

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 22, 1991, at 8:00 a.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)

Members Excused: None

Members Absent: None

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

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Informational Testimony:

Sheri Heffelfinger said state employee pay was frozen in 1988 and 1989. Steps have been frozen since 1986, and employees have gotten one step in the last five years in 1987. The last biennium state employees received \$560 or 2 1/2%, which ever was greater. The state is experiencing critical turnovers among professional and technical employees at Grades 11 through 17. Ms. Heffelfinger explained how each bill addressed the retention problem.

HB 259 will give employees in the statewide pay plan a 6% increase per year, reinstate the step plan, and make up for the five steps not received. It provides for shift differential and longevity allowance after 15 years. The estimated cost, as introduced, will be 106 million dollars and covers 80% of the employees.

The problems addressed in HB 259 begin with the steps. Employees who are currently employed and have been here through the step freezes will receive their lost steps over the next two bienniums. This will restore the credibility of the pay plan.

The cost for making up the steps is approximately 31 million dollars. The general increase cost is 66 million dollars. The shift differential will assist in the retention of certain occupations at a cost of 4 million dollars. The longevity allowance that is provided after 15 years of service rewards employees who have been with the state for a long time; and will cost 8.5 million dollars. Insurance costs are not included.

HB 509 will give employees a 3% per year market based general increase and market based progression catchup increase. The cost will be 55 million dollars. The general increase will keep the pay plan even with the current market. The market based progression increase will put more money into the upper grades where the retention problems have been. The 3% keeps the market even, but does not close in on the 13% lag. The 1.25% progression will take employees 10 years to reach their average market salary. Most employees are staying with the state seven years. The formula will have to be adjusted in a couple of years because an employee will never reach average market rate.

HB 514 provides an increase of \$3,000 for 80% of the employees. It repeals the classification plan and provides a shift differential and hazardous duty pay. The cost will be 156 million dollars. It will put money into the pockets of employees up front at a cost of 95 million dollars. It provides a shift differential for certain occupations, and opens the door for hazardous duty pay to be negotiated at a cost of 20 million dollars. This does not include insurance.

Ms. Heffelfinger gave the subcommittee a working and discussion document. She stated if the committee worked through the document, they can come up with options they want to consider.

Questions/Discussion from Committee:

REP. COCCHIARELLA asked the subcommittee to review the discussion about classification. The committee decided not to deal with the classification issue because it was all being revamped. Ms. Heffelfinger stated the job classification system is being rewritten to a point factoring system. It was the consensus of the committee that the classification issue was being handled in the personnel division, and there was no need to get into a discussion over the classification issue. There are two bills that repeal the classification plan.

Motion: REP. COCCHIARELLA made a motion to adopt (C) under Classification on Page 1 of the checklist for at least the first year of the biennium.

Discussion:

REP. COCCHIARELLA stated for at least the first year of the biennium, they must stick with the same classification plan they

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have now. REP. PHILLIPS agreed. REP. BECK expressed concerns about the people who do not want the classification plan. He doesn't want to exclude any employee who wants to negotiate. He fears that in the future, if the classification is reinstated, the Legislature will be pressed for money and employee pay will be put at the very end of the session; and it should be addressed foremost. The negotiation process does that. REP. COCCHIARELLA stated the classification plan is not the pay plan. The classification plan puts people in Grades. Sheri Heffelfinger said if you don't want to give increases based on Grade and step, then you could freeze the classification plan and make provisions that it be negotiated at a future point. The problem with freezing the classification plan is that the entry rates are also frozen.

Vote: Motion to adopt C under Classification carried unanimously.

REP. PHILLIPS stated the committee must look at where they are going the second year. REP. FORRESTER stated any of the new plans can't be done by July 1, 1991. It would be confusing to take away everything currently in place. One year of the biennium is taken care of with REP. COCCHIARELLA'S motion. David Bohyer, Legislative Council, stated that classification does not mean the pay matrix. The pay matrix is a way to pay employees with certain skills. REP. BECK asked if the personnel department was dealing with the classification issue. John McEwen, Department of Administration, said the department continually reviews classifications. They add and eliminate classes as the jobs change in state government. REP. PHILLIPS asked how the classifications system got the higher grades down so low. Mr. McEwen said it wasn't the classification system that got them down so low. It is the fact that the pay didn't keep up. In classification, we simply decide what rank the job is. The salaries have not kept up with the market. REP. SPRING asked if the 1,300 classifications have remained constant since the plan started or has it moved up and down. Mr. McEwen said the number of classes have moved up and down over time.

REP. COCCHIARELLA stated the subcommittee should start identifying the elements that they would like in their plan.

Motion: REP. COCCHIARELLA moved to include shift differential and adopt (D) under Shift Differentials on page 5 of the checklist.

Discussion:

REP. PHILLIPS asked Sheri Heffelfinger what the cost figures on Option B were. Ms. Heffelfinger said the shift differential cost for HB 259, which is the one dollar per hour for scheduled work after 6 p.m. and before 7 a.m., is 4 million dollars. This is based on estimates by the State Employees Compensation Committee.

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The committee researched shift differential pay and the averages found in the market. They came up with the recommendation of \$1.00 an hour after 6:00 p.m. and before 7:00 a.m. REP. COCCHIARELLA stated shift differentials have been at the bargaining table for many years. No one includes shift differential because agencies can say that no other state pays it but the state of Montana. The time is right to include shift differential in whatever plan the subcommittee adopts. REP. PHILLIPS stated concerns about going forward until the committee knows what their overall plan will be. He didn't feel it was crucial to adopt shift differential at this time. REP. FORRESTER said the committee is doing concepts not amounts. The amounts will be included once the committee starts narrowing down the issues. If they can't afford it, it will be thrown out. REP. SPRING agreed, but wanted a dollar figure to work with. REP. FORRESTER stated there was no dollar amount available at this time. REP. BECK said we need to recognize all the things needed in state pay and look at the budget items later.

Vote: Motion to adopt (D) under shift differential carried 3 to 2 with REPS. SPRING and PHILLIPS voting no.

Motion: REP. COCCHIARELLA moved to adopt (C) under Hazardous Duty Pay on page 6 of the checklist.

Discussion:

REP. SPRING asked if this would include jobs on the university level. REP. COCCHIARELLA stated this was an issue that would be thoroughly discussed by the subcommittee. Hazardous duty is defined as all kinds of things, from being 10 feet off the ground to 30 feet off the ground. It should be left in the plan. The issue is not to decide what hazardous duty pay is at the moment. The issue is to decide whether it is important to put in the plan. REP. PHILLIPS said to put hazardous duty pay in now would allow everyone to get hazardous duty pay.


Vote: Motion to adopt (C) under hazardous duty pay carried 3 to 2 with REPS. SPRING and PHILLIPS voting no.

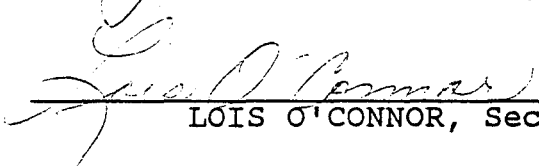
Announcements:

Sheri Heffelfinger reviewed what remains to be done. The subcommittee must come up with an overall idea of what the general increase should be under item #2 of the Issue Questions and Options Checklist; retention, item #3; and other pay plans and exempt employees, item #4. The issue of insurance will be discussed in another meeting.

ADJOURNMENT

Adjournment: 9:00 a.m.


GARY FORRESTER, Chair


LOIS O'CONNOR, Secretary

GF/lo

ISSUES CHECKLIST

PHASE TWO:

POLICY AND PAY PLAN OPTIONS

June 1990

Research Report



Prepared by

Montana Legislative Council

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ISSUES CHECKLIST

PHASE TWO: POLICY AND PAY PLAN OPTIONS

Prepared for the
COMMITTEE ON STATE EMPLOYEE COMPENSATION

By
Sheri Heffelfinger, Staff Researcher
Montana Legislative Council

June 1990

INTRODUCTION

This paper is a decision tool for the interim Committee on State Employee Compensation and is based on the compensation issues selected by committee members during the May 10, 1990, meeting. Those issues are outlined in Issues Checklist Phase One: Identifying Priorities, prepared by the Montana Legislative Council, May 1990. The two issues that the committee selected for further research are addressed in this paper:

- **PART I - PAY POLICY**

What should the state's pay policy be, relative to the market?

- **PART II - PAY PLAN STRUCTURE**

What pay plan structure should the state adopt in order to address how individual employees progress through the pay ranges and how their salaries are kept competitive?

The final report and recommendations of Mr. Rollie Waters summarize and critique the market policy options presented in Part I. The Personnel Division paper, Pay Plan Options, June 1990, analyzes six structural options for the state's pay plan, as outlined in Part II. Strategies for implementing the options selected with this checklist will be discussed at the August committee meeting.

PART I - PAY POLICY

ISSUE 1: What should the state's pay policy be, relative to the market survey line?

OPTIONS:

- _____ A. Midpoint salaries, or the going rate, should match the market.
- _____ B. Midpoint salaries, or the going rate, should be no further than 10 percent behind the market.
- _____ C. Midpoint salaries, or the going rate, should be no further than 15 percent behind the market.

ISSUE 2: What compensation objective is most important in setting the state's pay philosophy?

OPTIONS:

- _____ A. Competitive salaries to attract and retain qualified employees.
- _____ B. Compensation for years of service.

PART II - PAY PLAN STRUCTURE

ISSUE 3: What pay plan structure should the state adopt in order to meet the compensation objective selected under Issue 2? (The most efficient use of the state's financial resources and accurate budget forecasting are assumed objectives that should be considered under any option selected.)

OPTIONS:

- _____ A. MULTIPLE-STEP PLAN: This plan is best suited for compensating individuals for longevity first (Issue 2, Option B) and then adjusting salaries to market (Issue 2, Option A).

Progression Options: Ways to move employees through the pay matrix of a multiple-step plan.

- _____ (1) Automatic longevity steps.
- _____ (2) Performance-based steps.
- _____ (3) Steps and performance.

Add-On Options: Ways to pay employees outside of the pay schedule.

- _____ (a) Longevity allowance.
- _____ (b) Performance pay.

- _____ B. SINGLE-RATE PLAN: This pay structure is best suited for placing all or most compensation dollars into market adjustments (Issue 2, Option A).

Progression Options: Ways to move employees through the pay matrix.

- _____ (1) None.

Add-On Options: Ways to pay employees outside of the pay schedule.

- _____ (a) Longevity allowance.
- _____ (b) Performance pay.

- _____ C. GRADUATED STEP PLAN UP TO JOURNEY RATE ONLY. This plan would provide only the number of annual steps required for an employee to reach journey-level performance. Once the employee has attained the journey level, compensation dollars may be used to adjust that journey rate to market rather than for further step progression (compromise between Issue 2, Option A and Option B).

Progression Options: Ways to move employees through the pay matrix.

- _____ (1) Employees would progress through the matrix according to the graduated step schedule, one step per year, until reaching the journey-level step. For example, a clerk may achieve the journey-level rate at step 2, while a professional may not reach the journey-level rate until step 8.

Add-On Options: Ways to pay employees outside of the pay schedule.

_____ (a) Longevity allowance.

_____ (b) Performance pay.

- _____ D. OPEN-RANGE PLAN. This plan has salary ranges for each grade but no steps. An open-range plan gives the state flexibility to fund variable longevity increases or market adjustments first.

Progression Options: Ways to move employees through the pay matrix.

_____ (1) Variable longevity increases.

_____ (2) Performance-based progression.

_____ (3) Combination of longevity and performance-based increases.

Add-On Options: Ways to pay employees outside of the pay schedule.

_____ (a) Longevity allowance.

_____ (b) Performance pay.

- _____ E. COMBINED STEP AND OPEN-RANGE PLAN. Similar to a graduated step plan based on a learning curve, this option is designed with steps up to a certain point, followed by an open range. This option attempts to integrate a pay philosophy providing that both pay for longevity and competitive salaries are equally important compensation objectives (Issue 2, Options A and B).

Progression Options: Ways to move employees through the pay matrix.

- _____ (1) Graduated learning steps up to a journey level followed by an open range from the journey level to the grade's maximum salary.
- _____ (2) Same number of steps for every grade up to the midpoint, followed by an open range to the maximum salary.

Add-On Options: Ways to pay employees outside of the pay schedule.

- _____ (a) Longevity allowance.
- _____ (b) Performance pay.

- _____ F. TWO PAY PLANS. One plan would cover nonprofessional/technical positions, while the other plan would cover professional and administrative positions. This option would allow the state to compensate job classifications according to the plan best able to meet employees' compensation needs. ..

Possible two-plan combinations: Each plan has the same progression options as previously explained:

- _____ (1) Two multiple-step plans.
- _____ (2) Two open-range plans.
- _____ (3) One step plan, one open-range plan.

Add-On Options: Ways to pay employees outside of the pay schedule.

- _____ (a) Longevity allowance.
- _____ (b) Performance pay.