MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON
STATE ADMINISTRATION
PAY PLAN BILLS

Call to Order: By , on February 7, 1991, at 5:00 p.m.

ROLL CALL

Members Present:
Rep. Gary Forrester, Chair (D)
Rep. Vicki Cocchiarella (D)
Rep. Gary Beck (D)
Rep. John Phillips (R)
Rep. William Spring (R)

Staff Present: Sheri Heffelfinger, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. **REP. FORRESTER** stated this was an informal hearing. Bills will not be gone into in detail.

Information: **REP. FORRESTER** stated this was an informal hearing. The bills will not be heard in detail.

Discussion:

Jim McGarvey, President, Montana Federation of State Employees, would like to recoup the losses the state employees have experienced during the past decade. HB 502 is asking for a lump sum, $1,000 adjustment for all state employees. All these bills address 14,000 state employees minus the FTDs. Over the last two bienniums, the surplus has totaled about $130,000,000. The computation would be $1,000 times 14,000 state employees minus the vacancy savings. Most of the savings have come from vacancy savings; therefore, state employees are entitled to it.

There is no collective bargaining in the state. **REP. MENAHAN'S** bill talks about deferential pay, hazardous duty pay, and recruitment problems. These issues have not been addressed for ten years. Agency needs must be addressed and negotiations need to be put back into the systems. The intention is to not speak for all state employees, it is the process offered in negotiations to speak only for our members. State employees have been frustrated for a long time. There must be a clear message to state employees that they provide a service for the state. They expect to be paid accordingly.

REP. COCCHIARELLA asked **Jim McGarvey** if he was speaking on HB 502 and HB 514 or just HB 502. **Mr. McGarvey** replied he spoke on both bill plus HB 430. They must take seriously HB 430 in terms of negotiations.

REP. COCCHIARELLA stated that **Mr. McGarvey** was talking about the actual numbers of employees. The budget office looked at his bill, and on the date of the bill, you apply the $1,000 or $3,000 adjustments. A rough fiscal note has been drafted for HB 514. The cost of his bill is based upon actual employees.

REP. BECK asked **REP. DRISCOLL** to speak on HB 430. **REP. DRISCOLL** stated HB 430 was the only bill that addressed all the bills in question. **REP. COCCHIARELLA** wants a base pay, steps, and deferential pay. HB 502 is a retroactive $100. HB 509 is market base and HB 504 is a lump sum which is subject to the 45 day transmittal deadline. HB 430 allows all of these proposals to happen. If a group is covered by collective bargaining, they could take their pick of any proposal offered. For places where there is no collective bargaining. If the administration believes in market pay, they could institute it. This is the only approach that satisfies all the other bills.

REP. SPRING asked **REP. DRISCOLL** how many categories of state workers there were. **REP. DRISCOLL** replied he didn't know the exact number, but felt the classifications could be trimmed down. **REP. FORRESTER** asked what his bill did to address professional people when they did not like collective bargaining. **REP. DRISCOLL** said the Department of Highways, for instance, could adopt market base. No matter what percentage you plug into professionals, they can't compete unless we drastically change their amount of pay.

Informational Testimony:

Laurie Ekanger, Director of Personnel, Department of Administration, explained the **GOVERNOR'S** proposal. **Ms. Ekanger** stated HB 509 adopts the proposal of the pay committee that was established by the last Legislature. The **GOVERNOR'S** proposal is essentially the same structure and philosophy with some minor differences.

The pay committee surveyed Montana public and private employers, 12 state governments for salary data comparison, employers, managers, and all union representatives to get feed back on employees attitudes. The committee found that the state has no pay philosophy or pay structure. There is no way of recognizing the accomplishments in their pay practices. The structure in the statute has been defunct for years. That structure is what you refer to as the step system. The step system was a longevity plan. Workers got 2% for each year of service up to 13 years. It has 13 pay ranges for each occupation. In 1985, the

Legislature froze the longevity progression.

The problems found were pay ranges on longer reflected the market. In 1975, the structure was based on a salary survey. Since then, it has been a closed system and has no baring on the market now. The state has been having difficulty keeping and hiring people because they can make more money working elsewhere.

Entry rates are to low. **Ms. Ekanger** showed what state employees are being paid as compared to the average market. State employees are being paid 24% below market value. When the longevity progression was frozen, it brought people in at the low entry rate and have kept them there. The bulk of the state employees are still at the entry range.

Equity is a problem. The state is paying people, doing exactly the same work, at different rates of pay. Employees hired before the longevity progression are making 20 to 25% more than those frozen at the entry rate. Because the entry salaries are so low, we cannot hire people so agencies must appeal to the Personnel Division for an exception. This brings people in at a higher pay range, and they are making more than people who have been with the state for years. There have been numerous pay exception requests because we cannot fill positions. This creates numerous moral problems because there is no chance for advancement. The main reason people come to work for state government is the benefit package which is competitive with other states.

Questions/Discussion from Committee:

REP. BECK asked **John McEwen, Bureau Chief of Classifications, Department of Administration,** if he knew the number of upgrade requests. **Mr. McEwen** stated on a yearly basis, they have between 1,000 and 1,200 upgrade changes; 800 to 900 are grade changes, 200 to 300 are downgrades. Downgrades occur with a vacant position. Upgrades and downgrades are proportionate to the size of the agency. The **GOVERNOR'S** plan adopts a market philosophy. Its goal is to hire people at a market entry rate and move them as they train until the bulk of the employees are being paid the average market pay. The plan would also have a structure change. It would become an open range pay system. The average salary based on the salary survey will be inflated 3%. The market and entry salaries would move every year to reflect the market. No one would be paid below the entry salary.

Informational Testimony:

Laurie Ekanger continued with her testimony. She said individual raises would be based on a formula that can be adjusted every two years. If you assume the market will move 3% as in the **GOVERNOR'S** plan, everyone must get 3% just to stay where they are.

Progression raises will cost the most money the next few years. It is based on each individual's salary compared to the market salary for their grade level. If you are a Grade 14 and you are 10% below the market salary, you get an extra part of a percent for every percent below the market. The committee recommended one quarter percent, the **GOVERNOR'S** proposal recommended one eighth of a percent.

Questions/Discussion from Committee:

REP. BECK asked **Ms. Ekanger** how they expect to keep up with inflation. **Ms. Ekanger** stated the committee did not recommend tagging on to the CPI or inflation; but did recommend staying competitive with the market. This formula does not reflect the CPI. **REP. BECK** asked if the state employee would catch up that way. **Ms. Ekanger** said the committee formula is a five year proposal to catch people up as fast as they can. The **GOVERNOR'S** plan will take ten years.

REP. COCCHIARELLA asked **John McEwen** how those lumped together in a grade would move together through the plan. **Mr. McEwen** stated employees between Grades 12 and 15 are the professional employees. Grade 14 represents a senior level, Non-supervisory professional. Everyone at that grade will be moving together. The market survey did not include employers with 25 or less employees. The chart overlays where the market plan would fall on the existing structure. This shows the number of positions in each cell of the current pay matrix. All the positions are below the market. People who are farthest from the market are going to get the biggest raise. The **GOVERNOR'S** market plan will do two things: (1) adjust the entry rates so they are competitive and we can hire employees in lower grades and (2) it will bring higher grades toward the market. Everyone will get at least a 3% raise if they are at the average market salary. If they are below the market, they get catch up raises.

Laurie Ekanger stated the average raise by grade level is about 4 1/2% up and down the grade levels. The lower grades have more people. They will get the biggest raise. The higher grades have long term employees who don't get a big raise. This will work if you are talking about the cost of living; but when you are trying to hire people and keep them, it doesn't matter. The amount of money put into the market and shift deferential are the two major differences between the committee's proposal and the **GOVERNOR'S**.

REP. BECK asked **John McEwen** if they had looked at the figures that compared the median wage of state employees versus median wages of out on the street employees. **Mr. McEwen** said the Department did receive information on median salaries. It is readily available for the subcommittee to use as a comparison.

SEN. GERRY DEVLIN stated the market value system is not refined yet. The market plan and open range plan was unanimously adopted by the committee.

Jim Adams, Associate Director, Montana Public Employees Association, said state employees want a pay philosophy that commits to them. The current pay plan is not a bad vehicle, but the maintenance of the pay plan was abandoned. HB 259 does everything the **GOVERNOR'S** proposal does plus it gives the state employee a commitment. Classification is a separate issue from pay. HB 259 addresses the pay portion. Before you can fix the pay issue, you must address what has happened to the state employees in the last few years with regard to the step program. The step level has never been maintained. The pay plan in HB 259 exceeds the entry level the **GOVERNOR** is proposing in every grade up to Grade 14; then it falls $100 a year behind the entry level in the **GOVERNOR'S** proposal from Grades 13 to 20. The remainder of grade levels are not populated and fall back to the **GOVERNOR'S** bill. HB 259 brings all state employees closer to market value.

REP. SWYSGOOD held his comments for a later date.

REP. FORRESTER had a discussion with the committee members and staff in regard to meeting. **REP. FORRESTER** scheduled the next meeting for Tuesday, February 12, 1991 at 5:00 p.m.

ADJOURNMENT

Adjournment: 7:00 p.m.

Gary Forrester

GARY FORRESTER, CHAIR

Lois O'Connor

LOIS O'CONNOR SECRETARY

GF/lo