

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EMPLOYEE COMPENSATION

Call to Order: By Chairman Addy, on March 2, 1989, at 6:01 p.m.

ROLL CALL

Members Present: All members were present with the exception of Rep. Spaeth.

Members Excused: Rep. Spaeth.

Members Absent: None.

Staff Present: Judy Waldron, LFA
Lois Menzies, Legislative Council
Mary Liedle, secretary

Announcements/Discussion: Rep. Addy announced the committee would open the hearing on HB 648.

HEARING ON HOUSE BILL 648

Presentation and Opening Statement by Sponsor: Rep. Cobb opened the hearing on HB 648 saying that this bill represents the Governor's proposal for state employee pay for the FY90-91 biennium. This proposal recognizes that state employees are deserving of an increase in compensation and also that state revenues are scarce.

HB 648 has three major components. 1) It establishes the pay schedules for classified employees, blue collar employees, liquor store employees and teachers at the Departments of Institutions and Family Services. The proposal provides for pay increases of slightly over 1.5% in FY90 and an additional 1.5% in FY91. 2) It provides for a greater contribution from the state for insurance from \$1380 per year in FY89 to \$1500 per year in FY90 and \$1680 per year in FY91. 3) It provides the funding, up front, to pay for these increases. HB 648 provides \$23,310,000 (\$14,710,000 of general fund and \$8,600,000 of other funds) to implement the pay and benefit increases. This appropriation is sufficient to provide these increases to all 14,000 state employees including the university system, the legislative branch and the judicial branch.

Some of the concerns about the bill include the fact that if the payroll tax passes the net pay increase would be about \$3,86 per pay period. There is also a problem with insurance. The last two years insurance premiums were frozen because of the salary freeze but insurance costs kept

going up. Next year there may be up to a \$35 deficit per month in insurance premiums that has to be made up. There is also an estimated inflation factor of 4.65% per year.

While the increases provided in HB 648 are moderate, the problem is trying to afford to pay more during current economic times.

(See Exhibit 1)

Testifying Proponents and Who They Represent:

Rod Sundsted, Chief of the State Labor Relations and Employee Benefits Bureau

Sue Romney, Montana University System

Proponent Testimony: (3A 5.34) Rod Sundsted spoke in favor of HB 648. He said the pay bill has traditionally served two purposes. 1) It establishes the salary schedules for certain executive branch employees and 2) It includes the appropriation to fund salary increases for all of state government. The salary schedules established by the pay bill have also included the state's contribution towards group insurance and the pay bill has established the level of contribution.

The pay bill does not establish salary levels for legislative employees, judicial employees, faculty, professional administrative and blue collar employees of the university system, elected officials, teachers, academic personnel, administrative staff and live-in houseparents at the Montana School for the Deaf and Blind or other exempt employees under 2-18-103 and 2-18-104, M.C.A. The actual increases granted to these employees have generally been left to the discretion of the employing agency.

The pay bill does include the appropriation necessary to implement pay increases statewide. Even though the pay bill does not establish salary levels for all state employees, it does contain an appropriation that will fund salary increases of the same magnitude for all employees.

HB 648 provides for increases of approximately 1.5% to 1.6% in salary each year depending upon the grade, step and schedule that is particular to an individual employee. In addition to this increase, each employee would see the state contribution towards insurance increase from \$1380 in FY89 to \$1500 in FY90 and \$1680 in FY91.

HB 648 applies the increase in salary to the base salary in all cases and does not allow step advancement on the schedules. By distributing the increases in this manner each employee will receive nearly the same percentage increase and no employees would be excluded. The only

exception would be the teachers schedule which allows for salary increases of approximately 4% for advancement as a result of additional educational attainment.

This bill proposes a percentage rather than a flat dollar increase in the schedules in an effort to prevent further compression in the schedule. Pay increases since 1975 have generally included a combination of percentage and flat dollar increases. This has had the effect of providing larger percentage increases to lower graded positions resulting in compression in the schedule. For example, since 1975 a grade 4 salary rate has increased by 88% while a grade 22 salary rate has increased by 47%. The compression of the pay schedule has also created some problems with supervisory relationships. It is not uncommon for a supervisor to earn less than an employee in a subordinate position, who is at a lower grade but has more time in service. There is now a 32% range within steps but only a 7.5% differential between grades.

Mr. Sundsted said his three main objectives for this pay bill are: 1) that no employees be excluded from receiving an increase, 2) that the funds required to implement the bill not exceed the \$23.3 million contained in this bill and 3) that the increases not be distributed in a manner that increases the problems of compression.

There has been some discussion that because of the increases that may be needed in the health insurance program, some employees may see an actual decrease in their take home pay during the next biennium. This could in fact happen if the health insurance fund experiences a worst case scenario. If this is a large concern of the committee, more of the increase could be put into insurance and provide a smaller salary increase.

(See exhibit 2)

(3A 11.17) Sue Romney spoke in favor of HB 648. She said the Montana University System supports HB 648 as a vehicle for providing pay increases for university system employees. However, after a two year pay freeze, 1.5% per year is not a sufficient increase.

The past two years have been difficult. In addition to pay freezes there have been layoffs and cutbacks through attrition requiring state employees to be more productive. The demands on the job have gone up and with it, accompanying stress has also gone up. At the same time compensation in real terms has declined along with employee morale and job satisfaction.

State employees have suffered disproportionately in comparison to other Montana citizens as a result of the state's economic problems. Other employee groups within

Montana who are paid with public dollars have fared significantly better than state employees.

The State Personnel Division's recent salary survey indicates Montana now pays employees an average of 17% below what neighboring states provide. The situation has become serious. Inadequate salary levels are not just an employee problem, they have become an employer problem as well.

Ms. Romney provided a comparison between state employees and Montana Class I School District employees. (Page 2, exhibit 3)

(See Exhibit 3)

Testifying Opponents and Who They Represent:

Tom Schneider, Montana Public Employees
Wilbur Raymond, Labor Relations Director Montana Nurses'
Association

Phil Campbell, Montana Education Association
Gene Fenderson, Montana State Building Construction Trades
Council

Jim McGarvey, Montana Federation of Teachers and Montana
Federation of State Employees
Rep. William Menahan

Opponent Testimony: (3A 15.20) Tom Schneider spoke in opposition to the bill on the grounds that it does not provide enough of an increase. Mr. Schneider said he does not oppose anything that will give the state employees a pay increase but this bill is not adequate. He said there is not a pay bill that's come up that he can support the way it's written. He cannot support this bill either in how the money is divided up or in the amount of money provided in the plan. Mr. Schneider said he will support a pay matrix that gives everybody dollars and the same amount of dollars. Nobody spends percentages, nobody eats percentages and nobody buys anything with percentages.

(3A 23.59) Wilbur Raymond spoke in opposition to HB 648. He said there is need for a separate pay matrix for the institutions.

(3A 31.35) Phil Campbell, representing the teachers of Pine Hills and Mountain View, spoke in opposition to the bill. He said there is inequity in comparison of salaries. Mr. Campbell said he would like the committee to consider deleting the section of the bill which creates problems for Pine Hills and Mountain View teachers, 218-303 part 4 (page 5 lines 12-15).

(3A 35.19) Gene Fenderson spoke in opposition to the bill as it is a long way from meeting the needs of the people.

(3A 37.48) Jim McGarvey spoke in opposition to HB 648. He said that while he appreciates the intention of helping the state employees, HB 648 is the wrong response to the adverse conditions that exist today for state employees. HB 648 is a further blow to state employees who have worked under increasingly bad conditions. This bill is an attempt to appease state employees and make the public think the real problems are being addressed. State employees have been subjected to partial or complete wage freezes for four years. 1983 was the last time employees received both a step increase for longevity and a cost of living increase. In 1985 the legislature used an accounting change to grant a so called increase of 3.25% but there was no real increase. State employee's retirement benefits are no longer taxed but gross income stayed the same and no general fund revenue was committed. In 1986 state employees received a 1.3% step increase but no cost of living increase. For six years now inflation has eaten away at state employee's spending power.

A cumulative loss of state employee real wages has actually taken place. Between 1983 and 1988, state employees have suffered a 15% loss in real wages.

(See exhibit 4)

(3B .05) Rep. William "Red" Menahan spoke in opposition to the bill. He said most state employees in his area are not grade 11, which the bill refers to as "average", but rather they are grades 5-8. Many positions have also been downgraded which means more loss of real wages. The state employees deserve more than is being offered in HB 648.

Questions From Committee Members: (3B 1.46) Rep. Quilici: Gene, did you get a chance to take a look at the schematics we have concerning HB 648?

Gene Fenderson responded affirmatively.

(3B 2.01) Rep. Quilici: Have you had a chance to look at the matrix that has the insurance built into it - and what grade and level does it start with before a state employee makes any money?

Gene Fenderson said a grade 11 step 2 would earn \$14.

(3B 4.58) Rep. Addy: Rep. Cobb, can you tell us how you calculated the general fund increase of \$14.7 million and the \$8.6 million in other funds?

Rep. Cobb provided Rep. Addy a handout with a breakdown.

(3B 6.21) Rep. Addy: Would these figures include pay increases for University System employees?

Rep. Cobb said yes.

(3B 15.44) Rep. Addy: If we give an across the board pay increase will that result in more compression in the schedule with more supervisors receiving less than those they supervise?

Rod Sunsted said that one of the problems is that the professional positions which are difficult to recruit won't get as much of an increase with a flat dollar increase as they would with a percentage increase. The biggest problems in recruiting are in the professional ranks.

Closing By Sponsor: Rep. Cobb said that whatever bill the committee does take, he would ask that the pay classification study be included in the bill. The governor has been trying to say that there has been a lot of sacrifice in the last couple years by state and private employees. There's a lot less Montanans in this state right now. The people no longer want rewards, they want to be paid for what they're doing. The economy is not growing fast enough. Right now if you wanted to pay for all the increases for education and salaries and general government, the economy would have to grow three times of what it's going now and that has only happened four times in the last twenty years. Either you have to look at large tax increases to pay for everybody or some people are going to start getting out of this system now and some people are going to have to wait two years from now. Everybody is deserving and we know there has been talk of strikes but we are asking people to use a little caution and wait to see what is going to happen. This committee is quite capable of deciding how they can avoid a strike and make sure people are paid well. I would caution everybody not to talk about strike right now and see what this committee is going to do and what the governor is going to do later on.

ADJOURNMENT

Adjournment At: 7:21 p.m.



REP. KELLY ADDY, Chairman

KA/ml

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EXHIBIT 1
DATE 3-2-89
HB 648

DRAFT TESTIMONY FOR HB 648, GOVERNOR'S PROPOSED PAY BILL

HB 648 represents the Governor's proposal for state employee pay for the FY90-91 biennium. This proposal recognizes that state employees are deserving of an increase in compensation and also that state revenues are scarce.

HB 648 has three major components. First, it establishes the pay schedules for classified employees, blue collar employees, liquor store employees and teachers at the Departments of Institutions and Family Services. The proposal provides for pay increases of slightly over 1.5% in FY90 and an additional 1.5% in FY91. Second, it provides for a greater contribution from the state for employees health insurance. It increases the state contribution for insurance from \$1380 per year in FY89 to \$1500 per year in FY90 and to \$1680 per year in FY91. Third, it provides the funding, up front, to pay for these increases. HB 648 provides \$23,310,000 (\$14,710,000 of general fund and \$8,600,000 of other funds) to implement the pay and benefit increases. This appropriation is sufficient to provide these increases to all 14,000 state employees including the university system, the legislative branch and the judicial branch.

While the increases provided in HB 648 are moderate, the ~~bill is intended to strike a compromise between what many of us would like to provide in salary increases to state employees and what the state can realistically afford to pay during the current economic times.~~

the problem is trying to afford to pay more during current economic times,



The pay bill has traditionally served two purposes. First, it establishes the salary matrices for certain executive branch employees. Second, it includes the appropriation to fund salary increases for all of state government.

The pay bill adopts matrices establishing salary levels for the following employees: 1. Classified employees of the executive branch **including** the university system. 2. Blue collar employees of the executive branch **excluding** blue collar employees of the university system. 3. Employees in liquor store occupations. 4. Teachers employed by the Departments of Institutions and Family Services **excluding** teachers at the Montana School of the Deaf and Blind.

The salary matrices established by the pay bill have also included the state's contribution towards group insurance and the pay bill has established the level of contribution.

The pay bill **does not** establish salary levels for the following employees: 1. Legislative employees. 2. Judicial employees. 3. Faculty, professional administrative and blue collar employees of the University System. 4. Elected officials. 5. Teachers, academic personnel, administrative staff and live-in houseparents at the Montana School for the Deaf and Blind. 6. Other exempt employees under 2-18-103 and 2-18-104, M.C.A.. The actual increases granted to these employees have generally been left to the discretion of the employing agency.

The pay bill **does include** the appropriation necessary to implement pay increases state wide. Even though the pay bill does not establish salary levels for all state employees, it does contain an appropriation that will fund salary increases of the same magnitude for all employees (in this case one and one-half percent each year plus insurance increases of \$10 and \$15 per month in FY90 and FY91 respectively).

The specific changes proposed by the executive pay bill are listed below by the section of law being amended.

2-18-103, M.C.A.

This section has been amended to reflect the fact that teachers are now employed by both the Departments of Institutions and Family Services. This change should have been made at the time that Mountain View School and Pine Hills School were transferred from Institutions to Family Services.

2-18-104, M.C.A.

Subsection (4) has been amended to remove the salary freeze for exempt employees that was enacted last session.

2-18-301, M.C.A.

This section has been amended to update the dates to the current biennium and to update from the 50th to the 51st legislature.

2-18-303, M.C.A.

This section deals with the operation of the matrices and has been amended to update the dates and to provide for a separate pay schedule for each fiscal year. Last biennium there was only one pay schedule for both years because of the pay freeze. This section also contains the current language which freezes steps on the matrices.

2-18-312, M.C.A.

This section contains the matrices for classified employees and has been amended to include the proposed matrices. These matrices cover 8,470 FTE plus approximately 2,000 additional university system employees. There are no employees below grade 5 and 94% of the employees covered by these matrices are in grades 5 through 16. The FY90 matrix was established by taking the FY89 matrix (including insurance) at step 2 and increasing it by 1.5%. The other steps were then set based on the step 2 amount consistent with prior years matrices. An additional \$120 per year or \$10 per month for insurance was added on top of the percentage increase. This raises the states contribution for insurance to \$125 per month for FY90. The FY91 matrix was established by taking the FY90 matrix (including insurance) at step 2 and increasing it by 1.5%. The other steps were then set based on the step 2 amount consistent with prior years matrices. An additional \$180 per year or \$15 per month for insurance was added on top of the percentage increase. This raises the states contribution for insurance to \$140 per month for FY91. Except for movement from step 1 to step 2 at the end of an employees probationary period, step increases have been frozen for both years of the coming biennium.

2-13-313, M.C.A.

This section contains the salary matrices for both nine month and twelve month teachers employed by the Departments of Institutions and Family Services. There are approximately 21 nine month teachers and 26 twelve month teachers covered by these matrices. The salary amounts at each cell in the matrices was increased by 1.5% from the FY89 to the FY90 matrices and by an additional 1.5% from the FY90 to the FY91 matrices. Experience steps on the matrices are frozen for both years of the biennium. Teachers may, however, advance a horizontal step on the matrices based on additional educational achievement. The employees covered by these matrices receive the same insurance contribution increases as described above.

2-18-314, M.C.A.

This section contains the pay schedules for employees in liquor store occupations in the Department of Revenue. These schedules cover approximately 108 FTE. These schedules do not have experience steps but instead have one journeyman rate for each grade. The hourly rates have been increased by 1.5% from FY89 to FY90 and by an additional 1.5% from FY90 to FY91. The employees covered by these schedules receive the same insurance contribution increases as described above.

2-18-315, M.C.A.

This section contains the pay schedules for those blue collar occupations that have collectively bargained a separate pay schedule. These schedules cover approximately 811 FTE. These schedules do not have experience steps but instead have one journeyman rate for each grade. This schedule has traditionally had flat increases at all grades and this bill proposes an increase of \$.16 and \$.13 per hour for FY90 and FY91 respectively. Although the percentage increase may vary based upon the grade, this increase is consistent plan wide. The employees covered by these schedules receive the same insurance contribution increases as described above.

2-18-703, M.C.A.

This section amends the group insurance sections of the statute to provide for the insurance contributions listed above. This section applies to all employees, not just those included in the matrices and schedules listed above.

NEW SECTION-APPROPRIATION

This is a new section because there was no appropriation contained in the last pay bill which provided for a pay freeze. This bill appropriates \$14,700,000 of general fund to the Office of Budget and Program Planning to distribute to state agencies to implement the increases contained in this bill. It also allows the Office of Budget and Program Planning to increase the expenditure authority of agencies by \$8,600,000 from funds other than general fund to implement this act. The total cost to implement this bill from all funds is \$23,300,000. Again, it should be noted that these funds are sufficient to fund increases of this magnitude for all employees and elected officials of the legislative, judicial and executive branches regardless of whether they are covered by the pay schedules above.

Amendments to House Bill No. 648
First Reading Copy

Requested by Representative John Cobb
For the House Select Committee on Employee Compensation

Prepared by Lois Menzies
March 2, 1989

1. Page 4, line 23.
Strike: "1989"
Insert: "1990"

2. Page 4, line 24.
Strike: "schedule"
Insert: "schedules"
Strike: "indicates"
Insert: "indicate"

3. Page 5, line 5.
Strike: "schedule"
Insert: "schedules"
Strike: "indicates"
Insert: "indicate"

2
EXHIBIT 2
DATE 3-2-89
HB 648

TESTIMONY OF ROD SUNDSTED IN SUPPORT OF HB 648

Mr. Chairman, members of the committee, my name is Rod Sundsted. I am Chief of the State Labor Relations and Employee Benefits Bureau, I also serve as the Chief Negotiator for the Executive Branch of state government in collective bargaining. I appear before you today in support of HB 648, which is the Governor's proposal for state employee pay for the FY90-91 biennium.

I would like to explain the purpose and contents of HB 648 and then explain the reasons I am supporting the bill.

The pay bill has traditionally served two purposes. First, it establishes the salary schedules for certain executive branch employees. Second, it includes the appropriation to fund salary increases for all of state government.

This bill adopts schedules establishing salary levels for the following employees: 1. Classified employees of the executive branch including the university system. 2. Blue collar employees of the executive branch excluding the blue collar employees of the university system. 3. Employees in liquor store occupations. 4. Teachers employed by the Departments of Institutions and Family Services excluding teachers at the Montana School of the Deaf and Blind.

The salary schedules established by the pay bill have also included the state's contribution towards group insurance and the pay bill has established the level of contribution.

The pay bill does not establish salary levels for the following employees: 1. Legislative employees. 2. Judicial employees. 3. Faculty, professional administrative and blue collar employees of the university system. 4. Elected officials. 5. Teachers, academic personnel, administrative staff and live-in houseparents at the Montana School for the Deaf and Blind. 6. Other exempt employees under 2-18-103 and 2-18-104, M.C.A.. The actual increases granted to these employees have generally been left to the discretion of the employing agency.

The pay bill does include the appropriation necessary to implement pay increases state wide. Even though the pay bill does not establish salary levels for all state employees, it does contain an appropriation that will fund salary increases of the same magnitude for all employees (in this case slightly over one and one-half percent each year plus the insurance increases of \$120 in FY90 and \$180 in FY91).

House Bill 648 provides for increases of approximately 1.5% to 1.6% in salary each year depending upon the grade, step and schedule that is particular to an individual employee. In addition to this increase, each employee would see the state contribution towards insurance increase from \$1380 in FY89 to \$1500 in FY90 and to \$1680 in FY91.

House Bill 648 applies the increase in salary to the base salary in all cases and does not allow step advancement on the schedules. By distributing the increases in this manner each employee will receive nearly the same percentage increase and no employees will be excluded. The only exception would be the teachers schedule which allows for salary increases of approximately 4% for advancement as a result of additional educational attainment.

This bill proposes a percentage rather than a flat dollar increase in the schedules in an effort to prevent further compression in the schedule. Pay increases since 1975 have generally included a combination of percentage and flat dollar increases. This has had the effect of providing larger percentage increases to lower graded positions resulting in compression in the schedule. For example, since 1975 a grade 4 salary rate has increased by 88% while a grade 22 salary rate has increased by 47%. The compression of the pay schedule has also created some problems with supervisory relationships. It is not uncommon for a supervisor to earn less than an employee in a subordinate position, who is at a lower grade but has more time in service. There is now a 32% range within grades but only a 7.5% differential between grades.

My three main objectives for this pay bill are: 1. That no employees be excluded from receiving an increase. 2. That the funds required to implement the bill not exceed the \$23.3 million contained in this bill. 3. That the increases not be distributed in a manner that increases the problems of compression.

There has been some discussion that because of the increases that may be needed in the health insurance program, some employees may see an actual decrease in their take home pay during the next biennium. This could in fact happen if the health insurance fund experiences what I consider to be a worst case scenario. If this is a large concern of this committee then I would suggest that you move more of the increase into insurance and provide a smaller salary increase. For example, you could provide increases of \$240 in health insurance each year and lower the percentage increase by a like amount. In my negotiations with the unions representing state employees I have expressed my willingness to work on distributing the available funds in a manner that may be considered to be more favorable. I would also be willing to work with this committee in the same manner.

Thank you for your time and consideration.

BEFORE HOUSE SELECT COMMITTEE ON EMPLOYEE COMPENSATION

Montana University System
Testimony on House Bill 648
March 2, 1988

EXHIBIT 3
DATE 3-2-89
HB 648

The Montana University System supports House Bill 648 as a vehicle for providing pay increases for university system employees. However, after a two year pay freeze, we don't believe a 1 1/2 percent per year pay increase is sufficient.

The last two years have been difficult ones. We haven't had just the pay freeze to contend with but we've experienced layoffs and cutbacks through attrition requiring our employees to be more productive. The demands on the job have gone up; accompanying stress has gone up. At the same time compensation in real terms has declined along with employee morale and job satisfaction.

State employees have already suffered disproportionately in comparison to other Montana citizens as a result of the state's economic problems. Other employee groups within Montana who are paid with public dollars have fared significantly better than state employees. Based on information included in the Montana School Boards Association 1988-89 Salary Survey, Montana school teachers in class one school districts received an average of 29% salary increase over the last six years compared to 13% during the same period for state employees (See attachment A).

The State Personnel Division's recent salary survey indicates we now pay our employees in Montana an average of 17% below what neighboring states provide. The situation has gotten serious. Inadequate salary levels are not just an employee problem; it has become an employer problem as well.

The Montana University System urges your support for more money in House Bill 648.

Thank you.

Comparison of State Employee Salary Increases
To Montana Class I School Teachers

	Class I* <u>Montana School District Employees</u>	State Employees** <u>(Grade 12)</u>
1983-84	6.8	3.8
1984-85	5.7	3.8
1985-86	5.0	1.7
1986-87	5.0	3.7
1987-88	2.9	0
1988-89	<u>3.3</u>	<u>0</u>
6 year total	28.7%	13.0%

* Per MSBA salary survey. Includes an average 2% experience step; excludes education steps which would provide an average of an additional 2%. Actual step percentages vary.

** Calculations include step increases if granted.

VISITORS' REGISTER

Employee Compensation COMMITTEE

BILL NO. HB 648 Cobb-Augusta DATE 3/2/89

SPONSOR Cobb

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
KCAL, REBECCA	716 8th Ave. Helena		X
NEAR, SUSAN R.	934 8th Ave. Helena		X
ROD SANDSTED	D of A	X	
BARDON PARKS	429 BROADWAY		X
JIM MARTIN	1900 Townsend Ave		X
Janet Sperry	1823 Highland Helena		X
Sue Perry	Montana University Sptry	X with name B	
Jim [unclear]	Mont Fed [unclear]		X
LORINDA STOOK	STATE EMPLOYEE, MFSE		X
WILL [unclear]	Montana Nurses Assn		X
Bob Calkins	3685 Riviera		X
STEVE COOK	706-8th Ave. Helena		X
Jana Morris	Augusta, mt		X
Patricia Smith	5696 Quinity Ct		X
Berge Hagerman	AFSCME		X
Cherie [unclear]	Mt Personnel Div	X	
Jane Ashley	Dept of Administration	X	
Jim NYS	Clancy		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



MONTANA FEDERATION OF STATE EMPLOYEES

AFT, AFL-CIO

P.O. Box 1246

Helena, Montana 59624

(406) 442-2123

JIM MCGARVEY
President

ARTCRAFT, BUTTE



MARCH 2, 1989

TESTIMONY TO THE HOUSE SELECT COMMITTEE ON EMPLOYEE COMPENSATION JIM MCGARVEY

Much has been said about the poor conditions under which state employees work and for good reason. The issue of fair and decent compensation for Montana's State employees will have to be addressed before this legislature adjourns. We appreciate Representative Cobb's intentions to help state employees, however, the Governors pay plan proposal, House Bill 648, is the wrong response to the adverse conditions that exist today for state employees.

I appear before you today to make it perfectly clear; The Montana Federation of State Employees and our members at the Montana State Hospital, Montana Developmental Center, Montana State Prison, Department of Institutions, Social and Rehabilitative Services, School for the Deaf and Blind, Montana Historical Society, Department of Family Services, Department of Administration, and the University System are committed to fighting for decent pay increases for state employees. House Bill 648 is a further blow to state employees who have worked under increasingly bad conditions. This bill is an attempt to appease state employees and make the public think the real problems are being addressed.

For the record we must be perfectly clear as to the lasting financial hardships faced by Montana's state employees. Let's set the record straight; state employees have been subject to partial or complete wage freezes for four years. 1983 was the last time employees received both a step increase for longevity and a cost of living increase. In 1985 the legislature used an accounting change to grant a so called increase of 3.25 percent -- but there was no real increase! State employee's retirement benefits are no longer taxed but gross income stayed the same and no general fund revenue was committed. In 1986 state employees received a 1.3 percent step increase but no cost of living increase. For six years now inflation has eaten away at state employee's spending power.

A cumulative loss of state employee real wages has actually taken place. Between 1983 and 1988, state employees have suffered a 15 percent loss in real wages. The less than 2 percent increases for each year, which include insurance, as proposed by House Bill 648 totally inadequate.

The Governor is proposing that employees pay a 3 percent tax to bail out the mismanaged workers compensation system. How much of the 2 percent will this take? We have learned through negotiations with the state that the state's health insurance fund is in trouble and that state employees will have to pay more out of pocket for the same or reduced insurance benefits. How much of the 2 percent will this take? Inflation rates for each of the next two years are predicted to be five percent. How much of the 2 percent will this take?

House Bill 648 is a token increase for state employees. In fact, House Bill 648 will result in an immediate pay cut for hundreds of state employees, given the increased employee contributions that will be required for the state insurance plan. In the end, all state employees will see their real pay decline due to the past freezes, new taxes, and inflation.

House Bill 648 would once again use imagery to combat the severe problems of state employees. Once again the legislature is asking state employees to pay for balancing the state's budget. And once again the legislature is asking state employees to tighten their belts a little more and work harder to cover the added work load. We are asking this committee to set House Bill 648 aside and seriously consider a bill drafted by Representative Red Menahan as the best way to address the dismal state of pay and benefits for state employees. Representative Menahan's bill will be before this committee soon and grants meaningful increases and assistance to state employees.

State employees see all too clearly what this bill is...and they are speaking out against further cuts of any kind. House Bill 648 would kill efforts toward funding real increases for state employees -- increases that are badly needed to offset the declining morale and growing exodus of the qualified employees this state needs to deliver its essential services. Once again, we ask you to support Representative Menahan's Bill as the vehicle for an adequate pay increase for state employees.