

## PERSONNEL AND PAY COSTS

Montana has almost 15,000 state employees who perform a number of public policy functions requiring a very broad array of skills and education. The public policy role of the legislature regarding the cost of state government personnel includes:

- Establishing the compensation system the state uses to attract and retain employees
- Providing for the costs related to the employment of personnel within the state's budget

The costs of employment, referred to in the state's budget as personal services, include both salaries and benefits and are a large part of the state's budget.

### Pay Costs

Employees are paid within the structures of one of a number of compensation plans, also known as pay plans. By statute, the pay program is to be based on competency, internal equity, and competitiveness within the state's fiscal resources. By far the largest is the broadband pay plan, in which 11,920 employees are included.

The state determines salary comparison using a two-tier market analysis survey. Typically collection of salary data is obtained from neighboring states and private sector employers in Montana. At times the market analysis is customized for job occupations that are difficult to fill.

Among the challenges facing the state with regard to personnel issues are:

- Surveys show state workers' salaries are on average about 13.3% below the survey entities but benefits are higher, which reduces the estimated gap to 7.8%
- Turnover declined during the Great Recession but is again showing increases
- A large percentage of state employees are eligible for full or early retirement, creating a potential brain drain and need to attract younger workers, who are more motivated by salary and lifestyle considerations than higher benefits, where the state's advantage now lies
- The legislature did not provide a general pay increase in the 2011 or 2013 biennia; increases were provided to some employees but not to others within the allowances of the broadband pay plan and the funding availability within individual agencies, potentially exacerbating salary discrepancies among agencies. Overall the increase in personal services costs from appropriated FY 2013 to proposed FY 2014 is about 5.1%
- Some job titles and general pay bands are further from the market midpoint than others, raising issues of salary-related turnover impact
- Some agencies are closer to market midpoint than others, potentially creating retention issues compared to other agencies

For further and more detailed information refer to the Personal Services Analysis by Kris Wilkinson, Senior Fiscal Analyst. [http://leg.mt.gov/content/Publications/fiscal/interim/2012\\_financemty\\_Sept/Personal%20Services%20Rpt.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2012_financemty_Sept/Personal%20Services%20Rpt.pdf)

### Executive's Pay Plan Proposal

The executive has proposed a pay plan in the 2015 biennium consisting of both a salary and health benefit contribution increase each year. The plan, including a contingency fund for agencies that cannot meet their vacancy savings targets, would cost a total of \$151.8 million, including \$80.1 million general fund. A further discussion can be found at the following link:

<http://leg.mt.gov/content/Publications/fiscal/ba-2015/Volume-1/Appendix-B-Executive-Pay-Plan-Proposal.pdf>