

Testimony on HB 13 (Pay plan for state employees)
Senate Finance and Claims Committee
February 17, 2009

Exhibit No. 2
Date 2-18-09
Bill No. HB 13

Mr. Chairman, Members of the Committee, my name is Butch Plowman. I am a specialist in the State Office of Labor Relations. I am pinch hitting for my supervisor, Paula Stoll. She was Chief Spokesperson for management in the negotiations leading to HB 13.

House bill 13 incorporates our negotiated agreement with the Montana Public Employees Association, MEA-MFT, and the American Federation of State, County and Municipal Employees. The bill also contains housekeeping changes eliminating unnecessary, obsolete, and redundant language and provisions from the state's pay and classification law (These changes are outlined in the green attachment)

We reached a tentative agreement with the three major state employee unions December 18, 2008 (blue attachment). Both labor and management are making a contribution towards the viability of state employment recognizing fiscal reality. State employees will not receive a base pay raise. They will pay more for healthcare. At the end of the biennium many state employees will see their monthly take home pay reduced \$50.00 or more and all employees will see their group insurance benefits reduced. It will cost the state 14.8 million dollars.

Most of the state's cost will be for additional contributions towards health insurance premiums; \$53.00 per month per employee the first year and \$54.00 per employee per month the second year. Employees will also contribute. Out-of-pocket cost for dependant coverage will increase approximately \$50.00 per month during the biennium. Benefits are being cut for everyone. Employees will pay an additional 7.5% on average toward medical deductibles. They will pay an additional 16% on average for out-of-pocket prescription drug costs. Regardless of whether employees have health care claims or they just purchase coverage, everyone will have increased costs.

The economy and revenue projections were more optimistic when we initiated negotiations almost a year ago. Fortunately, we had no management wage offer on the table when the markets fell. We held our breath with every new revenue projection. Terry Johnson, principle analyst from the Legislative Fiscal division came to our bargaining session and helped us all understand the changing dynamics. Mr. Johnson was a valuable resource. He has earned our thanks and appreciation. In the end we came up with the best deal we could hope for. A one time, \$450.00 payment was provided to help off set the increased insurance costs for most employees and only in the first year of the biennium.

Median pay for Montana executive branch employee lags 8 percent behind the labor market. Average state employee pay is 5 percent behind market. With no base salary increase for state employees, those statistics will only improve if there is private sector wage deflation. Considering the increased insurance costs for both the employer and employees, this is not a good deal, but it is the best deal.

In closing, I ask you to consider the work all the parties put into this settlement. This settlement was possible because of the trust placed in the union negotiators. They worked hard and responsibly. Our interests were simple: help mitigate the loss of purchasing power for the lowest-paid employees, contribute some toward the rising cost of health insurance of all employees, and try to save programs, services and jobs. We believed those mutual interests merit the work invested in this bill.

Thank you for your consideration.

Arlyn L. "Butch" Plowman, Specialist
State Office of Labor Relations
Montana Department of Administration
Mitchell Building Room 137A

125 Roberts P.O. Box 200152
Helena MT 59620-0152
406.444.3885
bplowman@mt.gov
<http://laborrelations.mt.gov/contactlabor.asp>

HOUSE BILL 13 SECTION-BY-SECTION ANALYSIS (Version HB0013.02; February 10, 2009)

The statutory changes contained in House Bill 13 generally fall into one of four reason categories:

1. **Incorporates the negotiated deal with MPEA, MEA-MFT and AFSCME.**
2. **Clarifies that Montana state government's pay plan is a *broadband pay plan* – and not a *market-based pay plan*.** The broadband pay plan gives state agencies broad flexibility to decide how they will pay employees. Agencies can choose to target market pay, within their ability to pay, they may choose to pay employees for their competencies or performance, or they may choose any combination.
3. **Clarifies that the minimum pay an employee will receive is the minimum pay for their occupation's pay band – and not the entry pay assigned to the occupational pay range.** The Department of Administration identifies occupational market ranges for agencies to use in understanding the competitive pay forces related to specific occupations. Many agencies use market rates as their primary pay component. However, these ranges were never intended to guarantee a certain minimum pay rate as a percentage of the market rate. Therefore, the bill further proposes changing all statutory references from "occupational pay ranges" to "competitive pay zones," the standard industry term used in broadband pay plans.
4. **Eliminates obsolete, unnecessary, redundant and inconsistent terms and provisions.**

Section 1 – 2-18-101 - Definitions

Page 2

Line 4 – "Position" replaces "job" for consistency purposes. The appropriate term for the duties and functions assigned to a single employee is "position," which is a defined term. The two terms have been used interchangeably throughout the chapter. (See Reason 4)

Lines 5 through 7 – Defines "competitive pay zone," a term replacing "occupational pay range." (See Reason 3)

Line 12 - Deletes the definition of "entry salary" tied to occupational pay ranges and conflicts with 2-18-301 (7) (page 4, lines 29 and 30, and page 5, line 1). (See Reason 3)

Lines 13 and 14 – Replaces "job" with "position" for consistency purposes (see explanation under Line 4 above).

Line 16 – Changes the means for determining "market salary" using the median base salary instead of the midpoint, and eliminates the reference to "occupational pay range." (See Reason 3)

Line 19 – Replaces "job" with "position" for consistency purposes (see explanation under Line 3).

Lines 21 through 23 – Deletes the definition of "occupational pay range," which is replaced with "competitive pay zone." (See Reason 3)

Section 2 – 2-18-202 – Guidelines for Classification

Page 4

Line 4 – Retitles the section "Identification of occupations" to more accurately describe the section's contents. (See Reasons 2 and 4)

Lines 8 and 9 – Deletes a provision that is unnecessary and confusing. It goes without saying that similar pay may be provided to individuals in the same occupation within an occupational pay range. "Occupational pay range," in this circumstance, actually indicated positions within the same pay band. (See Reason 3)

Section 3 – 2-18-301 – Purpose and intent

Page 4

Lines 12 through 14 – Removes the purpose statement and revises the title to reflect proposed content changes. The current purpose statement implies a "market-based" pay plan when the broadband pay plan allows agencies to consider multiple pay components. (See Reason 2)

Line 16 – Adds "in part" to clarify that the labor market is one of many components agencies can consider when designing their broadband pay plans. (See Reason 2)

Line 19 – Repeals 2-18-110 ("Shift differential and hazardous duty pay negotiated). Both shift differential and hazardous duty pay are mandatory subjects of collective bargaining under 39-31-305 (2). The provision is unnecessary. (See Reason 4)

Lines 21 and 22 – Deletes redundant provision (see line 19). (See Reason 4)

Line 23 – Adds "if any" so provision is current when no pay increases are enacted. (See Reason 4)

Line 27 – Replaces "merit" with "competency" for consistency purposes. "Merit" is a holdover from the 1975 statewide classification plan and is not referenced in any other provision of the chapter. (See Reason 4)

Lines 29 through page 5, line 1 – Eliminates confusing language relating to the minimum pay an employee will receive. (See Reason 2)

Page 5

Line 4 – Clarifies that the Department of Administration will establish the "salary ranges" for each pay band instead of the "levels." (See Reason 3)

Line 5 – Clarifies that the Department of Administration will recommend competitive pay zones, and not "set occupational pay ranges" for all occupations. (See Reason 3)

Section 4 – Procedures for administering broadband pay plan.

Page 5

Line 12 – Changes dates to correspond with the 2011 biennium. (See Reasons 1 and 4)

Lines 15 through 28 – Eliminates pay adjustments implemented in the 2009 biennium. (See Reason 1 and 4)

Lines 29 and 30 – Clarifies that employees will receive the minimum salary of the pay band in which the employee's position is allocated. (See Reason 3)

Page 6

Lines 1 through 4 – Incorporates the negotiated pay agreement reached with the three largest state employee unions. (See Reason 1)

Line 5 – Replaces "increase" with "adjustment," two terms used interchangeably throughout the section. (See Reason 4)

Lines 14 and 15 – Eliminates obsolete language. This provision was enacted in 2007 when the broadband pay plan was first adopted as the state's primary pay band. The provision is no longer necessary. (See Reason 4s)

Lines 16, 19, and 22 – Deletes references to "biennial salary increases" since no salary increases are proposed. (See Reason 1)

Lines 24 and 27 – Amended in House Appropriations, reproduces language inadvertently stricken in bill drafting.

Section 5 – Contributions.

Page 7

Lines 8 through 13 – Incorporates the negotiated agreement reached with state employee unions to raise the state's share by \$53 a month in fiscal 2010 and \$54 a month in fiscal 2011. (See Reason 1) Amended in House Appropriations, corrects the university system's benefit year.

Section 6

Page 8

Lines 11 and 12 – Replaces "occupational pay range" with "competitive pay zone." (See Reason 3)

Section 7

Page 8

Lines 19, 26, 27, 28, 29 and 30 – Revises the method of determining the commission of political practices' salary to conform to changes proposed under Section 4. (See Reason 3)

Section 8

Page 9

Lines 13, 19, 20, 21, 22, and 23 – Revises the method for determining salaries for state tax appeal board members to conform to changes proposed under Section 4. (See Reason 3)

Section 9

Page 9

Line 29 – Updates reference to 2-18-303 (5) because sections were renumbered under Section 4.

Section 11 – Repealer.

Page 11

Line 17 – Repeals two sections:

1. Section 2-18-110, "Shift differential and hazardous duty pay negotiated." The section is not necessary since the Collective Bargaining Act for Public Employees, at 39-31-305 (2) identifies "wages, hours, fringe benefits, and other conditions of employment" as mandatory subjects of bargaining. (See Reason 4)
2. Section 2-18-207, "Department authorization for increase of occupational pay range." The section is not necessary because the "occupational pay range" (proposed change to "competitive pay zone") does not establish the minimum pay an employee will receive. (See Reason 3)

HOUSE BILL 13 FACT SHEET (Version HB0013.02; February 10, 2009)

Rationale for proposed changes:

1. Incorporates the negotiated settlement between Governor Schweitzer and the Montana Public Employees Association, MEA-MFT and AFSCME.
2. Clarifies that Montana state government's pay plan is a *broadband pay plan* – and not a *market-based pay plan*.
3. Clarifies that the minimum pay an employee can receive is the minimum pay for their position's pay band – not the entry pay assigned to the occupational pay range; replaces *occupational pay range* with *competitive pay zone*.
4. Eliminates obsolete, unnecessary, redundant, and inconsistent terms and provisions.

What House Bill 13 means to state workers:

Increased contribution to health insurance premium – House Bill 13 increases the state's share toward most employees' health insurance by 8.5 percent beginning January 2010 (\$53, from \$626 to \$679 a month) and by 8 percent in January 2011 (\$54, from \$679 to \$733 a month). This applies to employees in the executive (non-university), legislative, and judicial branches.

The Montana university system's benefit year runs from July 1 through June 30. The same contributions apply for their benefit years. (Amended in House Appropriations to correct the university system benefit year references in the introduced bill.)

The Department of Administration expects the cost of dependent coverage under the main plan to increase by an average of \$23 to \$25 a month above the state's share for each benefit year.

One-time lump-sum payments – Lump-sum payments contained in Section 4 (2-18-303(3)) will be provided to certain executive branch employees whose positions are classified and paid under either the broadband and blue-collar pay plans. The appropriation was calculated so similar lump-sum payments could be given to university system, judiciary, and legislative employees.

Full-time employees whose base salaries are \$45,000 annually or less will receive a one-time \$450 lump-sum payment in July 2009. The Department of Administration estimates that 7,083 of 11,139 full-time employees (or 64 percent) will receive this payment.

Part-time employees who regularly work 20 hours or more a week and earn base wages of \$21.635 per hour or less will receive a one-time \$225 lump-sum payment in July 2009. The Department of Administration estimates that 1,100 of 1,264 part-time employees (or 87 percent) will receive this payment.

(over, please)

Appropriation:

**Increased Contribution to Health Insurance Premium
(Section 2-18-703)**

	Fiscal Year 2010		Fiscal Year 2011	
	General Fund	Other Funds	General Fund	Other Funds
Legislative Branch	\$41,022		\$123,840	
Consumer Council		\$1,908		\$5,760
Judicial Branch	\$133,322	\$6,599	\$408,240	\$19,920
Executive Branch	\$1,629,967	\$2,102,554	\$4,931,731	\$6,353,518
University System	\$1,429,997	\$54,696	\$2,885,088	\$110,424
Total	\$3,234,308	\$2,165,757	\$8,348,899	\$6,489,622

**One-Time Lump-Sum Payments
(Section 2-18-303(3))**

	Fiscal Year 2010		Fiscal Year 2011	
	General Fund	Other Funds	General Fund	Other Funds
Legislative Branch	\$19,744			
Consumer Council	\$527			
Judicial Branch	\$124,649	\$3,028		
Executive Branch	\$1,838,668	\$2,146,937		
University System	\$1,082,390	\$29,485		
Total	\$3,065,451	\$2,179,977		

Other appropriations:

Personal services contingency fund – The bill contains a \$4 million general fund appropriation (and \$3 million in combined state special, federal special, and proprietary fund appropriations) to be distributed to agencies where personnel vacancies do not occur, retirement costs exceed agency resources, or other contingencies arise.

Labor-management training initiative – The amount of \$75,000 is appropriated from the general fund to the Department of Administration for the labor-management training initiative (LMTI). The LMTI offers collaborative problem solving training to state managers and employees. The appropriation is part of the negotiated settlement between Governor Schweitzer and the three largest state employee unions.

2010-11 Economic Agreement

State of Montana
Montana Public Employees Association, MEA-MFT, and
American Federation of State, County, and Municipal
Employees (AFSCME)

The following economic agreement is contingent upon legislative passage and approval.

1. **State's share toward the health insurance premium.** Increase the state's share towards the health insurance premium by \$53 per month in January 2010 (from \$626 to \$679) and by \$54 per month in January 2011 (from \$679 to \$733).
2. **One-time, lump-sum payment:** All full-time employees whose base pay is \$45,000 or less annually will receive a lump-sum payment of \$450 the first full pay period following July 1, 2009. All part-time employees who are regularly scheduled to work 20 hours or more per week and whose base pay is less than \$21.63 per hour will receive a lump sum payment of \$225 the first full pay period following July 1, 2009.

This provision is additionally contingent upon written notice to the State Office of Labor Relations that the employee's collective bargaining unit has ratified a collective bargaining agreement for the 2010-11 biennium.

3. **Reduction in force or layoff.** If any agency intends to layoff more than 25 employees, the parties agree to meet with the appropriate bargaining agents to discuss how layoffs will be implemented and to explore incentives for retirement-eligible employees.

Any employee who is laid off after the statewide ratification of this economic agreement but before July 1, 2009, and who is qualified for the lump-sum payment described under Paragraph 2, will receive their lump sum payment the first full pay period following July 1, 2009.

4. **Reopener.** The parties agree to reopen economic negotiations in the event the Governor calls a special session during the 2010-11 biennium because of increased revenues.
5. **Labor-Management Training Initiative.** Continue the Labor-Management Training Initiative with a biennial appropriation of \$75,000.

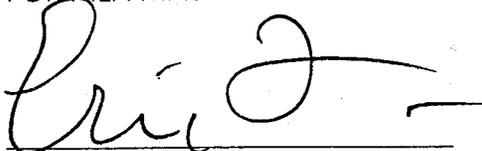
DATED This 16th day of January, 2009.

FOR THE STATE OF MONTANA:



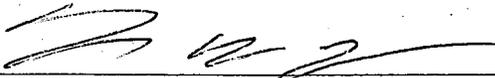
Paula Stoll, Chief Negotiator

FOR MEA-MFT:



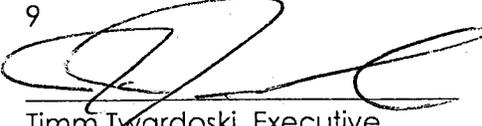
Eric Feaver, Executive Director

FOR THE MONTANA PUBLIC EMPLOYEES
ASSOCIATION



Quinton N. Nyman, Executive Director

FOR THE AMERICAN FEDERATION
OF STATE, COUNTY AND
MUNICIPAL EMPLOYEES, COUNCIL

9


Timm Twardoski, Executive
Director