MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 30, 1995, at 3:00 p.m.

ROLL CALL

Members Present:
Rep. Tom Zook, Chairman (R)
Rep. Edward J. "Ed" Grady, Vice Chairman (Majority) (R)
Rep. Joe Quilici, Vice Chairman (Minority) (D)
Rep. Beverly Barnhart (D)
Rep. Ernest Bergsagel (R)
Rep. John Cobb (R)
Rep. Roger Debruycker (R)
Rep. Gary Feland (R)
Rep. Marjorie I. Fisher (R)
Rep. Don Holland (R)
Rep. Royal C. Johnson (R)
Rep. John Johnson (D)
Rep. Mike Kadas (D)
Rep. Betty Lou Kasten (R)
Rep. Matt McCann (D)
Rep. William T. "Red" Menahan (D)
Rep. Steve Vick (R)
Rep. William R. Wiseman (R)

Members Excused: None.

Members Absent: None.

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Marjorie Peterson, Committee Secretary

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

Committee Business Summary:
Hearing: HB 17
Executive Action: None.

HEARING ON HB 17

Opening Statement by Sponsor:

REP. WILLIAM WISEMAN, HD 41, Great Falls, opened the hearing on HB 17 which deals with the state pay plan and revises the laws relating to employee compensation and classification. This bill was requested by the Governor. He referred to Exhibit 1 which showed Montana ranked at 50 compared to the average annual salary for administrative officials. Governor Marc Racicot receives the lowest salary among all the other governors. This bill proposes to equalize market value ratio among state employees. The average market ratio graph (Exhibit 2) shows that since the pay averages out after four years of service, people who have worked for state government for 10 years are making about the same as the ones after four years. This bill tends to alleviate that situation and gives a bigger percentage to those below the average. The projected rate would be 2.2% and the maximum would be 5%. In October 1996, the table moves toward target again at about 1.4% with a maximum of 6%. Longevity change would be October 1995 for 1.5% for every five years of service. The funding sources will be vacancy savings and a reduction in FTEs and the state contribution to health care costs. Presently, there is a reserve in the health care account because Montana state employees have kept in moderately good health. **EXHIBITS 1 and 2.**

{Tape: 1; Side: A; Approx. Counter: 9.1.}

Proponents' Testimony:

Lois Menzies, Director, Department of Administration, Helena, said she was here to testify on behalf of Governor Marc Racicot. She told the committee that the 1991 Legislature adopted the market based pay structure and this proposal would continue in that direction by making the pay more comparable to jobs in the private sector. **EXHIBIT 3.**

Mark Cress, Administrator of State Personnel Division, Helena, also supports HB 17. He said the 1989 Legislature established a commission to examine the state's pay plan. They recommended a market based pay system after two years of studies. He referred to the target market ratio table on page 5 which provides a reasonable progression from entry to market rate. The pay plan would be paid for by reductions in FTEs, vacancy savings and the reduction in the state's contribution of the health plan. **EXHIBIT 4.**

Steve Johnson, Chief, Labor and Employee Relations Bureau, State Personnel Division, Helena, supports the governor's proposal. He stated the bill establishes salary levels for classified employees of the executive branch and university system, blue collar employees in executive branch, liquor store employees, and teachers with Departments of Corrections and Family Services. It does not set pay levels for legislative or judicial employees, faculty in the university system, and various exempt employees. He reiterated that HB 17 incorporates agreements reached in collective bargaining with labor organizations that represent 92% of organized employees. **EXHIBIT 5.**

Joe Mazurek, Attorney General, Department of Justice, Helena, congratulated Governor Racicot and the Department of Administration for reaching an agreement. He assured the committee that the vacancy savings and reduction in FTEs would adequately be able to fund this bill -- the Department of Justice lost 55 FTEs in the last year. Those reductions have significantly increased the workload on the remaining employees and they a hard working and productive staff. He stated that they lose good public employees, oftentimes to the federal government where the pay is much better. Recently, a highway patrol officer transferred to a federal agency and received an increase of $5,000 a year in his salary. In the computer services and planning division, there is a 55 percent turnover with people going into the private sector in jobs where they don't have to work weekends or be on call 24 hours a day. This is a good, long term bill which takes important steps in equalization between state employees.

Tom Schneider, Executive Director, Montana Public Employees Association, Helena, also supports this bill. He hopes that HB 17 is a solution to the ongoing problem of pay inequity. The bargaining teams have worked very hard to get to this point. They expended many manhours to put together the pay plan table on page 5 of the bill. They tried to establish a fair pay increase and stop the flow of good, qualified people leaving not only state government, but Montana as well. He also said that this agreement would not make the employees do "flip flops." But, it introduces a pay plan with a future that should mitigate the ups and downs this state has experienced and corrects the pay inequities from the step pay plan. **EXHIBIT 6.**

Terry Minow, Montana Federation of Teachers, said the teachers are very supportive of the Governor's bill. The bill provides a pay increase for all employees. The bill's low number shows the Governor's willingness to get this unfairness resolved quickly.

{Tape: 1; Side: A; Approx. Counter: 28.8.}

Melissa Case, Hotel and Restaurant Employees Union, concurs with Mr. Schneider and Ms. Minow in support of the bill.

Butch Hagerman, Executive Director, Council 9, said HB 17 was an accumulation of long hours and hard work by labor organizations. He thanked the Governor for his commitment to reach a tentative agreement before the Legislature.

Opponents' Testimony:

None.

{Tape: 1; Side: A; Approx. Counter: 30.4.}

Questions From Committee Members and Responses:

REP. JOE QUILICI, HD 36, Butte, said that when the market base was adjusted in 1991, everyone thought it would work quite well. Over the last few years he's heard many complaints about the inequity of pay for state employees. For example, a newly-hired grade 12 employee could make more than a grade 12 that had been working for a few years. He wanted to know if this bill would help ease that problem. **Mr. Cress** assured **REP. QUILICI** that it would. His bureau had also had a lot of complaints. Employees at lower grades move much faster through the range and this bill breaks tradition and moves people closer to target range. People with four to ten years of service would get the largest increase and those closer to target would get a smaller one. **REP. QUILICI** said he is pleased to see state employees finally getting an increase, but wondered if the methods used for funding could actually be sufficient, i.e., vacancy savings, reduction in FTEs and lower health care insurance state contribution. **Ms. Menzies** said that last session the agencies were directed to eliminate a certain number of employees, for example, the Department of Administration reduced 15-18 FTEs. **REP. QUILICI** was concerned that smaller agencies would have a harder time coming up with vacancy savings and wanted to know if there had been any consideration how they would fund this pay plan. **Ms. Menzies** said the Department of Administration administers a personal services contingency account with a $2 million budget per biennium for smaller agencies to use for that purpose.

REP. RED MENAHAN, HD 57, Anaconda, asked **Ms. Minow** if the five union contracts had all been negotiated. She said her association is meeting with MEA (Montana Education Association) to negotiate the same general guidelines.

REP. JOHN COBB, HD 50, Augusta, asked about the 6% cap each year, if it was a two-year plan or a one-time fix. **Mr. Schneider** said the pay inequities should be taken care of in three years. **REP. COBB** asked **Dave Lewis** from the Governor's budget office if the budget process in HB 2 was being duplicated in this bill. **Mr. Lewis** explained that HB 17 covers the bargaining agreements and HB 2 covers the department's budgets.

REP. BETTY LOU KASTEN, HD 99, Brockway, wanted to know how many FTEs this bill covers and how many at different grades. **Mr. Cress** did not have the specifics on FTEs, but guessed that half the state employees were between grades 11 and 12.

REP. MIKE KADAS, HD 66, Missoula, needed some clarification on the percentage of increases. **Ms. Menzies** explained that employees will move to their target market ration in October 1995 and October 1996. The average increase will be 2.2% in October 1995 and 1.4% in October 1996. Employees will also receive a 2.5% adjustment in October 1996 when the market salary will be increased. Increases to base salaries are capped at no more than 5% in October 1995 and no more than 6% in October 1996. **Mr. Cress** also explained that the target range will make pay more consistent. They have conducted market surveys in the surrounding states (Idaho, Wyoming, North and South Dakota) which showed them there isn't enough change to require redoing the differences between grades. They have developed the market ratio process because of ongoing needs of moving employees from their hiring grades at the entry salary to their market salary. Based on the history of where they worked when the step plan was in force, these targets will give more consistent result. **REP. KADAS** asked if the previous plan had given managers more flexibility to reward employees with pay raises and **Mr. Cress** said no.

CHAIRMAN ZOOK questioned why the state of Washington was not included in the survey since it had been in previous ones. **Ms. Menzies** said that they only included neighboring states.

REP. ROYAL JOHNSON, HD 10, Billings, inquired if this contract would be an additional contract for the teachers under the negotiated salary agreements for the university system. **Mr. Cress** thought this would be a separate contract, but would refer that question to a university system representative.

REP. STEVE VICK, HD 31, Belgrade, wondered if benefits were included in target ratio salaries. **Mr. Cress** said that market salaries are comparable salaries that various employees pay for similar work and that the state's benefits are generally comparable. The annual leave for a new employee is 15 days/year, but the sick leave is not very high. **REP. VICK** wondered if there were provisions in HB 17 for increases in the length of stay and performance clauses. **Mr. Cress** said they were included in other bills that had been before the legislature.

REP. QUILICI asked about the state's health care contribution. **Mr. Cress** told the committee that currently it is $230 a month and, in 1997, should be $225. They are involved in an agreement with the union to reduce the state's contribution to help fund this bill. **REP. QUILICI** is concerned that if the premium gets raised, who would pay and **Mr. Cress** assured him that there was no provision in HB 17 to increase the contribution.

REP. BEVERLY BARNHART, HD 29, Bozeman, asked about exempt employees. These are employees who are excluded from the state pay plan and their wages are set by the agency.

{Tape: 1; Side: A; Approx. Counter: 70.9.}

Closing by Sponsor:

REP. WISEMAN closed by stating that HB 17 is trying to straighten out discrepancies between different grades, salaries and years of service. He gave some statistics on the Consumer Price Index (CPI) and how it relates to the cost of living for Montana: In the last 26 years, the CPI has risen 305% in the U.S. In Montana, from 1971 - 1977:

Grade 6 = 175% CPI
Grade 8 = 170% (half of CPI)
Grade 10 = 162%
Grade 11 = 163%
Grade 15 = 158%
Grade 19 = 157%

For those state employees who have been working for a long time, we've done a real disservice to them. The total cost of this pay increase ($33 million over the biennium) will be 50% from FTEs, 44% from vacancy savings, and 6% from the reduced insurance contribution. The people working in our state deserve this pay increase -- they are being constantly overworked because of the reductions in FTEs and we should take that into consideration.

ADJOURNMENT

Adjournment: 5:30 p.m.

Tom Zook

TOM ZOOK, Chairman

MARJORIE PETERSON, Secretary

TZ/mp

HOUSE OF REPRESENTATIVES

Appropriations

ROLL CALL DATE 1-30-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Tom Zook, Chairman	✓		
Rep. Ed Grady, Vice Chairman, Majority	✓		
Rep. Joe Quilici, Vice Chairman, Minority	✓		
Rep. Beverly Barnhart	✓		
Rep. Ernest Bergsagel	✓		
Rep. John Cobb	✓		
Rep. Roger DeBruycker	✓		
Rep. Gary Feland	✓		
Rep. Marj Fisher	✓		
Rep. Don Holland	✓		
Rep. John Johnson	✓		
Rep. Royal Johnson	✓		
Rep. Mike Kadas	✓		
Rep. Betty Lou Kasten	✓		
Rep. Matt McCann	✓		
Rep. Red Menahan	✓		
Rep. Steve Vick	✓		
Rep. Bill Wiseman	✓		

EXHIBIT 1
DATE 1-30-95
HB 17

state paychecks

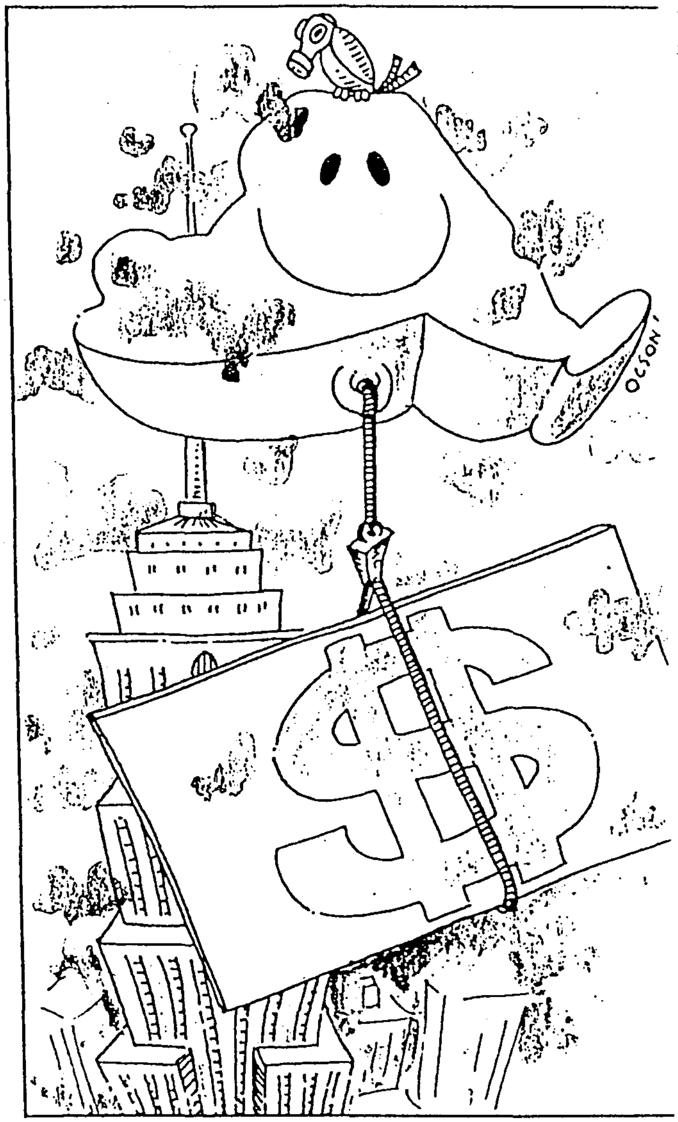
by
Carla
Blanton

How they rate

Average annual salary for select administrative officials in the 50 states:

State	*Average salary*	*State*	*Average salary*
1. New York	$97,733	26. Delaware	$68,530
2. California	94,075	27. Minnesota	68,417
3. New Jersey	88,624	28. Kentucky	68,223
4. Virginia	85,187	29. Connecticut	67,731
5. Washington	83,600	30. Iowa	66,866
6. Florida	83,149	31. Missouri	66,309
7. Michigan	82,539	32. Nevada	66,238
8. Texas	82,128	33. Louisiana	65,809
9. Hawaii	82,093	34. Alabama	65,696
10. Ohio	78,692	35. Oklahoma	65,025
11. Alaska	78,620	36. Kansas	64,430
12. Georgia	77,227	37. Maine	62,889
13. Arizona	77,092	38. Nebraska	62,776
14. Illinois	76,137	39. Indiana	62,048
15. Arkansas	75,996	40. Idaho	61,083
16. Pennsylvania	75,809	41. New Mexico	60,939
17. North Carolina	74,768	42. Mississippi	59,417
18. South Carolina	74,734	43. South Dakota	57,694
19. Maryland	74,707	44. North Dakota	57,257
20. Oregon	74,615	45. Wyoming	57,199
21. Wisconsin	72,312	46. Vermont	57,075
22. Rhode Island	71,364	47. New Hampshire	56,528
23. Colorado	71,127	48. Utah	53,346
24. Tennessee	70,871	49. West Virginia	52,989
25. Massachusetts	68,889	50. Montana	48,385

Source: The Council of State Governments' 1994 survey of state personnel agencies, published in *The Book of the States, 1994-95*. Analysis by Doug Olberding, CSG policy analyst.



And population has a big impact on the size of a government's budget and services it provides. For example, New York Gov. Mario Cuomo has a staff of 216; Montana Gov. Marc Racicot has a staff of 24. New York's budget for education in 1992 was about $18 million; Montana spent about $800,000.

The size of state governments also varies widely. Montana has about 14,000 state employees. New York, on the other hand, employs more than 250,000 people.

So the argument might be made that New York administrators, like those of executives of larger corporations, are responsible for supervising more staff and larger budgets than their counterparts in Montana. So perhaps they deserve more money.

Big pay for big burdens

Not surprisingly, Ritchie and Gold found that top administrators' salary levels are closely related to a state's population and its per capita income. These two indicators accounted for 59 percent of the variation in average salary.

State officials in New York and Montana agree that those factors make the biggest difference.

Exh 1
HB 15
Rep Wilson

According to Cuomo's office, New Yorkers make 20 percent more than the U.S. average. New York also ranks second to California in population.

"Governments in populous states have larger salaries, and they should," said Lance Ringel, director of public information for New York State Civil Services. "You have a large area, but sparse population in Montana; in New York, you have a smaller area with a larger population. I think density of population increases need for government services."

Ringel also said the salaries in New York City greatly influence state government, forcing it to be competitive. Even in public-sector pay comparisons, New York City officials often make more than their counterparts in Albany, he said.

In contrast, only 10 states have a lower average personal income than Montana, so there is not as great a need to offer higher salaries to be competitive with the private sector.

What the top state official makes also tends to set a ceiling. With the Montana governor making $55,000 a year (again, lowest among the states), it is hard to increase administrators' salaries substantially.

Montana has the lowest average salary for state executives. Gov. Marc Racicot is no exception. His $55,850 salary is lowest in the 50 states.

Lance Ringel, director of public information for New York State Civil Services, says state administrators' salaries are influenced by the pay scale in New York City. Photo: Lee Snider/Photo Images.

Living on less and loving it

Of course, pay isn't everything.

"You have to be motivated to want to work in the public sector," said Cress with Montana's Personnel Division. "I suspect many of the people in elected or appointed offices either left higher-paying offices or could go to higher-paying offices."

Rorie Hanrahan, Racicot's press secretary, said the Montana governor's staff knows this scenario first-hand.

One of the governor's staffers took a 60 percent cut in pay when he went to work for the governor. Andrew Malcolm, director of communications, was a bureau chief and columnist for *The New York Times*. Malcolm got to know the governor about 12 years ago while working on a story.

"Montana appealed to Andrew," Hanrahan said. "It's a place where problems are still solvable."

The willingness to trade high pay for a higher quality of life is what administrator Cress likes to call the "Big Sky" effect.

Among those Big-Sky seekers was a top economic adviser to the governor who moved from Denver to Helena, Mont.

"We pay people in environmental quality of life," Cress said. □

Who was rated

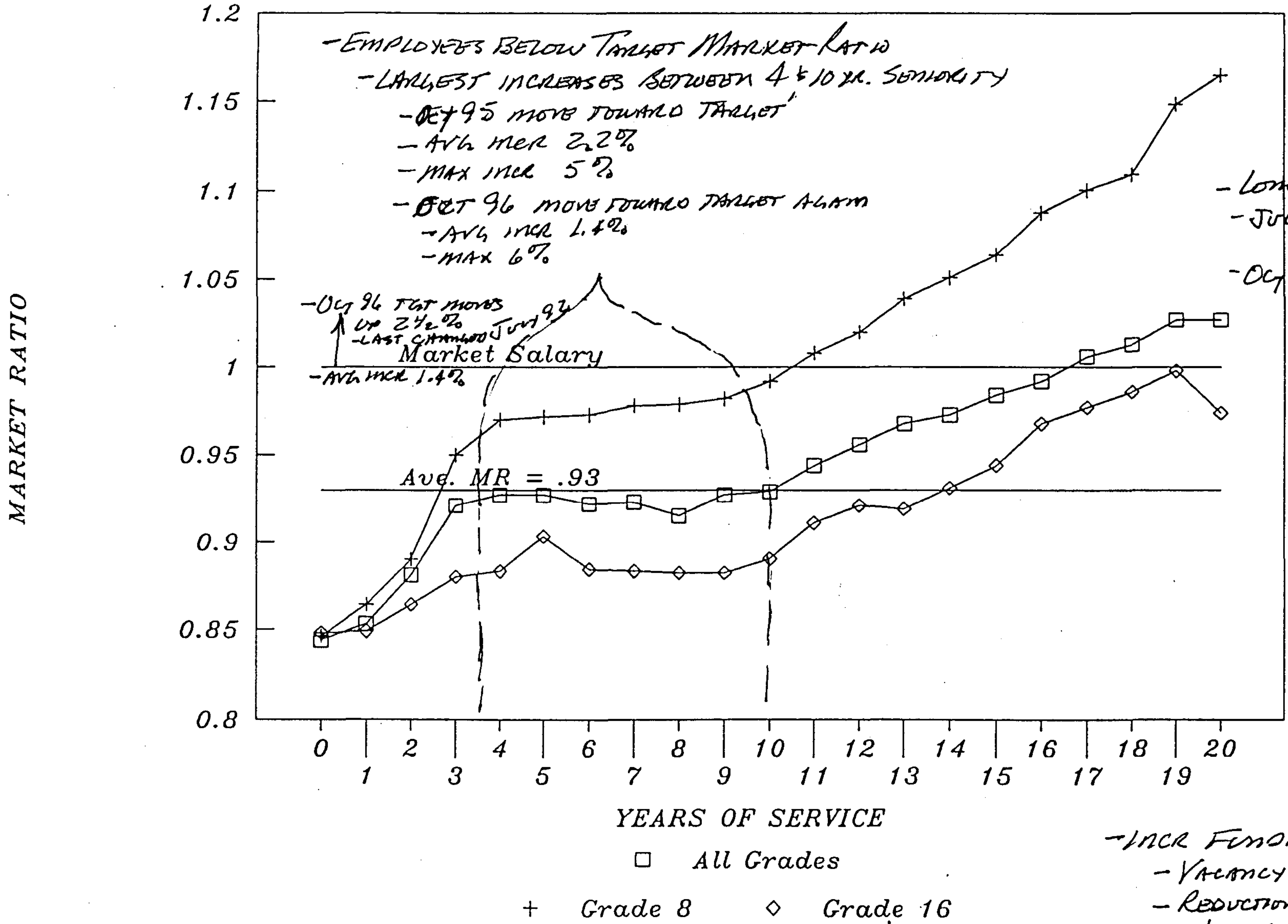
The 51 administrative offices included in the survey:

- governor
- lieutenant governor
- secretary of state
- attorney general
- treasurer
- adjutant general
- administration
- agriculture
- banking
- budget
- civil rights
- commerce
- community affairs
- comptroller
- consumer affairs
- corrections
- economic development
- education
- election administration
- emergency management
- employment services
- energy
- environmental protection
- finance
- fish and wildlife
- general services
- health
- higher education
- highways
- historic preservation
- information systems
- insurance
- labor
- licensing
- mental health and retardation
- natural resources
- parks and recreation
- personnel
- planning
- post audit
- pre-audit
- public library development
- public utility regulation
- purchasing
- revenue
- social services
- solid waste management
- state police
- tourism
- transportation
- welfare

EXHIBIT 2
DATE 1-30-95
HB 172

AVERAGE MARKET RATIO

COMPARED TO YEARS OF SERVICE



- LONGEVITY CHANGE
  - JULY 1,95 0.9% INCR FOR EACH 5 YR BLOCK OF SERVICE
  - OCT 1,95 1.5% INCR FOR EACH 5 YR BLOCK OF SERVICE (AVG WILL BE 0.65% INCR)

- INCR FUNDING SOURCE
  - VACANCY SAVINGS
  - REDUCTION IN STATE CONTRIB. TO HEALTH CARE COST
    NOW* 230/MO UNTIL JULY 1,95
    220/MO UNTIL JULY 1,96
    225/MO UNTIL JULY 1,97

Exh 2
HB 17
Rep Wiseman

PAY PLAN PROPOSAL - HOUSE BILL 17
Prepared by Department of Administration - January 6, 1995

Changes to the pay plan structure in state law:

The Governor's pay proposal adds a table of "Target Market Ratios" to the pay statutes. The targets provide for the uniform movement of employees from the Entry Salary (hiring rate) to the Market Salary (average salary paid by other employers).

Employees will move to an appropriate market ratio (a percentage of the Market Salary) based on their years of experience with the state.

Employees will move to their Target Market Ratio in October, 1995 and October 1996. The average increase to base salary will be 2.2% in October, 1995 and 1.4% in October, 1996.

Employees will also receive a 2.5% adjustment in October, 1996 when the statutory Market Salary will be increases by 2.5%. The statutory Market Salary has not changed since July 1, 1992.

Increases to base salary are capped at no more than 5% in October, 1995 and no more than 6% in October, 1996.

More senior employees will also receive a .6% increase in longevity for each 5 years of continuous service to the state in October, 1995. The average longevity increase will be .65% of salary.

What employees will receive under the Governor's pay proposal:

1. **An average progression increase of 2.2% in October, 1995.** The progression increase will move employees towards the market salary. Only employees below the market salary will receive an increase. The largest increases will go to employees with 4 to 10 years of service who are still far short of the market salary for their grade.

2. **A .6% increase in longevity for each 5 years of continuous service to the state in October, 1995.** The average longevity increase will be .65% of salary.

3. **A 2.5% increase in October, 1996** to correspond with the 2.5% adjustment in the statutory market salary.

4. **An average progression increase of 1.4% in October, 1996.** The progression increase will move employees towards the market salary. Only employees below the market salary receive a progression increase.

Funding for the Governor's pay proposal:

The pay proposal is funded through reductions in FTE, vacancy savings, and a reductions in the state's contribution to the employee health insurance plan.

EXHIBIT 3
DATE 1-30-95
HB 17

TESTIMONY ON HOUSE BILL NO. 17

Submitted by Lois Menzies, Director
Department of Administration
January 30, 1995

I am here on behalf of Governor Racicot to urge your support for HB 17. The proposal before you today is distinctive for several reasons:

(1) This proposal is an integral part of the executive budget. For the first time in many years, state employee pay has been identified as a cost of doing business. It has been woven into a balanced budget proposal rather than tacked on as an afterthought.

(2) This proposal recommits the state to the market-based pay structure adopted by the Legislature in 1991. The basic goal of that pay structure is to make state salaries more comparable to those paid for similar jobs in the private sector.

(3) This proposal is funded without new money. The increases are financed in large part through a combination of FTE elimination and vacancy savings. This pay plan is consistent with the Governor's efforts to responsibly downsize government while maintaining or enhancing customer services.

(4) This proposal embodies a settlement between the state and employee organizations. It is the exception, rather than the rule, for labor and management to reach agreement prior to the start of a legislative session. Both sides worked hard to reach an agreement that met both parties' basic objectives. This is no small accomplishment.

In summary, we bring before you today an internally funded pay proposal that is an integral part of the executive budget; recommits to the market-based pay structure; and meets the objectives of both labor and management.

On behalf of the Governor, I urge your careful consideration and support for this legislation.

Exh 3
NB17
Lois Mezgui

EXHIBIT 4
DATE 1-30-95
HB 17

TESTIMONY IN SUPPORT OF HOUSE BILL 17
Presented by Mark Cress, Administrator
State Personnel Division

Mr. Chairman, members of the committee, my name is Mark Cress, Administrator of the State Personnel Division. I stand today in support of House Bill 17, the Governor's executive pay plan proposal.

I would like to take just a few minutes to give you some back ground on the state pay plan. My remarks will center on the classified pay plan covering the majority of state employees.

In 1989, the legislature created a nine member pay commission to examine the state's pay plan. This decision followed 2 years of pay freezes during 1988 and 1989.

The pay commission, after extensive study, recommended a market based pay system. The commission's recommendations were partially implemented in 1991 for fiscal years 1992 and 1993. The 1991 legislature deviated from the commission's recommendations and approved a flat 60 cents an hour raise in FY92 and another flat increase in FY93. As many of you know, those flat increases have resulted in some inequities between state employees and some divergance from the market pay concept.

The administration, in planning for this biennial pay proposal, had several objectives:

1. To continue the implementation of the market based pay plan recommended by the pay commission in 1991. We believe the labor market is the best measure for determining state employee pay.

2. To fund the pay proposal through reductions in the current personal services budget.

3. To address the pay inequities caused by the partial implementation of the market based pay system, and to establish a consistent way of moving employees from entry to market to address those inequities.
4. To develop a plan to do this in cooperation with the unions representing our employees.

House Bill 17 accomplishes these objectives.

We examined our labor market, to insure we were comparing to appropriate employers. We completed a salary survey last fall of other employers in Montana. We also examined the pay practices of our 4 neighbor states. House Bill 17 takes a conservative approach to setting the state's entry and market salaries, yet maintains the market-based pay system. The market salary rates in state law were first implemented on July 1, 1991. They were adjusted 3% on July 1, 1992. HB 17 adjusts these salaries by 2.5% on October 1, 1996. If approved, that will be the first increase in these market salaries since July 1, 1992.

Exh 4
HB 17
Mark Cress

Will that one increase keep pace with the labor market in Montana? No, I don't believe it will. Private sector wages have been increasing between 2 and 3% a year and appear to be increasing at a faster rate this year, perhaps closer to a 4 or 5% annual rate.

House Bill 17 balances the objective of maintaining the market salary rates with the need to establish an ongoing, consistent way of progressing employees from the entry rate to the market salary; and the need to remove current inequities between the pay of employees. The "Target Market Ratios", on page 5 of the bill, are intended to do that.

This table implements an ongoing pay system, that provides a reasonable progression from the entry rate to the market rate over a period of years. A progression taking fewer years at the lower grades and more years at the upper grades.

The plan gives priority to moving individual employees towards the market salary who have worked for the state for a significant number of years.
The increases are paid for in three ways: a reduction in FTE, vacancy savings and a reduction in the state's contribution to employee health insurance. Union representatives agreed to reduce employee compensation on the benefits side to help fund these necessary increases on the salary side. The reduction in insurance contribution is possible because of the low rate of inflation on the state's employee benefit plan. This low rate of inflation is due, in large part, to state employee efforts in managing their own claims costs.

Our bargaining spokesman, Steve Johnson, began going to the bargaining table with our major employee unions in the fall of 1993 to try to achieve these objectives. After more than a year of bargaining, the administration and representatives of unions representing the majority of our organized employees, worked out the proposal laid out in House Bill 17. House Bill 17 meets the state's pay objectives. It provides effective pay administration.

I know this bill is complex. There are several of us here who would be glad to respond to questions about specifics in the bill. I'd also like to offer that if any of you have specifc questions or concerns about the state compensation system or benefit plans, please feel free to call me (3879). I would be glad to discuss issues or concerns over the phone or come and meet with you.

Thank you. I urge your support of HB 17.

EXHIBIT 5
DATE 1-30-95
HB 17

DEPARTMENT OF ADMINISTRATION
STATE PERSONNEL DIVISION

MARC RACICOT, GOVERNOR

MITCHELL BUILDING, ROOM 130
PO BOX 200127

STATE OF MONTANA

(406) 444-3871
FAX: (406) 444-0544

HELENA, MONANA 59620-0127

TESTIMONY IN SUPPORT OF HB 17
Presented by Steve Johnson, Chief
Labor and Employee Relations Bureau
State Personnel Division

Mr. Chairman, members of the committee, my name is Steve Johnson. I am chief of the labor and employee relations bureau in the department of administration's personnel division. I also serve as the chief labor negotiator for the executive branch of state government in collective bargaining. I appear before you today in support of HB 17, which is the governor's proposal for state employee compensation for the FY 96-97 biennium, and also reflects negotiated settlements with the major labor organizations that represent state workers.

I would like to take a few moments to explain the purpose and contents of HB 17. The pay bill has traditionally served two purposes. First, it establishes the salary schedules and pay adjustments for certain state employees. Second, it includes the appropriation to fund increases for all state employees.

The pay bill establishes salary levels for the following employees:

(1) classified employees of the executive branch and university system;
(2) blue collar employees in the executive branch;
(3) employees in liquor store occupations; and
(4) teachers employed by the department of corrections and human services and the department of family services.

The pay bill does not set pay levels for these employees:

(1) legislative employees;
(2) judicial employees;
(3) faculty, professional, administrative and blue collar employees in 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) the executive director and employees of the State Fund; and
(7) various other exempt employees listed in 2-18-103 and 2-18-104, MCA.

Salaries for exempt employees are generally at the discretion of the employing agency.

Even though the pay bill does not set salary levels for all state employees, it does include the appropriation necessary to fund pay adjustments for all state workers.

I will not give you a detailed description of the pay increases contained in the bill, or the state's pay policy objectives. Other supporters of the bill will discuss those items today. I will, however, reiterate that HB 17 incorporates agreements reached in collective bargaining with labor organizations that represent approximately 92% of all organized employees in the executive branch.

These negotiations, which lasted more than a year, produced a settlement that balances the interests of both labor and management. For the state as an employer, HB 17 breathes new life into the state's market-based pay system, which has been set back somewhat by the year-and-a-half pay freeze in the current biennium. The bill also rewards employees for their length of service, one of labor's primary objectives in collective bargaining. Perhaps the most important objective for both labor and management, however, was to replace the state's "feast-or-famine" pay practices with a longer-term approach to state employee compensation. I believe that the agreement reached in collective bargaining, as contained in HB 17, meets this objective. I urge your support.

Thank you for your time and consideration.

EXHIBIT 6
DATE 1-30-95
HB 17

MONTANA PUBLIC EMPLOYEES ASSOCIATION

1426 Cedar Street • P.O. Box 5600
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January 30, 1995

TO: Honorable Appropriations Committee

FROM: Thomas E. Schneider, Executive Director

RE: HB 17

During the 1993 Legislative Session the Administration submitted legislation to freeze state employee pay. MPEA/MFSE submitted legislation to increase state employee pay to the level we felt was dictated by inflation and past salary history. Ultimatey the legislature passed a pay bill granting a 1 1/2% pay increase beginning January 1, 1995.

I met with Speaker Mercer early in the 1993 session and his advice to me was to "settle the pay issue with the Governor before the session begin so that it could be dealt with in the budget." MPEA/MFSE and the administration worked very hard to bring this bill before you. Collective bargaining begin in November of 1993 and continued for 13 months ending with a settlement three days before Christmas. It appeared to both sides many times during that period of time that a settlement would never be reached. It was only because of hundreds of hours of work away from the bargaining table by negotiators from both sides and a committment between the leadership of the unions and the Governor that a settlement was reached.

I would like to tell you that our members are ecstatic over this agreement but I can't do that. HB 17 contains a settlement that continues the market based pay system and puts a pay philosophy in place for the future. It will correct most of the pay inequities in the current system over a period of time. We agreed to it because we felt state employees and the legislature need an on going state employee pay system and HB 17 does that.

HB 17 is a direct result of legitimate collective bargaining and committment by all parties to settle the pay issue though that process instead of putting the issue in front of the legislature to be bargained during the session. I want to that thank the negotiators for the tremendous amount of work they put into this settlement and Governor Racicot for his committment and involvement to bring the settlement about. I would ask for your yes vote on HB 17.

Economic Negotiations
State of Montana
Montana Public Employees Association (MPEA)
Montana Federation of State Employees (MFSE)
December 16, 1994

The following is a package proposal to settle all economic items for a 1995-1997 agreement between the above parties.

SALARY

A. Entry, Market and Maximum Rates (Pay Structure)

1. Entry, market and maximum rates to remain at current levels until the first day of the pay period that includes October 1, 1996.

2. Effective the first day of the pay period that includes October 1, 1996, increase entry and market rates by 2.5%. Adjust maximum rate according to current statute. No employee's market ratio, as it was on the last day of the pay period immediately preceding the pay period that includes October 1, 1996, will be reduced as a result of this provision.

B. Salary Adjustments

1. Fiscal Year 1996

Effective the first day of the pay period that includes an employee's anniversary date (the day and month on which the employee began the most recent period of uninterrupted state service) during fiscal year 1996, adjust the employee's base salary according to the following provisions. [NOTE: Employees hired on or before September 30, 1994, will, for the purposes of calculating the salary adjustments in Section 1. (a) and (b) below, have their anniversary dates set on October 1.]

(a) Compare the employee's market ratio, grade level and completed years of uninterrupted state service, to the "target" market ratio increment on the attached matrix that corresponds to the employee's grade level and completed years of uninterrupted state service.

(b) If the employee's market ratio is lower than the target (market ratio) increment, increase

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the employee's base salary to the lesser of:

(i) The market salary for the employee's grade, multiplied by the target (market ratio) increment in the attached matrix that corresponds to the employee's grade level and completed years of uninterrupted state service; or

(ii) The employee's base salary, as it was on the last day of the pay period immediately preceding the pay period that includes October 1, 1995, plus 5%.

2. Fiscal Year 1997

Effective the first day of the pay period that includes an employee's anniversary date (the day and month on which the employee began the most recent period of uninterrupted state service) during fiscal year 1997, adjust the employee's base salary according to the following provisions. [NOTE: Employees hired on or before September 30, 1994, will, for the purposes of calculating the salary adjustments in Section 2. (a) and (b) below, have their anniversary dates set on October 1.]

(a) Compare the employee's market ratio, grade level and completed years of uninterrupted state service, to the "target" market ratio increment on the attached matrix that corresponds to the employee's grade level and completed years of uninterrupted state service.

(b) If the employee's market ratio is lower than the target (market ratio) increment, increase the employee's base salary to the lesser of:

(i) The market salary for the employee's grade multiplied by the target (market ratio) increment in the attached matrix that corresponds to the employee's grade level and completed years of uninterrupted state service; or

(ii) The employee's base salary, as it was on the last day of the pay period immediately preceding the pay period that includes October 1, 1996, plus 6%.

C. Pay Protection

No employee's base salary will be reduced because of the above provisions.

LONGEVITY ALLOWANCE

Effective the first day of the pay period that includes October 1, 1995, increase the current .9% statutory longevity allowance percentage to 1.5%.

INSURANCE CONTRIBUTION

Change employer contribution from $230 per month to $220 per month for FY 1996 and from $220 per month to $225 per month for FY 1997.

This proposal is contingent on legislative passage, approval and funding, and ratification by employees represented by MPEA and MFSE.

By signing below, the parties indicate complete agreement on all issues raised during these economic negotiations.

Dated this ______ day of December 1994.

FOR THE STATE OF MONTANA:

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FOR THE MONTANA PUBLIC EMPLOYEES ASSOCIATION (MPEA):

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FOR THE MONTANA FEDERATION OF STATE EMPLOYEES (MFSE):

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TARGET INCREMENTS

Grade \ Years	0	1	2	3	4	5	6	7	8	9	10
4	0.844	0.874	0.904	0.935	0.967	0.999	1.000	1.000	1.000	1.000	1.000
5	0.842	0.871	0.900	0.930	0.961	0.992	1.000	1.000	1.000	1.000	1.000
6	0.840	0.868	0.896	0.925	0.955	0.985	1.000	1.000	1.000	1.000	1.000
7	0.838	0.865	0.892	0.920	0.949	0.978	1.000	1.000	1.000	1.000	1.000
8	0.836	0.862	0.889	0.916	0.944	0.972	1.000	1.000	1.000	1.000	1.000
9	0.834	0.859	0.885	0.911	0.938	0.965	0.993	1.000	1.000	1.000	1.000
10	0.832	0.857	0.882	0.908	0.934	0.961	0.988	1.000	1.000	1.000	1.000
11	0.830	0.854	0.878	0.903	0.928	0.954	0.980	1.000	1.000	1.000	1.000
12	0.828	0.851	0.875	0.899	0.924	0.949	0.975	1.000	1.000	1.000	1.000
13	0.825	0.849	0.872	0.896	0.920	0.945	0.970	0.995	1.000	1.000	1.000
14	0.824	0.846	0.869	0.892	0.915	0.939	0.963	0.988	1.000	1.000	1.000
15	0.822	0.844	0.865	0.888	0.911	0.934	0.958	0.982	1.000	1.000	1.000
16	0.820	0.841	0.863	0.885	0.907	0.930	0.953	0.977	1.000	1.000	1.000
17	0.818	0.839	0.860	0.882	0.904	0.926	0.949	0.972	0.995	1.000	1.000
18	0.816	0.836	0.857	0.878	0.899	0.921	0.943	0.966	0.989	1.000	1.000
19	0.814	0.834	0.854	0.875	0.896	0.917	0.939	0.961	0.984	1.000	1.000
20	0.812	0.831	0.851	0.871	0.892	0.913	0.935	0.957	0.979	1.000	1.000
21	0.810	0.829	0.849	0.869	0.889	0.910	0.931	0.953	0.975	0.997	1.000
22	0.808	0.827	0.846	0.866	0.886	0.906	0.927	0.948	0.970	0.992	1.000
23	0.806	0.825	0.844	0.863	0.883	0.903	0.923	0.944	0.965	0.987	1.000
24	0.804	0.822	0.841	0.860	0.879	0.899	0.919	0.940	0.961	0.982	1.000
25	0.802	0.820	0.838	0.857	0.876	0.895	0.915	0.935	0.956	0.977	0.999

FY 96 PAY PLAN - HOURLY RATE

GRADE	ENTRY	MARKET	MAXIMUM
5	5.638	6.696	7.753
6	6.092	7.253	8.413
7	6.581	7.853	9.125
8	7.133	8.532	9.932
9	7.723	9.261	10.798
10	8.377	10.068	11.760
11	9.088	10.950	12.811
12	9.877	11.929	13.980
13	10.733	12.994	15.254
14	11.680	14.175	16.671
15	12.724	15.479	18.234
16	13.887	16.936	19.984
17	15.185	18.564	21.943
18	16.616	20.363	24.110
19	18.220	22.383	26.547
20	20.009	24.641	29.274

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Appropriations COMMITTEE BILL NO. HB 17

DATE 1-30-95 SPONSOR(S) HB 189

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Sue Hill	MT University System	17		✓
Tom Schneider	MPEA	17		✓
Steve Johnson	Admin.	17		✓
Lois Menzies	"	17		✓
Mark Cress	"	17		✓
Terry Minow	MFT	17		✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.