

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

February 2, 1987

The third meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol to hear House Bill 233. The meeting was called to order at 5:15 p.m. by Chairman, Senator Regan.

ROLL CALL: All members present except Senator Stimatz who was excused.

CONSIDERATION OF HOUSE BILL 233: Representative Bardanoue, chief sponsor of House Bill 233 said this was a bill that he did not really enjoy presenting, but it was symbolic of the times. Our money is short, and you can sum this bill up very shortly by saying it is a pay freeze. It freezes in place all employees of Montana except the University System, which is not on this. This bill is several pages long but it is merely presenting the pay plan as it is now on the books and bringing it up to date. The first section, for example, brings the fiscal year up to the '89 biennium and section 2 updates the procedures to utilize the pay schedule, and there was some unnecessary language that was put there about bargaining units because there is no pay increases so there is no bargaining board for higher pay. The schedules in there are for the employees of Montana--it covers most of the employees of Montana. The portion on the teachers covers about 45 or 50 teachers. There is an allowance for increase if the teachers educational qualifications have increased since the prior year. The liquor store employees, it puts them in place where they are now. There are about 130 employees in the liquor area and in time there will be less employees as we go into more and more commission agencies. A few years ago we had 300 and some and there is less than half of that now and I would say in about 4 years there probably won't be any. The final schedule is the blue collar workers. Most of these are the workers in the blue collar profession--there is about 750 employees under the blue collar pay plan. The Executive branch has had negotiations and the operating engineers in the Highway Department has approved--they have signed off on the freeze. There's about 350 people who have signed off on this. There is continued insurance at the present level, and the Department says there is enough money in the insurance fund to fund the insurance for the employees. There is no appropriation with this bill as there is usually because

this is a revenue neutral bill. There is no additional money for pay because it freezes in place all pay, and also there is enough money in the insurance to pay for the insurance.

Representative Bardanouve continued by saying you realize there is probably a small pay cut in this bill. Not by legislation, but because we have always had some inflation and whatever inflation there is there will be a corresponding reduction in the actual pay. Inflation at present is at an all time low so it will not be so severe as it was a few years ago. Hopefully, 3 years from now we will be able to give our employees a raise.

Representative Bardanouve said he did not present this bill with any enthusiasm or joy but there are proposals, I understand, and there is comment that if the crunch gets worse that there could be a wage reduction. Montana is not alone in its financial obligations, and some governments in America have actually reduced wages for their employees. We have in the past attempted to reduce employees and kept the wages at the same level in the pay plan in the special session, and this will not reduce the number of employees. In visiting with people, many will say in these economic times that they would rather have a sure job than to be laid off and go out on the job market.

PROPOSERS TO HOUSE BILL 233: Rod Sundsted, Chief Negotiator for the Executive Branch of State Government in Collective Bargaining spoke in favor of House Bill 233. His testimony is attached as exhibit 1. He also passed out a summary of results on State Employee Salary and Benefit Survey 1986 which is attached as exhibit 2.

OPPOSERS TO HOUSE BILL 233: Thomas E. Schneider, Public Employees Association said we oppose this bill, but not totally. He said I do want you to know that we are not opposed to the section freezing the health insurance contributions. I am a member of the State Advisory Committee for Health Insurance. We are the people who control the plan, we looked at the reserves along with the consultants, and I feel that we can continue with the present level of health insurance benefits for the next 2 years without either increasing the state contribution or, more importantly, increasing the amount that the employees would have to pay for health insurance. The rest of the bill I am opposed to. I guess that is a difficult thing to say at the present time with the financial situation in the state, but there are a number of reasons that we oppose it, some more important than others. First of all, the bill does not freeze everyone, and I think there is a major concern on the part of the other employees who are frozen in this bill that it does not freeze everyone.

Mr. Schneider said the bill does not freeze the state investment officer who currently makes \$95,000. It doesn't freeze anyone whose salary is controlled by the Governor, or whose salary is exempt from the classification and pay plan. It doesn't freeze legislative employees, it doesn't freeze judicial employees, and of course it doesn't freeze the University System as was already stated.

Mr. Schneider said if the only thing they had on the bargaining table was salaries there would be no choice, but there are a lot of things on the bargaining table that have nothing to do with salaries and there simply is no movement in those areas. He said we have the image that when there is a salary increase it is the last thing to pass through the Legislature. He said the minimal increases last time went through in April and this time we are saying that we can pass a wage freeze on Feb. 2 because that helps us to balance the budget. He said this does not send a very good message to the employees who work hard for the people of this state. He said he felt it would have a real effect in the areas they are concerned in. Work load, morale and productivity. Surrounding states are not so far ahead of us but 3 or 4% and we will lose some good employees to those areas. He said the work load in some areas is becoming unmanageable. People are doing illegal things right now such as taking work home. It is illegal under the Fair Standards Act, and the State has policies against doing that, but the employee is trying to get the work done, and in some areas if they don't get the work done the public is going to suffer, and the people in the public who will suffer the most are the ones the employees don't want to make suffer--mainly in the welfare delivery. We have people doing illegal things to get the job done. He also mentioned we do fall behind the CPI, and that a wage freeze is more than a freeze, it will result in some sort of a loss. We lost one step in 1985 when the employees did not receive a step on the pay plan. This bill provides they will lose another 2 steps, so they are going further behind even though at the time they were hired the one thing they were told the state would give them was a step every year until they had reached the 13th step.

Mr. Schneider said we would ask that you not make a wage freeze the first block in building the budget.

Jim McGarvey, Montana Federation of Teachers and the Montana Federation of Employees, said he appeared in opposition to H.B. 233. He said he would ask that the committee first consider revenue measures that would raise the revenue necessary to fund the state services that Montanans deserve and are entitled to. It is our position that more revenue must be raised to fund these services. Revenue neutral proposals leave us in the same bind that we are in today, but in the process of raising more revenue we must also work

to insure that we improve our taxation system. We are proponents of a tax system that is progressive and fair. This bill represents a form of selective taxation. For state employees wages not to keep up with inflation is unfair.

Mr. McGarvey said that state employments have always been willing to pay their fair share of taxes. It is disconcerting to see that the Governor has projected an increase in the growth of personal income for all Montanans while proposing a drop in the purchasing power of state employees. He said this would result in a further drop in the morale of the state employees and it is bad for Montana when state employees feel their jobs are not valued and they seek employment elsewhere, and when our best and our brightest have to leave the state to support their families. Montana needs a good healthy system of state services to ensure positive growth and development for the future. He pointed out the inequities in the teachers profession, and said it is very difficult to fill some of the positions at Warm Springs and Boulder, especially the professional positions.

Deb Gabse, state employee from Boulder said she had not expected to be here, but her decision was based on concern for her family and other employees she worked with. She pointed out in these agencies consistency is very important especially at Boulder. Residents go through 3 shift changes and have to deal with 3 different sets of staff. In addition they have to deal with people coming and going because they are changing to other jobs primarily to get higher wages. She said she felt the people who could not express themselves deserved to have the Legislature consider them rather than the dollars it cost to serve them. She said she would rather pay more taxes and see more around to serve them for a long time.

QUESTIONS FROM THE COMMITTEE: Senator Smith asked Mr. Schneider if he was sure there was enough money to pay for the insurance or if it would be an emergency too. He was told there appears to be enough to have a good stable reserve, and that while they would not bankrupt the reserve in the next 2 years they would take the bulge out of it by the end of that time.

Senator Haffey asked Rod Sundsted if the 3% or 4% they lagged behind other states was the aggregate average or the professional and technical and was told in some cases we lag behind as much as 15% or 16% in some of the technical areas.

Senator Regan asked if they had those broken down by occupation and if so, how much for teachers. She was told it depends on where you are at on the matrix, and that in general they were about \$3,000 behind and when you get out

to the bottom end the maximum is considerably more--about \$8,000.

Senator Haffey asked in regard to the professional and technical, was he talking about the more mobile employees since he would suspect the salaries were lower there. Rod Sundsted answered that (referring to exhibit 2, back page) the professional and technical were considerably more behind than the clerical.

Senator Hims1 said he was curious, did they have a breakdown of what was university, etc. on this and was told by Mr. Sundsted that he could get one and was asked to do so.

There were no further questions from the committee, Senator Regan declared the hearing closed, and the meeting was adjourned at 5:45 p.m.



Senator Pat Regan

ROLL CALL

50th LEGISLATIVE SESSION - - 1987

Date 2-2-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR REGAN	✓		
SENATOR HIMSL	✓		
SENATOR JACOBSON	✓		
SENATOR BENGTON	✓		
SENATOR STIMATZ			✓
SENATOR HARDING	✓		
SENATOR HAFHEY	✓		
SENATOR SMITH	✓		
SENATOR KEATING	✓		
SENATOR STORY	✓		
SENATOR BOYLAN	✓		
SENATOR JERGESON	✓		
SENATOR TVEIT	✓		
SENATOR MANNING	✓		
SENATOR HAMMOND	✓		
SENATOR GAGE	✓		

COMMITTEE ON

DATE 2-2-87
Finance + Claims BILL NO. 233

VISITOR'S REGISTER

NAME	REPRESENTING	Check One	
		Support	Oppose
Louie Esko	Teachers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
John Miller	MDC / Teachers / Health	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Danny Murray	MFT / MESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Marnie Mulcahy	M.F.T.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
George Hendy	Mt. St. Elizabeth	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Thomas E. Schneider	MEPA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Rod SWOSTED	DEPT. OF ADMINISTRATION	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Deb Gabse	MDC / Teachers	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(Please leave prepared statement with Secretary)

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HB 233
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DEPARTMENT OF ADMINISTRATION
STATE PERSONNEL DIVISION

TED SCHWINDEN, GOVERNOR

ROOM 130, MITCHELL BUILDING



STATE OF MONTANA

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HELENA, MONTANA 59620

TESTIMONY OF ROD SUNDSTED, CHIEF NEGOTIATOR FOR THE
EXECUTIVE BRANCH OF STATE GOVERNMENT IN COLLECTIVE
BARGAINING, SUPPORTING HOUSE BILL 233

Madam Chairwoman, 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 233, which is the Administration's proposal for state employees' salaries covering the Fiscal Year 88/89 biennium.

I would like to explain the provisions of HB 233, discuss HB 233 relative to the present status of collective bargaining, and discuss the competitiveness of state salaries in general.

HB 233, which is an integral part of the Governor's budget proposal, provides for the following:

Group Insurance Contribution

The State's contribution for group insurance would remain at the present \$115 per month rate for both Fiscal Year 1988 and 1989 for all employees. It is expected, given the present reserves and cost containment measures in place, that the Plan can maintain present benefits through Fiscal Year 1989 with no increase from the State or employees.

Wages and Salaries

Statewide Pay Schedule - Over 90% of all executive branch state employees are on this matrix. For Fiscal Year 1988 and Fiscal Year 1989, the matrix would remain the same as the present Fiscal Year 1987 level. Except for advancement from Step 1 to Step 2 after the probationary period, employees would not be allowed to advance a step on the matrix during either Fiscal Year 1988 or Fiscal 1989.

Institutional Teachers Pay Schedule - Approximately 48 positions. This matrix would also be frozen at the Fiscal Year 1987 level for Fiscal Year 1988 and Fiscal Year 1989. Teachers would be allowed to advance based on educational attainment during Fiscal Year 1988 and Fiscal Year 1989, but would not be allowed to advance based on experience.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 2-2-87

BILL NO. HB 233

Leg-1/ROD

Liquor Store Pay Schedules - Approximately 145 positions. These employees would also be frozen at the Fiscal Year 1987 level for Fiscal Year 1988 and Fiscal Year 1989.

Blue Collar Pay Schedules - Approximately 740 positions. These employees would also be frozen at the Fiscal Year 1987 level for Fiscal Year 1988 and Fiscal Year 1989.

Collective bargaining has generally dictated wage and benefit levels for state employees. Although we are in negotiations with most major bargaining agents representing state employees, the bargaining process has been somewhat slower this year than in the past. I believe that part of the reason is that 17-7-111 and 17-7-112, MCA, requires that the executive branch submit its proposed pay plan schedules to the Legislative Fiscal Analyst by November 15. Once it became known that we were proposing a wage freeze, I believe it had a chilling effect on negotiations. To date, we have reached agreement with one of the nineteen bargaining agents representing state employees. The Public Employees Craft Union (Teamsters, Machinists, Operating Engineering, Painters, Laborers) has reached an agreement with the State containing a wage freeze. The Public Employees Craft Council represents approximately 330 employees in the Highway Department Maintenance Division that are paid under the Blue Collar pay schedule.

Along with the copy of my testimony, which I have handed out to you, I have attached a summary of the results of the State's 1986 Biennial Salary Survey. I would like to briefly touch on those results to give you an idea of the competitiveness of the state's salaries.

Salaries paid Montana Government employees continue to lag behind those of neighboring states. State employees are paid approximately 12% less, with the gap widening slowly. State of Montana salaries are only slightly below what other Montana employers pay their employees. The occupational groups where the State is least competitive are the Professional and Technical occupations.

In closing, I would like to emphasize that HB 233 is not intended to be critical of the productivity of state employees, nor do we think that state employees are overpaid. We do, however, believe that HB 233 is fair and reasonable given the current economic conditions facing the State and its citizens.

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SUMMARY OF RESULTS

PRESENTED TO
SENATE FINANCE AND CLAIMS COMMITTEE
FEBRUARY 1987

STATE EMPLOYEE SALARY

AND

BENEFIT SURVEY

1986

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

DATE 2-2-87

BILL NO. HB 233

Prepared by:

Department of Administration
Personnel Division
Labor Relations and
Employee Benefits Bureau

SUMMARY OF RESULTS
STATE EMPLOYEE SALARY AND BENEFIT SURVEY - 1986

This report provides an overview of the results of the 1986 State Employee Salary and Benefit Survey conducted by the Department of Administration, Personnel Division. The final report will be presented to the Legislature at a later date.

The primary purpose of the State Salary and Benefit Survey is to measure the competitiveness of state government salaries and benefits with those labor markets most often used to recruit state government employees. State law (MCA 2-18-301) requires that state government provide adequate compensation to attract and retain competent employees to perform the services the state is required to provide its citizens.

State salaries were compared to salaries and benefits paid by other Montana employers and neighboring states. Job classes were selected to represent a cross section of occupational skill levels in state government.

The following general conclusions can be drawn from the survey results:

1. State government salaries continue to lag behind neighboring states. The gap has widened by approximately 4% since the previous survey in 1984. State salaries are comparable overall to other Montana employers.
2. State salaries paid by special pay matrices (retail clerks, blue collar crafts, teachers, and physicians) are near or below average when compared to other Montana employers and neighboring states.
3. Half of the employers surveyed anticipate salary increases for 1987. State Government will not keep pace with those employers.
4. Over half of the employers surveyed have a pay system for increasing salaries for more productive employees. State government does not have a merit pay system.
5. State government's monthly contribution to group insurance is comparable to other employers.
6. State government's retirement contribution is slightly below neighboring states but is comparable to other Montana employers.
7. State government provides comparable leave time to neighboring states, but provides more leave time when compared to Montana employers.

Two tables and a graph are presented in this summary from the survey data. Table 1 shows the 1986 survey results compared to surveys conducted in the previous three bienniums. Table 2 compares state government salaries by general occupational group to other Montana employers and neighboring states from the 1986 survey data. The graph visually shows the comparison by general occupational group.

The final report will contain descriptions of the comparisons made between occupational groups, job classes, and job grades, and will describe the methodologies used in survey design and analysis.

TABLE 1
COMPARISON TO PREVIOUS SURVEYS
OVERALL SALARY SURVEY RESULTS*

<u>Employer Sample</u>	<u>Salary</u>	<u>Percent State Is Above (Below) Survey</u>			
		<u>1986</u>	<u>1984</u>	<u>1982</u>	<u>1980</u>
Neighboring States	Minimum	(4.9)	(5.4)	(4.8)	(7.3)
	Maximum	(15.6)	(10.1)	(11.3)	(9.0)
	Average/Midpoint	(11.8)	(7.9)	(7.8)	(10.8)
	TOTAL COMPENSATION	(12.2)	(5.6)	(7.0)	(11.5)
Montana Employers	Minimum	(0.4)	(1.6)	7.0	(0.9)
	Maximum	(2.1)	0.3	7.7	(2.2)
	Average/Midpoint	(0.1)	(1.0)	5.0	(0.8)
	TOTAL COMPENSATION	(0.6)	1.6	9.7	(0.7)

*Sample size has changed somewhat over the years, but the numbers still adequately reflect the trend in salary data.

TABLE 2
COMPETITIVENESS OF STATE AVERAGE OR MIDPOINT SALARIES
BY GENERAL OCCUPATIONAL GROUP

<u>General Occupational Group*</u>	<u>Employer Sample</u>	<u>Percent State Is Above (Below) Survey</u>
Professional	Neighboring States	(12.9)
	Montana	(1.3)
Technical	Neighboring States	(9.3)
	Montana	1.4
Clerical	Neighboring States	(1.3)
	Montana	(1.3)
Crafts	Neighboring States	(2.1)
	Montana	0.8
Miscellaneous	Neighboring States	11.2
	Montana	1.8

*The survey results were divided into five general occupational groups shown in Table 2. Each general occupational group contains occupational sub-groups which contain specific job titles. The general occupational groups shown contain the following sub-groups:

Professional
 Engineering & Architecture
 Computer Science
 Nursing
 Other Health
 Education
 Accounting
 General Business & Economics
 Top Officials
 Forestry/Agricultural Sciences
 Biological Sciences
 Other Physical & Life Sciences
 Behavioral Sciences
 Medicine
 Dentistry
 Veterinary Medicine
 Pharmacy
 Law
 Art, Photo, Journ., Radio/TV
 Protective Sciences
 Planning
 Aviation
 Library & Archival Sciences
 Hospital Administration

Technical
 Engineering & Architecture
 Computer Science
 Health
 Forestry/Agricultural Sciences
 Other Physical & Life Sciences
 Behavioral Sciences
 Art, Photo, Journal., Radio/TV
 General Business
 Protective Services
 Electronics
 Library & Archival Sciences

Clerical
 General
 Accounting
 Shipping & Receiving
 Computer Science

Crafts
 Structural
 Machine Operator & Mechanics
 Personal Services

Miscellaneous
 Personal & Domestic
 Custodian
 Unskilled - Semi-skilled
 Retail Sales
 Miscellaneous Services

Ex. 2
 Date. 2-2-87
 H.B. 233

COMPETITIVENESS OF MONTANA AVERAGE SALARIES By General Occupational Group

General Occupational Group

