

State of North Dakota

Implementation of Study Recommendations
for Classified Employee Compensation System
Presentation to the State Employee System Oversight Committee

APRIL 7, 2011



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Introduction

- On March 3, 2011, a presentation was made to the State Employee Compensation System Oversight Committee on progress to date and next steps for the design and implementation of recommendations that were adopted as an outcome of the audit of the Classified Employee Compensation Plan
- As highlighted in that presentation, work is or will be done on all project components. However, the focus of today's presentation is on those components that have a potential fiscal impact that needs to be considered prior to the end of this legislative session and the commencement of the next biennium
- Accordingly, the focus is on:
 - Market Competitiveness of Salary, Benefits and Total Compensation
 - The Development of a Grade Structure
 - The Development of Salary Structure Options
 - The Fiscal Impact of Implementation of the Salary Structure
 - Other Issues
 - Next Steps

Market Competitiveness - Salary

- In the Audit that was conducted last year, Hay Group concluded that the definition of the market used for the development of the current salary structure was not aligned with the competitive needs of the State as it did not give enough consideration to the in-State market for current grades 11-20 (primarily professional/supervisory/managerial jobs)
- Current salary ranges are stated as being set at 95% of the market. However, our analysis showed the midpoints to be anywhere between 10% below to 3% above market
- The current compa-ratio (actual pay to range midpoints) was 93%
- In order to have a more comprehensive market database from which to establish new salary ranges, data has been gathered from a number of sources for a benchmark sample of jobs (total of 162 benchmark positions)

Market Competitiveness - Salary

The following survey sources were utilized:

- Custom Survey
 - 53 public and private sector organizations, representing approximately 6,500 employees
- Central States
 - 10 comparator states (CO, IA, KS, MN, MO, MT, NE, OK, SD, WY)
- Hay Group All Organizations database, North Dakota participants
 - 123 organizations with employees in North Dakota, representing over 7,000 employees
- North Dakota Job Service
 - Over 4,500 North Dakota organizations
- North Dakota Healthcare Foundation (NDHF)
 - 42 healthcare organizations

Market Competitiveness - Salary

- There is little meaning in comparing the competitiveness of the current range midpoints to the market as a new grade structure has been developed with the placement of the positions into grades being based on the recently completed Job Evaluation process
- Of more meaning is a comparison of current salaries to the market. This compares how the State of ND pays relative to its defined market
- This analysis shows that current actual pay is, on average, 7% behind the market average
- Hay Group was asked to provide analysis of the comparison to market by:
 - Occupational Group
 - Agency
 - Funding Source
- While this can be done for Occupational Group and Agency, it is difficult to do by Funding Source as one employee may have their salary funded from multiple sources
- Set out on the following pages are tables showing the variance from market by Occupational Group and Agency

Market Competitiveness - Salary

By Occupational Group – based on benchmarks

Occupational Group	Avg Pay % from Market Avg
Clerical, Fiscal, and Administrative (IT Only)	0%
Custodial, Food Service, and Laundry	-2%
Medical and Public Health (Pharmacist II)	-4%
Clerical, Fiscal, and Administrative	-5%
Labor, Labor Supervision, Equipment Oper, & Trades	-5%
Medical and Public Health (Nursing Only)	-6%
Natural Resources, Conservation, and Agriculture	-6%
Medical and Public Health	-8%
Public Safety, Corrections, Regulatory, and Allied	-8%
Engineering, Planning, and Allied	-11%
Social Service, Mental Health, and Rehabilitation	-13%
Clerical, Fiscal, and Administrative (Legal Only)	-14%
Education, Recreation, Museum, Library, and Allied	-14%
Overall	-7%

Market Competitiveness - Salary

By Agency – based on benchmarks

Agency	Avg Pay % from Market Avg
Aeronautics Commission	NA
Workforce Safety & Insurance	5%
Land Department	3%
Highway Patrol	3%
Department of Financial Institutions	3%
Securities Department	1%
Bank of North Dakota	1%
State Auditor's Office	1%
Information Technology Department	1%
Industrial Commission	0%
Department of Insurance	0%
Game & Fish Department	0%
OMB	-1%
Department of Transportation	-1%
Secretary of State's Office	-2%
Tax Department	-2%

Agency	Avg Pay % from Market Avg
Adjutant General/National Guard	-3%
State Treasurer's Office	-4%
Seed Department	-4%
Veterans Home	-4%
Office of Administrative Hearings	-4%
Department of Agriculture	-5%
Housing Finance Agency	-6%
Attorney General's Office	-6%
Job Service	-6%
Historical Society	-7%
Department of Corrections & Rehabilitation	-7%
Career & Technical Education	-7%
Human Services	-8%
Public Employees Retirement System	-8%
Veterans Affairs Department	-8%
Council on the Arts	-9%

Market Competitiveness - Salary

By Agency – based on benchmarks

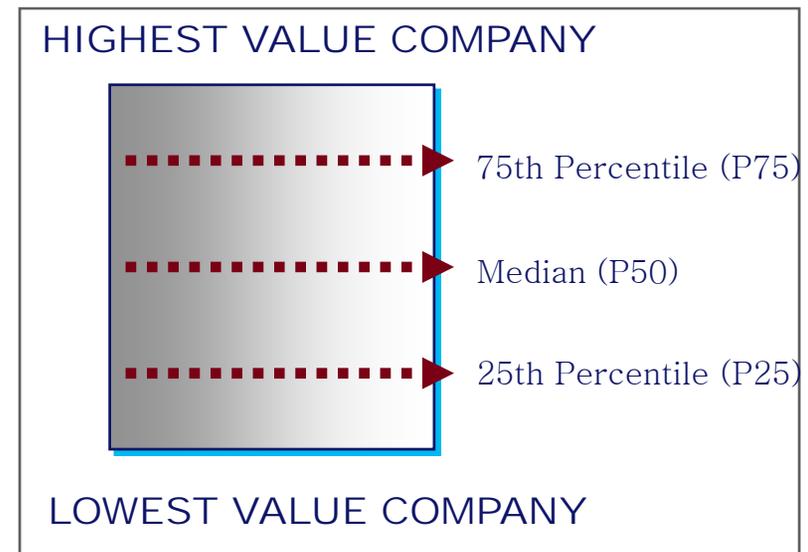
Agency	Avg Pay % from Market Avg
Public Service Commission	-10%
Water Commission	-10%
Parks & Recreation Department	-10%
School for the Deaf (DPI)	-11%
Health Department	-12%
Racing Commission	-15%
Indian Affairs Commission	-16%
Department of Labor	-16%
Retirement & Investment Office	-17%
Commission on Legal Counsel for Indigents	-19%
Department of Public Instruction	-19%
State Library (DPI)	-19%
School for the Blind (DPI)	-20%
Center for Tobacco Prevention and Control Policy	-20%
Protection & Advocacy Project	-25%
Overall	-7%

Market Competitiveness - Benefits

- In order for compensation decisions to be taken based on the competitiveness of total compensation, Hay Group has conducted additional analysis of the competitiveness of the benefits program offered by the State
- This analysis has been based on the benefits program information provided by the State for its current FY benefits program
- In analyzing the competitiveness of benefits, it is important to understand the Hay Group benefits methodology. It takes into consideration both a benefits valuation and a prevalence of practice

Market Competitiveness - Benefits

- Marketplace data references for this report were drawn from the Hay Group Benefits Database. The two comparator groups chosen and valued by the Hay Methodology in this report include selected State Governments (10 Central States) and Private sector and Public Sector organizations
- The selected comparator organizations' benefit programs are ranked according to the following percentile measures:
 - 75% (P75) is a “upper quartile” measure
 - 25% (P25) is a “lower quartile” measure
 - Median (P50) is a mid-market measure



Market Competitiveness - Benefits

- Hay Group utilizes a proprietary actuarial valuation methodology to evaluate benefit plans in terms of the cash equivalence of the benefits
- In establishing a program's overall market competitiveness the Hay Benefit Valuation model uses "standard cost assumptions", instead of an organization's specific costs, which eliminates the impact of such cost variables as demographics, geography, funding method, or purchasing power, etc.
 - For example, North Dakota's health care premiums may be less in actual dollars than other States; however, this is not a factor in determining program value under the Hay Group methodology
- The utilization of "standard or common cost assumptions" provides a uniform quantitative evaluation method which produces values based solely on the level of the benefit provided
- The valuation model places a relative value on each specific feature of a benefit program. The value for each plan is then compiled to produce an overall program value appropriate for market comparison. In general, the more generous a particular feature is the higher the relative value

Market Competitiveness - Benefits

The valuation method is applied to a full range of employee benefits including:

- Healthcare Insurance (medical, dental, RX, vision, physical exams)
- Retirement Plans (defined benefit and defined contribution plans)
- Death Benefits (employer paid and voluntary life insurance plans)
- Time Off (Holidays and Vacations)
- Disability and Sick Leave (sick leave, short-term, long-term disability plans)
- Other benefits such as Tuition Reimbursement, Flex Plans, Statutory Benefits, etc.

Benefit values are calculated on an “Employer-paid” basis. Employer-paid benefit values are discounted to reflect the relationship of any required employee contributions to the program’s total value. For fully employee-paid plans, the discount is 95% (some value remains due to such things as group purchasing power, etc.). For fully employer-paid plans, there is no discount, and for cost shared plans, a pro-ratio is applied

Market Competitiveness - Benefits

- Internal equity is the inter-relationship between reward opportunities within an organization. Many benefit plans (death benefits, disability, retirement, etc.) have features or benefit levels that are related to salary. Internal equity is achieved in a benefit program when the relationships between the benefit level and the employee salary are consistent within each employee population (Note: While benefit program differences can often be found between employee classes, most organizations provide consistent policies within a class)
- Organizations that wish to achieve internal equity within a benefit plan typically establish benefit levels that are based on uniform salary multiples (i.e. death benefits of one times salary or disability income replacement level of 60% of salary)

Market Competitiveness - Benefits

- The tables on the following pages set out a summary of the level of competitiveness of the States benefits program relative to the two groups of comparator markets:
 - Selected Central States
 - The Private sector and in-State public sector
- This analysis shows that on an overall basis, the current benefits program is approximately 5-7% above the market. The primary driver of this level of competitiveness is the current retirement plan. All other components of the benefits program are at or below the median of the market

Market Competitiveness - Benefits

Benefit Area	State of North Dakota vs.		Above Market Provisions	Below Market Provisions
	Private Sector	Central States		
Total Benefits	Above P50	P50	<ul style="list-style-type: none"> The retirement plan is the sole driver of the State's above market position All other benefits are at or below market median 	
Health Care	P50	P50	<ul style="list-style-type: none"> No employee contributions for single or family coverage – Common in public sector; however 15%-29% typical contribution range for employee and family coverage Low medical annual out of pocket maximums 	<ul style="list-style-type: none"> 80% Coinsurance – 90% and/or 100% more typical in market Separate Prescription Maximum – Not common, increases employee out of pocket by \$1,000 per person Employee Paid Dental – Coverage is typically cost shared or 100% employer paid
Retirement	P75	P50	<ul style="list-style-type: none"> Competitive benefit formula and vesting provisions No Employee Contributions Required – is above market when compared to other States, however, this is typical of general market pension plans 	<ul style="list-style-type: none"> No Match on 457 Plan – 50% of States and 85% of general market that have a pension plan also make matching contributions

Market Competitiveness - Benefits

Benefit Area	State of North Dakota vs.		Above Market Provisions	Below Market Provisions
	Private Sector	Central States		
Time Off	P50	P50	<ul style="list-style-type: none"> ■ Paid time off provisions are in line with typical market practice 	
Death*	Below P25	Below P25		<ul style="list-style-type: none"> ■ Low life insurance benefit of \$1,300
Disability	P25	P25	<ul style="list-style-type: none"> ■ No maximum placed on number of sick days that can be accrued 	<ul style="list-style-type: none"> ■ Reliance on sick leave only for STD benefit. It is more prevalent to provide sick leave and an insured STD benefit ■ LTD provided through pension plan. Pension disability common in public sector, however, 90% provide separate LTD benefit. 99% of general market provide separate employer paid LTD
Other	Below P25	Below P25		<ul style="list-style-type: none"> ■ Example - No tuition reimbursement ■ Lack of employer contributions

Market Competitiveness - Benefits

While commentary on the Benefits program was provided in the Audit report in October 2010, other relevant commentary is as follows:

- The difference between the market P50 and P75 in the Central States market is not as big as we typically see in other sectors. This compression indicates there is less variation in market practice among States than there is in the private sector
 - Specifically, the cash equivalent benefits value difference between the market P50 and P75 is 10% to 12%, while the private sector difference 12% to 15%
- The State does not require employees to share the health care premium cost. However, the cost sharing that employee's pay through plan design, such as deductibles, coinsurance, and copayments is more than we typically see in the market. As a result, the overall market position is P50 compared to both markets

Market Competitiveness - Benefits

- The State provides death and disability benefits through its retirement plan that are typically provided on a stand alone basis. For purposes of this analysis, the value of these benefits is reflected in the retirement plan and contribute to the P75 (private sector) and P50 (Central States) market position of this benefit
 - The State’s \$1,300 death benefit is below the market P25 of both comparator groups. However, the spouse death benefit provided in the retirement plan, if provided on a stand alone basis, would improve the State’s market position to above P50 of both markets
 - The retirement plan’s long-term disability benefit, if provided on a stand alone basis as many other States and most of the private sector does, would improve the State’s disability market position to P50 of both markets
- If the death and disability benefits were removed from the retirement plan and the State required employees to contribute the 4% employee portion towards retirement, the value of the State’s retirement program would move to below P50 of the Central States market and below P75 of the private sector market
- If a salary increase was given to employees to “cover” the cost of the 4% employee contribution to the retirement plan, there would be a corresponding increase in the level of competitiveness in base salary

Market Competitiveness - Benefits

- Analysis by Hay Group indicates that the impact of offsetting a 4% employee contribution to the retirement plan with a 4.5-5% increase in salary would be “neutral” in terms of the overall total compensation competitiveness
- However, it is likely that the overall compensation costs to the State may increase in the medium to long term, impacted by:
 - The compounding affect on increases on higher salaries
 - The increased cost of Social Security contribution
 - Higher final salary for retirement calculation purposes and greater amount of retirement pension

Market Competitiveness – Total Compensation

- It is the stated compensation philosophy of the State to take into account the competitiveness of both salary and benefits in establishing the appropriate salary ranges
- As set out in this report, the average level of competitiveness of salaries lags the market by approximately 7% while the level of competitiveness of the current benefits program is 5-7% above the market
- However, the increased level of contribution to the retirement plan that will be required by employees will reduce the level of competitiveness of the benefits program
- In determining what impact this level of competitiveness should have on the setting of salary ranges, it is important to take into consideration the following factors:
 - While benefits may be important to current employees, particularly those who have been employed by the State for a while, numerous studies show that competitive cash compensation is important to those who will become your future workforce
 - There are other cash compensation opportunities available in the private sector
 - In addition, for some employees in the private sector, they also have the opportunity of wealth accumulation through stock programs

Market Competitiveness – Total Compensation

- In addition, it is very important to understand the impact a less than market competitive salary has on the competitiveness of total career earnings
- As has been stated during previous presentations, salary is known value while benefits is perceived value
- There is a perception that often exists in the Public Sector that “our benefits, particularly our retirement plan, are so competitive we don’t need to be competitive on base salary”
- Set out on the following pages is a career earnings comparison between a Private Sector employee and Public Sector employee, based on a number of assumptions which are valid for the State of North Dakota and the State of North Dakota retirement plan

Market Competitiveness – Total Compensation

Employees in the public and private sector are compensated differently over the course of a career

- The table below outlines the assumptions used for a career earnings comparison:

Assumption:	Private Sector	Public Sector
Age at Hire	25	25
Salary at Hire	\$40,000	\$36,000
Annual Salary Increase	4.00%	3.00%
DB Formula	1.50%	2.00%
Rate of Return (DC)	7.50%	7.50%
Employer Contr. (DC)	4.00%	0.00%
EE Contr. (DC)	6.00%	3.00%

Market Competitiveness – Total Compensation

- If the Public Sector employee as set out on the previous page is a State of North Dakota employee, they will earn less than a private sector employee over the course of a career
- The result is lower retirement income, despite the above median pension benefit formula

Result:	Private Sector	Public Sector
Retirement Age	65	65
Years in Retirement	20	20
Career Earnings	\$ 3,993,061	\$ 2,831,879
Pension Annuity	\$ 76,734	\$ 68,864
Pension Total Benefit	\$ 1,534,678	\$ 1,377,281
Defined Contribution Annuity (ER Contributions Only)	\$ 50,653	\$ -
Defined Contribution Total Benefit (ER Only)	\$ 1,013,063	\$ -
Defined Contribution Annuity (ER + EE Contributions)	\$ 126,633	\$ 29,608
Defined Contribution Total Benefit (ER + EE)	\$ 2,532,659	\$ 592,160
Grand Total - Career Earnings Plus Retirement DB Only for Private and Public Sector	\$ 5,527,740	\$ 4,209,160
Grand Total - Career Earnings Plus Retirement Private Sector - DC Only, Public Sector - DB + DC	\$ 6,525,720	\$ 4,801,320

Development of Recommended Salary Structure

- In establishing a recommended salary structure, it is very important to understand two key concepts:
 - Internal equity
 - External competitiveness
- A pragmatic and practical approach to the creation of a salary structure will be based on the appropriate balance of these two important principles
- The compensation philosophy adopted in HB1031 allows for the adoption of multiple pay structures. In analyzing the market data, it is the opinion of Hay Group that the current practice of the State in having one pay structure and then allowing for the use of “premium pay grades” can be continued at this time. This does not preclude the potential for the development of occupational pay structures in the future
- Taking into consideration the level of total compensation and other factors that impact total compensation as set out on page 21, Hay Group has developed two salary structures for consideration:
 - Option 1 which has the market policy position set at the average of the salary market
 - Option 2 which has market policy position set at 98% of the average of the salary market

Development of Recommended Salary Structure

- In both options, the range minimum will be set at 80% of the market policy position and the range maximum is set at 125% of the market policy position
- The salary ranges will be open ranges with movement through the ranges based on the factors set out in the compensation philosophy, paragraph 5 which states: “Include a process for providing compensation adjustments that considers a combination of factors, including achievement of performance objectives or results, competency determinations, recognition of changes in job content, and acquisition and application of advanced skills or knowledge”

Estimated Fiscal Impact

- This section of the report sets out the estimated fiscal impact of the recommendations set out in the previous section
- There is typically a minimum and maximum fiscal impact upon implementation:
 - The minimum fiscal impact is the cost to bring employees who are below the minimum of the recommended salary ranges to the minimum of those ranges
 - The maximum fiscal impact is the cost to bring employees who are below the market policy position to the market policy position
- Between the minimum and maximum impact is the cost of placing employees at the appropriate position in the range, upon implementation. The reason this is done is to alleviate compression issues that the move to minimum of the salary ranges can create
 - This can be done by a “one time upon implementation” application of an “xyz” formula where:
 - X = % of salary
 - Y = time in current classification
 - Z = maximum % increase

Estimated Fiscal Impact

- Set out on the following pages are tables showing the preliminary fiscal impact of the recommended salary structure options
- In reviewing these, it is important to get a pragmatic balance between implementing a new grade and salary structure that is aligned with the State's compensation philosophy and affordability

Estimated Fiscal Impact

Option #1: Cost to move employees to the minimum and MPP of recommended pay ranges

Funding Source	Cost to bring to Minimum of New Range	# of FTE Below Minimum	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE
General Fund	\$4,047,642	1216	\$22,997,939	3,610
Federal Fund	\$1,803,293	521	\$9,662,779	1,420
Special Fund	\$536,384	174	\$6,506,842	2,164
Totals	\$6,387,319	1,911	\$39,167,559	7,194
Counties	\$1,124,279	289	\$4,848,521	925

Estimated Fiscal Impact

Option #2: Cost to move employees to the minimum and MPP of recommended pay ranges

Funding Source	Cost to bring to Minimum of New Range	# of FTE Below Minimum	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE
General Fund	\$3,111,851	1006	\$20,857,614	3,610
Federal Fund	\$1,397,039	450	\$8,803,162	1,420
Special Fund	\$404,347	151	\$5,390,352	2,164
Totals	\$4,913,237	1608	\$35,051,128	7,194
Counties	\$914,595	251	\$4,398,974	925

Example of cost impact Option #2 compared to Option #1

Current Pay	Option #1 Range			Bring to MPP
\$100,500	\$82,080	\$102,600	\$128,250	\$2,100
Current Pay	Option #2 Range			Bring to MPP
\$100,500	\$80,400	\$100,500	\$125,625	\$0

Current Pay	Option #1 Range			Bring to Minimum
\$80,000	\$82,080	\$102,600	\$128,250	\$2,080
Current Pay	Option #2 Range			Bring to Minimum
\$80,000	\$80,400	\$100,500	\$125,625	\$400

% Opt 2 vs Opt 1	-2%	-2%	-2%	-100%
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% Opt 2 vs Opt 1	-2%	-2%	-2%	-81%
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Estimated Fiscal Impact

General Fund – Option #1

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Adjutant General/National Guard	\$75,381	17	2%	\$345,193	77	10%
Attorney General's Office	\$110,398	32	2%	\$797,853	131	13%
Career & Technical Education	\$13,284	8	1%	\$239,508	28	16%
Commission on Legal Counsel for Indigents	\$43,833	11	3%	\$266,968	27	19%
Council on the Arts	\$6,948	1	4%	\$21,664	4	12%
Department of Agriculture	\$37,359	12	2%	\$221,580	38	13%
Department of Corrections & Rehabilitation	\$595,020	241	2%	\$4,470,002	668	16%
Department of Labor	\$31,168	6	7%	\$98,484	11	21%
Department of Public Instruction	\$73,615	19	5%	\$267,301	29	20%
Health Department	\$197,023	68	3%	\$1,286,646	164	17%
Highway Patrol	\$1,490	1	0%	\$354,268	148	5%
Historical Society	\$34,723	17	1%	\$367,516	54	15%
Human Services	\$2,231,569	606	4%	\$10,126,275	1470	17%
Indian Affairs Commission	\$974	1	1%	\$22,789	3	17%
Industrial Commission	\$0	0	0%	\$126,005	31	10%

Estimated Fiscal Impact

General Fund – Option #1 (Continued)

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Information Technology Department	\$8,252	5	0%	\$246,016	53	8%
Job Service	\$210	0	0%	\$10,151	2	15%
Land Department	\$0	0	0%	\$752	0	11%
OMB	\$53,872	20	1%	\$444,219	104	10%
Parks & Recreation Department	\$121,142	21	5%	\$380,655	51	16%
Protection & Advocacy Project	\$126,788	21	10%	\$335,556	28	25%
Public Service Commission	\$2,665	1	0%	\$86,639	24	6%
Racing Commission	\$0	0	0%	\$10,620	1	22%
School for the Blind (DPI)	\$17,467	6	4%	\$86,534	12	19%
School for the Deaf (DPI)	\$43,260	10	4%	\$142,020	28	14%
Secretary of State's Office	\$14,460	6	2%	\$101,940	24	12%
Securities Department	\$1,379	1	0%	\$43,008	8	9%
State Auditor's Office	\$1,920	1	0%	\$214,860	37	10%
State Library (DPI)	\$39,400	12	4%	\$153,184	27	16%
State Treasurer's Office	\$0	0	0%	\$16,288	4	10%
Tax Department	\$89,696	31	1%	\$600,040	129	10%
Veterans Affairs Department	\$5,862	3	3%	\$45,462	6	23%
Veterans Home	\$31,068	23	1%	\$636,827	119	17%
Water Commission	\$37,416	16	1%	\$431,117	73	11%
Grand Total	\$4,047,642	1216	2.6%	\$22,997,939	3610	14.8%

Estimated Fiscal Impact

Federal Fund – Option #1

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Adjutant General/National Guard	\$54,344	16	1%	\$465,202	90	11%
Attorney General's Office	\$12,160	2	4%	\$34,674	6	12%
Bank of North Dakota	\$0	0	0%	\$22,263	4	13%
Department of Agriculture	\$48,255	9	6%	\$143,792	19	18%
Department of Insurance	\$23,791	3	8%	\$46,513	7	15%
Department of Public Instruction	\$153,575	32	5%	\$552,415	68	17%
Game & Fish Department	\$6,247	3	0%	\$143,982	55	5%
Health Department	\$255,957	80	3%	\$1,487,550	176	18%
Highway Patrol	\$0	0	0%	\$18,426	19	2%
Historical Society	\$5,173	3	2%	\$64,936	7	21%
Human Services	\$1,092,073	321	4%	\$4,991,172	683	18%
Job Service	\$145,692	49	1%	\$1,523,601	256	13%
Land Department	\$0	0	0%	\$2,256	1	11%
Parks & Recreation Department	\$5,127	1	10%	\$13,860	1	26%
Public Service Commission	\$163	0	0%	\$71,578	15	8%
School for the Deaf (DPI)	\$0	0	0%	\$13,537	1	18%
Secretary of State's Office	\$0	0	0%	\$2,480	1	6%
State Auditor's Office	\$0	0	0%	\$10,400	4	4%
State Library (DPI)	\$264	1	0%	\$29,352	3	20%
Water Commission	\$472	1	0%	\$24,787	4	10%
Grand Total	\$1,803,293	521	2.9%	\$9,662,779	1420	15.6%

Estimated Fiscal Impact

Special Fund – Option #1

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Adjutant General/National Guard	\$13,915	4	4%	\$51,853	10	15%
Aeronautics Commission	\$0	0	0%	\$6,392	4	3%
Attorney General's Office	\$27,366	7	3%	\$141,557	20	15%
Bank of North Dakota	\$13,813	9	0%	\$488,725	144	8%
Center for Tobacco Prevention and Control Policy	\$4,396	2	3%	\$21,256	3	16%
Commission on Legal Counsel for Indigents	\$0	0	0%	\$7,997	1	16%
Department of Agriculture	\$32,550	7	6%	\$97,676	13	17%
Department of Corrections & Rehabilitation	\$9,392	4	1%	\$154,252	38	10%
Department of Financial Institutions	\$1,332	1	0%	\$30,980	27	2%
Department of Insurance	\$18,584	5	1%	\$134,379	34	8%
Department of Public Instruction	\$0	0	0%	\$135	0	18%
Department of Transportation	\$29,176	15	0%	\$2,351,388	1062	5%
Game & Fish Department	\$9,645	10	0%	\$351,350	100	7%
Highway Patrol	\$222	0	0%	\$52,094	22	5%

Estimated Fiscal Impact

Special Fund – Option #1 (Continued)

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Housing Finance Agency	\$17,664	7	1%	\$219,820	45	10%
Human Services	\$59,243	7	10%	\$146,836	11	25%
Industrial Commission	\$6,824	1	3%	\$26,693	4	13%
Information Technology Department	\$20,240	5	0%	\$380,768	252	2%
Job Service	\$1,841	0	2%	\$12,973	2	14%
Land Department	\$1,584	1	0%	\$50,248	23	4%
Office of Administrative Hearings	\$0	0	0%	\$13,222	4	5%
OMB	\$23,288	5	3%	\$90,724	21	11%
Public Employees Retirement System	\$46,852	16	3%	\$216,848	32	16%
Retirement & Investment Office	\$10,692	3	2%	\$113,488	15	16%
School for the Blind (DPI)	\$16,414	4	11%	\$36,769	5	25%
Seed Department	\$30,876	10	3%	\$140,398	27	13%
State Auditor's Office	\$0	0	0%	\$59,100	9	14%
Water Commission	\$0	0	0%	\$30,836	7	7%
Workforce Safety & Insurance	\$140,475	52	1%	\$1,078,086	229	9%
Grand Total	\$536,384	174	0.5%	\$6,506,842	2164	6.1%

Estimated Fiscal Impact

General Fund – Option #2

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Adjutant General/National Guard	\$59,456	17	2%	\$316,158	77	9%
Attorney General's Office	\$85,031	26	1%	\$704,151	131	11%
Career & Technical Education	\$6,760	4	0%	\$214,732	28	15%
Commission on Legal Counsel for Indigents	\$33,874	10	2%	\$241,527	27	17%
Council on the Arts	\$5,988	1	3%	\$18,324	4	10%
Department of Agriculture	\$30,289	8	2%	\$195,974	38	11%
Department of Corrections & Rehabilitation	\$414,980	199	1%	\$4,063,932	668	14%
Department of Labor	\$25,808	6	5%	\$91,644	11	19%
Department of Public Instruction	\$60,459	15	4%	\$248,482	29	18%
Health Department	\$140,911	56	2%	\$1,174,103	164	16%
Highway Patrol	\$724	1	0%	\$260,679	148	3%
Historical Society	\$22,899	12	1%	\$331,828	54	14%
Human Services	\$1,763,180	505	3%	\$9,323,210	1470	16%
Indian Affairs Commission	\$94	1	0%	\$20,469	3	15%
Industrial Commission	\$0	0	0%	\$106,005	31	8%

Estimated Fiscal Impact

General Fund – Option #2 (Continued)

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Information Technology Department	\$4,104	4	0%	\$209,416	53	7%
Job Service	\$103	0	0%	\$8,686	2	13%
Land Department	\$0	0	0%	\$602	0	9%
OMB	\$42,456	19	1%	\$387,695	104	9%
Parks & Recreation Department	\$102,105	20	4%	\$347,438	51	14%
Protection & Advocacy Project	\$104,628	21	8%	\$321,416	28	24%
Public Service Commission	\$1,446	1	0%	\$71,919	24	5%
Racing Commission	\$0	0	0%	\$9,420	1	20%
School for the Blind (DPI)	\$13,383	5	3%	\$80,154	12	18%
School for the Deaf (DPI)	\$36,772	9	4%	\$132,736	28	13%
Secretary of State's Office	\$11,240	4	1%	\$91,160	24	11%
Securities Department	\$419	1	0%	\$35,268	8	8%
State Auditor's Office	\$960	1	0%	\$180,620	37	8%
State Library (DPI)	\$30,760	11	3%	\$143,824	27	15%
State Treasurer's Office	\$0	0	0%	\$12,688	4	8%
Tax Department	\$65,144	25	1%	\$531,740	129	9%
Veterans Affairs Department	\$3,622	3	2%	\$42,702	6	22%
Veterans Home	\$19,792	14	1%	\$563,542	119	15%
Water Commission	\$24,464	8	1%	\$375,370	73	9%
Grand Total	\$3,111,851	1006	2.0%	\$20,857,614	3610	13.5%

Estimated Fiscal Impact

Federal Fund – Option #2

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Adjutant General/National Guard	\$42,821	12	1%	\$408,115	90	10%
Attorney General's Office	\$10,400	2	4%	\$32,485	6	11%
Bank of North Dakota	\$0	0	0%	\$18,513	4	11%
Department of Agriculture	\$40,969	9	5%	\$132,278	19	17%
Department of Insurance	\$21,560	2	7%	\$43,114	7	14%
Department of Public Instruction	\$125,167	32	4%	\$508,416	68	16%
Game & Fish Department	\$3,831	2	0%	\$123,679	55	4%
Health Department	\$188,161	69	2%	\$1,363,065	176	16%
Highway Patrol	\$0	0	0%	\$14,269	19	1%
Historical Society	\$2,581	3	1%	\$59,788	7	19%
Human Services	\$847,948	278	3%	\$4,629,106	683	17%
Job Service	\$109,386	41	1%	\$1,331,869	256	12%
Land Department	\$0	0	0%	\$1,806	1	9%
Parks & Recreation Department	\$4,127	1	8%	\$13,402	1	26%
Public Service Commission	\$88	0	0%	\$57,012	15	6%
School for the Deaf (DPI)	\$0	0	0%	\$11,772	1	16%
Secretary of State's Office	\$0	0	0%	\$1,580	1	4%
State Auditor's Office	\$0	0	0%	\$5,520	4	2%
State Library (DPI)	\$0	0	0%	\$26,016	3	18%
Water Commission	\$0	0	0%	\$21,358	4	8%
Grand Total	\$1,397,039	450	2.3%	\$8,803,162	1420	14.2%

Estimated Fiscal Impact

Special Fund – Option #2

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Adjutant General/National Guard	\$11,131	4	3%	\$48,495	10	14%
Aeronautics Commission	\$0	0	0%	\$4,412	4	2%
Attorney General's Office	\$21,049	7	2%	\$127,851	20	13%
Bank of North Dakota	\$8,196	6	0%	\$401,769	144	7%
Center for Tobacco Prevention and Control Policy	\$2,796	2	2%	\$19,656	3	15%
Commission on Legal Counsel for Indigents	\$0	0	0%	\$6,797	1	13%
Department of Agriculture	\$26,930	7	5%	\$92,090	13	16%
Department of Corrections & Rehabilitation	\$6,792	3	0%	\$130,396	38	8%
Department of Financial Institutions	\$0	0	0%	\$24,164	27	1%
Department of Insurance	\$14,882	4	1%	\$118,506	34	7%
Department of Public Instruction	\$0	0	0%	\$117	0	15%
Department of Transportation	\$18,388	12	0%	\$1,796,920	1062	3%
Game & Fish Department	\$5,421	5	0%	\$299,633	100	6%
Highway Patrol	\$108	0	0%	\$38,284	22	3%

Estimated Fiscal Impact

Special Fund – Option #2 (Continued)

Agency	Cost to Bring to Minimum of New Range	Bring to Minimum FTE	Bring to Minimum % of Budgeted Payroll	Additional Cost to bring to Market Policy Position (MPP) of New Range	Total FTE	Bring to MPP % of Budgeted Payroll
Housing Finance Agency	\$13,140	5	1%	\$188,384	45	9%
Human Services	\$51,899	7	9%	\$138,200	11	23%
Industrial Commission	\$5,920	1	3%	\$24,280	4	12%
Information Technology Department	\$16,440	5	0%	\$293,158	252	2%
Job Service	\$1,592	0	2%	\$11,407	2	12%
Land Department	\$784	1	0%	\$40,676	23	3%
Office of Administrative Hearings	\$0	0	0%	\$9,722	4	4%
OMB	\$20,180	4	3%	\$78,386	21	10%
Public Employees Retirement System	\$35,264	15	3%	\$201,880	32	15%
Retirement & Investment Office	\$7,572	3	1%	\$101,108	15	15%
School for the Blind (DPI)	\$14,101	4	10%	\$35,156	5	24%
Seed Department	\$25,148	7	2%	\$127,152	27	12%
State Auditor's Office	\$0	0	0%	\$50,300	9	12%
Water Commission	\$0	0	0%	\$25,104	7	6%
Workforce Safety & Insurance	\$96,614	51	1%	\$956,349	229	8%
Grand Total	\$404,347	151	0.4%	\$5,390,352	2164	5.0%

Other Issues

- The March 3, 2011 presentation to the Committee listed a number of components that will be worked on in the period April – June 2011 prior to implementation as they are dependent on the adoption of a new grade and salary structure and the determination of the amount of funding for implementation
- One component for consideration at this time is the issue of pay and living costs in the “Oil Patch”, which primarily affects selected positions in DOT
- The challenges here are not only the level of pay but also the cost of living, particularly accommodation (both the cost and availability)
- While the positions that will be treated as premium pay positions within the entire Classified Employee pay plan are still be finalized, the “extremes” of the Oil Patch pay and cost of living mean that these issues will likely best be addressed through some or all of the following:
 - Recruitment bonus
 - Pay “add on”
 - Accommodation assistance
- Recruitment pay is currently funded from vacancies but consideration may need to be given to separate funding for recruitment bonus, pay “add on” and accommodation assistance

Next Steps