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Looming payouts raise questions about state's time off policy

BY Michael Noyes

HELENA - Some long-time state employees have accrued thousands of hours in unused time off that would in some cases pay them tens of thousands of dollars upon leaving their jobs, Montana Watchdog has learned.

One transportation department employee stands to receive a payout of more than \$82,000 for his unused time as of Jan. 15, 2010, according to information provided by the Montana Department of Administration. Others in the list of top 10 accrued hours would receive lump-sum payments ranging from just more than \$26,000 to around \$70,000.

Annual leave accrual allowed is tied to length of public service. The state caps vacation time accrual at a maximum 384 hours for the longest tenured employees, which are paid out at the full hourly rate when the employee leaves their job, according to Paula Stoll, administrator of the state Human Resources Division. There is no cap on sick leave that may be accumulated, and upon termination 25 percent of the hours are paid at the employee's current hourly rate.

Responding to an information request by MontanaWatchdog.org, state officials supplied a list of more than 13,000 state employees with various amounts of accrued leave. A review of the list showed the 10 state employees with the most combined unused vacation and sick time all had amassed more than 3,200 hours of sick leave.

That comes at a time when many businesses in the private sector are moving away from policies that allow for significant accruals that can result in financial liabilities in the tens of thousands of dollars. Many companies are eliminating the sick and vacation time distinctions in

favor of a general paid time off (PTO) policy, according to business expert Dan Strakel, who holds a doctorate in Organizational Behavior and a Master of Education degree in Human Resources Management.

"The private sector got a head start on cutting that off," Strakel said of the financial liabilities from significant accrued time off. "The government side of the fence has been a little slower. Now it's starting to catch up to them."

Stoll said that she is aware of the trend to replace vacation and sick time with the more general PTO, but said she could not advocate for or against it before she conducted a study on the issue. Since state law covers government employees that don't work for the state, such as city and county employees, she said a study would require a coordinated effort from those stakeholders as well.

Stoll said the large payouts for the employees with the most time accrued are likely the exception and not the norm. She said an internal salary survey conducted every two years shows that government employees in Montana are paid less than their private sector counterparts, even when factoring in benefits such as pensions, health insurance, and the time accrued payouts.

"If we're talking about administrators they're probably 30-40 year employees who have worked for Montana state government that long, have achieved success in their careers and the overall compensation is probably less than what you would see in the private sector," Stoll said. "On average, if you take base pay alone and compare apples to apples, we're about 11 percent behind the private sector on our salaries."

Stoll said factoring in benefits state employees would likely be around 7 percent to 8 percent behind the private sector.

That's in contrast to recent studies that state total compensation is now higher for public employees, including a study by the conservative Cato Institute earlier this year purported to show public workers in the mountain states earn higher total compensation than their private sector counterparts.

State Sen. Dave Lewis, R-Helena and a member of the Senate Finance and Claims Committee, said the 25 percent payout for unused sick time doesn't seem bad but there could be an argument made for a maximum amount that can be accrued.

"When this all started nobody was making the kind of money they're

making now," said Lewis, a former state budget director.

Phyllis Wernikowski, who has a Senior Professional in Human Resources designation, said industry best practices can allow for the amount of accrued time to be capped. Under that policy, if an employee doesn't use their time, at a certain point they aren't allowed to accrue more.

"That's a very fair way to do it, and I think that's a good idea for employers," Wernikowski said.

Of the 10 employees with the most unused time, five came from the Montana Fish, Wildlife & Parks Department. Two were from the livestock department, one legislative, one administration, and one from transportation.

All of the top-10 employees began working for the state either in the late 1960s or early 1970s. The earliest hire date for those employees was November 1967 and the most recent was August of 1975.

Employees with the most hours accrued would not necessarily receive the highest payouts. That's because the compensation for unused hours is base on hourly pay. The hourly pay of the 10 state employees with the most accrued time ranges from \$22.36 to \$55.80 for one transportation department employee.