



State Broadband Pay Plan

Overview & History

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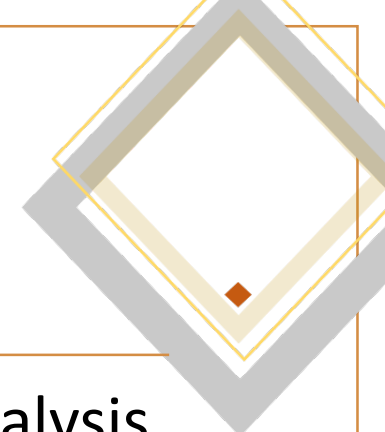
State Pay Plans



- Executive Branch
 - **Broadband pay plan – 80% of all state employees**
 - Blue collar pay plan
 - Exempt (non-classified) employees pay plan
 - State Fund pay plan
- Judicial Branch Pay Plan
- Legislative Branch Pay Plan

Statutory Specifications

Section 2-18-301, MCA - Intent



- Plan must be based, *in part*, on labor market analysis
- Biennial salary survey required
- Plan must be administered based on:
 - Competency
 - Competitiveness
 - Pay progression
 - Other nondiscriminatory factors
 - Consider pay relationships within an agency or pay unit
- 9 pay bands including occupational wage ranges (OWR) based on job evaluation factors
- Each OWR must have minimum, market midpoint, and maximum salary

Components of Pay Plan



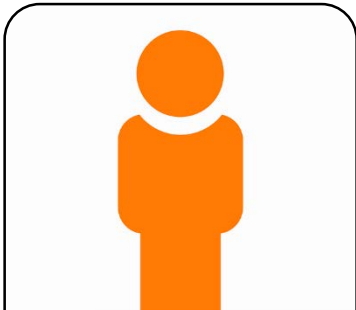
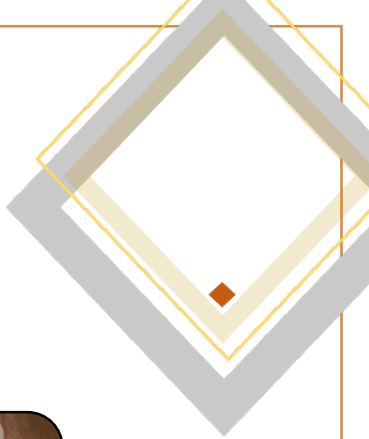
- **Classification**

- A process of evaluating the work performed in a given position to determine the appropriate occupation and pay band.

- **Wage ranges**

- A salary range – consists of a minimum, midpoint, and maximum level of pay.

Classification Process



**Job Descriptions
Requiring
Accounting Skills**

- Dept. of Admin
- Dept. of Commerce
- Dept. of Revenue
- Etc.

**Job Evaluation/
Classification:**

Matched to
Occupational
Standard
"Accountant"

**Occupational
Levels
Determined:**

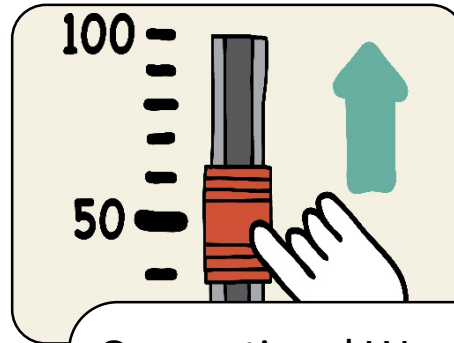
Accountant I
Accountant II
Accountant III

Occupational Wage Ranges



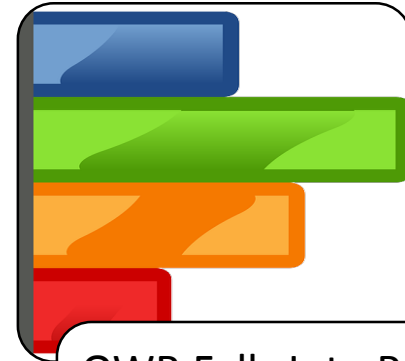
Biennial Salary Survey - Occupations

- OES (fed database)
- NCASG (state gov'ts)
- Salary.com



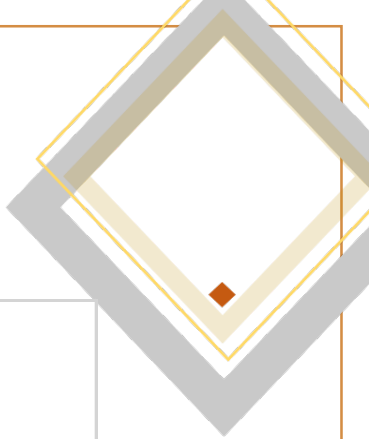
Occupational Wage Ranges (OWR) Determined

- Accountant I =
\$33,288 to \$49,933
- Accountant II =
\$42,880 to \$64,320
- Accountant III =
\$55,364 to \$86,413



OWR Falls Into Pay Band

- Acct. I = Band 5
- Acct. II = Band 6
- Acct. III = Band 7



Broadband Pay Schedule

Effective July 1, 2017 - June 30, 2019

<u>Pay Band</u>	<u>Mininum Base Salary</u>	<u>Maximum Base Salary</u>		<u>Minimum Base Salary</u>	<u>Maximum Base Salary</u>
1	\$8.15	\$15.71		\$16,952	\$32,697
2	\$8.36	\$20.98		\$17,392	\$43,636
3	\$9.05	\$26.55		\$18,828	\$55,230
4	\$11.14	\$36.30		\$23,169	\$75,498
5	\$9.63	\$45.92		\$20,027	\$95,505
6	\$13.15	\$59.39		\$27,360	\$123,535
7	\$21.04	\$69.34		\$43,761	\$144,231
8	\$32.31	\$88.66		\$67,209	\$184,423
9	\$46.54	\$142.30		\$96,808	\$295,994

Basic Principles



- Competitive pay – what is labor market?
 - Can agency recruit and retain qualified employees?
- Structural equity
 - *Internal* equity – within:
 - Occupational classifications – same job, same pay
 - Wage range – more experience = more worth = more pay
 - Agency plan/policies – pay decisions are fair and even-handed
 - *External* equity – compared to labor market:
 - Other agencies within state government
 - Other states and other public employers
 - Other types of employers (private sector)

Ideally: Two Parts Pay Increase



- Pay increases to keep pace with market and cost-of-living (and wage range changes with market) = external equity
 - Recruitment and retention issue when not competitive
- Pay increases to progress employees through pay ranges = internal equity
 - Pay compression issue when no progression (frozen – e.g., pay increase only keeps pace with market)
 - Pay compression also issue when some employees progress faster than others

Administration & Roles



- Human Resources Division, Department of Administration
 - Sets pay bands according to market survey
 - General policy setting
 - Manuals and training for classification process
- Office of Budget and Program Planning
 - Must approve pay increases that would exceed maximum of the OWR
 - Monitor each agency's implementation
 - Report to LFC

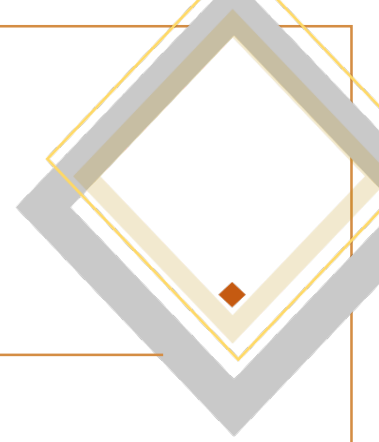
Agency-level Administration



- Each agency has pay plan and pay policies
 - Intent is flexibility to meet agency mission and objectives
- Decentralized approach
 - Job classification at agency level based on set standards
 - Pay changes made based on agency policies
- 3 types of pay increases
 - Statutory
 - Pay “changes”
 - Pay “adjustments”

Types of Pay Increases

(See Jan. 2017 Legislative Audit Report – 15P-05)



- **Statutory**
 - HB 13 – across-the-board to all employees – adjusts pay ranges
 - Longevity increment – by statute, at 5-year intervals
- **Pay “Changes” – Duties of Position Change**
 - Promotions
 - Special assignments
 - Reclassification of job, etc.
- **Pay “Adjustments” – Discretionary Agency Plan/ Policy**
 - Performance
 - Competency
 - Market-based, etc.

Legislative History

Keep in mind:

What is driving legislative decisions on pay plan?

Combination of Considerations

- Policy – Goals and objectives, underlying philosophy
- Fiscal – How much money is available
- Audit – Verifying implementation, checking documentation, and providing accountability

History of Pay Plan Changes



- 1973 - Grade and Step Plan
 - 25 pay grades, each with 13 steps
 - Progression based on years of service- steps
 - Issues: grades falling behind market rates, steps being frozen, vacancies, “brain drain”, interest in performance-based pay
- 1991 – Market-Based Plan – Open Range (result of 1989-90 interim legislative study)
 - No steps, just pay ranges with entry and market
 - Salary survey used to determine ranges
 - Automatic longevity increase still in 5-year increments
 - Door open for performance-based pay, depending on funding

History continued



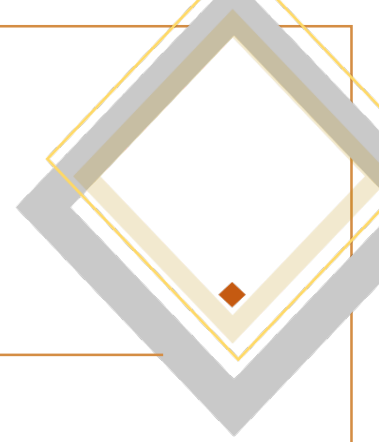
- 1995 – HB 17 (Ch. 455, L. 1995)
 - Pay increases based on matrix showing a “target market ratio”, higher ratio for each year of service
 - Lower pay grades advanced to market sooner (e.g., 6 years)
 - Higher pay grades advanced to market slower (e.g., 10 years)
 - Consistent with best practice pay policies
- 1997 – HB 13 (Ch. 417, L. 1997)
 - Required Dept. of Admin. to develop alternative pay plan pilot projects
 - Based on “skills and competencies” and resulting, when possible, in a “flatter management structure”

History continued



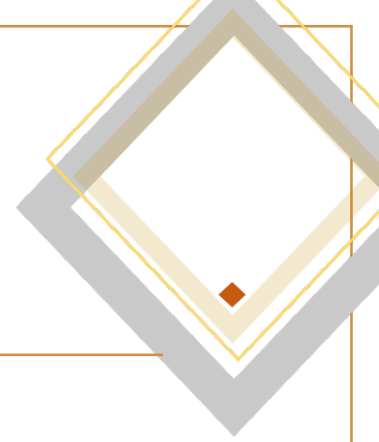
- 1999 – HB 13 (Ch. 558, L. 1999)
 - Dept. of Admin. again directed to establish and implement an alternative pay plan as “demonstration projects” for certain job classes:
 - public safety, info. technology, brand inspectors, managers at Dept. of Commerce, counselors and resident care aides at MDC, health care facility surveyors, classes in the Dept. of Revenue, and “any other class or work unit appropriate”
 - Target market ratio matrix eliminated from statute
 - 3% pay increase across-the-board, but pay ranges not changed (i.e., frozen)

History continued



- 2001 – HB 13 (Ch. 553, L. 2001)
 - Language authorizing alternative pay plans and demonstration projects for certain classes was stricken
 - Across-the-board percentage pay increase given
 - Pay ranges adjusted to reflect the increase
- 2003 – HB 13 (Ch. 552, L. 2003)
 - Across-the-board flat 25-cents/hour increase
 - Pay ranges frozen
- 2005 – HB 13 (Ch. 6, L. 2005)
 - Across-the-board, but greater of percentage OR flat dollar
 - Maximum salary added to pay range

History continued



- 2007 – HB 13 (Ch. 81, L. 2007)
 - Repealed pay schedule of 25 grades
 - Established broadband classification and pay plan
 - Occupational pay ranges for “generalized family of jobs”
 - Ranges grouped into 9 broad pay bands
 - entry salary and maximum salary based on market survey
 - Pay increase = 0.6% allocated to each agency based on FTE, agency pay increases for “reasons including but not limited to”:
 - market progression
 - job performance
 - employee competencies
 - Beginning of decentralized classification and pay approach

History continued



- 2009 – HB 13 (Ch. 7, L. 2009)
 - Struck “occupational pay range”, inserted “competitive pay zone”
 - Struck compensation to be “market-based”, inserted compensation based “in part” on “labor market”
 - Pay increase for full-time employees was one-time lump sum of \$450 only for employees with base pay of \$45,000 or less
- 2011 - HB 13 died in process – no pay plan bill

History continued



- 2013 – HB 13 (Ch. 385, L. 2013)
 - Compensation based on comparison of municipal and state government labor markets
 - ND, SD, ID, WY, survey by national compensation association of state governments salary survey and other information
 - Stated intent to bring all pay bands to “same relationship percentage of the market rate midpoint salary comparison when fiscally able”
 - Pay increases “as determined by the executive branch...with particular attention to the lower pay bands and those who did not receive base pay increase during the biennium beginning July 1, 2011.”

History continued



- Also in 2013 – HJR 17 (Gibson) - Study Resolution, LFC to study agency pay plans:
 - In general, what pay plans are and how they are established
 - How agencies are using them
 - Collective bargaining process and effects on pay plans
 - If and how employee performance was considered
 - What data was available and how was it used to develop the pay plans

Legislative Audit



- Requested by LFC in Oct. 2013 – in conjunction with HJR 17
- LAC considered request in 2014
- Audit conducted in 2015-16
 - Assessed discretionary pay changes in each agency as authorized by 2013 pay bill
 - Examined “pay changes across ten agencies to determine if pay changes were being properly and consistently supported by the agencies according to their pay plans and state policy”

History continued



- 2015 – SB 418 (Ch. 438, L. 2015) – not the LFC bill
 - Struck the specific salary survey language from 2013
 - Inserted general language on biennial salary survey
 - Provided across-the-board flat 50-cents-an-hour in each year
- Jan. 2017 Legislative Audit Report – 15P-05
 - Oversight of Discretionary Pay Changes for State Employees

Audit Recommendations



- Oversight and accountability for discretionary pay adjustments should be enhanced
 - Dept. of Admin. should:
 - Take more active role
 - Conduct biennial review of agency pay plans and policies
 - Develop and implement a pay change review process
 - Simplify pay change options available to agency staff
 - Legislation should:
 - Provide for an investigation of the effect of pay adjustments under the broadband pay plan
 - Clarify state law on use of pay adjustments under the broadband pay plan

History continued



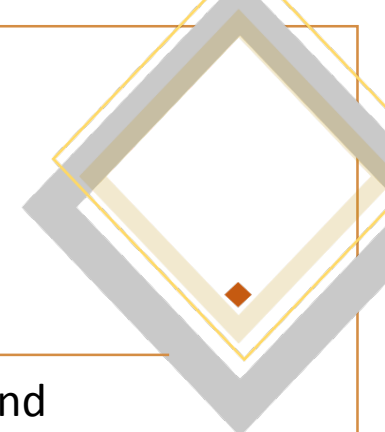
- 2017 – SB 294 (Ch. 430, L. 2017) – LFC bill, HJR 17
 - Revised terminology
 - “competitive pay zone” replaced with “occupational wage range”, etc.
 - Provided 1% across-the-board increase each year
 - OBPP to approve pay increases exceeding OWR max, monitor agency implementation, report to LFC

Summary

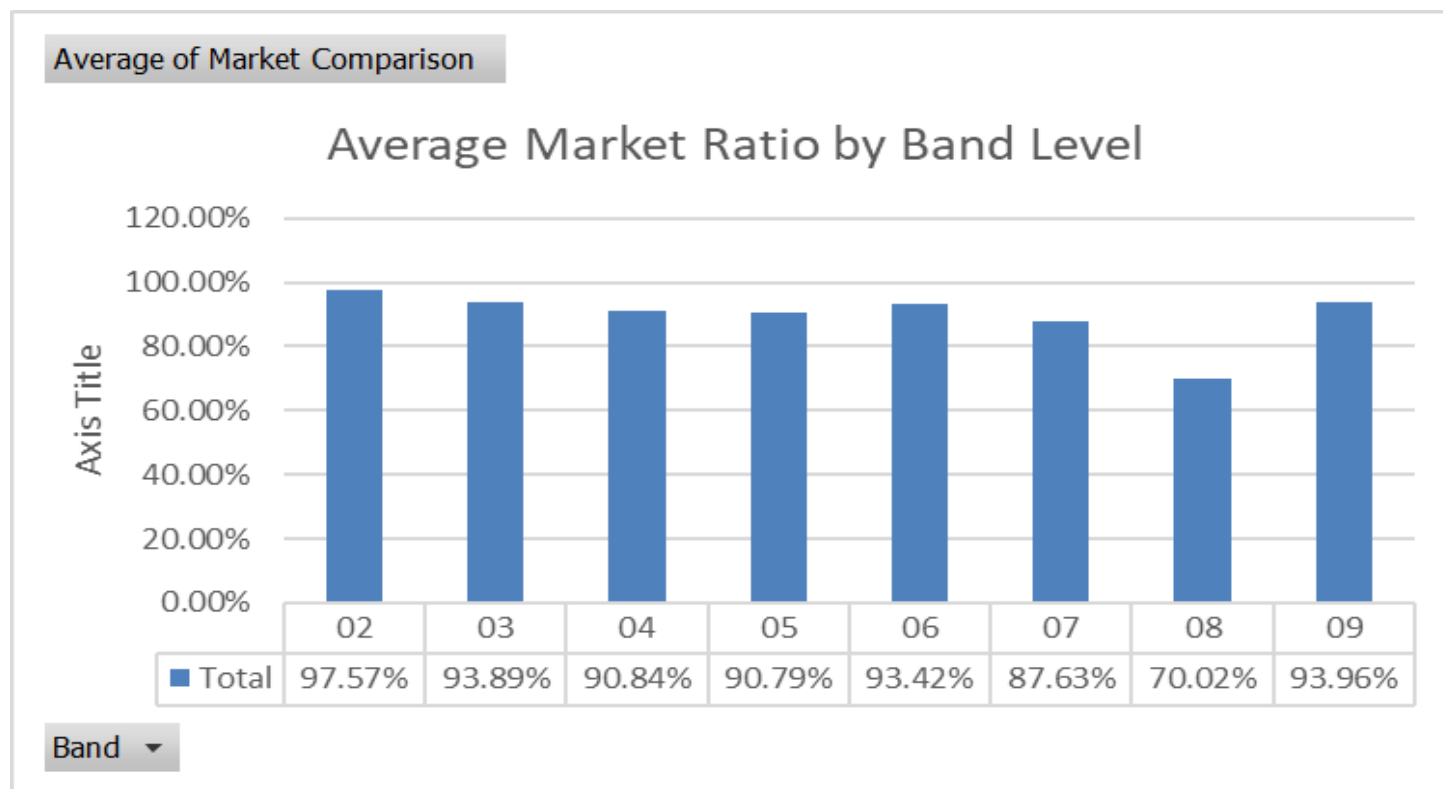


- Pay plan has evolved
 - Grades and steps – step increase each year
 - Open ranges – market-based plan, target market ratios
 - Broadband – focus on occupational wage ranges, more decentralized approach to job classification and pay plan
- Legislative history - variety of approaches
- Current situation – SB 294 Implementation
 - More oversight of agency plans/policies by Dept of Admin and Budget Office
 - Human Resource Division implementing changes

How do salaries compare to market now?

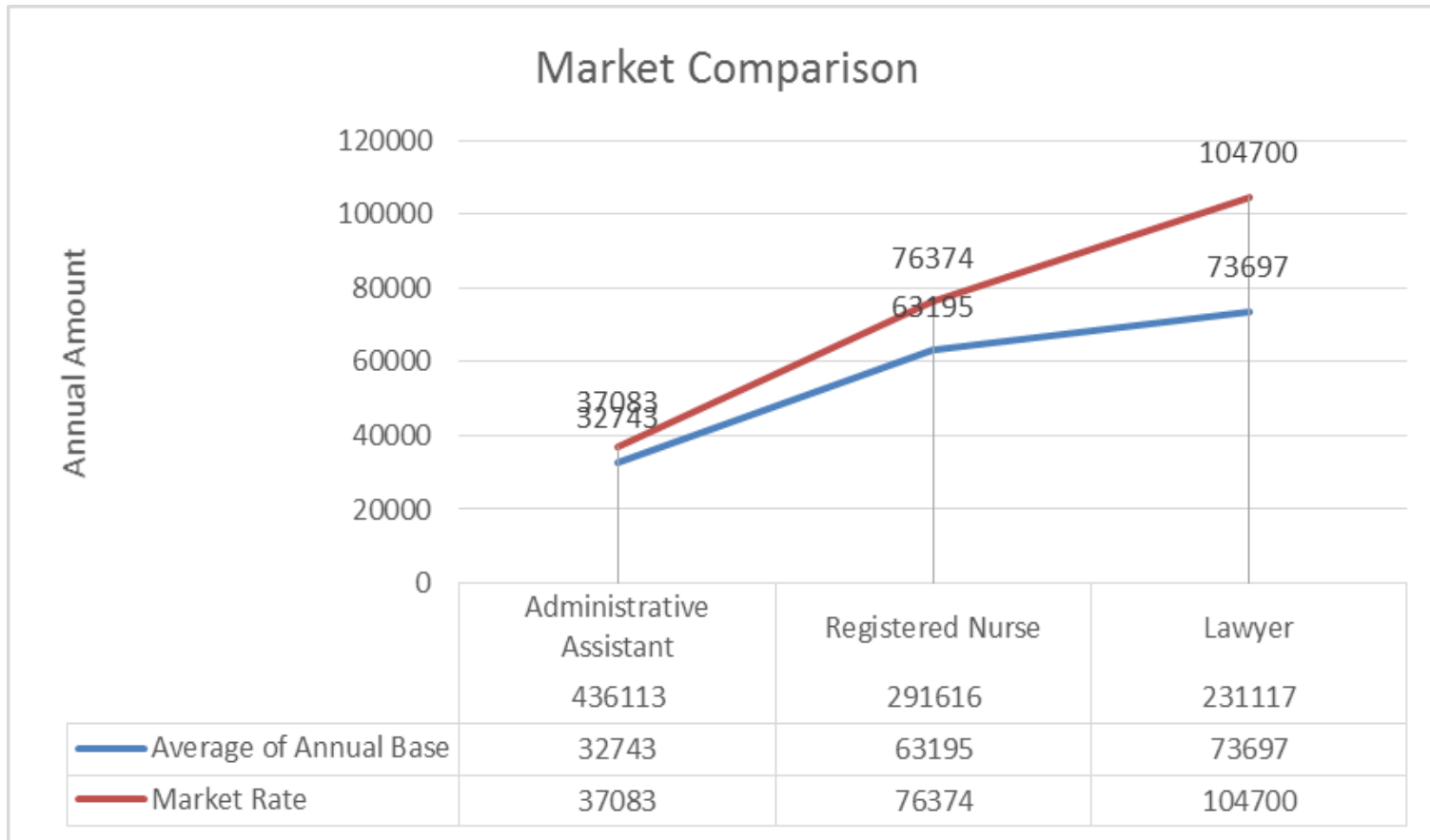
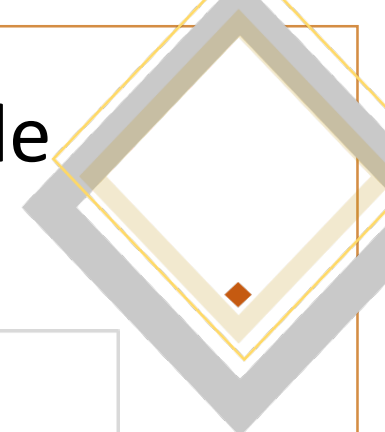


Based on average of actual salaries of employees in each pay band

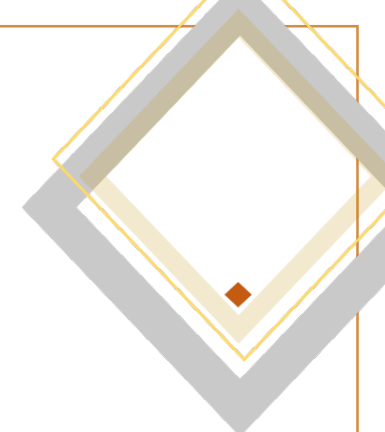


Source: Dept. of Admin., Human Resources Division

Average employee salary in a job code for selected occupations



Source: Dept. of Admin., Human Resources Division



Questions?