

The Growing Crisis with Executive Pay in the Vermont State Government

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Highly effective leadership of Vermont's State Agencies is crucial for our State.

The *challenges* of governance in the 21st century will only become more complex.

Effective leadership in State Government will require a broad range of skills and abilities, including:

- In-depth subject knowledge
- Leadership experience
- The perspective to understand different, often conflicting, viewpoints
- Excellent communications skills
- The ability to involve a wide range of people and groups (non-profits, business groups, other government agencies, the Legislature, etc.) in crafting and implementing new initiatives that will work for Vermont.

How will State Government *attract* and
keep the next
Con Hogan or *Marc Hull*?

The only thing more expensive than good management is bad management.

State Government can never be expected to pay more than other sectors for its leadership, but it must be willing to pay competitively so that it can attract the *leadership Vermont needs and deserves*.

The cost of bad decisions in State Government is often very high. The cost of missed opportunities may be even higher.

But where will this leadership come from?

Vermont's current executive pay is increasingly uncompetitive with all of the leadership training grounds from which State Agency leadership has historically come. State Government's executive pay levels are increasingly uncompetitive with:

- Pay in the classified positions of State Government
- Pay in Vermont's businesses
- Pay in Vermont's non-profit organizations
- Pay in other state governments for comparable positions.

Vermont's executive pay discourages people from moving from the classified service to an appointed position.

The current State Employee's labor contract has pay levels that may not be high enough to attract the engineers, information technology specialists and other professionals that the State needs. Even so:

Senior classified employees with less responsibility make almost as much as their commissioners throughout State Government. In many cases, they make more! In several instances, a classified employee makes more than the Agency Secretary.

This situation makes no sense. Why would anyone give up the security and protections of the classified system for the combination of greater responsibility, lack of job security, and little financial gain (perhaps even loss)?

In fact, the State Personnel Department reports that there has been resistance to moving from classified to appointed positions because of these factors.

Shouldn't an appointed leadership position earn more than a classified position they direct?

AGENCY	POSITION	CLASSIFICATION	CURRENT SALARY
Transportation	Secretary	Appointed	\$77,896
	Maintenance Management Engineer	Classified	82,909
	Administrative Civil Engineer	Classified	82,118
Natural Resources	Deputy Secretary ANR	Appointed	\$67,849

	Deputy Commissioner Environmental Conservation Director Environmental Assistance Director Environmental Conservation Director	Appointed Classified Classified Classified	64,888 71,906 69,826 68,390
Human Services	Deputy Secretary, Human Services 11 positions	Appointed Classified	\$63,481 64,418-81,411
Education	Deputy Commissioner of Education Education Division Director	Appointed Classified	\$68,952 69,826

Please Note: There is no indication that classified positions are being paid above competitive rates. In fact, State Government is having a hard time filling some classified positions. Many other classified positions are paid just slightly less than appointed positions.

State Government's executive pay is increasingly uncompetitive with Vermont businesses for comparable skills.

For example:

- **Our Secretary of Transportation currently earns \$77,896. Nationally, the average pay for construction project managers is \$70,000. Managers of construction companies earn much more than this, depending on the size of the company.**
- **Our Commissioner of Taxes currently earns \$71,552. Nationally, the average pay for tax managers with nine years of experience in CPA firms is \$72,600. The Commissioner manages an office of 183 and helps develop tax policy for the State, responsibilities requiring significantly more skill than a typical tax manager has. Chief Financial Officers with this level of experience make over \$100,000.**
- **Our Chief Information Officer (CIO) currently earns \$75,961, a level that technology project managers and systems analysts now make in the private sector. CIO positions in companies *with more than 200* employees will typically make more than \$100,000.**

More Examples of Competitive Problems

- **Our Commissioner of Personnel currently earns \$67,392, a level that is exceeded in companies with fewer than 500 people. Human resources managers with labor relations responsibilities in hospitals and non-profits with more than 7,500 employees have average salaries of \$114,000 nationally.**
- **Our Secretary of Administration currently earns \$83,428. Average pay for a Chief Operating Officer or Executive Vice President in a typical non-profit organization with more than 500 employees averages more than \$100,000 nationally. Salaries for these positions in similarly-sized companies are even higher.**
- **Our Commissioner of Banking and Insurance currently earns \$78,820. For all publicly traded banks in Vermont, the lowest base salary in 1998 for a senior executive - not including incentives of any kind - was \$98,852. Depending on the size of the bank, internal audit managers and commercial loan officers may earn as much as or more than the Commissioner.**

“I loved working in State government, but I left because I realized I couldn’t afford to send my kids to the school I went to if I stayed.”
- former Agency Secretary

Vermont’s executive pay is increasingly uncompetitive with Vermont’s non-profit organizations:

- 30% of the school superintendents in Vermont- including most of the superintendents in the state’s largest districts- are paid more than the Commissioner of Education. The State Board of Education recently found the pool of candidates for the Commissioner’s position inadequate. They asked for and received permission from the Governor to hire at the top of the range, which will make the new Commissioner of Education the highest paid executive in State Government.
- The chief executives of Vermont’s mental health centers currently make \$62,774 - \$83,877. The top level of this range is higher than all but two of the salaries in the Agency of Human Services. The *average* salary of \$70,736 is higher than all but five. Obviously, executives in the Agency of Human Services have statewide policy-making responsibilities, manage larger budgets, and lead more people.

Vermont’s executive pay is increasingly uncompetitive with pay in other states for comparable positions:

- Currently, the pay of Vermont’s Agency Secretaries averages 3% less than the average of their counterparts in New Hampshire and Maine.
- Currently, the pay of Vermont’s Agency Secretaries is at least \$20,000 below that of comparable positions in Connecticut, Massachusetts, and Rhode Island in almost all instances.
- A 1997 study of 28 key government positions comparing Vermont to Delaware, Massachusetts, Montana, New Hampshire, New York and Rhode Island found that Vermont ranked last in average salary among this group, with salaries averaging 19% below those in the other states.

The consequences of uncompetitive pay in State Government will be profound.

There will be a smaller pool of talented people to draw from.

(Good people won’t be able to afford the sacrifice.)

Applicants will have less experience.

(State Government experience will always look good on a resume, but candidates will be less

likely to have the knowledge of their field, the management experience, and the knowledge of Vermont and its people to do a great job.)

Applicants will increasingly have a second source of income.

(Those without another source of support will not apply.)

Turnover will increase, decreasing continuity, which is needed for excellence.

Our conclusion:

Unless executive salary levels are increased significantly, the ability of State Government leadership to fully meet the challenges of the future will increasingly be at risk.

Our recommendations for correcting this problem:

- To make the salaries of Vermont’s Secretaries and Commissioners more competitive, increase the minimum of their authorized pay ranges by \$10,000 and raise the maximum of those ranges by \$15,000.
 - Provide the authorization and required funding to allow the Governor to substantially increase the current salaries of State Government’s Secretaries and Commissioners after a review of each position’s competitive position and each incumbent’s performance.
 - Adopt an explicit policy that executive positions in State Government will be paid in reasonable relationship to comparable positions in other sectors, and direct the Personnel Department to review the competitiveness of these salaries on a regular basis.
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Recommendations for Revising Executive Pay Ranges

Positions	Current Range	Proposed Range
All Agency Secretaries	\$66,219 - \$99,329	\$76,219 - \$114,329
Commissioners: Banking & Insurance Finance & Management Corrections Education Employment & Training Health SRS Social Welfare and others	\$61,810 - \$92,715	\$71,810 - \$107,715
Commissioners: Agriculture Housing & Community Development Economic Development Fish & Wildlife	\$55,932 - \$83,898	\$65,932 - \$98,890

Questions and Answers about the Recommendations

1. **Q:** Under this proposal, would every appointed official get a big raise, regardless of performance?
A: No, raises would depend on performance, the length of time in office, and the competitive market for the particular skills. The Governor would have the ability to determine the level of appropriate pay increases just as the leader of any organization does.
2. **Q:** How much would these recommendations cost?
A: Our focus is on the salaries of the five Agency Secretaries and the 24 Commissioners. If their pay was increased by an average of \$5,000, the cost would be \$145,000. If the average adjustment is \$7,000, then the total cost would be \$203,000. Increases for other appointed positions would raise this total higher, but we are advocating carefully targeted increases designed to increase salary competitiveness. We are not advocating an across-the-board increase for all positions.
3. **Q:** Doesn't this mean that these senior executives will be getting increases that are greater than those that other State Government employees are getting?
A: For a few years, this may be the case because there is a great need to "catch up" these salaries to the marketplace. Our recommendations should be considered adjustments to the market. These occur for State Government employees as a part of regular contract negotiations, but the pay for these senior positions has not been adjusted in the same way.
4. **Q:** How do your proposals relate to the problem of regulators leaving their positions to work for the regulated industries?
A: We are not proposing any changes to existing rules limiting such movement. If anything, higher salaries for regulators should help keep them in place and make private sector jobs financially less appealing.
5. **Q:** Con Hogan and Marc Hull are mentioned on the first page of the report. They didn't leave State Government due to pay issues, did they?
A: No, we mentioned them as examples of the great leadership that the State Government needs. They didn't leave State government due to salary problems, but it is worth noting that their successors will make much more than they did.
6. **Q:** Who has the authority to make these changes?
A: The Legislature must change salary ranges. While the Governor has the authority to award increases to Secretaries and Commissioners, the Legislature may need to authorize the adjustments that are needed in some cases.

Appendices

- Salary Comparisons to Non-Private and Private Sector Positions
- Salary Comparisons to Other New England States

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