

EXHIBIT 5
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HB 447

HOUSE BILL 447
("The State Employee Pay Bill")

Testimony in Support of House Bill 447
Randy Morris, Administrator
State Personnel Division
Department of Administration
January 31, 2005

Madam Chair, Members of the Committee, for the record my name is Randy Morris. I am the Administrator of the State Personnel Division, within the Department of Administration.

For all the same reasons the department spoke in favor of Representative Franklin's amendments to House Bill 13, I again rise in support of HB 447. HB 447 contains all the language the department agreed to during its negotiations with labor representatives of a majority of the employees covered by collective bargaining agreements. I will include in the record a copy of my previous testimony to HB13 that has been updated for this bill before you today.

Thank You.

House Bill 447 represents the governor's biennial pay package. It provides pay and benefit increases for all employees covered under House Bill 2. This session the pay bill, as introduced by Rep. Gallik, represents the last collective bargaining proposal offered by Governor Schweitzer and ratified by a majority of state employee unions on January 7, 2005.

House Bill 447, as amended, contains the additional components of the agreement Governor Schweitzer reached with the Montana Public Employees Association, the MEA-MFT, and the American Federation of State, County and Municipal Employees. The Schweitzer administration supports House Bill 447 as presented.

Based on the most recent salary survey conducted by the Division, Montana state government's total compensation package (wages and benefits) lags behind the labor market by an average of 6.8 percent. Considering salary alone, the average state employee is 13.7 percent behind their counterparts in other public and private sectors. Please keep in mind that this survey analysis is based on wages reported in 2003.

Governor Schweitzer's bargained agreement stretches further to narrow the gap between the salaries of state workers and their public and private sector counterparts. Moreover, the HB 447 recognizes workers in lower pay grades who have not realized comparable increases to spendable income because wages were adjusted on a percentage basis as opposed to a dollar basis.

HB 447 provides increases amounting to the greater of 3.5 percent or \$1,005 annually in fiscal year 2006 and 4.0 percent or \$1,188 in fiscal year 2007. Employees hired by September 30, in each year of the biennium, will receive those pay raises in October. The flat-dollar guarantees represent 3.5 percent and 4.0 percent respectively at the grade 12 market rate, currently \$28,716 annually. For those unfamiliar with the state's classification system, a grade 12 in Montana state government is typically an entry-level professional or mid-level technical position. The general fund cost of the bill is \$36 million (\$70 million in total funds).

The introduced bill contains 10 percent increases in the state's health insurance premium share each year of the biennium (\$460 - \$506/\$557). Although it's too early to tell, the State Personnel Division anticipates no change in the employee's insurance costs or coverage in fiscal year 2006 and only modest changes in fiscal year 2007.

House Bill 447 in its introduced form also seeks to repeal statutory pay matrices for teachers and blue-collar workers. Both the administration and labor management support this component of the pay bill. By removing these matrices from state law, the state and affected employee unions will be given more flexibility to negotiate changes in the structure of the schedules. This change will not affect the appropriation, and both pay schedules will still be subject to collective bargaining.

Paula Stoll, the state's chief labor negotiator, handled the negotiations. She is also available to answer the Committee's questions.

In closing, the Department of Administration supports House Bill 447,
Thank you for your time and consideration.