

## ***A Big Question Gets Answers by Greg Mennegar***

One of the most common questions we receive when discussing the Productivity Board program with agencies is “Where does the award money come from?”

The short answer is the agency that benefits from the suggestion pays the award. That response often triggers many of the following questions or concerns:

- 1) “We don’t have a budget for this program.” Cash awards are taken from funds that have already been budgeted, and because of the suggestion will not be expended. The suggester receives a percentage of the savings as a cash award and the effect for the agency is that they now have more funds available for other needs. This is a win-win for all involved. The agency’s spending is reduced, and the employee(s) receive recognition for their contribution.
- 2) “Most of our funding comes from other sources like grants or the federal government.” The purpose of the program is to save the State of Washington money. A suggestion that would reduce federal spending or reduce spending on a grant is ineligible for cash awards. The idea should be considered for a recognition award (more about those later).
- 3) “What if the savings are less than the cost of implementation?” If there’s an expenditure required to implement the suggestion and the savings don’t exceed the cost of implementation, it may not be practical and as such, the agency can recommend not to adopt the suggestion. The agency has up to a year to measure the impact of a suggestion once it has been implemented. If the ongoing savings merit the implementation of the idea, the agency may elect to adopt it and can recommend a cash award. This type of suggestion should also be considered for a recognition award if it is not adopted.
- 4) “We think this is a great idea but can’t implement it now.” Suggestions can be put “on hold” until it is practical to implement them. The employee should receive a cash award once the suggestion is implemented.
- 5) “We received a suggestion from an employee of another agency, who pays that?” If an employee from another agency makes a suggestion and you recommend that it is adopted and the Board approves, your agency pays the cash award. In some cases, an employee may make a suggestion that impacts multiple agencies. In that instance, the payment would be spread among the agencies adopting the suggestion.
- 6) “When do we have to pay the award?” Awards can be paid up to one year after implementation of the idea. If the agency has a high degree of confidence that the suggestion will result in the savings outlined in the suggestion, we suggest paying the award as soon as practical. You may elect to make a partial payment and “true up” the award amount at the end of the one-year measurement period or wait until the end of the one year period.
- 7) “Are awards taxed?” Yes. Cash awards are treated as taxable income. Another important note is that cash awards are not included in retirement calculations.
- 8) “What is a recognition award?” The [statute](#) that created the Productivity Board provides agencies with the ability to [recognize employees](#). Not all suggestions will result in cost savings. They may result in intangible, but important benefits including better customer service, saving staff time, and improving safety. These suggestions should receive a recognition award. Recognition awards can also be used to recognize longevity,

attendance, or service as a suggestion evaluator or agency coordinator. Awards can be for anything with a cash value not to exceed two hundred dollars.

To summarize, since the Employee Suggestion Program and Teamwork Incentive Program cash awards are a result of savings from budgeted funds, there isn't a need for additional budget to pay these awards. You now have a tool at your disposal that helps with employee engagement and can help you stretch your budget. Recognition awards on the other hand are something your agency will need to plan for. Recognition awards should be given for ideas that have intangible benefits. Your agency has the discretion as to when to give recognition awards and how much to give for other accomplishments such as longevity, attendance, etc.