

State Employee Incentive Awards Program Sponsor Statement

Senate Bill 233 is a cost saving measure.

The State Employee Incentive Awards Program, which sunsetted in 1993, was originally established by legislation introduced in 1989 and received strong bipartisan support in both the Senate and the House. This legislation re-establishes the incentive awards board in the Division of Personnel to review ideas from state employees—ideas that improve state operations by promoting efficiency and reducing costs without decreasing services.

This is a no-cost method of finding efficiencies in state government. Employees submit their ideas to the board, and if the idea is adopted, after a year of implementation the employee receives an award amount calculated by a formula based on a percentage of the savings. (An award may not exceed \$25,000). If a suggestion results in no reduction in cost, but improves operations, the employee is entitled to a Certificate of Merit.

Thirty-nine states have adopted programs similar to Alaska's State Employee Incentive Awards Program. New York adopted a cash incentive program in 1946, and since its adoption it has saved the state approximately \$30 million. In Ohio, the program has only been in place since 1994, and they've already seen a savings of approximately \$104 million. The State of Washington implemented its program in 1982, and the state has saved approximately \$27 million. The federal government has had a cash incentive program in place since 1946, and federal data shows a long-term savings of over \$12 for each dollar paid out in awards.

In 1993, when Alaska's program sunsetted, it had just started to take root in the culture of our state system, but unfortunately, legislation reintroducing the program fell by the wayside even though Governor Hickel lauded the program saying, "This is the kind of good idea that makes government more efficient, while still providing the same level of service, and I'm convinced there are many more savings that can be found out there."

We have a wealth of people in state government in Alaska who possess a great deal of practical knowledge in their work areas. I believe the incentive award program will spur innovation and efficiency.