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## State Government & Tribal Relations Committee

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### ESB 5015

**Brief Description:** Reestablishing the productivity board.

**Sponsors:** Senators Fortunato, Gildon, Kuderer and Valdez.

#### Brief Summary of Engrossed Bill

- States that continued operations of the Productivity Board (Board) is subject to funds available for that specific purpose.
- Requires appointments to the Board by January 1, 2025, or as soon as practicable.
- Limits the amount of cash that may be awarded for the Statewide Employee Suggestion Program and the Employee Teamwork Incentive Program.

**Hearing Date:** 3/22/23

**Staff:** Desiree Omli (786-7105).

#### **Background:**

##### Productivity Board.

The Productivity Board (Board), also referred to as the Employee Involvement and Recognition Board, administers the Statewide Employee Suggestion Program and adopts rules allowing for agency-unique suggestion programs. Rules governing the statewide program provide a payment award schedule that establishes the criteria for determining the amounts of any financial or other awards. Administrative costs of the Board are appropriated by the Legislature from the Personnel Service Fund.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

The Board's membership consists of:

- the Secretary of State;
- the directors of the Office of Financial Management (OFM) and the Department of Enterprise Services;
- three individuals experienced in administering incentive programs appointed by the Lieutenant Governor, Secretary of State, and Speaker of the House of Representatives, each appointing one individual, with the Secretary of State's appointee being a representative of an employee organization certified as an exclusive representative of at least one bargaining unit of classified employees; and
- two individuals representing state agencies and institutions with employees subject to the state civil service laws and one person representing institutions of higher education, all appointed by the Secretary of State.

Operations of the Board have been suspended from 2011 through fiscal year 2022. In 2022 the supplemental budget removed the suspension of operations for the Board beginning in fiscal year 2023 and appropriated \$1.276 million from the Personnel Service Account to the Office of the Secretary of State to resume Board operations. The supplemental budget required that the Board meet by September 1, 2022, and that by June 30, 2023, the Board provide the Legislature and other state agencies with a topical list of all productivity awards granted in fiscal year 2023 to provide agencies with the opportunity to adopt or modify suggestions identified by awardees.

#### Statewide Employee Suggestion Program.

The Statewide Employee Suggestion Program allows the Board, or the Board's designee, to make cash awards for suggestions by state employees that promote efficiency and economy, and generate a net savings, revenue, or both, to the state. Awards are based on a payment award scale as determined by the Board, but cash awards may not exceed \$10,000. Awards are made from the appropriation of the agency benefiting from the employee's suggestion. Awards may be paid from the general fund by the OFM for suggestions which generate new or additional money for the general fund or any other funds of the state; if the suggestion generates new or additional money for other funds of the state then money must be transferred from that fund to the general fund to cover the amount of the award given.

#### Employee Teamwork Incentive Program.

Except for state employees of the judicial and legislative branches, organizational units of agency employees may submit an application to the Board, with approval from the heads of the agency within which the organizational unit is located, to participate in the Employee Teamwork Incentive Program. A team must identify the net savings, revenue, or both, accomplished during the project period. Proposals are selected by the Board under this program if they lower costs or increase revenues without decreasing the level of services rendered, are deemed reasonable and practicable, and include performance indicators that lend themselves to a judgement of success or failure. An agency head may recommend an award amount, but the Board makes the determination on whether an award will be made. Awards are based upon the payment award scale adopted by the Board.

### Recognition Awards.

A state agency may give recognition awards to its employees for outstanding achievements, outstanding public service, safety performance, longevity, or service as an employee suggestion evaluator or implementor. A recognition award may not exceed \$200 in value per award and may consist of cash or items such as pen and desk sets, plaques, pins, framed certificates, clocks, and calculators. Recognition award costs are paid by the agency presenting the awards.

The OFM is required to report annually to the Governor and the Legislature on the distribution of performance-based incentives and bonuses. The most recent report, submitted in December 2022, indicated that 5,840 awards from 37 agencies totaling \$331,874.53 performance-based incentives and recognition awards were given.

### **Summary of Bill:**

#### The Productivity Board.

The continued operation of the Board is subject to the availability of amounts appropriated for that specific purpose. The three members with experience in administering incentives, the two members representing state agencies and institutions with civil service employees, and the member representing institutions of higher education must be appointed by January 1, 2025, or as soon as practicable. The Board must prepare a topical list of all productivity awards granted and provide the list to the Legislature and all state government agencies that may be able to adapt the ideas to its procedures.

#### Statewide Employee Suggestion Program.

The maximum award for suggestions generating net savings, revenue, or both is modified to be no more than \$10,000 or 10 percent of the actual net savings or revenue generated, whichever is less.

#### Employee Teamwork Incentive Program.

Any cash award given for the employee teamwork incentive program is capped at 25 percent of the actual net savings or revenue generated up to \$10,000 per team member.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 17, 2023.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.