

HF691 - 0 - "Employee Gainsharing System Monthly Report"

Chief Author: **Sarah Anderson**
 Committee: **State Government Finance**
 Date Completed: **03/02/2017**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Dollars in Thousands					
General Fund	20	544	544	544	544
All Other Funds	42	1,155	1,155	1,155	1,155
Total	62	1,699	1,699	1,699	1,699
Biennial Total			3,398		3,398

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	1	1	1	1
All Other Funds	-	-	-	-	-
Total	-	1	1	1	1

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Laura Logsdon Date: 3/2/2017 12:59:01 PM
 Phone: 651 201-8020 Email: laura.logsdon@state.mn.us

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
General Fund	20	544	544	544	544	
All Other Funds	42	1,155	1,155	1,155	1,155	
Total	62	1,699	1,699	1,699	1,699	
	Biennial Total		3,398		3,398	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	20	544	544	544	544	
All Other Funds	42	1,155	1,155	1,155	1,155	
Total	62	1,699	1,699	1,699	1,699	
	Biennial Total		3,398		3,398	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
All Other Funds	-	-	-	-	-	
Total	-	-	-	-	-	
	Biennial Total		-		-	

Bill Description

This bill relates to the establishment of a program, in addition to any existing programs, to provide onetime bonus compensation to state employees for efforts made to reduce the costs of operating state government or for ways of providing better or more efficient state services. The bill also requires a monthly legislative report on the status of the program.

Assumptions

- It is assumed that new subdivision 1(b) requires MMB to develop a new executive branch gainsharing program, over and above any existing programs.
- Assume a new program would incorporate applicable best practices of other states' gainsharing programs such as suggestion process, multi-level review to verify eligibility and merit, approval of awards at the agency and enterprise level, and processes to facilitate reporting.
- Assume an average hourly wage of \$32.13 (FY2016) for executive branch full time staff.
- Assume an average hourly wage of \$46.73 (FY 2016) for executive branch managers.
- Assume no pay increases beyond the base year FY 2016.
- Assume a new program would impact the entire Executive Branch including Minnesota State Colleges and Universities. Total staffing for FY 2016 for the entire Executive Branch including Minnesota State was 52,644 employees.
- Assume one in 100 employees will submit a suggestion every year: 526 suggestions annually.
- Assume that costs for program development, monthly reporting and a full time program administrator are incurred solely by MMB; costs for the Gainsharing Suggestion Documentation Process, Agency Review Committee, and Enterprise Gainsharing Committee are incurred by all executive branch agencies.
- Assume that the program will require the addition of one full time MMB program administrator (1 FTE) responsible for program development, administration and auditing. It is assumed that the cost of salary, FICA, insurance and retirement will total about \$100,000 annually.

Program Development

- It is assumed that the development of this program would take 4 to 6 months and require a time commitment from 5 MMB staff at 261 hours each and 4 managers at 104 hours each. Program development includes, at minimum: developing criteria, scope, eligibility, policies, and procedures; developing communication materials, initial marketing to employees, and ongoing communications / awareness to new employees; developing training to managers and supervisors; system

modifications to incorporate a new pay code type and reason process code; development of auditing / internal control capacity; and developing a web platform. It is also assumed that program development costs would be incurred solely by MMB.

Vetting Proposals and Approving Awards

- Once operational, the new program is assumed to involve a 3-step process:
 - Gainsharing Suggestion Documentation: At the agency level, employees develop their proposals and the business case for projected cost savings, which would be then reviewed by the employee, appropriate managers and supervisors, budget staff, communications staff, appropriate subject matter experts and the MMB Executive Budget Officer assigned to that agency. Properly vetted proposals would be then forwarded to the Agency Review Committee. It is assumed that costs would be incurred by all agencies in the executive branch.
 - This estimate assumes that 20% of all proposals, (105 total proposals annually) would be advanced to the Agency Review Committee.
 - Agency Review Committee: Each Agency establishes a process whereby agency human resources, budget personnel, communications staff, and executive leadership review and potentially approve awards up to \$1,000. Any proposals that potentially merit an award in excess of \$1,000 would be sent to MMB's Enterprise Gainsharing Committee. It is assumed that costs would be incurred by all agencies in the executive branch.
 - This estimate assumes that 5% of proposals considered by the Agency Review Committee, (26 total proposals annually) would be advanced to the Enterprise Gainsharing Committee.
 - Enterprise Gainsharing Committee: The Enterprise Gainsharing Committee composed of MMB enterprise human resource staff, statewide budget officers, enterprise communications personnel, and executive branch leadership [Deputy / Commissioner level] would review proposals and authorize awards greater than \$1,000 and up to the limits authorized by statute. It is assumed that costs would be incurred by all agencies in the executive branch.
- These projections assume that each request would require an average of 50 hours of staff time at the suggestion documentation process level, and that most of the hours would be incurred by staff paid at the full time executive branch hourly wage. The 50-hour estimate assumes that employees seeking a gainsharing award would spend significant time developing their proposals and vetting their viability; it also assumes hour contributions by, at minimum, appropriate managers and supervisors, budget staff, communications staff, appropriate subject matter experts and the MMB Executive Budget Officer assigned to that agency.
- These projections assume that the Agency Review Committee would require 8 hours of work per week from one or a combination of multiple staff at each of the 25 cabinet agencies, and 8 hours of work per week from a proportional number of staff representing the dozens of small agencies, boards, and commissions. Total hours per year of staff time is assumed to be equivalent to 27 employees working 8 hours per week on vetting the proposals advanced from the Suggestion Documentation stage. The hour equivalent of 27 employees dedicating 8 hours per week to this process totals 11,232 hours of work in a year.
 - These projections assume that staff at the Agency Review Committee stage would be in management and paid at the executive branch manager average hourly wage.
- These projections assume that the Enterprise Gainsharing Committee would require 5 MMB staff to dedicate about 52 hours to review and vet proposals, confirm the cost savings, and to coordinate all communications related to any awards offered. These projections assume that Enterprise Gainsharing Committee staff would be paid at the executive branch manager average hourly wage.

Monthly Reporting Requirements

- These projections assume that the Monthly Reporting requirements would require 10 hours per month for data collection at each of the 25 cabinet agencies, and the equivalent of 250 cumulative hours per month for the dozens of small agencies, boards, and commissions. The projections further assume that most of the hours would be incurred by staff paid at the full time executive branch hourly wage.
- These projections assume that the Monthly Reporting requirements would require 60 hours per month by MMB staff to obtain and analyze each agency's data and to create a report as outlined in SF 605. These projections assume that the MMB staff compiling the report would be paid at the executive branch manager average hourly wage. It is assumed that costs would be incurred solely by MMB.
- These projections assume that the Monthly Reporting requirements would require 10 hours per month for data collection at each of the 25 cabinet agencies, and the equivalent of 250 cumulative hours per month for the dozens of small agencies, boards, and commissions. Included within these hours calculations are assumptions that some of the ideas that have been proposed may contain private or protected data and/or may contain indicia of legal liabilities or vulnerabilities that would be inappropriate for public distribution. The hours' calculation for these projections therefore assume the descriptions of some proposals will need to be rewritten, redacted, or otherwise reviewed and modified before being distributed to MMB for collation and distribution.

Program Administrator (MMB)

- Assume MMB would hire one full time program administrator (1 FTE) who would be responsible for program

development, administration and auditing. It is assumed the new hire would be active in various points in the proposal review process as well as program development and reporting. It is assumed the cost of salary, FICA, insurance and retirement would total \$100,000 annually.

Expenditure and/or Revenue Formula

1. **Program Development:** It is assumed that the development of this program would take 4 to 6 months and require a time commitment from 5 MMB staff members at one quarter time (261 hours each) and 4 managers at one tenth time (104 hours each) during that time. It is assumed that MMB staff would be paid an average of \$32.23/hour while managers would be paid an average of \$46.73/hour. It is assumed that costs would be incurred solely by MMB. **Program development cost = (5 MMB staff x 261 hours x \$32.13) + (4 MMB Managers x 104 hours x \$46.73) Program development cost (FY 2017) = \$62,000**

2. **Gainsharing Suggestion Documentation Process:** Assume one in 100 employees submits a suggestion every year or 526 suggestions annually. Assume that each request requires 50 hours at the suggestion documentation process level and that most of the hours are incurred by staff paid at the full time executive branch hourly wage of \$32.23. Assume that costs would be incurred by all agencies in the executive branch. **Suggestion documentation cost= (526 suggestions x 50 hours per suggestion) x \$32.13.Suggestion documentation cost (FY 2018 and annually thereafter) = \$845,000.**

3. **Agency Review Committee:** Assume these staff are paid at the executive branch manager average hourly wage of \$46.73/hour. Assume 105 requests reach the Agency Review Committee stage each year. Assume costs would be incurred by all agencies in the executive branch. **Agency review cost = 11,232 hours (107 hours per proposal) x \$46.73Agency review cost (FY 2018 and annually thereafter) = \$525,000**

4. **Enterprise Gainsharing Committee:** Assume staff are paid at the executive branch manager average hourly wage of \$46.73/hour. Assume 26 requests reach the Enterprise Gainsharing Committee stage each year. Assume costs would be incurred by all agencies in the executive branch. **Enterprise gainsharing cost = 52 hours (2 hours per proposal) x 46.73Enterprise gainsharing cost = \$2,000**

5. **Monthly Reporting Requirements:** Assume agency staff are paid at the executive branch hourly wage of \$32.23/hour. Assume MMB staff are paid at the executive branch manager average hourly wage of \$46.73/hour. Assume costs would be incurred solely by MMB. **Agency cost for ongoing monthly reporting = 500 hours/month x12 months x \$32.13Agency cost for ongoing monthly reporting = \$193,000 MMB cost for ongoing monthly reporting = 60 hours x \$46.73MMB cost for ongoing monthly reporting = \$34,000 Total monthly reporting costs = \$227,000**

6. **Program Administrator:** Assume an annual cost of \$100,000 which includes salary, FICA, insurance and retirement costs.

Total annual program administrator costs= \$100,000

Total Costs for Gainsharing Program: FY 2017 through FY 2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Program Development (MMB)	\$62,000	\$0	\$0	\$0	\$0
Gainsharing Suggestion Documentation (all agencies)		\$845,000	\$845,000	\$845,000	\$845,000
Gainsharing Agency Review Committee (all agencies)		\$525,000	\$525,000	\$525,000	\$525,000
Enterprise Gainsharing Committee (all agencies)		\$2,000	\$2,000	\$2,000	\$2,000
Monthly Reporting Requirements		\$227,000	\$227,000	\$227,000	\$227,000
Program Administrator		\$100,000	\$100,000	\$100,000	\$100,000
Total Costs	\$62,000	\$1,699,000	\$1,699,000	\$1,699,000	\$1,699,000

Long-Term Fiscal Considerations

All but the Program Development costs are expected to continue in perpetuity.

Local Fiscal Impact

There is no impact to local government.

References/Sources

Agency Contact: Kyle Uphoff

Agency Fiscal Note Coordinator Signature: Ruth McGlynn

Phone: 651 259-3787

Date: 3/2/2017 12:57:23 PM

Email: ruth.mcglynn@state.mn.us