

TECHNICAL GUIDANCE

STATE EMPLOYEE COST SAVINGS INCENTIVE PROGRAM

Prepared by the Division of Human Resources in the Department of Personnel & Administration. Revised April 2014.

GENERAL

House Bill 10-1264 amended Title 24, Article 50, by adding a new Part 9 - State Employees' Ideas that Improve State Government Operations. The Act acknowledges that one method of achieving a more efficient and effective state government is "...to encourage the involvement of state employees in the development of innovative ideas that will increase the productivity and service level of state government while decreasing the costs..." The General Assembly recognized that allowing employees to share the cost savings resulting from innovative ideas will encourage active employee participation while making state government more efficient and effective. This state employee incentive program centers on rewarding innovative ideas that result in specific, identifiable cost savings to the State. Under the program, an employee may be eligible to receive 5% of the cost savings, up to \$5000.

All state employees, both within and outside of the state personnel system, are eligible to participate, except:

- (I) an employee of the Office of State Planning and Budgeting, the Office of the State Auditor, the Joint Budget Committee, or the Department of Personnel;
- (II) an elected official or member of the General Assembly; or
- (III) the Executive Director, Program Manager, Division Director, or Budget Officer of a principal department; or
- (IV) an employee of higher education; or
- (V) an employee whose primary assignment includes responsibility for identifying efficiencies and cost reductions.

Individual departments are responsible for ensuring compliance with this statute. A sample plan is attached as Appendix A.

SUBMITTING IDEAS

An individual or group of employees may submit ideas. Ideas must be submitted on a completed *Idea Application* form. Use of the *Idea Application* form developed by the state personnel director is required and is available at www.colorado.gov/dpa/dhr/EmployeeResources.

STANDARD EVALUATION CRITERIA

By statute, all idea applications are to be evaluated against established standard evaluation criteria. Each Department Head may establish additional evaluation criteria specific to his or her department if deemed necessary to manage the submission process. The established standard evaluation criteria are as follows.

Idea Eligibility Criteria. To be eligible, an idea must meet all of the following.

1. Must be the submitter's own thought or a new application of an old principle.
2. Must produce cost savings that are reasonably expected to be permanent and continuing.
3. Must result in specific, identifiable cost savings to the department that can be measured over a full 12-month period.
4. Must provide present method, proposed method, and expected benefits.
5. Must be implemented by the department after final approval by the Department Head, or his or her designee.

Idea Ineligibility Criteria. An idea is ineligible for any of the following reasons.

1. It would result from obvious and progressive normal business practices, such as a foreseeable expectation that the idea would be implemented in a reasonable time frame as a result of evolving business or industry practice.
2. It is an obvious solution to mandated budget cuts, such as abolishing vacant funded positions or reducing staff through layoffs.
3. It results in cost avoidance as the method of documenting cost savings, such as no or lowered increases in costs for staff, supplies, or equipment.
4. It results in revenue enhancement as the method of documenting cost savings, such as new or increased fees for services.
5. It simply shifts the cost from one department to another. If the idea would have some fiscal impact on another department but would result in substantial savings to the State, the affected departments need to coordinate the development and implementation of the idea. Any cost savings identified would be adjusted in consideration of the adverse cost impact on the other department.
6. It is vague, incomplete, or deals with generalities or opinions.
7. It appears to be a personal complaint or criticism.
8. It recommends the enforcement of an existing law, regulation, directive, or instruction.
9. It recommends or requires a study to be conducted.
10. It proposes improvements to non-governmental activities.

11. It offers ideas or designs for posters, slogans, contests, advertising or promotional material.
12. It benefits a state contractor with no benefit to the State.
13. It benefits the submitter in a personal way, other than the award.

INDIVIDUAL AWARDS

1. An employee who makes a suggestion that is implemented must be employed with the State at the time of payment in order to be eligible to receive the award. Eligibility is not affected should an employee move to another position within state government without a break in service. If the employee was eligible at the time the idea was implemented then moves to another department before payment, the employee will still be eligible for the award, which will be paid by the original department realizing the cost savings.
2. For an employee to be eligible for an award, the employee must be identified on the *Idea Application* submitted prior to implementation.
3. The award is not included as salary for retirement purposes.

GROUP AWARDS

For *Idea Applications* submitted by a group of employees, the cash award will be divided equally among the group, but shall not exceed the total of 5% up to \$5,000. If any member of the group is ineligible for a cash award, or declines the award, his or her share will be redistributed among the remaining group members. To ensure compliance with the award ceiling, awards will be calculated by rounding down when necessary.

1. For example, if a group of three employees submits an idea that results in total cost savings of \$100,000 achieved in the first full 12 months of implementation, the total award amount available is 5% of \$100,000 or \$5,000. The \$5,000 would be split three ways, so each employee would receive \$1,666.66. If the total cost savings were \$200,000, the total award amount available would still be \$5,000, which is the maximum award for one idea. Each employee in a group is not eligible for an award up to \$5,000; \$5,000 is the cap whether one or multiple award recipients.
2. Using the same example, if one of the three employees is ineligible or declines the award, both of the remaining employees would receive \$2,500.

COMMUNICATION

The *Idea Application* and information related to the award an employee may earn shall be advertised as follows.

1. On any electronic payroll statements issued to employees.

2. In regular electronic communications to employees (e.g., email, newsletter).

An example outline of the process timeline is attached as Appendix B.

Every attempt is made to keep this information updated. For additional information, refer to the statute, any *State Personnel Board Rules and Director's Administrative Procedures* (rules) or contact your department human resources office. Subsequent revisions to rule or law could cause conflicts in this information. In such a situation, the law and rule are the official source upon which to base a ruling or interpretation. This document is a guide, not a contract or legal advice.

**[INSERT DEPARTMENT NAME]
COST SAVINGS INCENTIVE PLAN
PURSUANT TO Title 24, Article 50, Part 9**

Adopted: October 1, 2010

I. PURPOSE

This Plan is effective October 1, 2010, in order to implement 24-50-901, et seq., C.R.S., State Employees' Ideas that Improve State Government Operations (House Bill 10-1264). It applies to the *[insert department name]*. This incentive program centers on rewarding innovative ideas that result in specific, identifiable cost savings to the *[insert department name]*.

II. ELIGIBILITY

- A.** All state employees, both within and outside of the state personnel system, are eligible to participate, except as follows: (I) an elected official; or (II) the Executive Director, Program Manager, Division Director, or Budget Officer of a principal department or a deputy of such director or officer; (III) an employee of higher education; (IV) an employee whose primary assignment includes responsibility for identifying efficiencies and cost reductions.

- B.** An employee who makes a suggestion that is implemented must be employed with the State at the time of payment in order to be eligible to receive the award. Eligibility is not affected should an employee move to another position within state government without a break in service. If the employee was eligible at the time the idea was implemented then moves to another department before payment, the employee will still be eligible for the award, which will be paid by the original department realizing the cost savings.

- C.** For an employee to be eligible for an award under this Plan, the employee must be identified on the *Idea Application* submitted prior to implementation.

III. EVALUATION CRITERIA

- A. Idea Eligibility Criteria.** To be eligible, an idea must meet all of the following.
 - 1.** Must be the submitter's own thought or a new application of an old principle.

 - 2.** Must produce cost savings that are reasonably expected to be permanent and continuing.

 - 3.** Must result in specific, identifiable cost savings to the department that can be measured over a full 12-month period.

4. Must provide present method, proposed method, and expected benefits.
5. Must be implemented by the [insert department name] after final approval by the [insert title – Executive Director or his or her designee].

B. Idea Ineligibility Criteria. An idea is ineligible for any of the following reasons.

1. It would result from obvious and progressive normal business practices, such as a foreseeable expectation that the idea would be implemented in a reasonable time frame as a result of evolving business or industry practice.
2. It is an obvious solution to mandated budget cuts, such as abolishing vacant funded positions or reducing staff through layoffs.
3. It results in cost avoidance as the method of documenting cost savings, such as no or lowered increases in costs for staff, supplies, or equipment.
4. It results in revenue enhancement as the method of documenting cost savings, such as new or increased fees for services.
5. It simply shifts the cost from one department to another. If the idea would have some fiscal impact on another department but would result in substantial savings to the State, the affected departments need to coordinate the development and implementation of the idea. Any cost savings identified would be adjusted in consideration of the adverse cost impact on the other department.
6. It is vague, incomplete, or deals with generalities or opinions.
7. It appears to be a personal complaint or criticism.
8. It recommends the enforcement of an existing law, regulation, directive, or instruction.
9. It recommends or requires a study to be conducted.
10. It proposes improvements to non-governmental activities.
11. It offers ideas or designs for posters, slogans, contests, advertising or promotional material.
12. It benefits a state contractor with no benefit to the State.
13. It benefits the submitter in a personal way, other than the award.

C. [Insert Department-Specific Criteria, if applicable].

IV. SUBMITTING IDEAS

- A. An individual or group may submit ideas.
- B. Ideas must be submitted on a completed *Idea Application* form.
- C. For processing, the employee shall submit the *Idea Application*, along with any [*insert department name*]-specific supplemental submission materials, to the [*insert title*].
- D. After the *Idea Application* has been submitted, no co-submitter names may be added or removed without written consent of all of the original co-submitters.
- E. The identity of an employee who submits an *Idea Application* shall remain confidential and be redacted from the application until the employee has been determined to be eligible for an award. The identity of the employee may be made known to the [*insert title*] for purposes of obtaining reasonably necessary additional information related to the *Idea Application*.
- F. Retaliation against any employee for initiating an idea or participating in this program is prohibited.
- G. Issues pertaining to any submitted *Idea Application* are not subject to grievance, appeal, or dispute resolution in accordance with statute.

V. EVALUATION PROCESS

- A. **Notification to Employee.** Within 15 calendar days of the submission date, the [*insert title*] shall notify the employee, in writing, of receipt of the *Idea Application* and whether or not it has been automatically denied.
 - 1. The [*insert title*] may automatically deny an *Idea Application* for the following reasons.
 - A) The application is duplicative of another idea that was submitted within the prior 12-month period.
 - B) The application is duplicative of a recommendation contained in an audit report from the Office of the State Auditor or any privately contracted auditor, a Joint Budget Committee staff document, or any other published evaluation of Colorado state government.
 - C) The application clearly does not meet the evaluation criteria (see Section III above).

2. The [insert title] is encouraged to meet with the submitter(s) when considering the *Idea Application*.

B. Projected Savings Calculation.

1. For an *Idea Application* that was not automatically denied, the [insert title] shall make a projected savings calculation within 45 calendar days of the submission date.
2. “Projected savings” means an amount calculated by the [insert department name] that may be realized as a direct result of an employee’s *Idea Application*.

C. Evaluation Decision.

1. The [insert title] shall approve or deny the *Idea Application* and send a written response to the employee within 60 calendar days of the submission date. If the application is approved, the employee shall be informed of the award he or she may earn.
2. If the application is denied, the [insert title] sends the following to the Office of State Planning and Budgeting within 60 calendar days of the submission date: a copy of the *Idea Application*, response to the employee, and projected savings.
3. If the application is approved, the [insert title] shall identify, to the extent possible, any state laws or legislation that would need to be changed. If legislation is required for implementation, the [insert title] shall submit a request for legislation to the committee of reference.

D. Record Keeping. The [insert title] shall maintain copies of all idea applications that are submitted, along with the following for approved idea applications.

1. The *Idea Application*.
2. The total savings achieved in the first fiscal year or first full 12-month period after full implementation.
3. The total dollars awarded as an incentive to the employee(s) who submitted the *Idea Application*.
4. Any affected general appropriations act (Long Bill) line item, if applicable.
5. An evaluation of the effectiveness of the implemented idea and employee award in achieving the goals set forth in 24-50-901, C.R.S. (e.g., better service to taxpayers, increased productivity, decreased costs and waste, increased employee morale and enthusiasm, decreased employee turnover, improved customer service, etc.).

VI. IMPLEMENTATION PROCESS

- A. An approved *Idea Application* that does not require legislation for implementation shall be implemented as soon as reasonably possible and no later than July 1 of the fiscal year following acceptance.
- B. Thirteen months after the idea is fully implemented (“Full Implementation Date”), the [insert title] calculates savings realized for the first 12 months of full implementation.
- C. No later than 14 months after the Full Implementation Date, the [insert title] shall forward all documentation of savings realized to the State Auditor for review and verification.
- D. The State Auditor has 120 calendar days to conduct a review and verification of the savings realized calculation and submit a report with findings to the Legislative Audit Committee, which shall hold a public hearing for the purposes of a review of the report. This report shall also be submitted to the [insert title] who approved the *Idea Application* and to members of the General Assembly who carried any legislation to implement the idea.

VII. DISTRIBUTION OF SAVINGS REALIZED

- A. No later than the last day of the 18th month following the Full Implementation Date, the savings realized are distributed as follows:
 - 1. 5%, up to \$5,000, as a one-time award to the employee or group of employees who submitted the *Idea Application* (see D below for a group);
 - 2. 25%, up to \$25,000, to the [insert department name]; and,
 - 3. The remainder to the State’s general fund.
- B. If the savings realized are federal moneys, such moneys shall not be distributed to the employee or [insert department name], but shall either be used for a reallocation of moneys within the [insert department name] or shall revert, depending on the use specified for those particular federal moneys.
- C. If the savings realized are from public or private grants, gifts, awards, or donations where the use of such moneys is restricted, such moneys shall not be distributed to the employee or [insert department name], but shall either be used for a reallocation of moneys within the [insert department name] or shall revert, depending on the use specified for those particular restricted moneys.

[If enterprise status or Department of Transportation, adjust A above to comply with statute.]

- D. For *Idea Applications* submitted by a group of employees, the cash award will be divided equally among the group, but shall not exceed the 5% up to \$5,000 in total. If any member of the group is ineligible for a cash award, or declines the award, his or her share will be redistributed among the remaining group members. To ensure compliance with the award ceiling specified in part A (1) above, awards will be calculated by rounding down when necessary.
1. For example, if a group of three employees submits an idea that results in total cost savings of \$100,000 achieved in the first full 12 months of implementation, the total award amount available is 5% of \$100,000 or \$5,000. The \$5,000 would be split three ways, so each employee would receive \$1,666.66. If the total cost savings were \$200,000, the total award amount available would still be \$5,000, which is the maximum award for one idea. Each employee in a group is not eligible for an award up to \$5,000; \$5,000 is the cap whether one or multiple award recipients.
 2. Using the same example, if one of the three employees is ineligible or declines the award, both of the remaining employees would receive \$2,500.
- E. The employee award is made as a one-time lump sum payment. In no event may an award be added to an employee's base pay. In no case shall an award be issued until after the idea is implemented and actual achieved cost savings are realized and calculable.
- F. The actual savings distributed to the [*insert department name*] shall not be used for personnel services expenditures.

VIII. RECOGNITION

Recognition of employees and the ideas that are implemented under this employee incentive program will be recognized by [*insert name of department recognition event or method*].

IX. COMMUNICATION

The *Idea Application* and information related to the award an employee may earn will be advertised as follows.

1. On any electronic payroll statements issued to employees.
2. In monthly electronic communications to employees (e.g., email, newsletter).

X. DEFINITIONS

- A. "*Idea Application*" means the standard form mandated by statute for use in submitting cost savings ideas under the State Employee Cost Savings Incentive Plan.

B. “Savings realized” means an amount calculated by a department that was actually realized by the department as a direct result of an employee’s *Idea Application*.

Appendix B

Process Timeline with Example Dates

When	What	Example
Submission Date (SD)	Employee submits <i>Idea Application</i>	10/31/2010
Within 15 days of SD	Department Head (DH) notifies the employee of receipt and provides notice of automatic denial, if applicable.	By 11/15/2010

If *Idea Application* is not automatically denied:

Within 45 days of SD	DH calculates projected savings.	By 12/15/2010
Within 60 days of SD	DH approves or denies <i>Idea Application</i> and notifies the employee of denial or the award that may be earned. If denied, provide documentation to OSPB. If approved, request any necessary legislation from the committee of reference.	By 12/30/2010

If *Idea Application* is approved:

Full implementation date (FID)	First day idea is fully implemented.	7/1/2011
FID + 12 months	12 months of full implementation.	7/1/2012
FID + 13 months	DH calculates savings realized for the first 12 months of full implementation.	8/1/2012
No later than FID + 14 months	DH submits documentation to State Auditor for review and verification.	By 9/1/2012
Within 120 days of State Auditor receipt	State Auditor completes review and verification.	By 12/30/2012
No later than the last day of the 18 th month following FID	Savings realized are distributed as described in C.R.S. 24-50-903(4).	By 1/31/2013

Days are calendar days.

TECHNICAL GUIDANCE
DHR APPROVAL FOR PUBLICATION

This signature page is required for new technical guidance or when major policy revisions are made resulting from changes in law, rule, directives, or official interpretation. As of March 1, 2009, new signatures are not required for non-substantive revisions resulting from correction of errors (e.g., typographical or grammatical), or updating factual information (e.g., minimum wage, statute or rule cites) or illustrative samples. Readers should always check the date on the first page to ensure they are using the most current version.

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