

MONTANA STATE SENATE
LABOR AND EMPLOYMENT COMMITTEE
MINUTES OF THE MEETING

April 16, 1985

The twenty-fifth meeting of the Labor and Employment Committee came to order in the Old Supreme Court Chambers at 10:15 a.m. on April 16, 1985

ROLL CALL: All members were present.

CONSIDERATION OF HOUSE JOINT RESOLUTION 49: Chairman Lynch called on Representative Joe Quilici, sponsor of House Joint Resolution 49. House Joint Resolution 49 is a resolution requesting an interim study on health insurance for unemployed workers. He said we are not asking for welfare for this type of people. These are people who have been employed and always contributed, who are now unemployed and have been unemployed for a long time. Only one other state has a program like this.

PROPOSERS OF HOUSE JOINT RESOLUTION 49: Dave Wanzenried, Commissioner of Department of Labor and Industry, rose in support of the concept for calling for a study of health insurance for the unemployed. He highly endorsed a Do Pass.

Don Judge, Montana State AFL-CIO, said the Center on Budget and Policy Priorities did a study that reported that in 1984 only 34% of the unemployed were receiving unemployment benefits in an average month. With the end of FSC this level is likely to fall to 30% in 1985. The department feels this is probably the single most important resolution that sits before this legislature today. He urged the committee to give it a Do Pass consideration, to set it as the top priority and to see if we can do something for those people who are unable to do something for themselves.

Gene Fenderson, representing Montana State Building Construction Trades Council, said the council certainly supports this resolution and hopes it is given top priority.

OPPOSERS OF HOUSE JOINT RESOLUTION 49: None were present.

QUESTIONS FROM THE COMMITTEE: There were no questions from the committee.

Representative Quilici closed on House Joint Resolution 49, saying as long as the committee supports the resolution, that will be good enough for him.

The hearing was closed on HJR 49.

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CONSIDERATION OF HOUSE JOINT RESOLUTION 54: Chairman Lynch called on Representative Cal Winslow, sponsor of House Joint Resolution 54. The attempt in the resolution is not necessarily to establish a new program for the state. It is to try to develop a program that can enhance our job placement and our training.

PROPOSERS OF HOUSE JOINT RESOLUTION 54: Louise Kunz, Montana Low Income Coalition, submitted written testimony.
(Exhibit No. 1)

Dave Wanzenried, Commissioner of Department of Labor and Industry, rose in support of this concept and offered amendments to HJR 42.
(Exhibit No. 2)

Jim Smith, representing Montana Human Resource Development Council Directors Association, said the association regards this resolution as important, valuable and worthwhile. They have good programs around the state and they are serving needy populations.

OPPOSERS OF HOUSE JOINT RESOLUTION 54: None were present.

QUESTIONS FROM THE COMMITTEE: There were no questions from the committee.

Representative Winslow closed on House Joint Resolution 54, saying he believes one of the major things we face in general assistance or any of our benefit programs, those at county levels, is the lack of enough jobs.

The hearing was closed on House Joint Resolution 54.

CONSIDERATION OF HOUSE JOINT RESOLUTION 42: Chairman Lynch called on Representative Les Kitselman, sponsor of House Joint Resolution 42. This is a resolution requesting an interim study of methods of computing standard prevailing wage rates and determining geographical areas subject to the rates for purposes of state, county, municipal, and school construction projects.

PROPOSERS OF HOUSE JOINT RESOLUTION 42: Dave Wanzenried, Commissioner Department of Labor and Industry, rose not in support of the resolution but just to clarify a couple of things on page 2, lines 14-17 and on page 3, lines 14-17. He offered amendment.
(Exhibit No. 3)

OPPOSERS OF HOUSE JOINT RESOLUTION 42: Gene Fenderson, representing Montana State Building Trades Council, rose in opposition to HJR 42. He referred to House Bill 387 which directs the Department of Labor to incorporate rules

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under the Administrator Procedures Act. He believes HJR 9 is a duplication and House Bill 387 can take care of the situation.

QUESTIONS FROM THE COMMITTEE: Chairman Lynch asked Representative Kitselman where, knowing there are going to be only three resolutions, he would place this study. Representative Kitselman replied he would like to place it on the list with the other studies and let it be determined by the legislative body. Chairman Lynch asked Representative Kitselman if he would place this resolution as one of the top three on the priority list. Representative Kitselman replied he would. He feels it is in the top ten.

Representative Kitselman closed on House Joint Resolution 42.

The hearing was closed on House Joint Resolution 42.

CONSIDERATION OF HOUSE BILL 375: Chairman Lynch called on Representative Francis Bardanouve, sponsor of House Bill 375. House Bill 375 is basically the Pay Plan for the 1987 biennium. It was basically a two and two to begin with. The insurance is a little different than it has been in the past years. Formally we have had a \$10 increase; this year for the first year it will be a \$5 increase, and the other \$5 will fall back into the Pay Plan itself. The second year there will be an increase of \$10, so there is actually only a \$15 increase in insurance for the biennium. Representative Bardanouve explained the sections of House Bill 375.

House Bill 375, with the House amendments, is attached as Exhibit No. 8.

Exhibit No. 9 contains facts and figures of House Bill 375.

Dennis Taylor, Administrator of the State Personnel Division in the Department of Administration, submitted written testimony in support of House Bill 375.
(Exhibit No. 4)

Tom Schneider, representing Montana Public Employees Association, submitted written testimony in support of House Bill 375.
(Exhibit No. 5)

Rod Sundsted, chief negotiator for the Executive Branch of State Government in Collective Bargaining, rose in support of House Bill 375 and submitted written testimony.
(Exhibit No. 6)

Nadiean Jensen, representing AFSCME, rose in support of House Bill 375. She said it is not much, but it is what we can get, with the times being what they are.

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Gene Fenderson, representing Montana State Building and Construction Trades Council, rose in support of House Bill 375.

Terry Minow, on behalf of the Montana Federation of Teachers and the Montana Federation of State Employees, AFT, AFL-CIO, submitted written testimony neither as a proponent nor an opponent.
(Exhibit No. 7)

OPPONENTS OF HOUSE BILL 375: None were present.

QUESTIONS FROM THE COMMITTEE: Senator Haffey asked Representative Bardanoue if the 16.5 million that is in the plan is sufficient to do what we say we are doing, or is it \$17.4 million.

Representative Bardanoue replied the original bill as written by the governor's office had \$17.4 million on the last computer run; based on House Bill 500, \$16.5 million should be sufficient.

Chairman Lynch remarked that we have to live with this bill whether \$16.5, and \$17.4 or \$900,000; if this bill is passed we have to live with it whether we are short or long.

Representative Bardanoue replied if Senator Lynch feels the figure is improper or incorrect, he has a prerogative of amending the bill and increasing the amount to whatever he feels is correct.

Chairman Lynch added it is his understanding the funding for this bill is in House Bill 500, not in this bill.

Representative Bardanoue replied this is the appropriation bill. The appropriation for the pay plan is not in House Bill 500.

Senator Towe asked Representative Bardanoue why we are dealing with \$16.5.

Representative Bardanoue replied the fiscal analyst ran the figures based on HB 500 as it left the House. They said they were very careful driving through every agency. The budget office has not run the pay plan, and the fiscal analyst talked to the budget office about running the Pay Plan. We had the Pay Plan on the floor of the House, and this is the figure that they came up with.

Senator Towe asked Dave Hunter, Budget Director, if he was satisfied and comfortable with the figure 16.5.

Dave Hunter replied he believes the correct cost is 17.4. He thinks Representative Bardanoue's suggestion, to wait and see what action is taken on HB 500 and then adjust numbers in proper percents, is a good idea.

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Chairman Lynch stated he had a little problem with that, because the committee cannot hold the Pay Plan in hostage for HB 500. He said the suggestion that as HB 500 gains or loses money then we add or lose money in this bill is troublesome. We should have a proper price tag on this bill.

Senator Towe asked if somebody could explain to him what the difference is between the 16.5 and 17.4.

Judy Curtis Waldron, with the office of the Legislative Fiscal Analyst, answered they ran the pay matrixes that are contained in the amended HB 375 when HB 500 was completed on the House floor, so we used the FTE's, the grades and steps that were approved there, and the 16.5 is the general cost that we got for that.

Senator Towe asked if she was saying that what happened in the Budget Bill 500 may affect the pay plan because we may in fact reduce some of the FTE's and some of the agencies, and therefore that would have a corresponding reduction in the Pay Plan.

Judy Waldron replied that is correct.

Senator Towe asked Dave Hunter if he was going to have to rerun the figures after he finds out how House Bill 500 fares in the Senate.

Dave Hunter answered yes he would have to make a rerun.

Senator Thayer said Mr. Schneider had tried to address the Pay Plan in some way of giving better compensation to the lower salaried people than the higher paid. He asked how Mr. Schneider addressed that.

Mr. Schneider answered the final settlement puts a floor of \$300 the first year and \$250 the second year. When you apply that to the lower salaries that produces a higher percentage increase to those people.

Representative Bardanouve closed on House Bill 375, saying the governor's budget had many positions which were not put into HB 500. The House increased positions at the prison by 78, which everyone agreed upon. They increased the positions at the Youth Treatment Center in Billings, which was a new facility. Many positions that were proposed in the governor's budget and not in House Bill 500; they were modified positions, and the House set modified positions apart from the appropriations process.

The hearing was closed on House Bill 375.

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EXECUTIVE ACTION ON HOUSE JOINT RESOLUTION 54: Senator Blaylock moved to amend HJR 54 as follows:

Page 2, line 13.

Following: "unemployed"

Strike: "but"

Insert: "and"

Following: "is"

Strike: "little coordination of efforts"

Insert: "an increased need for coordination of efforts because of steadily decreasing resources"

On a voice vote with Senators Aklestad and Keating voting no and all others voting yes the amendment was adopted.

Senator Blaylock moved the resolution Be Concurred In as Amended. On a voice vote, with Senator Aklestad voting no and all others voting yes, the motion carried.

EXECUTIVE ACTION ON HOUSE JOINT RESOLUTION 49: Senator Blaylock moved that HJR 49 Be Concurred In. On a voice vote, with Senator Aklestad voting no and all others voting yes, the motion carried.

EXECUTIVE ACTION ON HOUSE JOINT RESOLUTION 42: Senator Thayer made a motion that House Joint Resolution 42 Be Concurred In. On a voice vote, with Senators Aklestad, Keating, and Thayer voting yes and Senators Blaylock, Haffey, Manning, Towe, and Lynch voting no, the motion failed.

ADJOURNMENT: The committee, having no further business, adjourned at the hour of 11:45 a.m.


Committee Chairman

STANDING COMMITTEE REPORT

April 16

19 85

MR. PRESIDENT

We, your committee on **LABOR AND EMPLOYMENT RELATIONS**

having had under consideration **HOUSE JOINT RESOLUTION**

No. **42**

third reading copy (**blue**)
color

REQUEST INTERIM STUDY OF PREVAILING WAGE FOR PUBLIC CONSTRUCTION CONTRACTS

Respectfully report as follows: That.... **HOUSE JOINT RESOLUTION**

No. **42**

HE NOT CONCURRED IN

~~RECEIVED~~

~~RECEIVED~~

SENATOR J.D. LYNCH

Chairman.

STANDING COMMITTEE REPORT

April 16 19 35

MR. PRESIDENT

We, your committee on **LABOR AND EMPLOYMENT RELATIONS**

having had under consideration **HOUSE JOINT RESOLUTION** No. **49**

third reading copy (blue)
color

INTERIM STUDY ON PROVIDING HEALTH INSURANCE FOR THE UNEMPLOYED

(Senator Lynch will carry the bill)

Respectfully report as follows: That **HOUSE JOINT RESOLUTION** No. **49**

BE CONCURRED IN

RECORDED

INDEXED

SENATOR J.D. LYNCH

Chairman.

STANDING COMMITTEE REPORT

April 16 19 85

MR. PRESIDENT

We, your committee on **LABOR AND EMPLOYMENT RELATIONS**

having had under consideration **HOUSE JOINT RESOLUTION** No. **54**

third reading copy (blue)
color

INTERIM STUDY OF COORDINATION OF JOB TRAINING AND WORK PROGRAMS

(Senator Lynch will carry the bill)

Respectfully report as follows: That **HOUSE JOINT RESOLUTION** No. **54**

be amended as follows:

1. Page 2, line 13.

Following: "unemployed"

Strike: "but"

Insert: "and"

Following: "is"

Strike: "little coordination of efforts"

Insert: "an increased need for coordination of efforts because of steadily decreasing resources"

AND AS AMENDED

BE CONSIDERED IN

~~DO NOT PASS~~

~~DO NOT PASS~~

SENATOR J.D. LYNCH

Chairman.

Labor and Employment COMMITTEE

48th LEGISLATIVE SESSION -- 1985

Date 4/16/85NAME
SEAT

#

NAME	PRESENT	ABSENT	EXCUSED
1 Senator Aklestad	X		
46 Senator Blaylock	X		
9 Senator Haffey	X		
20 Senator Keating	X		
49 Senator Manning	X		
33 Senator Thayer	X		
Sentor Towe	X		
5 Chairman Lynch	X		

Each day attach to minutes.

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

NAME: ROUISE KENZ DATE: 4/16/85

ADDRESS: _____

PHONE: 449-8801

REPRESENTING WHOM? MT Low AN OOM 2

APPEARING ON WHICH PROPOSAL: HJR 54

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? _____

COMMENTS: we'd like to go on record as supporting
this resolution. IT MAKES GOOD SENSE TO REGULATE
WHAT WE ALREADY HAVE GOING FOR UP IN THE JOO
AREIT.

THERE IS ONLY ONE RECOMMENDATION WE
WOULD LIKE TO MAKE - WHILE YOU SEARCH FOR WAYS
TO EMPLOY THOSE NOW ON GEN. ASSISTANCE THEY
NOT HAVE THE RES DULLED OUT FROM UNDER THEM BY
REMOVING FROM ^{the} G.D. PROGRAM.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Amend House Joint Resolution 54:

1. Page 2, line 13.

Following: "unemployed"

Strike: "but"

Inesert: "and"

Following: "is"

Strike: "little coordination of efforts"

Insert: "an increased need for coordination of efforts because of steadily decreasing resources"

Amend House Joint Resolution 42, Third Reading Copy as follows:

1. Amend Page 3, Line 13

Following: "conditions;"

Strike: "and"

2. Amend Page 3, Line 14

Insert: New subsection 3

"the costs associated with administering alternative methods and procedures for computing prevailing wage rates; and"

Renumber: Remaining subsection

NAME: DENNIS M. TAYLOR DATE: 4/16/85
ADDRESS: Rm 130, MITCHELL BUILDING HELENA

PHONE: 444-3871

REPRESENTING WHOM? STATE PERSONNEL DIVISION

APPEARING ON WHICH PROPOSAL: HB 375

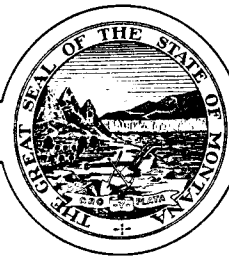
DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: _____

see attached

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

DEPARTMENT OF ADMINISTRATION
STATE PERSONNEL DIVISION



TED SCHWINDEN, GOVERNOR

ROOM 130, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-3871

HELENA, MONTANA 59620

April 16, 1985

TESTIMONY OF DENNIS M. TAYLOR, ADMINISTRATOR
STATE PERSONNEL DIVISION, DEPARTMENT OF ADMINISTRATION
PRESENTED TO THE SENATE LABOR AND EMPLOYMENT RELATIONS
COMMITTEE IN SUPPORT OF HOUSE BILL 375.

Mr. Chairman, Committee members, my name is Dennis Taylor and I am the Administrator of the State Personnel Division in the Department of Administration. I appear before you in support of HB 375, the Department of Administration's recommendations for a modest and affordable salary increase for state executive employees, for fiscal years 1986 and 1987, consistent with negotiated agreements reached during collective bargaining the last seven months. The four pay matrices established in HB 375 are:

1. The statewide pay schedule (general matrix). Excluding the University System, the general schedule covers approximately 8,400 positions or about 90% of the state executive branch work force;
2. The institutional teachers pay schedule. This pay schedule covers approximately 48 positions, less than one percent of the state work force;
3. The liquor store occupations pay schedule which covers approximately 145 positions or about 1.6% of the affected work force; and
4. The blue collar plan which covers approximately 740 positions or a little less than 8% of the work force of the executive branch.

HB 375 would increase state employees pay and benefit contributions approximately 1.75% in FY86 and 1.75%, plus a step, in FY87. Rod Sundsted, Chief of the Labor Relations and Employee Benefits Bureau and the state's chief negotiator, will present a detailed overview of each proposed pay schedule together with a report of negotiations with state unions since September 1984. Before he begins his presentation, I would like to draw your attention to the findings of the 1984 Salary Survey, conducted by the State Personnel Division.

The Salary and Benefit Survey indicates that Montana executive branch state employees' salaries are near or slightly above market averages in the state and around the region at classified grades 10 and below. Grades 11 and above tend to be below market averages. The salaries of most of the state's professional and managerial positions remain slightly below market averages. During the last biennium our market position has improved slightly. HB 375, as amended, would simply keep most state employees in line or slightly below projected market rates. HB 375, if adopted as negotiated and proposed to you, would

maintain the state's relative market position. It would do little, however, to improve our market position for professionals and managers.

The pay proposals contained in HB 375 reflect a compensation philosophy of affordability, that is "ability to pay", viewed in the context of overall budgetary priorities with serious consideration given to the cumulative affects of biennial pay decisions on the state's competitive position in the labor market and the degree of pay equity fostered.

I urge you to concur in HB 375, as amended, in the House of Representatives, to ensure a fair rate of compensation for the affected state executive branch employees consistent with Montana taxpayers ability to pay.

The \$16.5 million provided for in HB 375 funds pay increases for those executive branch state employees covered by the statutory pay schedules and the negotiated settlements together with similar pay increases for employees in the university system, community colleges, vo-tech centers, mental health centers, and the legislative and judicial branches of state government. The \$16.5 million figure is \$900,000 below the actual cost calculated by the Office of Budget and Program Planning. Careful consideration should be given to ensure the proper funding level for all governmental entities affected by HB 375 consistent with any amendments to HB 500 adopted by the Senate Finance and Claims Committee and the full Senate.

Thank you for your attention and the opportunity to appear before you today. I will be happy to address your questions should you have any.

MONTANA

PUBLIC

EMPLOYEES

ASSOCIATION

1426 Cedar Street • P.O. Box 5600

Helena, Montana 59604

Exhibit No. 5

April 16, 1985

HB 375

Telephone (406) 442-4600

Toll Free 1-800-221-3468

TO: Honorable Members - Senate Business and Labor Committee

PRESENTED BY: Thomas E. Schneider, Executive Director

SUBJECT: HOUSE BILL 375 (Pay Plan)

I would like to begin by publicly thanking Representative Bardanouve for sponsoring House Bill 375. The statement was made during the negotiations which took place in the House, that if both sides were unhappy then the settlement must be good. I don't think I have to tell this committee that there are certainly people on both sides who are unhappy with this settlement. I can also assure this committee that, even though, our members are not happy with the settlement, it was reached at the bargaining table with the state on March 14 and since that time MPEA has completely supported the settlement and will continue to do so.

Negotiations were very difficult this time because of the financial situation. We entered them with two goals in mind. One was to preserve the advancement of the state employees on the pay steps and in that area this settlement is a compromise of one step during the second year. In addition MPEA wanted to insure that the increase was not based totally on percentage. Percentage increases benefit the higher paid employees more than the lower paid employees and with only so many dollars available for salary increases we wanted to insure that they were spread equally amongst the employees. The final agreement does not do that entirely but is a step in the right direction.

The other goal which MPEA had was to insure that any salary increase was properly funded. As you remember, the settlement in 1983 was funded mainly by "vacancy savings" which resulted in many problems. We received assurances at the bargaining table that our negotiated agreement was funded by the appropriations in HB 375. Representative Bardanouve has assured me that the present appropriations in HB 375, according to the LFA, provides full funding based on their figures at the time the bill was acted upon on the House floor. We have accepted those figures and consider HB 375 to be the product of a good faith negotiations by all parties.

Eastern Region

P.O. Box 20404

Billings, MT 59104

(406) 256-5915

Western Region

P.O. Box 4874

Missoula, MT 59806

(406) 251-2304



I would like to touch, just briefly, two other issues. First, the issue of the balance in the state self insured health program. I sat and listened to people who didn't know what they were talking about say that there was a 2 million dollars excess in the trust fund. As a member of the health advisory committee and one of the founders of the self insurance fund, I would be willing to spend as much time as anyone would like explaining the figures but let me just say that from any fund balance figure you hear quoted you have to subtract approximately 2.75 million for claims runout and 3 million for the 20% of premium the trust fund self insures. If the unallocated balance after subtracting those figures is not at least between 3 to 4 million dollars the state cannot continue with self insurance because it cannot insure itself against future loses. Too show you how concerned the advisory committee is with funding and being able to continue with self insurance, last June we made a decision to raise the deductible from \$ 100 to \$ 150 dollars because our consultant pointed out that the increase had to be made now to protect the fund three years in the future. I hope you will continue to let the people who work with the program continue to make those decisions based on recommendations from professional consultants.

The second issue I would like to touch upon briefly is SB 247. For some reason many legislators feel SB 247 was a salary increase for state employees. It is not a salary increase, it simply defers taxes on the money paid to the retirement system. For those who quit, the money will become immediately taxable so it may or may not be in their best interest.

It also must be pointed out that SB 247 covered all teachers and local government employees as well as state and university employees. The average effect on take home pay for a member of MPEA will be less then 1%. Teachers will probably receive the greatest increase because their contribution to TRS is higher and their average salaries are higher. Again, please don't count SB 247 as a salary increase.

I will end by assuring the committee that HB 375 is the result of a sometimes bitter five months of bargaining and respectfully request that you stand with us in supporting a pay agreement which was pounded out at the bargaining table. Thank you.....

DEPARTMENT OF ADMINISTRATION
STATE PERSONNEL DIVISION



TED SCHWINDEN, GOVERNOR

ROOM 130, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-3871

HELENA, MONTANA 59620

TESTIMONY OF ROD SUNDSTED, CHIEF NEGOTIATOR FOR THE
EXECUTIVE BRANCH OF STATE GOVERNMENT IN COLLECTIVE
BARGAINING, SUPPORTING HOUSE BILL 375

Mr. Chairman, Members of the Committee, my name is Rod Sundsted, and I am the Chief Negotiator for the Executive Branch of State Government in Collective Bargaining.

I appear before you today in support of HB 375, which is the Administration's proposal for state employees' salaries covering the Fiscal Year 86/87 Biennium.

Since the passage of the Collective Bargaining Act in 1973, collective bargaining has dictated the evolution of the State Employee Pay Schedules. In all but one minor instance, the negotiated settlements have been implemented.

Legislation passed by the 48th Legislature, 17-7-111 and 112, M.C.A., requires that the Budget Director submit the proposed pay plan schedule for all executive branch employees to the Legislative Fiscal Analyst no later than November 15 in the year preceding the Legislature.

The State Labor Relations Bureau started negotiations with state employee unions on September 4, 1984, in an attempt to reach tentative agreements in time for the November 15 submission deadline. To date, ninety-three (93) collective bargaining sessions have been held. The collective bargaining negotiations have been difficult, mainly because the expectations of state employee unions have generally exceeded the money that the administration felt could be allocated to increase state employees' salaries. The State has, however, reached tentative agreements with the American Federation of State, County, and Municipal Employees, the Montana Public Employees Association, the Montana Nurses Association, the Laborers, the Montana Public Employees Craft Council, and the United Food and Commercial Workers Union. These unions represent over 85% of the 5,000 organized employees in the executive branch.

HB 375, as amended, provides for the following changes in state employee compensation.

Health Insurance Contribution

The State's contribution for group insurance would increase from the present \$100 per month to \$105 per month in FY86, and to \$115 per month in FY87. These rates apply to all state employees.

Testimony of Rod Sundsted - HB 375
April 16, 1985

Page 2

Wages/Salaries

Statewide Pay Schedule - Over 90% of all executive branch state employees are on this matrix. For FY86, this matrix is increased at step two by 1 1/2% or \$300, whichever is greater. Employees would not be allowed to advance a step on the matrix during FY86.

For FY87, this matrix is increased at step two by 1 1/4% or \$250, whichever is greater. Employees would be allowed to advance a step on their anniversary date during FY87. (A step is approximately 2%.)

Institutional Teachers Pay Schedule - Approximately 48 positions. This matrix is increased by approximately 2.4% during FY86 and by approximately 2.0% during FY87. Teachers would be allowed to advance based on educational attainment during FY86 and FY87 but would not be allowed to advance based on experience.

Liquor Store Pay Schedules - Approximately 145 positions. These employees will receive a \$.15/hr. increase in FY86, and a \$.22/hr. increase in FY87. These increases are approximately 2% and do not include insurance increases.

Blue Collar Pay Schedules - Approximately 740 positions. These employees will receive a \$.20/hr. increase in FY86 and a \$.26/hr. increase in FY87. These increases are approximately 2% and do not include insurance increases.

I believe that the matrices in HB 375 contain modest increases which strike a balance between the present economic times on one hand, and the need for the State to recruit and retain qualified employees on the other.

In closing, I again request that the pay schedules in HB 375 be passed.

RS/pb



MONTANA FEDERATION OF TEACHERS

AMERICAN FEDERATION OF TEACHERS

AFL-CIO

P.O. Box 1246

Helena, Montana 59624

(406) 442-2123



TESTIMONY OF TERRY MINOW ON BEHALF OF THE MONTANA FEDERATION OF TEACHERS AND THE MONTANA FEDERATION OF STATE EMPLOYEES, AFT, AFL-CIO ON HB 375 BEFORE THE SENATE FINANCE AND CLAIMS COMMITTEE, APRIL 16, 1985

Labor

On behalf of 10 affiliated unions which bargain collectively with the Department of Administration, the Board of Public Education or the Board of Regents, I appear as neither a proponent nor an opponent of HB 375. Rather, I come in support of any improvement which will provide for wage and benefit increases more closely in line with the anticipated rate of inflation. Our members also strongly oppose any effort to use the state pay plan as the mechanism by which the state budget is balanced!

Let me begin by stating that no local affiliated with the Montana Federation has reached any type of settlement with respect to wages or benefits for the next biennium. We have not settled because the money offered to us is simply too little and all efforts to convince the Schwinden administration of that fact have fallen on deaf ears. Despite what some news accounts have asserted-the average increase in pay contained in this bill is 2% and not 4% as has been reported. The confusion has arisen because of a provision in SB 247 which allows a tax deferral on the employer's contribution to PERS. No matter what your opinion is on the merit of such a provision, it cannot be regarded as a pay raise. It will result in an increase in take home pay for one year, but it will only postpone and not eliminate tax liability.

We object to the size of the pay and benefit increases contained in HB 375 for several reasons. One, they do not keep pace with the anticipated rate of inflation, which is now 4%, but which could increase to 6.3% by 1987 if the Governor's economic forecasting firm, Chase Econometrics, is to be believed. Our members work hard for a living. They pay taxes and support families like anyone else. A pay plan which lowers their real income is not fair to them or to the people of this state who rely on the services they provide.

Second, this pay plan proposal particularly hurts professional employees, including university faculty, who as a group are already significantly below market averages. A Department of Administration study, for example, shows that state engineers are paid 21.9% less than state engineers in surrounding states. Lawyers average 19.4% less, pharmacists 15.3%, economists 10.6% less, computer scientists 10.5% less, etc. In comparison with regional peer institutions, faculty salaries at the University of Montana are 10.3% behind at the full professor rank, 8.1% behind at the associate professor rank, 6.3% behind at the assistant professor rank and 10% behind at the instructor rank. It is this group of highly-skilled employees who will be most tempted to leave state employment if their salary continues to fall significantly below what other employers are prepared to pay.

Finally, the proposed increase in the state's contribution for health insurance is inadequate-particularly in the university system. Traditionally, the State of Montana has increased its contribution by \$10 per month each year. HB 375, however, proposes just a \$5 per month increase in FY 86. The surplus in the state insurance fund has been cited as justification for this change. There is no surplus in the fund ad-

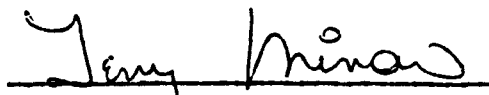
ministered by the Board of Regents for the Montana University System. By limiting the increase in the state's insurance contribution, it is very likely that benefits will be reduced or the cost to the participating university employees increased.

Although the hour is late and funds are extremely limited, we do have three suggestions for you to consider in your deliberations on HB 375. First of all, we strongly believe that you should increase and not reduce the \$16.5 million general fund appropriation contained in the bill. As stated earlier, the current appropriation means a decline in real income for over 14,000 people who work for the State of Montana. An increase of even a few million dollars, distributed on the basis of good faith negotiations with employee unions, would help to bridge the gap between income and expenditure for those employees.

Second, a special fund could be created to supplement the pay offered to those professional employees whose income falls far below market averages. Such a fund need not cost a significant amount of money, but would do much to help the state retain those employees who might otherwise be inclined to seek other employment.

Finally, legislators should reconsider the wisdom of limiting the increase for health insurance to \$5 per month. A \$10 per month increase in FY 86 for state employees would allow expanded coverages or a lower deductible. For university system employees, it would at least preserve the status quo. Were the \$10 per month increase in FY 86 limited to the university system, the additional cost to the state would come to only a little more than \$400,000 over the biennium.

In conclusion, we believe that fair and adequate wage and benefit increases are vital to the well-being of state government and to the people it serves. We do not believe that the increases proposed in HB 375 are sufficient and we ask that you consider the impact of your actions on this bill on those individuals who have been charged with carrying out the mandate of government.


Terry Minow

House Bill 375, as amended, provides for the following changes in state employee compensation:

Health Insurance Contribution

The State's contribution for group insurance would increase from the present \$100 per month to \$105 per month in FY-86, and to \$115 per month in FY-87. These rates apply to all state employees.

Wages/Salaries

Statewide Pay Schedule - (Approximately 8,400 positions.) Over 80% of all executive branch state employees are on this matrix. For FY-86, this matrix is increased at step two by 1½% or \$300, whichever is greater. Employees would not be allowed to advance a step on the matrix during FY-86.

For FY-87, this matrix is increased at step two by 1½% or \$200, whichever is greater. Employees would be allowed to advance a step on their anniversary date during FY-87. (A step is approximately 2%.)

Institutional Teachers Pay Schedule - (Approximately 50 positions.) This matrix is increased by approximately 2.4% during FY-86 and by approximately 2.0% during FY-87. Teachers would be allowed to advance based on educational attainment during FY-86 and FY-87 but would not be allowed to advance based on experience.

Liquor Store Pay Schedules - (Approximately 130 positions.) These employees will receive a \$.15/hr. increase in FY-86, and a \$.22/hr. increase in FY-87. These increases are approximately 2% and do not include insurance increases.

Blue Collar Pay Schedules - (Approximately 900 positions.) These employees will receive a \$.20/hr. increase in FY-86 and a \$.26/hr. increase in FY-87. These increases are approximately 2% and do not include insurance increases.

In summary, the major changes that the amendments to House Bill 375, as introduced, are:

1. \$5 per month of the insurance contribution is removed from FY-86 and put into wages.
2. By providing for a percentage or flat dollar adjustment, whichever is greater, on the statewide matrix each year, lower graded employees, grades 12 and under, receive a larger percentage increase than grades 13 and above.
3. A step on the statewide matrix is allowed during FY-87 only. This is possible within the same dollar cost (\$17.4 million) because the base increase under House Bill 375, as introduced, was reduced from 2% each year to 1½% the first year and 1¼% the second year under the amendments and because the insurance contribution was reduced by \$5 per month the first year.
4. Funding the pay and benefits increases at \$16.5 million instead of \$17.4 million.

HB 375 FACT SHEET

1. The pay schedules contained in HB 375 represent tentative agreements with over 85% of the state's 5,000 organized employees.
2. The base increases in the statewide pay schedule have been 1.5% in FY84, 1.5% in FY85 and HB 375 would provide 1.5% in FY86 and 1.25% in FY87.
3. The consumer price increase has been and is expected to increase by 4-6% each year over the same four years.
4. Nationally, as reported by the Bureau of National Affairs, contracts negotiated in 1984 had a median increase of 5.4% in 1984 and deferred increases of 4.6% in 1985 and 4.2% in 1986.
5. Local school district settlements for the 1985-1986 school year are averaging over 6% including experience steps. Plus, their base salaries are approximately 20% over state teachers.
6. Since 1976, the base salary increases for state employees has fallen behind the consumer price increase by 19.9% for a grade 8 employee, by 25.2% for a grade 12 employee and by 27.4% for a grade 16 employee. This will be further aggravated by the small increases in HB 375.
7. When the statewide insurance plan was implemented in 1979, the state contribution paid for 90% of the average employees cost. This percentage has dropped to 81% even though the deductible has been increased from \$0 in 1979 to \$150 per person and \$450 per family per year and the payment rate has dropped from 90% in 1979 to 80% in 1985.
8. State salaries lag behind surrounding states presently by approximately 8% while being approximately equal to those in state employers.