Short Title.]* This act may be cited as the Incentive Pay
2 for State Employees Act.

1 Section 2. *[Committee Established.]* There is hereby created the Commit-
2 tee for Review of Applications for Incentive Pay for State Employees,
3 hereinafter referred to as "the committee." The committee shall consist of
4 the [secretary of administration], who shall act as chairman, the [state
5 auditor], the [state budget officer], and the [state personnel director]. The
6 governor, lieutenant governor and speaker of the house of representatives
7 shall each also appoint one person who has experience in administering in-
8 centive as used in industry.

1 Section 3. *[Application for Incentive Awards.]*

2 (a) With the exception of units within the [legislature], the governor's of-
3 fice, the lieutenant governor's office, and the [department of the state
4 auditor], any unit of state government having an identifiable self-contained
5 budget, or having its financial records maintained according to an account-
6 ing system which identifies to the satisfaction of the [state auditor] the ex-
7 penditures and receipts properly attributable to that unit, may make ap-
8 plication to the committee for selection as a candidate for the award of in-
9 centive pay to its employees. Such application must be submitted prior to
10 the beginning of any fiscal year and must have the approval of the head of
11 the state department within which the unit is located.

12 (b) Applications shall be in the form prescribed by the committee.

13 Such applications shall contain such information as may be required
14 by the committee and shall be submitted to those evaluation committees

15 established by the committee for the purpose of evaluating

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ds for any unit of state reduced costs without a incentive committee to oversee voluntary and must be par-oney saved can be shared by e criteria to be used by the rate. The intent is to provide y and improve efficiency in a statute.

as the [state] Incentive Pay

hereby created the Commit-Pay for State Employees, e committee shall consist of act as chairman, the [state te personnel director]. The he house of representatives erience in administering in-

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[state], the governor's of- [department of the state identifiable self-contained ed according to an account- f the [state auditor] the ex- that unit, may make ap- date for the award of in- must be submitted prior to he approval of the head of cated.

ed by the committee and e, including but not limited of applicable law, which wh- at and performance.

16 (c) The committee shall evaluate the applications submitted, and from
17 those proposals which are considered to be reasonable and practical and
18 which are found to include developed performance indicators which lend
19 themselves to a judgment of success or failure, the committee shall select the
20 units to participate in the incentive pay program for the fiscal year.

1 Section 3. [Qualifications.]

2 (a) To qualify for the award of incentive pay to its employees, a unit
3 selected must demonstrate to the satisfaction of the committee that it was
4 operated during the fiscal year:

- 5 (1) at a less cost than the immediately preceding fiscal year and either
6 with an increase in the level of services rendered or with no decrease in the
7 level of services rendered; or
8 (2) at no greater cost than the immediately preceding fiscal year and
9 with an increase in the level of services rendered.

10 (b) The committee shall satisfy itself that no claimed cost of operation
11 is real and not merely apparent, and that it is not the result of
12 the following:

- 13 (1) cutbacks in maintenance,
14 (2) lowering of the quality of the service rendered,
15 (3) reduced pass-through or transfer expenditures,
16 (4) receipts realized in excess of amounts budgeted,
17 (5) nonrecurrence of expenditures which were single item, or one-
18 time expenditures, in the preceding fiscal year,
19 (6) failure to reward deserving employees through promotions,
20 reclassification, award of merit salary increments, or salary increases
21 authorized by salary range revisions,
22 (7) postponement of normal purchases and/or repairs to a future fiscal
23 year,
24 (8) hoarding inventories in the immediately preceding fiscal year so
25 as to reduce requirements in the eligible fiscal year,
26 (9) substitution of federal funds, other receipts, or non-state funds for
27 state appropriations,
28 (10) unreasonable postponement of payments of accounts payable until
29 the fiscal year immediately following the eligible fiscal year,
30 (11) shifting of expenses to another unit of government,
31 (12) any other practice, event, or device which the committee deems
32 to have caused a distortion which makes it difficult to appear that a
33 true level of services has been met.

34 (c) Conversely, the committee shall not award incentive pay to a unit
35 which has incurred a net loss or a decrease in the level of services rendered.

- 40 (5) improved methods of communication.
 41 (6) improved systems and procedures.
 42 (7) better deployment and utilization of manpower.
 43 (8) elimination of unnecessary travel.
 44 (9) elimination of unnecessary printing and mailing.
 45 (10) elimination of unnecessary payments for advertising, member-
 46 ships, dues, subscriptions, etc.
 47 (11) elimination of waste, duplication, and operations of doubtful
 48 value.
 49 (12) improved space utilization.
 50 (13) any other items considered by the committee to be generating true
 51 savings.

1 Section 4. [Awards.] At the conclusion of the eligible fiscal year, the
 2 committee shall compare the expenditures of that unit for the immediately
 3 preceding fiscal year and, after making such adjustments as in its judgment
 4 are required to eliminate distortions, shall determine the amount, if any,
 5 that the unit has reduced its cost of operations or increased its level of ser-
 6 vices in the eligible fiscal year. Adjustments to eliminate distortions may in-
 7 clude any legislative increases in employee compensation and inflationary
 8 increases in the cost of services, materials and supplies. The committee
 9 shall also determine that in its judgment a unit qualifies for awards. It shall
 10 award and is hereby authorized to award to the employees of that unit a
 11 sum not in excess of 25 percent of the amount determined to be the savings
 12 to the state for the level of services rendered. The amount awarded shall be
 13 divided and distributed in equal shares to the employees of the unit, except
 14 that employees who worked for that unit less than the full 12 months of the
 15 fiscal year shall receive only a pro rata share based on the fraction of the
 16 year worked for that unit. Funds for this incentive pay shall be drawn from
 17 the unit's principal department's ending balance for the eligible fiscal year.

1 Section 5. [Annual Report.] The [secretary of administration] shall cause
 2 a report to be prepared and submitted to the [legislature] a comprehensive annual
 3 status report on the committee's activities, decisions, awards, and recom-
 4 mendations with respect to the employee incentive pay program.

1 Section 6. [Severability.] If any provision of this act is held to be invalid,

1 Section 7. [Miscellaneous.] This act shall be known and may be cited as the

1 Section 8. [Effective Date.] This act shall take effect on the 1st day of

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