

HOUSE BILL 357

IN THE HOUSE

January 24, 1979	Introduced and referred to Select Committee on Employee Compensation.
February 22, 1979	Rereferred to Committee on Appropriations.
March 24, 1979	Committee recommend bill, as amended.
March 26, 1979	Printed and placed on members' desks. Second reading, do pass. Considered correctly engrossed.
March 27, 1979	Third reading, passed.

IN THE SENATE

March 27, 1979	Introduced and referred to Select Committee on Employee Compensation.
March 30, 1979	Rereferred to Committee on Finance and Claims.
April 9, 1979	Committee recommend bill, not concurred, as amended.

IN THE HOUSE

April 9, 1979	Returned from Senate, not concurred, as amended
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1 HOUSE BILL NO. 357
 2 INTRODUCED BY Ellis Rasmussen

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH AN
 5 EXPERIMENTAL INCENTIVE PAY PROGRAM FOR STATE EMPLOYEES FOR
 6 GAINS IN ECONOMY AND EFFICIENCY IN THE RENDERING OF
 7 GOVERNMENTAL SERVICES; TO CREATE A SUPERVISORY COMMITTEE;
 8 AND TO APPROPRIATE MONEY THEREFOR."

9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Incentive pay committee -- allocation --
 12 composition -- compensation. (1) There is a committee to
 13 supervise the experimental incentive pay program for state
 14 employees.

15 (2) The committee is allocated to the department of
 16 administration for administrative purposes only as
 17 prescribed in 2-15-121. The department shall provide all
 18 necessary staff and services to the committee and shall
 19 assess reasonable costs against the committee.

20 (3) The committee consists of the director of the
 21 department of administration, who shall act as chairman; the
 22 administrators of the personnel division, the purchasing
 23 division, and the management systems division of the
 24 department of administration; the state auditor; the
 25 director of the office of budget and program planning; the

1 legislative auditor; the commissioner of the department of
 2 labor and industry; and three individuals experienced in
 3 administering employee incentives in business and industry,
 4 to be appointed by the governor before August 15, 1979.

5 (4) The committee shall serve from August 30, 1979,
 6 until submission of its final report to the legislature as
 7 provided in [section 9].

8 (5) The committee shall meet as directed by the
 9 chairman in order to accomplish the purposes of [sections 2
 10 through 9].

11 (6) Members shall be compensated and reimbursed as are
 12 members of advisory councils in 2-15-122(5).

13 Section 2. Purpose. The employers in business and
 14 industry have experienced gains in economy and efficiency in
 15 services offered and goods produced by rewarding outstanding
 16 performance of their employees through incentive pay bonuses
 17 and special benefits. It is the intent of the legislature to
 18 determine on an experimental basis the value and
 19 practicality of providing incentive pay for state employees
 20 to achieve gains in productivity and the elimination of
 21 waste.

22 Section 3. Definitions. For the purposes of [sections
 23 2 through 9] the following definitions apply:

24 (1) "Committee" means the committee provided for in
 25 [section 1] to supervise the experimental incentive pay

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 INTRODUCED BILL

1 program for state employees.

2 (2) Except as provided in [section 5], "eligible unit"
3 means any state department or agency or any unit thereof
4 which:

5 (a) is an intact group;

6 (b) has an identifiable budget for the period July 1,
7 1978, through July 1, 1981, or has its financial records
8 maintained according to an accounting system which
9 identifies to the satisfaction of the state auditor the
10 expenditures and receipts properly attributable to that
11 unit;

12 (c) has stated objectives in terms of product or
13 service rendered;

14 (d) has data available to establish quality as a
15 dimension of service;

16 (e) has the same scope or mission for the period of
17 July 1, 1978, through July 1, 1981;

18 (f) has a budget itemized by type of expenditure; and

19 (g) receives no federal funds.

20 (3) "Employee" means any person employed by the state
21 in any capacity and whose salary is paid either by warrant
22 of the employer or from the fees or income of any department
23 or agency of the state, except for:

24 (a) a person whose compensation is paid either fully
25 or in part from federal funds; and

1 (b) management personnel responsible for administering
2 the unit's budget.

3 (4) "Legitimate savings" means reduction in
4 expenditures made possible by the following:

5 (a) reduction in overtime;

6 (b) elimination of consultant fees;

7 (c) reduction of temporary help;

8 (d) elimination of budgeted positions;

9 (e) improvement in methods of communication;

10 (f) improvement in systems and procedures;

11 (g) improvement in deployment and utilization of
12 manpower;

13 (h) elimination of unnecessary travel;

14 (i) elimination of unnecessary participation in
15 national and regional conferences;

16 (j) elimination of unnecessary printing and mailing;

17 (k) elimination of unnecessary payments for
18 advertising, membership dues, subscriptions, etc.;

19 (l) elimination of waste, duplication, and operations
20 of doubtful value;

21 (m) improvement in utilization of facilities; and

22 (n) implementation of any other steps considered by
23 the committee as representing true savings.

24 Section 4. Experimental incentive pay program for
25 state employees. There is created an experimental incentive

1 pay program for state employees for the fiscal year 1980-81.
 2 An eligible unit selected to participate may qualify for an
 3 award of 25% of the amount of savings realized by the unit
 4 for the fiscal year, to be divided and distributed in equal
 5 shares to the employees of the unit.

6 Section 5. Application for experimental incentive pay
 7 program. (1) With the exception of units within the
 8 legislature, the governor's office, the department of
 9 administration, and the state auditor's office, any eligible
 10 unit may make application to the committee for selection as
 11 a participating unit in the experimental incentive pay
 12 program. Such application must be submitted no later than
 13 March 1, 1980.

14 (2) The application must contain:
 15 (a) the name, location, and phone number of the unit;
 16 (b) the department within which the unit is located;
 17 (c) the unit supervisor's name;
 18 (d) the number of employees in the unit;
 19 (e) the approval of the unit supervisor;
 20 (f) the approval of the department head;
 21 (g) the information listed in [section 3(2)]; and
 22 (h) such information as the committee may require,
 23 including but not limited to those evaluation components
 24 developed by the applying unit which will provide
 25 quantitative measures of program output and performance.

1 Section 6. Selection of participating units. The
 2 committee shall evaluate the applications submitted and,
 3 from those proposals which are considered to be reasonable
 4 and practical and which are found to include developed
 5 performance indicators which lend themselves to a judgment
 6 of success or failure, select no more than three units to
 7 participate in the experimental incentive pay program. Each
 8 selection may be made only if at least six members of the
 9 committee cast an affirmative vote.

10 Section 7. Qualification for award of incentive pay to
 11 unit employees. (1) To qualify for the award of incentive
 12 pay to its employees, a participating unit must demonstrate
 13 to the satisfaction of the committee that it has operated
 14 during the 1980-81 fiscal year at less cost than the average
 15 of the 2 immediately preceding fiscal years with no decrease
 16 in the level of services rendered.

17 (2) The committee must satisfy itself that the
 18 reduction in the cost of operation is a legitimate savings
 19 and that it is not, in whole or in part, the result of:
 20 (a) chance;
 21 (b) a lowering of the quality of the service rendered;
 22 (c) reduced passthrough or transfer expenditures;
 23 (d) receipts realized in excess of amounts budgeted;
 24 (e) nonrecurrence in 1980-81 of expenditures which
 25 were single-outlay or one-time expenditures in either of the

1 2 preceding fiscal years;

2 (f) reductions in the prices of supplies, materials,
3 and equipment used or reductions in the cost of service
4 contracts;

5 (g) a lowering of salary requirements as the result of
6 employee turnover;

7 (h) failure to reward deserving employees through
8 promotion, reclassification, award of merit salary
9 increments, or salary increases authorized by salary range
10 revisions;

11 (i) postponement of normal purchases or repairs, or
12 both, to a future fiscal year;

13 (j) stockpiling inventories in the 1978-79 and 1979-80
14 fiscal years so as to reduce requirements in the 1980-81
15 fiscal year;

16 (k) substitution of other receipts or nonstate funds
17 for state appropriations;

18 (l) unreasonable postponement of payments of accounts
19 payable until the 1981-82 fiscal year;

20 (m) shifting of expenses to another unit of
21 government; or

22 (n) any other practice, event, or device which the
23 committee decides has caused a distortion which makes it
24 appear that a savings has occurred when in fact the cost
25 reduction is not attributable to the efficiency and economy

1 of the unit.

2 (3) In computing the cost of operation of a unit, the
3 committee must take into account cost-of-living increases
4 and any other inflationary factor which would distort the
5 comparison of fiscal year 1980-81 expenditures with the 2
6 preceding years.

7 Section 8. Award of incentive pay to unit employees.

8 (1) At the conclusion of the 1980-81 fiscal year, the
9 committee shall determine the amount, if any, that a
10 participating unit has reduced its cost of operations in the
11 1980-81 fiscal year. If the committee determines that there
12 has been no reduction in the level and quality of services
13 rendered by the unit, it shall award to the employees of
14 that unit a sum equal to 25% of the amount determined to be
15 the true cost reduction.

16 (2) The amount awarded shall be divided and
17 distributed in equal shares to the employees of the unit,
18 except that employees who worked for that unit part-time or
19 less than the full 12 months of the 1980-81 fiscal year
20 receive only a pro rata share based on the fraction of the
21 year worked for that unit.

22 (3) The source of funds for this incentive pay shall
23 be the unspent appropriations for the unit which would
24 otherwise have reverted at the end of the 1980-81 fiscal
25 year and any funds appropriated by the legislature for the

1 experimental incentive pay program awards.

2 Section 9. Status reports required. The director of
3 the department of administration shall cause to be prepared
4 and submitted to the legislature two comprehensive status
5 reports on the committee's activities, decisions, awards,
6 and recommendations with respect to the experimental
7 incentive pay program for state employees. The first report
8 must be submitted to the 1981 legislature no later than
9 February 1, 1981, and must cover the first half of the
10 1980-81 fiscal year. The second report must be submitted to
11 the legislative council no later than February 1, 1982.

12 Section 10. Appropriation. There is appropriated the
13 sum of \$10,000 for the biennium ending June 30, 1981, from
14 the general fund to the department of administration for the
15 purpose of operating the experimental incentive pay program
16 for state employees.

17 Section 11. Effective date. The provisions of this act
18 are effective July 1, 1979, and remain in effect through
19 February 2, 1982.

-End-

HB 357

Approved by Comm.
on Appropriations

HOUSE BILL NO. 357

INTRODUCED BY ELLIS, RASMUSSEN

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH AN EXPERIMENTAL INCENTIVE PAY PROGRAM FOR STATE EMPLOYEES FOR GAINS IN ECONOMY AND EFFICIENCY IN THE RENDERING OF GOVERNMENTAL SERVICES; TO CREATE A SUPERVISORY COMMITTEE; AND TO APPROPRIATE MONEY THEREFOR."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:-

Section 1. Incentive pay committee-----allocation----- composition-----compensationv---(1) There is a committee to supervise the experimental incentive pay program for state employees.

(2) The committee is allocated to the department of administration for administrative purposes only as prescribed in 2-15-121. The department shall provide all necessary staff and services to the committee and shall assess reasonable costs against the committee.

(3) The committee consists of the director of the department of administration who shall act as chairman; the administrators of the personnel division; the purchasing division; and the management systems division of the department of administration; the state auditor; the director of the office of budget and program planning; the

legislative auditor; the commissioner of the department of labor and industry; and three individuals experienced in administering employee incentives in business and industry to be appointed by the governor before August 15, 1979.

(4) The committee shall serve from August 30, 1979 until submission of its final report to the legislature as provided in [section 9].

(5) The committee shall meet as directed by the chairman in order to accomplish the purposes of [sections 2 through 9].

(6) Members shall be compensated and reimbursed as are members of advisory councils in 2-15-122(5).

Section 1. Purpose. The employers in business and industry have experienced gains in economy and efficiency in services offered and goods produced by rewarding outstanding performance of their employees through incentive pay bonuses and special benefits. It is the intent of the legislature to determine on an experimental basis the value and practicality of providing incentive pay for state employees to achieve gains in productivity and the elimination of waste.

Section 2. Definitions. For the purposes of [sections 2 through 9] the following definitions apply:

(1) "Committee" means the committee provided for in [section 1] to supervise the experimental incentive pay

1 program--for--state--employees "DEPARTMENT" MEANS THE
 2 DEPARTMENT OF ADMINISTRATION PROVIDED FOR IN 2-15-1001.

3 (2) Except as provided in [section 5], "eligible unit"
 4 means any state department or agency or any unit thereof
 5 which:

6 (a) is an intact group;

7 (b) has an identifiable budget for the period July 1,
 8 1978, through July 1, 1981, or has its financial records
 9 maintained according to an accounting system which
 10 identifies to the satisfaction of the state auditor the
 11 expenditures and receipts properly attributable to that
 12 unit;

13 (c) has stated objectives in terms of product or
 14 service rendered;

15 (d) has data available to establish quality as a
 16 dimension of service;

17 (e) has the same scope or mission for the period of
 18 July 1, 1978, through July 1, 1981; AND

19 (f) has a budget itemized by type of expenditure; and

20 (g) --receives-no-federal-funds

21 (3) "Employee" means any person employed by the state
 22 in any capacity and whose salary is paid either by warrant
 23 of the employer or from the fees or income of any department
 24 or agency of the state, except for MANAGEMENT PERSONNEL
 25 RESPONSIBLE FOR ADMINISTERING THE UNIT'S BUDGET.

1 (a) --a--person--whose-compensation-is-paid-either-fully
 2 or-in-part-from-federal-funds-and

3 (b) --management-personnel-responsible-for-administering
 4 the-unit's-budget

5 (4) "Legitimate savings" means reduction in
 6 expenditures made possible by the following:

7 (a) reduction in overtime;

8 (b) elimination of consultant fees;

9 (c) reduction of temporary help;

10 (d) elimination of budgeted positions;

11 (e) improvement in methods of communication;

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13 (g) improvement in deployment and utilization of
 14 manpower;

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 17 national and regional conferences;

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 20 advertising, membership dues, subscriptions, etc.;

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 22 of doubtful value;

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24 (n) implementation of any other steps considered by
 25 the committee DEPARTMENT as representing true savings.

1 Section 3. Experimental incentive pay program for
 2 state employees. There is created an experimental incentive
 3 pay program for state employees for the fiscal year 1980-81.
 4 An eligible unit selected to participate may qualify for an
 5 award of 25% of the amount of savings realized by the unit
 6 for the fiscal year, to be divided and distributed in equal
 7 shares to the employees of the unit.

8 Section 4. Application for experimental incentive pay
 9 program. (1) With the exception of units within the
 10 legislature, the governor's office, the department of
 11 administration, and the state auditor's office, any eligible
 12 unit may make application to the committee DEPARIMENI for
 13 selection as a participating unit in the experimental
 14 incentive pay program. Such application must be submitted no
 15 later than March 1, 1980.

- 16 (2) The application must contain:
- 17 (a) the name, location, and phone number of the unit;
 - 18 (b) the department within which the unit is located;
 - 19 (c) the unit supervisor's name;
 - 20 (d) the number of employees in the unit;
 - 21 (e) the approval of the unit supervisor;
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 - 23 (g) the information listed in [section 3(2)]; and
 - 24 (h) such information as the committee DEPARIMENI may
 - 25 require, including but not limited to those evaluation

1 components developed by the applying unit which will provide
 2 quantitative measures of program output and performance.

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 4 committee DEPARIMENI shall evaluate the applications
 5 submitted and, from those proposals which are considered to
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 16 operated during the 1980-81 fiscal year at less cost than
 17 the average of the 2 immediately preceding fiscal years with
 18 no decrease in the level of services rendered.

19 (2) The committee DEPARIMENI must satisfy itself that
 20 the reduction in the cost of operation is a legitimate
 21 savings and that it is not, in whole or in part, the result
 22 of:

- 23 (a) chance;
- 24 (b) a lowering of the quality of the service rendered;
- 25 (c) reduced passthrough or transfer expenditures;

1 (d) receipts realized in excess of amounts budgeted;

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3 were single-outlay or one-time expenditures in either of the
4 2 preceding fiscal years;

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6 and equipment used or reductions in the cost of service
7 contracts;

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9 employee turnover;

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11 promotion, reclassification, award of merit salary
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15 both, to a future fiscal year;

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17 fiscal years so as to reduce requirements in the 1980-81
18 fiscal year;

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22 payable until the 1981-82 fiscal year;

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24 government; or

25 (n) any other practice, event, or device which the

1 committee DEPARTMENT decides has caused a distortion which
2 makes it appear that a savings has occurred when in fact the
3 cost reduction is not attributable to the efficiency and
4 economy of the unit.

5 (3) In computing the cost of operation of a unit, the
6 committee DEPARTMENT must take into account cost-of-living
7 increases and any other inflationary factor which would
8 distort the comparison of fiscal year 1980-81 expenditures
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12 committee DEPARTMENT shall determine the amount, if any,
13 that a participating unit has reduced its cost of operations
14 in the 1980-81 fiscal year. If the committee DEPARTMENT
15 determines that there has been no reduction in the level and
16 quality of services rendered by the unit, it shall award to
17 the employees of that unit a sum equal UP to 25% of the
18 amount determined to be the true cost reduction PENDING
19 AVAILABILITY OF FUNDS. THIS INCENTIVE PAYMENT IS NOT TO BE
20 CONSIDERED A PERMANENT SALARY INCREASE TO BE CARRIED INTO
21 SUBSEQUENT YEARS.

22 (2) The amount awarded shall be divided and
23 distributed in equal shares to the employees of the unit,
24 except that employees who worked for that unit part-time or
25 less than the full 12 months of the 1980-81 fiscal year

1 receive only a pro rata share based on the fraction of the
2 year worked for that unit.

3 (3) The source of funds for this incentive pay shall
4 be the unspent appropriations for the unit which would
5 otherwise have reverted at the end of the 1980-81 fiscal
6 year and any funds appropriated by the legislature for the
7 experimental incentive pay program awards, SUBJECT TO
8 AVAILABLE CASH BALANCE AND RESTRICTIONS IMPOSED BY THE
9 FEDERAL GOVERNMENT ON THE USE OF FEDERAL MONEY.

10 Section 8. Status reports required. The director of
11 the department of administration shall cause to be prepared
12 and submitted to the legislature two comprehensive status
13 reports on the committee's DEPARTMENT'S activities,
14 decisions, awards, and recommendations with respect to the
15 experimental incentive pay program for state employees. The
16 first report must be submitted to the 1981 legislature no
17 later than February 1, 1981, and must cover the first half
18 of the 1980-81 fiscal year. The second report must be
19 submitted to the legislative Council no later than February
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22 sum of \$10,000 for the biennium ending June 30, 1981, from
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24 purpose of operating the experimental incentive pay program
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1 Section 10. Effective date. The provisions of this act
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3 February 2, 1982.

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 21 department of administration, who shall act as chairman, the
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 23 division--and--the--management--systems--division--of--the
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1 legislative auditor, the commissioner of the department of
 2 labor--and--industry, and three individuals experienced in
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 6 expenditures made possible by the following:

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 10 program. ~~Each selection may be made only if at least six~~
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3 were single-outlay or one-time expenditures in either of the
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11 promotion, reclassification, award of merit salary
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13 revisions;

14 (i) postponement of normal purchases or repairs, or
15 both, to a future fiscal year;

16 (j) stockpiling inventories in the 1978-79 and 1979-80
17 fiscal years so as to reduce requirements in the 1980-81
18 fiscal year;

19 (k) substitution of other receipts or nonstate funds
20 for state appropriations;

21 (l) unreasonable postponement of payments of accounts
22 payable until the 1981-82 fiscal year;

23 (m) shifting of expenses to another unit of
24 government; or

25 (n) any other practice, event, or device which the

1 committee DEPARTMENT decides has caused a distortion which
2 makes it appear that a savings has occurred when in fact the
3 cost reduction is not attributable to the efficiency and
4 economy of the unit.

5 (3) In computing the cost of operation of a unit, the
6 committee DEPARTMENT must take into account cost-of-living
7 increases and any other inflationary factor which would
8 distort the comparison of fiscal year 1980-81 expenditures
9 with the 2 preceding years.

10 Section 7. Award of incentive pay to unit employees.

11 (1) At the conclusion of the 1980-81 fiscal year, the
12 committee DEPARTMENT shall determine the amount, if any,
13 that a participating unit has reduced its cost of operations
14 in the 1980-81 fiscal year. If the committee DEPARTMENT
15 determines that there has been no reduction in the level and
16 quality of services rendered by the unit, it shall award to
17 the employees of that unit a sum equal UP to 25% of the
18 amount determined to be the true cost reduction PENDING
19 AVAILABILITY OF FUNDS. THIS INCENTIVE PAYMENT IS NOT TO BE
20 CONSIDERED A PERMANENT SALARY INCREASE TO BE CARRIED INTO
21 SUBSEQUENT YEARS.

22 (2) The amount awarded shall be divided and
23 distributed in equal shares to the employees of the unit,
24 except that employees who worked for that unit part-time or
25 less than the full 12 months of the 1980-81 fiscal year

1 receive only a pro rata share based on the fraction of the
2 year worked for that unit.

3 (3) The source of funds for this incentive pay shall
4 be the unspent appropriations for the unit which would
5 otherwise have reverted at the end of the 1980-81 fiscal
6 year and any funds appropriated by the legislature for the
7 experimental incentive pay program awards. SUBJECT TO
8 AVAILABLE CASH BALANCE AND RESTRICTIONS IMPOSED BY THE
9 FEDERAL GOVERNMENT ON THE USE OF FEDERAL MONEY.

10 Section 8. Status reports required. The director of
11 the department of administration shall cause to be prepared
12 and submitted to the legislature two comprehensive status
13 reports on the committee's DEPARTMENT'S activities,
14 decisions, awards, and recommendations with respect to the
15 experimental incentive pay program for state employees. The
16 first report must be submitted to the 1981 legislature no
17 later than February 1, 1981, and must cover the first half
18 of the 1980-81 fiscal year. The second report must be
19 submitted to the legislative council no later than February
20 1, 1982.

21 Section 9. Appropriation. There is appropriated the
22 sum of \$10,000 for the biennium ending June 30, 1981, from
23 the general fund to the department of administration for the
24 purpose of operating the experimental incentive pay program
25 for state employees.

1 Section 10. Effective date. The provisions of this act
2 are effective July 1, 1979, and remain in effect through
3 February 2, 1982.

-End-