



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: March 6, 2012
TO: Legislative Finance Committee
FROM: Kris Wilkinson, Fiscal Analyst II
RE: Recent Executive Branch Salary Actions

Recently, a number of state agencies have recently approved or are considering salary increases for employees utilizing their authority granted in the broadband pay plan statutes. The purpose of this memorandum is to outline the legal foundation for the pay increases and how the amended salary adjustment will be handled in the 2015 biennium budget using the current budget methodology.

Legal Foundation

Statute requires the Department of Administration (DOA) to implement and maintain a broadband classification plan (plan) for all state positions with some exceptions such as elected officials. DOA is statutorily required to administer the plan on the basis of competency, internal equity, and competitiveness to external labor markets when fiscally able.

The broadband pay plan policy issued by DOA provides guidelines and requirements for agencies when creating pay rules for the plan. Each agency is to design, implement, and administer written pay rules. The pay rules must:

- o Be fiscally responsible, actively managed, and consistent with agency's mission and objectives
- o Identify procedures to implement all aspects of pay
- o Be filed with DOA

Paula Stoll, Administrator of the State Human Resources Division, has been asked to address the parameters that agencies have been given, the status of other agency efforts, and the role of her division. Budget Director Dan Villa has been asked to address the committee on the budget implications.

Budget Issues for 2013 Legislature

Personal services cost changes implemented during the previous biennium are approved through statewide present law adjustments to develop the adjusted base. The adjustments applied to each agency are based upon:

- o Factors beyond the individual agency control such as changes included in a legislatively approved pay plan (such as HB 13 from previous sessions) or statutorily required longevity increases and changes in benefits such as workers' compensation and unemployment insurance
- o Factors within the agency's control such as broadband pay adjustments

The statewide present law adjustment is included as a combined adjustment to the base rather than in a discreet decision package. In addition, the statewide contains inflation, fixed costs, and any vacancy savings. This entire amount, along with the base, is then funded. So, the legislature does not take discreet action on statewide personal services changes or their funding.

Statewide present law adjustments for personal services are based on a snapshot of state employee positions and the factors determining compensation rates at a particular point in time. Therefore, any changes to salary enacted by the agency in FY 2012 will go into the statewide present law adjustment.

In the last two biennia, additional information on personal services has been provided in the budget analysis to assist legislators in reviewing adjustments for personal services. The information included:

- o Pay plan exceptions granted by the program
- o Program specific obstacles in hiring and retaining qualified staff
- o Vacancies
- o Effects and funding of legislatively applied vacancy savings
- o Pay or position changes approved by the agency
- o Retirements

While the information provided legislators with more detail about the factors affecting personal services included in the statewide present law adjustments, it did not break out the various components of the increases. For example, in the 2015 biennium the funding for personal services may include longevity increases, workers' compensation rate changes, market adjustments for employees whose base is below the salary range for their position, and agency increases of 2% for pay bands 3, 4, and 5. Under the current process used for statewide present law adjustments all of these changes are included as a single adjustment for personal services.

Recommendation:

- o Should staff explore options that give subcommittees better information for decision making purposes on personal service costs and present to the June LFC meeting.