Thomas J. Vilsack
GOVERNOR

Sally J. Pederson
LT. GOVERNOR

Iowa Department of Personnel

Mollie K. Anderson, DIRECTOR

Joint Appropriations Subcommittee on Administration and Regulation February 20, 2001

1. What factors affected our recommendations?

a) The 5% budget cut is magnified by a $52,829 general fund cut and $1.8 million deappropriations in workers' compensation made last year.

b) A 5% cut implemented during the final quarter of the fiscal year has the same impact as a 20% budget cut.

c) Whether you have one employee or 60,000, you must have a personnel system in place.

d) In 1986 the Legislature created a centralized personnel agency to provide checks and balances, wage equity across agencies, and compliance with federal and state labor laws. Our statutory responsibilities follow this mission.

e) Of the $4.8 million appropriated from the General Fund to carry out these responsibilities, 92% is for personnel costs, 4% is for computer and technical system support, and 4% is used for all non-personnel expenses.

f) The Department of Personnel has statutory responsibility for significant risk and financial liabilities including wages, benefits, insurance, workers' compensation, labor contract negotiations, and management of deferred compensation assets.

g) Failure to align the capacity necessary for proper management of financial risks **is penny-wise and pound-foolish**, and may result in increased costs to the overall budget. (The health insurance premiums are one example.)

h) If directed to make a 5% budget cut, the Department of Personnel will need to layoff staff.

i) If layoffs occur statewide, the department's work will increase as a result. Additionally, under layoff guidelines, a layoff plan could not be implemented for at least two months.

j) The Department of Personnel needs direction on which program responsibilities that are required by statute you want us to discontinue.

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3. What factors increase the risks associated with a 5% budget cut?

a) Aging workforce

b) Low unemployment and tight labor market

c) Low health insurance reserve fund

d) Increasing health insurance costs

e) Increasing workers' compensation costs

f) Labor-management relationship is important when over 80% of the workforce is union covered

g) Lack of connection between pay and performance

h) Contracting trend

i) Declining resources with increased expectations

4. What happens if budget cuts result in layoffs?

a) As an employer, staffing is the most expensive item in any operating budget. If significant cuts are made by the Legislature in all budget subcommittees, layoffs will probably be needed. If so, there are a few rules that you need to keep in mind.

b) Layoffs actually increase work for IDOP.

c) Layoffs must follow strict contract and personnel rules. Layoff plans must be developed, approved, and adequate notice must be given to affected individuals (20 days). In addition, affected individuals must have time to exercise bumping rights. Notices to individuals must follow an appropriate notice (60 days) to affected unions. Rarely do layoffs occur as quickly as you plan.

d) Laid off individuals must receive all accrued vacation payoffs, which in some cases may amount to significant dollars.

e) Before permanent full time employees are laid off, all temporary and part-time staff must be laid off. For a department like Revenue and Finance, this would have a devastating impact at tax season time.

f) The layoff plan is driven by strict seniority rules for contract-covered employees, which means performance or unique skills cannot be considered when determining who will be laid off. Non contract employees are laid off based on seniority and performance. However, layoff plans must be defensible and cannot simply pick people to be laid off.

g) Layoffs, no matter how large or small, impact recruitment for open positions and negatively affect morale and productivity long beyond the specific time of the layoff.

5. What keeps me awake at night?

a) As I have pointed out to you in my earlier handouts, the Department has suffered a steady attrition of funding over the past ten years.

b) An inevitable consequence of that is a significantly reduced level of staffing.

c) The proposed additional cut of 5% in this fiscal year will make it impossible for the Department to carry on unaffected.

d) We have reached a critical point at which the magnitude of the proposed reductions will seriously undermine our ability to prudently and responsibly manage the various risks inherent in our Code charges.

e) The old adages about "cutting off one's nose to spite one's face" and "penny wise, pound foolish" may apply here. If we are crippled in our ability to oversee, investigate, and consider options for the various high cost programs within our mandate, the ultimate costs to the General Fund – and to the Iowa taxpayers – will likely be many times whatever small savings you can secure from IDOP. I ask you to consider the health insurance premium increase this year as an example of what can be done if we are given the capacity to manage.

f) Should you decide to proceed in applying this size of cut to our current budget, I ask for your assistance in bringing the same deliberation to the painful matter of budget *cuts* as you do to considering budget *maintenance* or *additions*.

g) We thoughtfully proposed our budget to you in a spirit of partnership essential when one branch provides necessary fiscal and human resources so the other can carry out responsibilities. I now ask you to be my partner through the difficult matter of deciding which areas of the Department's various legal mandates we are to suspend, restrict, or abolish. (If the latter, of course, we would need your further assistance in transferring those duties elsewhere, or eliminating the Code mandate for them.)

All organizations must have a human resource system of interrelated functions.

Each 1% increase in employee compensation costs $9.4 million. A 1% increase in health insurance premiums results in about $1.7 million in additional program costs.

88 people in IDOP run this HR system. To manage the budget, 12 positions are currently vacant.

RECRUITMENT & SELECTION
[19A.1(b) and 19A.8]
From July through January, 1,525 vacancies were posted and 38,119 applications received for those jobs. At this rate, we will take almost 65,000 applications for the year.
The hiring process time was reduced by 10 days, to 41.

CLASSIFICATION
[19A.1 (c), 19A.8 and 19A.9]
811 job classifications are maintained. In FY 00, 803 classification requests were processed at a cost of $78,000 per pay period.

PERFORMANCE MANAGEMENT (19A.9)
Over 20,246 fulltime, 306 part-time, and 1,595 temporary employees worked in the Executive Branch at the end of last fiscal year.

CAREER DEVELOPMENT AND TRAINING [19A.1(e)]
8,000 to 10,000 employees trained every year

HUMAN RESOURCE INFORMATION
[19A1(a),(f), and ((h)]
With about 70% of supervisors and 56% of the workforce over age 45, demands for workforce planning have increased. HR information covers the spectrum from the state's management information system to "Just the Facts," a statewide newsletter, and a Web site.

LABOR POLICIES, PROCEDURES & CONTRACTS [19A.1(g)]
Over 80% of the workforce is covered by a union. Although grievances and related costs are down, in FY 00 there were 553 grievances with an estimated costs to agencies of about $469,000.

SERVICE DELIVERY AND SUPPORT
[19A.1, 19A.1A(3), and all other references]
Service agreements and 15 personnel officers. Each personnel officer serves about 1,469 employees. If every agency had just one personnel officer on their own staff, 26 would be needed instead of 15.

BENEFITS, COMPENSATION, & RETIREMENT

Workers Compensation [19.1(c) and 19A.32]
Cover approximately 70,000 people
$23.5 million in claim liability
$11.6 cash outlay
4,177 new claims last year averaging $2,697

Health, dental, life, and long-term disability (19.1 and 70A.20)
$188.3 million total cost
28,754 health insurance contracts
28,554 dental insurance contracts
23,306 life insurance contracts

Supplemental Retirement (Deferred Compensation and Tax Sheltered Annuities [19A.1(2)c, 19A.12B-D, 19A.30, and 509A.12]
23,014 eligible employees
$220,000 in employee assets

Also:
Cafeteria plan (premium conversion and flexible spending accounts) [19A.1(2)c, 19A.12.E, and 19A.35]; *employee assistance and wellness* [19A.1(2)c; and *unemployment insurance* 19A.1(2)c]

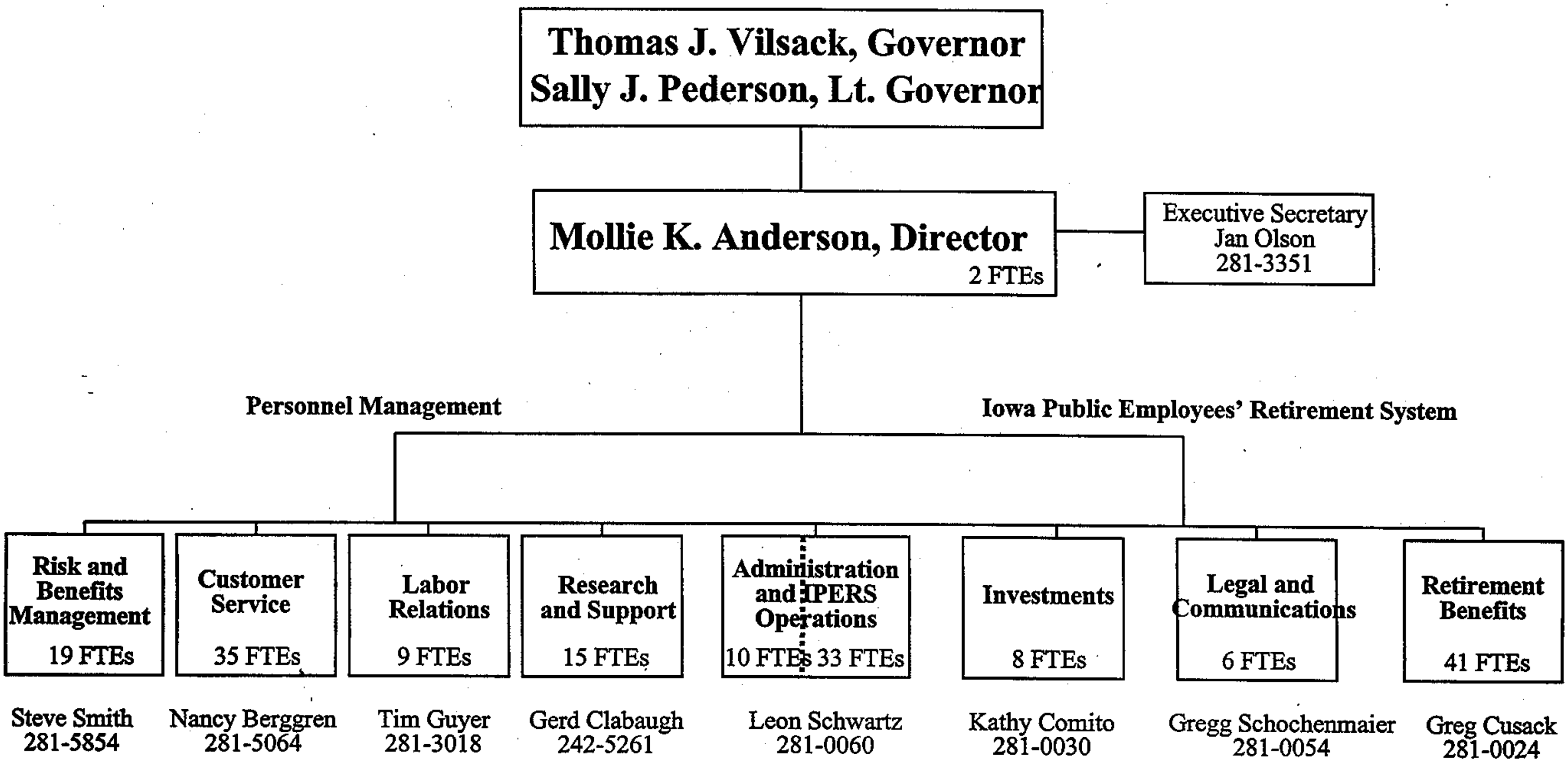
From Budget Presentation to Joint Appropriations Subcommittee on Administration and Regulation
January 18, 2001

Iowa Department of Personnel

Serving those who serve Iowa

Mollie K. Anderson, Director

Department of Personnel Table of Organization



Risk And Resources Managed By The Department Of Personnel

$17 Billion IPERS Assets

$534 Million IPERS Benefits Annually

$941 Million Annual Executive Branch Compensation

$220 Million Deferred Compensation Assets

$173 Million Employee Health Insurance Premium

$9.8 Million Annual Employee Dental Insurance Premium

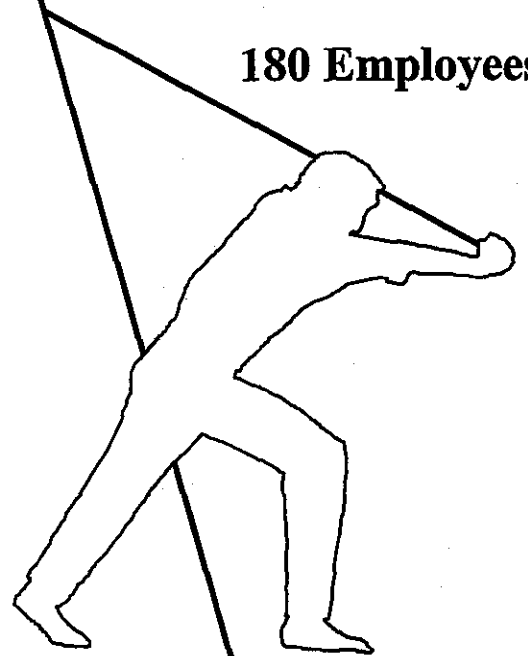
$1.4 Million Employee Life Insurance Premium

$3.7 Million Long-Term Disability Premium

$10.5 Million Workers' Compensation

$10.6 Million Lost Productivity Due to Vacancies

180 Employees



Consequences of Managing $18.9 Billion

★ **Poor management of the $17 billion IPERS fund could create a massive state liability.**

- $534 million in IPERS benefits were paid in FY00 to 66,681 retirees who received an average of $7,620.
- Payments are expected to top $1 billion in the near future.

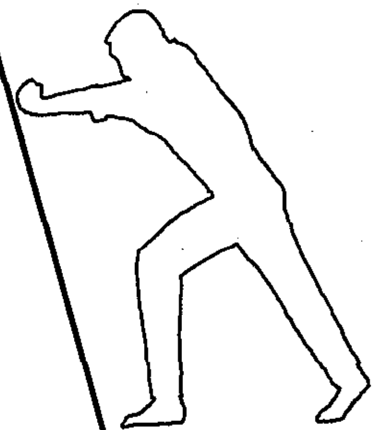
★ **The $220 million Deferred Compensation program is projected to grow significantly over the next few years, adding to the total liability.**

★**Each 1% increase in employee compensation costs $9.4 million.**

★**Based on today's budget, every 1% increase in health insurance premiums results in $1.7 million in additional program costs.**

★**Workers' Compensation and Long-Term Disability take valuable resources.**

- The 64 long-term disability claims in FY00 averaged $43,955.
- There were 4,177 new Workers' Compensation claims in FY00. The average claim was $2,697.



Major Division Responsibilities -- Personnel Management

RISK AND BENEFITS MANAGEMENT
Steve Smith
281-5854

★ Manage a $173 million health insurance program for 30,000 employees
★Manage dental, life, and long-term disability insurance
★Manage a $10.5 million workers' compensation program
★Implement a "Ready to Work" Program
★Administer a safety program
★Provide Wellness and Employee Assistance Programs
★Administer the deferred compensation program, tax sheltered annuities, and oversee $220 million in employee assets
★Administer health and dependent care flexible spending accounts and premium conversion
★Educate employees about benefits

CUSTOMER SERVICE
Nancy Berggren
281-5064

★ Administer the system that recruited and hired 2,772 employees last year.
★Develop a recruitment plan
★Administer a job classification system consisting of 814 classifications
★Administer the State's compensation system
★Develop and provide a comprehensive series of training programs to assist state employees and managers in meeting the knowledge, skills, and customer service requirements of their jobs
★Manage the State's affirmative action program
★Provide on-site personnel advice and technical assistance through agency-dedicated personnel officers

LABOR RELATIONS
Tim Guyer
281-3018

★ Represent the State in union contract negotiations
★ Manage policy and investigate complaints related to employment laws such as the Fair Labor Standards and Family and Medical Leave Acts
★Coordinate the process established to reduce the number of grievances
★Maintain the system that establishes and trains cooperative teams of labor and management employees
★Conduct affirmative action investigations and coordinate civil rights complaints
★Represent the State in third step grievances, arbitrations, and Public Employment Relations Board hearings, non-contract grievances, and prohibited practice complaints

RESEARCH AND SUPPORT
Gerd Clabaugh
242-5261

★ Establish and administer budget policy
★Develop and administer various surveys such as customer service satisfaction
★Develop and administer the State's performance management system
★Track and analyze human resource trends
★Complete strategic workforce planning, including vacancy forecasting and succession planning
★Manage the statewide employee recognition program
★Manage strategic public and customer information priorities, including publishing major cross-department publications such as newsletters
★Provide office support for mail processing, filing, purchasing, facilities, and records management

ADMINISTRATION
Leon Schwartz
281-0060

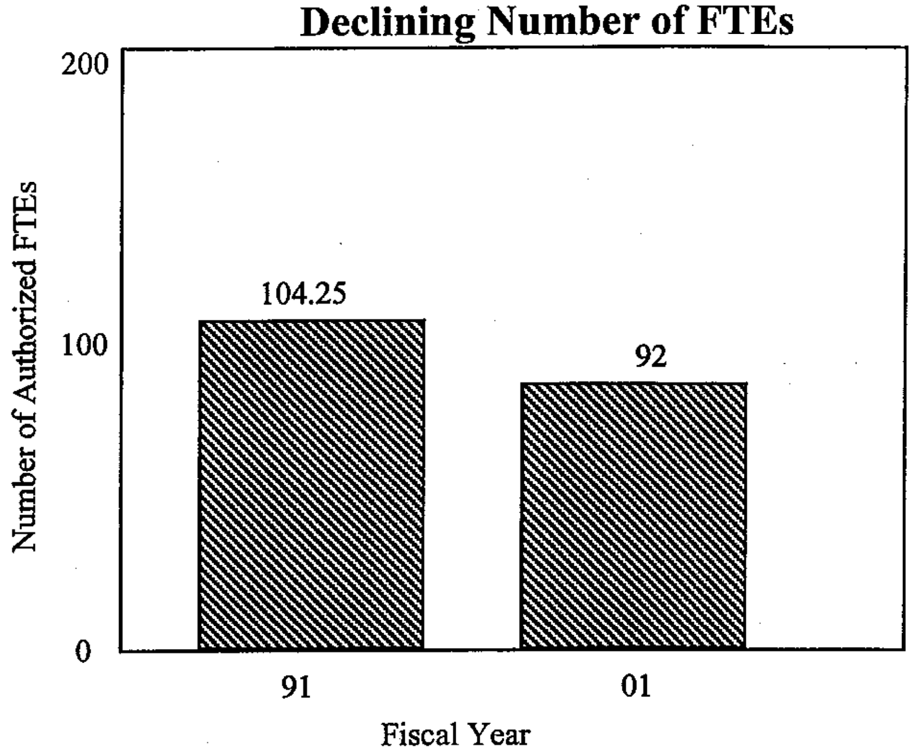
★ Perform all accounting functions for the department, including managing processes for budgeting, billing and invoices, internal payroll and personnel, and cash management
★Maintain all technology infrastructure and manage the Department's information technology systems
★Manage the State's Human Resources Information System (HRIS)
★Provide data to other divisions in the Department and other state entities
★Perform system design, programming, and implementation

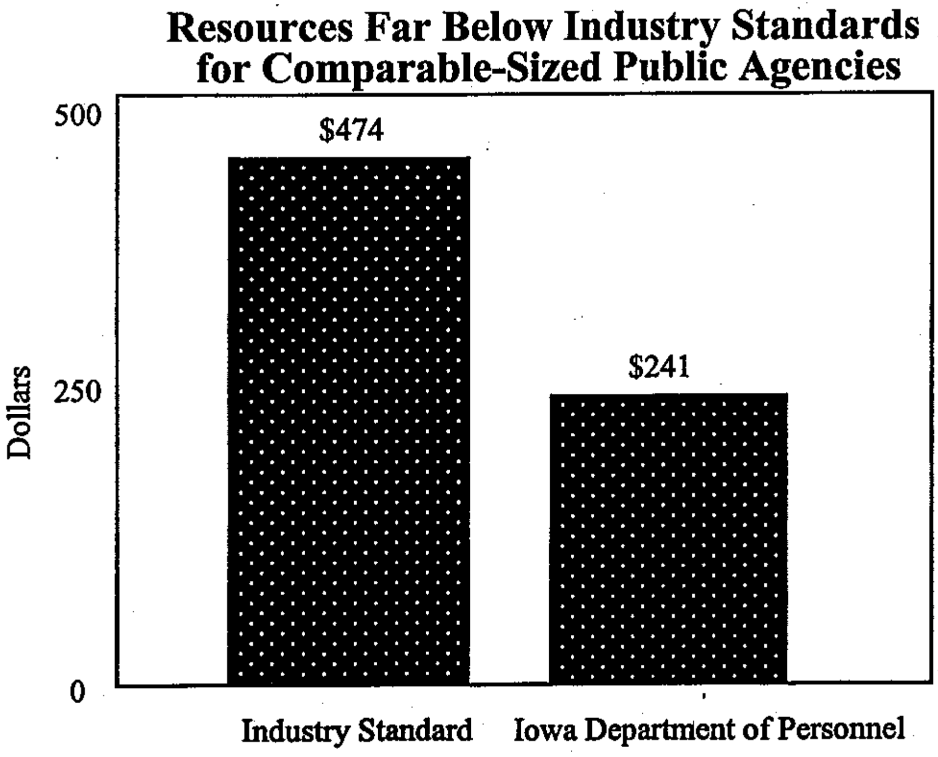
What Drove Our Budget Request?

★**Must have sufficient resources to adequately staff responsibilities and respond to changing business needs.**

★**Establish a dependable source of funding based on a billing formula that can adapt to changing needs.**

Increasing needs, decreasing staff





Current capacity will not allow us to be proactive

Human Resource Costs Per Employee

Source: The Strategic Nature of Human Resource Management, 9th Edition, and Iowa Department of Personnel General Fund appropriations for Fiscal Year 2001

Example Timeline for Layoff Proceedings:

Today:	February 20, 2001
Layoffs approved:	March 2, 2001
60-Day notice to Union:	March 5, 2001
20-Day notice to Employee:	April 13, 2001
First Layoffs occur:	May 3, 2001

"Best Case" scenario: **7 weeks of salary savings for FY01**

Today:	February 20, 2001
Layoffs approved:	March 2, 2001
60-Day notice to Union:	March 5, 2001
20-Day notice to Employee:	April 13, 2001
Employee exercises "bumping" rights:	April 18, 2001 (Employee has 5 days to respond)
Appointing Authority notifies employee:	April 19, 2001
Employee accepts new position:	April 24, 2001 (Employee has 5 days to respond)
20-Day notice to "bumped employee":	April 25, 2001
First Layoffs occur:	May 15, 2001

"More Likely" scenario: **5 weeks or less of salary savings for FY01**

Example Impact on IDOP

Projected Cut:	$225,000
Percent of budget in Salaries:	92%
Necessary salary cuts:	$207,000
Average Salary in IDOP:	$45,000
Number of employees cut:	4.6
Average Leave Payout:	$4,350
Total Leave Payout:	$20,000