

Personal Leave Clarifications

Setting the Record Straight for the Governor's Office and Cabinet

A Budget Neutral Policy

Follow up to correspondence of December 12, 2007

No New Dollars or Additional Appropriation - No Fiscal Note Required

Denver Post article reported over \$17 million (assumed average salary of \$23/hour x 56 hours x 13,201 employees = \$17M) – not a valid cost.

- Article assumed all employees are leaving state government and will be accrued at maximum. (1) Employees use leave throughout the year. (2) Average turnover rate is 12% so \$17 million becomes \$2 million. (3) Leave usage rate is 80% so \$2M becomes \$400,000.
- *Post & News* reported \$1288/retiree from 4 departments. \$1288 is from an *illustration*, which means example, visual aid created to help understanding - should not be misconstrued as actual.
- Earlier articles on City and County of Denver – State payouts are much less.
 - Estimated payout for one longest-term, highest-paid state employee with an individual pre-1988 sick leave bank = \$31,458 (total includes annual and sick leave). \$16,182 less than the *lowest* reported 2007 City and County payout - \$47,640.

DPA's estimates are based on actual accruals by years of service, actual leave records & turnover rates of four departments representing 13,044 positions. We then extrapolated and applied across the entire workforce for six years. Payouts are administered using funds already appropriated for salaries. **This means no additional general funds are required for Personal Leave.**

- Payout "cost" is the difference between today and PL using today's salaries (increases in salary are appropriated each year) - estimated at \$707,000 in the first year of implementation.
- Although payouts increase in raw dollars, in fact appropriations for pay raises also increase proportionately; thus, departments will continue to be able to manage to PL as they presently manage to leave. After six years, the payout cost levels out due to lessened banks and accrual max.
- DPA used the statewide average sick leave usage in statewide calculations – 7 days. Departments, on average, are already managing to these days, which is why DPA added 56 hours to the PL maximums. Therefore, it is improper to count those 56 hours twice when "costing".
- Payouts will *continue to be absorbed* within existing budget, as is done today.
 - In most cases departments will not have to hold positions open any longer than today.
 - Departments must deduct current payout to show the difference. They gave us the total cost of all leave regardless of usage and forfeitures, e.g., as if all leave would be paid out/none taken.
 - To further expand on the statistically valid sample, we will contact each department and higher education institution to ensure a standard methodology is applied.

- We will also gather replacement and overtime costs associated with taking leave as baseline data because the concern those costs will increase is contrary to research.

Sick leave banks won't grow, in fact they will shrink as leave is used, and new employees will have no sick leave banks and lessened max accruals; thus, their future payout will be less in comparison with today.

Commitment to Employees

- Current employees' accrued sick leave will be "frozen" so they do not lose what they have already banked. In addition, what remains will continue to be paid at 25% upon retirement.
- New employees will not accrue sick leave banks and their max accrual will be less than presently calculated.

Understaffing and Productivity

Paid time off (PTO) programs began in the early 70's for 24/7 operations (healthcare) to address staffing shortages. A 2007 Mercer survey, PTO is growing in popularity (except for manufacturing industry) due to benefits already noted and effectiveness as an absence management tool.

CCH, Inc., recognized as national leading surveyor in subject.

- 16 consecutive years (1991-2006) respondents rate PTO as the most effective absence management approach.
- Sick leave created as short-term insurance - now used for other reasons as managers and employees believe it belongs to them. 2006 Unscheduled Absence Survey 65% of sick leave hours used for reasons other than sick.

The State's sick leave was also created as short-term insurance, which has been replaced by short-term disability insurance. The state-paid coverage gives employees 60% salary replacement following exhaustion of sick leave (100% salary) to balance adequate income with incentive to return to work.

The State's **Judicial** branch has had PTO for all of its employees **since 2005**. We are collecting data from their experiences as well.

PTO programs have proven to reduce unscheduled absences and lower expenses of replacement costs.

- It is possible to gain the equivalent of FTE from reduced unscheduled absences without adding actual FTE.
 - Health care system of 5500 employees reduced unscheduled absences by 25%.
 - Municipal transportation company of 2000 employees reduced unscheduled absences by 24%.
 - Hospital of 3300 employees reduced unscheduled absences 34% in first year and continued to decrease over 13 years to 72% (1992 – 2005). Increased staffing level by equivalent of 42 per year without adding additional FTE during the first four years of implementation (decreased unscheduled absences, lowered replacement and overtime costs with a net result savings of \$741,660).