

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **SUBCOMMITTEE ON STATE ADMINISTRATION PAY PLAN BILLS**

**Call to Order:** By GARY FORRESTER CHAIR, on February 12, 1991, at 6:00 p.m.

#### **ROLL CALL**

#### **Members Present:**

Rep. Gary Forrester (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.

**Motion/Vote:** REP. COCCHIARELLA MOVED TO RECOMMEND TO THE FULL COMMITTEE THAT HB 504 DO PASS. Motion carried unanimously.

#### **Informational Testimony:**

**Sheri Heffelfinger, Legislative Council,** gave a presentation on the background review of state employees compensation.

One basic component of compensation is job classification. This component is how you come up with equal pay for equal work, how you classify jobs and rank them. Jobs are ranked by points and factors. There are five factors: nature of work, working conditions, working environment, supervision, and hazardous duty. You add points to the factors and come up with the classification of a job. It does not have anything to do with pay.

Base pay is the salary an employee gets without all the added issues such as hazardous duty pay and benefits. There are pay ranges in the statewide pay plan: 13 steps, and 25 grades. The ranges start at a minimum and go to a maximum. The blue collar and liquor store pay plans are a single rate plan which do not have a minimum or maximum.

There is also progression through the pay ranges. Once you set a range, you have a minimum salary and maximum salary. Progression is how you get from minimum to maximum salaries. In the current

pay plan, you go from step 1 to step 13. In the single pay plans, you have no progression through the plan. There is a probationary step after which you go to a journey level.

Additional add ons to employee pay is longevity. It is not part of employee base pay. The state currently pays \$10 a month or the greater of the difference between your grade and step and the next highest step. Longevity increments are given every five years. The add ons include shift differentials and hazardous duty pay. There is the benefit component of compensation: health insurance, retirement, social security, and unemployment insurance.

Problems concerning state employee compensation are (1) base salaries being too low. Montana is 13% below five other states' pay. Some professions are farther below the market than others. You must also contend with a moving market. There are different ways to keep the base salary of employees up to market. (2) Progression through the pay ranges. Progression was frozen and employees began losing their steps. Steps are based on longevity. (3) The classification process by which you classify and rank jobs to come up with equal pay for equal work. The upgrades and downgrades come when a job has more or less responsibility. Some inequalities that arise with pay classification is that it is unfair. HB 502 wants to repeal the classification plan and negotiate.

Some of the issues being discussed are, should state employees be getting more longevity than they are getting now? If so, how much? Should the state pay hazardous duty pay or not? If so, who gets it, how is it determined and how much?

The first compensation issue is classification. Should classification be negotiated, repealed, or stay the same? HB 509 has not changed its classification; the same with HB 259. HB 514 classification will be negotiated. HB 430 classification is repealed.

The second compensation issue is base salary. The statewide pay plan includes all classified state employees plus 1,400 to 2,000 university system classified employees. The teacher's plan is a step plan based on experience and education. Blue collar plan is a single rate. Exempt employees pay is handled through appropriations agencies. Base salaries are too low. This causes problems in improvement and retention of employees. There are vacancies that can't be filled because the base pay is too low. How do you make entry level salaries competitive and how do you have a pay range that allows employees to get what their worth?

HB 259 wants to give employees a 6% per year pay increase and goes into the pay schedules that are already in statute. HB 509 has a 3% increase for all employees in the plan and has done away with the steps. It also sets pay ranges at 40% in the lower

grades and 55% in the higher grades. HB 514 freezes the pay plan and gives everyone a \$3,000 across the board increase. This bill also includes teachers. The teachers' pay plan will be equalized based on pay schedules in local districts. HB 430 repeals the classification plan.

Pay ranges are built from entry to maximum. In the lower grades, performance levels are predicted. There are certain skills required. In the higher grades, there are differences between performance and skill levels.

Progression is how to retain employees and how they advance through the pay ranges. HB 514 freezes any progression. HB 430 repeals the plan, and there is no replacement. HB 509 moves employees through the pay ranges based on market value, and is not based on longevity. HB 259 moves employees based on longevity and reinstates the step plan.

Questions/Discussion from Committee:

REP. FORRESTER asked Sheri Heffelfinger to explain HB 430 and what it does to solve the problems. Ms. Heffelfinger stated HB 430 deals with the problems by repealing. There will be no pay or classification plan.

REP. PHILLIPS asked Ms. Heffelfinger why not pass HB 430 to the full committee for debate since it is not an appropriations bill and must meet the transmittal deadline. It is also connected to HB 514 which has already been passed. Ms. Heffelfinger stated you will still be having problems with the classification system. There must be revisions to HB 430 to make it work with HB 514.

John McEwen, State Personnel Division, stated HB 259 was truncated at the top end of the pay range and the amendments correct that.

Bob Marks, Director, Department of Administration, stated HB 509 does address longevity. There is a consideration on a percentage basis that tries to hold the longevity we have in place with pay plan 60. HB 509 does not increase the longevity affect as the other bills do. Ms. Heffelfinger, said steps are based on longevity. The state also pays employees a longevity allowance. HB 509 keeps the longevity allowance the same. For every five years of service, you get a longevity allowance.

George Hagerman, Executive Director, AFSCME, Council 9, said when the step pay plan was put into affect in 1975, it was suppose to be an evaluation plan. If an employee had a poor evaluation, he wouldn't get the step increase. In the last few years, it has become a longevity program which it was never meant to be.

Sheri Heffelfinger said the differences between the bills in regard to additional pay are longevity. HB 509 keeps the

longevity allowance the same; HB 259, after 16 years of service, an employee would get 40 cents an hour for that year with an additional 40 cents per hour per year for the next three years. HB 514 an employee would get the same longevity the state has now, but would be based on a base salary after the \$3,000 across the board increase. HB 430 does not address longevity. **Jim Adams, Montana Public Employees Association**, stated the current longevity plan from grade 11 on up is a varied amount. In HB 259, the current longevity is capped at 15 years.

**Laurie Ekanger, Department of Administration**, expressed concerns that HB 259 and HB 514 do not meet the states objective. HB 514 is the negotiation bill. The Department has been negotiating with the union and are \$150,000,000 apart. Increased and units bargaining doesn't have anything to do with reaching a settlement. This bill repeals the comparable work law which makes it difficult for the Department to insure employees will be paid equal pay for equal work. As an employer, the Department has a liability to pay for. HB 259 commits the Legislature to a 2% step and must move the matrix 3% or 4% to keep up with the current market. This means a 5% yearly increase just to keep it current. If you don't have the 5% yearly increase, you must choose: (1) to freeze the steps or (2) give the steps and don't give the full market movement. Neither bill addresses the problems of recruitment and retention.

**Tom Schneider, Montana Public Employees Association**, said he was a member of the GOVERNOR'S committee on state employee pay. The GOVERNOR'S bill is not the committee recommendation on market pay. HB 509 will never put the employees at market. The problem with market pay is; if you don't put everybody at market, you simply don't have a market pay program. If you use this plan, people who have worked for five years will have the same salary and catch up as people who have come to work seven months ago. What happened in 1975 was a result of a two year study on pay. The proposal was for a seven step pay plan, and the plan was three steps to prevailing wage with satisfactory evaluations. There was also 3 steps of merit pay. The Legislature, to save money, put in half steps. This destroyed the pay plan in the beginning.

**REP. PHILLIPS** asked **Mr. Schneider** if HB 509 wasn't the committee's recommendation, without the money, to get employees to market value. **Mr. Schneider** said no because it did not include the catch up provision of the committee recommendation. Without putting people at market, you don't have a market pay plan. **REP. PHILLIPS** asked **Sheri Heffelfinger** how the median wage in the private sector in Montana compared with the median wage of the state employee. **Ms. Heffelfinger** said the average wage in Montana is \$17,225 a year without benefits. It is an average and doesn't include agricultural operations of more than \$2,000 per quarter.

There are some jobs in Montana that cannot be compared with private employers. If you want to come up with job comparisons, you must first match the jobs.

**REP. SWYSGOOD** stated HB 259 and HB 514 addresses a certain percentage of employees. Employees identified by these bills are 10,447 and 10,789 respectively. HB 509 addresses 14,000 employees. If you adopt HB 259 or HB 514, you still must address 4,000 employees at cost. HB 509 addresses all employees.


**Terry Minow, Montana Federation of State Employees**, said that HB 509 does not have deferential pay. HB 514 increases base pay by \$6,000. The state agrees they are 15% behind, yet the bill provides an average of 4.5% increase. Inflation is approximately 6%. In this case, you will be losing ground and will never reach market. Everyone is hurting, and we must address the needs of state employees in a real way. The reason we cannot agree with HB 259 is because the system in place now is unacceptable. We believe HB 514 can meet the needs of state employees through negotiations. HB 509 does not meet the needs of state employees.

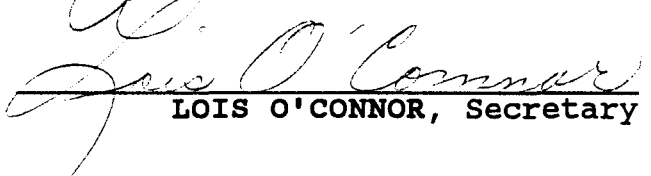
**Jim Adams, Montana Public Employment Associations**, stated the dynamics of steps have to be understood. It is not another pay raise. If everyone gets a step, it costs 2%, but everyone does not get a step according to the dynamics. When people get to the limit of their steps, they don't get any more. You must address employee expectation. There is no satisfaction level for state employees in HB 509.

**REP. FORRESTER** asked **Jim Adams** what employees HB 259 leaves off the plan. **Mr. Adams** said employees not paid under the 13 step, 25 grade matrix. This includes faculty, teachers, liquor stores, and worker's compensation insurance. **REP. FORRESTER** asked how faculties have settled in the past. **Mr. Adams** stated up until two years ago, everyone got the same. **REP. SPRING** stated before we can continue, someone must address the 4,000 employees being left out of the plan. **REP. COCCHIARELLA** said the committee's mission was to settle pay. These bills came in from different bargaining positions, and it's the committee's intent to leave no employee out. **Tom Schneider** said there are people in government who are not on any pay plan because the Legislature has continued to exempt people from all pay plans. **Terry Minow** added that all employees and university systems must be addressed.

ADJOURNMENT

Adjournment: 8:00 p.m.

  
GARY FORRESTER, Chair

  
LOIS O'CONNOR, Secretary

GF/lo