STATE EMPLOYEE COMPENSATION INTERIM COMMITTEE

JFAC Room, Statehouse, Boise, Idaho
November 28, 2005

MINUTES

(Subject to Approval by the Committee)

The meeting was called to order by Co-chair Senator John Andreason at 9:03 a.m. Other members present included Co-chair Representative Bob Schaefer, Senator Joe Stegner, Senator Dick Compton, Senator Mike Jorgenson, Senator John McGee, Senator Bert Marley, Senator Kate Kelly, Representative Ken Roberts, Representative Jana Kemp, Representative Anne Pasley-Stuart, and Representative Shirley Ringo. Representative Larry Bradford and Representative Rich Wills were absent and excused. Staff present from the Legislative Services Office were Matt Freeman, Jeff Youtz and Charmi Arregui.

Others present were: Dona VanTrease, Vicki Patterson and Vickie Burnet, Idaho Public Employees Association; Mark Dunham, Debi Alvord and Jane Buser, Boise State University; Alan Winkle, PERSI; Amanda Brown, National Association of Government Employees/Local 687; Ann Heilman and Jay Anderson, Division of Human Resources; Brandon Woolf and Audrey Musgrave, State Controller's Office; Diana Janse and Pat Page, Department of Health and Welfare; Tim O'Leary, Idaho State Police; Dave Tuthill, Department of Water Resources; Shawna Gamache, Idaho Statesman; Betsy Rusell, The Spokesman Review; Martha Arcos, Congressman Butch Otter's Office; Rick Thompson, Department of Administration; Judi Gregory, Department of Juvenile Corrections; Susan Simmons, Idaho Transportation Department; Andrew Hanhardt, Service Employees International Union (SEIU); and Skip Smyser.

Co-chair Senator Andreason thanked everyone for coming to the meeting and asked for approval of the minutes from the previous meetings dated August 29, 2005; August 30, 2005; and October 25, 2005. **Senator Compton** moved that the minutes from these three dates be approved, seconded by **Senator McGee,** and the motion passed by voice vote.

Senator Andreason announced that **Representative Wills** was absent and excused from this meeting, adding that he had sent a letter to the committee members for their consideration, a copy of which was given to each member. **Senator Andreason** also noted that **Mr. Jay Anderson**, Division of Human Resources, had submitted a corrected page from his power point presentation and handout from the October 25, 2005 meeting entitled "Salary Structure Illustrations." The corrected page was entitled: "Sample of range of positions compared to Market." This was given to each committee member, a copy of which is available in the Legislative Services Office.

Mr. Jeff Youtz, Supervisor, Budget and Policy Analysis, Legislative Services Office, was the first speaker; he passed out a proposal for a basic compensation statute. A copy of this proposal is attached to these minutes as an addendum, and is also available in the Legislative Services Office. **Mr. Youtz** pointed out that current Idaho Code deals with technical aspects only, and there is no platform or framework to develop an approach to personnel compensation, so the first section of the new proposal is a statement that sets forth a state employee compensation philosophy. Page 1, Section 1(b) is basically a statement that funding a compensation package should be looked at as any other cost of doing business, which must be recognized and funded. State employees represent the key in terms of this service enterprise. There are five basic philosophical standards (in terms of this service enterprise):

In paragraph (b)(1) **Mr. Youtz** said there were several options here; the committee could choose to *not* include that 2nd sentence so as to *not* establish a specific target in terms of what they are aiming for. They could change that target to any figure they wanted; discussions from 90% to 95% (95% came from DHR). In the compensation system, benefits play a role in terms of what that total compensation package represents. There is justifiably an observation that the state's benefit package is good, and that should be taken into consideration when salaries are being considered.

In paragraph (b)(2) the word "market" appears often and, justifiably so; right now all the terminology is "performance" and **Mr. Youtz** sees the need to inject "market" thinking into our compensation plan, giving DHR more tools to work with.

Paragraph (b)(4) says that if you're below the mid-point in a salary range, and your performance is meeting expectations, an employee should advance toward that mid-point range.

Mr. Youtz said that paragraph (b)(5) is a philosophical statement that the state will recognize and attempt to fund an adequate compensation program for state employees, but is also a recognition of fiscal realities in tight budget times, adding that if they commit to that funding, there may be tough choices to make as well.

Page2, Section 2, would establish a compensation plan built on eight components. **Mr. Youtz** said paragraph (3) is an important aspect and nuance of change to our system in that when the salary structure is changed, if it moves up and employees don't move with it, they go backwards in that structure and compression problems result, which is a significant problem currently in state agencies. This provides permission (not a directive) but room to include that kind of a move if deemed appropriate, so it could move employees who are performance-eligible, meeting expectations, as well as the pay line structure.

With regard to paragraph (4), **Mr. Youtz** stated that this was basically a restatement of the philosophical standard, and simply means that if you've got two high performers and one is further below mid-point, that person should receive consideration for a higher increase, so the lower you are in that matrix and the higher you perform, the gap will be closed faster.

Mr. Youtz pointed out that paragraph (7) is an important component that was added at the suggestion of **Representative Pasley-Stuart**.

Paragraph (8) was a suggestion from the DHR Director's task force, and **Mr. Youtz** added that there were circumstances in state agencies that the regular pay plan does not cover.

Section 3 of the proposal specifies what must be included in compensation recommendations and resolutions. **Mr. Youtz** stated that the key changes here are the four components that are required in that report, in the Governor's recommendation, and ultimately in the legislative concurrent resolution. **Mr. Youtz** stated that paragraph (1) is a restatement of the component in the compensation plan to address market, and that (2) addressed specific occupational inequities which are always present, but ever-changing from year to year which need to be addressed. This is a component of DHR's recommendation. Paragraph (3) is a merit component which gives the Governor and the legislature the option to actually come up with additional money for merit component or providing salary savings, or a combination of those. However, only ongoing salary savings can be used for ongoing merit increases. **Mr. Youtz** referred to paragraph (4), adding that subparagraphs (c) and (d) are key, and that what is new is that the Governor in his CEC recommendation will also have to address each of these.

Senator Andreason asked for comments from each committee member, beginning with **Representative Pasley-Stuart** who stated that it was an excellent start, even though there were things she would have liked to have had included. **Representative Ringo** referred to Section 3 of the proposal, asking about legislative action on the Governor's recommendations, and if that legislative action included the CEC process that we currently have? **Mr. Youtz** answered yes. The legislature would not be bound by anything, other than those four minimum requirements to address with the CEC resolution each year. **Representative Ringo** liked the direction Section 1 takes in terms of a commitment to actually fund the process that we seem to believe in; she wondered about during difficult fiscal conditions, and if layoffs could occur or could a consistent workforce be maintained? **Mr. Youtz** responded that it is a matter of priorities. Certain programs (e.g. Medicaid) and statutory requirements (e.g. public schools) are always funded. This is simply a recognition that funding a competitive employee compensation system is not discretionary, but instead should be viewed as a cost of doing business. If that takes shrinking the scope of state government, or in worst case scenarios, causing layoffs, that's the way it should work. Those employees who are left should be well compensated, motivated, and give the taxpayer the best investment for their money.

Representative Roberts asked about Section 1, expressing concern about the value of the benefit package, and where the 95% came from; as he read it, at a minimum, the salary component shall be maintained at 95% of market, and then we may or may not consider the value of the benefit package to be included on top of that, and he asked for elaboration. **Mr. Youtz** responded that this target could be eliminated or a timetable could be set on that target, such as 2011, giving the state four years to reach that target. It is a fairly high benchmark in terms of where the state is right now. The state does have a fairly strong benefit package so that could influence the reason for not suggesting being right at market with salaries. **Representative Roberts** commented that he would like to know what the state benefit package is actually worth with regard to the market? His thinking was that if this proposal is locked in at 95% for salary only, and if the benefits were another 5%, that total percentage could then be above market; he added that we need to pay state employees competitively, believing that we are under market today. He would not want to establish statutes that lock in a percentage and then possibly have to reduce benefits. **Mr. Youtz** stated that the benefit package could affect the salary percentage. He pointed out that market is spread through the pages of this proposal, and at some point numbers must be discussed, but whether the committee wants a percentage as a target was to be determined.

Representative Kemp asked a question about Section 1 of the proposal regarding rewarding employees for outstanding performance. She asked if, in code, there was a need to define what is meant by "reward." **Mr. Youtz** answered that bonuses and merit increases would be addressed in subsequent draft legislation that will later be considered by the committee. **Representative Kemp** asked about the time frame for reaching market since the lack of time frame in current code is partly what creates false expectations for employees. **Mr. Youtz** stated that establishing targets or time frames that may be unrealistic causes the state to not meet their own statutory requirements. This proposal needs to be realistic and, at the same time, give assurances to state employees that if they are below market, they will move. **Representative Kemp** then asked if a new employee is hired in at 95% of market, can they then expect over the next indefinite period of time to achieve that remaining 5% to move toward the mid-point market average? **Mr. Youtz** stated that the 95% is a target for the entire structure. **Representative Kemp** referred to addressing unique pay issues with approval from DHR. **Mr. Youtz** answered that the Board of Examiners is not really professionally qualified to make those kinds of assessments with these individual circumstances.

Representative Kemp referred to the use of ongoing salary savings and any one-time salary savings in Section (3); she asked what happens if the money is not used at all and does this language prevent personnel dollars from being moved into other places in an agency's budget? **Mr. Youtz** stated that the money would revert, whether general or dedicated funds, adding that state agencies hopefully are getting an urge that if they have personnel cost appropriations, that needs to be used for employees, but assured **Representative Kemp** they could get as prescriptive as the committee chooses in terms of that issue.

Representative Schaefer stated that he would like clarification on some issues already discussed, one being the salary structure and the benefit package; it was his feeling that compensation should be looked at as a whole, and preferred not to put in the percentage of market in the proposal. He saw this as a restraint, never trying to achieve 100% and thought that employees are being constrained by the system as it currently is, and as it also relates to the mid-point issue. He also wanted to see a better indication of what constitutes performance. He also suggested that language be added to require the CEC resolution be resolved earlier in the session to require funding of the CEC. **Mr. Youtz** stated that leadership and the legislature will probably want to see what results come from this committee's recommendations before a CEC resolution is considered.

Representative Schaefer asked why pay line moves shouldn't be mandatory? **Mr. Youtz** responded that he could not envision how each year was going to unfold in terms of the market and in terms of how it is funded, whether to bring state employees up with the salary structure each year since there may be circumstances in which state employees may be above a market structure, in which case you would want to raise the structure itself and not eligible state employees.

Senator Stegner stated that this plan is very innovative and addresses several major problems facing the state of Idaho with regard to a compensation plan by amending legislative intent in current law which is not being complied with, and by taking into consideration market realities.

Senator Compton stated he was not as concerned about the percentage of market as much as how to arrive at that point and in what time frame will the philosophy in Section 1 be accomplished? He also expressed his agreement with the possible necessity to cut overhead costs during difficult fiscal years in order to afford salary increases. **Senator Compton** expressed concern about the timing of presenting this proposal to the legislature, which he thought was very important. The dialogue between this committee, the Governor, and the legislature needs to be very early.

Senator Jorgenson asked where the state is currently with regard to market? **Mr. Youtz** answered that the official number last year was about 14%; on December 1, 2005, DHR would come out with their new recommendation which may reflect about 16%.

Senator McGee stated that he would like to see a fiscal impact statement based on whatever final proposal this committee recommends.

Senator Marley stated that a target percentage should be set or the current situation may remain, where sections of code are basically being ignored. Target and time frames need to be established in this proposal.

Senator Kelly suggested that a definition for "market" or "market based" be included in the proposal because that word is used so frequently and was not currently in the definition section. On the salary savings, assuming that language remains in the proposal, there might need to be some better definition, regarding on-going versus one-time, assuring it is codified. One of the issues over the course of these meetings has been the disconnect between the current budgeting process, where a well thought out market-based recommendation comes from DHR that then goes to the Governor's office and comes out looking quite different. **Senator Kelly** was not convinced that this proposal would facilitate overcoming that obstacle in the reforms being proposed, although she was extremely supportive of the direction of the proposal. She wondered what the plan was to get employees closer to market, asking if this was being proposed to be done in one year or phased in. **Mr. Youtz** explained that he didn't want to define a plan that had a one year shelf life in statute, pointing out that could be addressed in the CEC resolution. A timetable could be established in the resolution, but **Mr. Youtz** did not want to put that in statute; other than saying we want to pay relative to the labor market, there is *not* a specific plan. **Senator Kelly** responded that without a specific plan, what is left is words and intent, expressing concern for employee expectations without moving compensation forward in a certain direction. Another concern was the language in Section 1 regarding eliminating programs or employees. **Mr. Youtz** responded that this proposal is a commitment to recognize that the state should fund a compensation system every year, regardless of what the budget circumstances are. **Senator**

Kelly suggested removing this language from the proposal.

Senator Stegner asked unanimous consent that the committee go at ease subject to call of the chair. Without objection, **Senator Andreason** stated that the committee was at ease, subject to call of the chair.

Representative Ringo commented that the policy of the minority party is to have caucuses open to the public. **Representative Kemp** stated that she believed the issue of employee compensation is a nonpartisan issue and, as such, she preferred that all business be conducted within the interim committee. **Senator Stegner** asked if that was an objection and **Representative Kemp** answered: "Yes." **Senator Stegner moved that the committee go at ease, subject to call of the chair." Senator Marley seconded the motion. Representative Kemp asked that the motion be restated since, in her opinion, the motion had changed entirely in its intent, as it did not seem to include to go into recess for the purpose of a caucus. Senator Stegner restated that it was still the intent of the majority party (at least on the Senate side) to go into caucus, but the motion was: "That the chair put the committee at ease subject to call of the chair." Senator Andreason called for a voice vote and the motion passed, with Representative Kemp being recorded as having voted "Nay." Senator Andreason announced that the committee was at ease, subject to call of the chair at 10:45 a.m.**

The committee reconvened at 11:30 a.m. and **Representative Kemp** requested for the record that (1) it was her understanding that Legislative Council's intent was that the formation of interim committees are connected to business being transacted in the committee meeting itself, and (2) to state that by her not attending the majority caucus meeting, a majority of the fourteen-member interim committee had not been present.

Representative Roberts moved that on page 1, Section 1(b)(1) (lines 17-19) of the proposal be stricken and it should read: "The state's overall compensation system, which includes both a salary and a benefit component, when taken as a whole shall be competitive with relevant labor market averages. " Senator Compton seconded the motion.

Representative Kemp stated that by removing the second sentence on page 1 (b) (1) that the committee would be putting themselves back in the same situation we are now, which is that we have a philosophy but doesn't say that we should fund that philosophy. **Representative Roberts** commented that 67-5309A is a state employee compensation philosophy for guidance, and is not the actual language that says compensation will be paid**.** **Senator Stegner** stated that he was in favor of this motion, since it says what the policy should be and doesn't require a definition of market or relevant labor market averages (which can vary from time to time) and allows flexibility the state needs. **Senator Andreason** asked if the committee were to treat Section 1 of the proposal as a philosophical statement, would that leave room in the CEC to be more specific? **Mr. Youtz** answered that the CEC resolution could be as detailed as the legislature chooses to make it, although it presumably could not be in conflict with whatever statute is passed. **Representative Ringo** stated she was very much in favor of being specific in the proposal that sets a standard that needs to be followed, and if the percentage is not in the philosophy, she would like to see it in the plan, and could not support the motion on the table without being assured that at some point the committee will have a more specific directive. **Senator Marley** asked **Senator Stegner** if it was his intention to not include a percentage target or a time frame in the proposal anywhere, which was a concern. **Senator Stegner** responded that he did not see any particular need for a specific percentage and said that it has never been his intent that this committee would deal with the specifics of those kinds of issues; he thought the committee should deal with higher policy decisions and identifying specific sections in code where there is confusion and inefficiency in the overall compensation system. **Senator Marley** commented that while this proposal is moving in a good direction, he did want targets for which the committee could be accountable. If the committee doesn't deal in specifics with a percentage and a time line, that leaves us right back where we are today. **Representative Roberts** stated that it is the responsibility of the CEC committee to annually look at economic conditions, the budgets, services being rendered and then let them suggest what is most appropriate based on the current conditions at the time.

Senator Kelly spoke in opposition of the motion; she thought that removing the language of the second sentence in (b) (1) on page 1 and not adding it someplace else really brought the committee to the status quo where there are words on paper with no plan to bring compensation forward.

Representative Schaefer spoke in favor of the motion, adding that the *whole* compensation package should be considered. If the percentage is left in, he thought it could create a problem. The motion on the table would mandate that the compensation system *shall be competitive with relevant labor market averages.* The philosophy language in the proposal could provide a move in the right direction.

Representative Ringo offered a substitute motion as follows: "I move to accept 67-5309A as presented," (page 1, Section 1, lines 7-31), seconded by Senator Marley.

Senator Andreason called for a roll call vote on the substitute motion and the motion failed.

Senator Andreason called for a roll call vote on the original motion made by Representative Roberts and seconded by Senator Compton. A roll call vote was called for by the chair and the motion passed.

The committee adjourned for lunch at 12:10 p.m. and reconvened at 1:18 p.m.

Senator Compton moved that on page 1, Section 1(b)(5), line 31 of the proposal that the words "or increase revenue" be added at the very end of the last sentence on page 1, seconded by Senator McGee.

Senator Kelly stated that she was opposed to the motion.

Representative Roberts referred to the second sentence in (b) (5) on page 1, asking **Senator Compton** if, by adding those three words at the end of the sentence, does that say that during difficult fiscal times that we are going to somehow increase revenues? **Senator Compton** reiterated that he viewed page 1 as a statement of philosophy, pointing out that employee compensation has been a last priority in recent years and that increasing revenue is another option to eliminating functions, programs or employees, emphasizing the importance of employee compensation.

Senator Kelly made a substitute motion as follows: strike the second sentence on page 1, Section 1(b)(5).

Senator Stenger asked **Senator Kelly** why she thought it was important to strike that second sentence and what that does for the overall policy; **Senator Kelly** responded that her opposition is that because of the complication of managing the state workforce, for the committee to put that statutory language in the proposal seemed to be overstepping into the management of the state's workforce. **Senator Stegner** thought this sentence was important because it is the very thing the legislature has failed to recognize for the past several years.

Senator Marley seconded Senator Kelly's motion.

Representative Roberts stated that he liked the way the proposal was written originally, adding that we have to be able to adjust during difficult fiscal times.

Senator Compton withdrew his original motion and Senator McGee accepted that withdrawal.

The chair called for a roll call vote on Senator Kelly's motion and the vote failed on a tie vote.

Representative Ringo moved that on page 1, Section 1(b)(4), the sentence be worded as follows: "All employees below the state's mid-point market average in a salary range who are meeting expectations in the performance of their jobs shall move through the pay range *and shall reach the mid-point average within five years*." Representative Pasley-Stuart seconded the motion.

Senator Compton reiterated that state employees have lost faith in the system and there is not a clear vision of where an employee might expect to progress. In his opinion, this proposal could boost morale in both areas and was in support of the motion.

Senator Andreason called for a roll call vote on the motion and the motion passed.

Senator Stegner moved that on page 1, Section 1(b), line 15, the words "doing business" be stricken and replaced with "providing the delivery of state services." The motion was seconded by Senator McGee and the motion passed by voice vote.

Senator Stegner referred to page 1 (b) (5) and the words: "it is vital to fund necessary compensation increases . . ." He added that was traditionally the direction that adjustments would be made, but expressed concern that the term *increases* does limit the considerations of the legislature toward only upward movement; historically, that has been the case and will be in the future, but said he could envision a significant economic downfall that might warrant a reduction in the pay line by the state of Idaho. If it is put in statute only that the policy is to only consider *increases*, he thought that may be short-sighted. Therefore, **Senator Stegner moved that the term *increases* be changed to *adjustments* and strike three words *avoid falling behind* and replace with *maintain* market *competitiveness in the compensation system.* The motion was seconded by Senator Compton, and the motion passed by voice vote.**

Senator Stegner referred to page 2, Section 2(6), lines 24 and 25 and questioned if this shouldn't be changed since it is required that employees be evaluated after one-half year of employment and then annually from then on, having a per-hour consideration. **Senator Stegner** asked about part-time employees who do not work 2,080 hours in a full year, if they have to wait until they work that in full-time equivalent before being evaluated. He asked if it shouldn't be done after six months of employment rather than having a number of hours. **Ms. Ann Heilman** (DHR) responded that the hours are shown (rather than months) based on a Supreme Court ruling pertaining to the time that a person who changed from a probationary employee to permanent status, with rights and benefits of permanent status, therefore being protected from an at-will status. This technical change was made due to a Supreme Court ruling.

Senator Stegner referred to page 2, Section 2, line 30, stating that the term shift differential was confusing to him, not wanting it defined but asking for a better solution, perhaps. **Representative Pasley-Stuart** commented that shift differential is an accepted term in particularly the health care and corrections industries; it is a very well known and accepted term to human resource people. The human resource directors present confirmed that it was a defined term in state law.

Senator Compton made a unanimous consent request to accept page 2, Section 2, and there were no objections.

Senator Stegner referred to page 3, Section 3(b)(1), line 15, and the word "advance" which implies only upward movement can be considered, even if something other than that might want to be considered, and **Senator Stegner moved that the word "advance" be stricken.**

Representative Pasley-Stuart stated that the entire point of this language is to deal with the issue of compression, and if you do not advance the other employees, not only would that defeat the purpose of this, but they would be exacerbating the compression problem**. Representative Roberts** explained that he thought **Senator Stegner's** intent was to deal with relative labor markets and if the labor markets change in the positive or negative, flexibility may be needed for that change.

The chair called for a voice vote, and the chair was in doubt. Senator Andreason requested a roll call vote, and the vote failed on a tie vote.

Representative Kemp moved that on page 3, Section 3(b)(1), lines 14-16, the second

sentence read: "Such recommendation may include a market related pay line *adjustment for* all eligible employees, as well as the structure, to avoid compression in the salary system." The chair called for a voice vote, and the motion passed by voice vote.

Senator Kelly discussed at length the issue of salary savings and how it is used to pay for salary increases.

Representative Roberts moved that on page 3, Section 3(b)(2), line 19, that a period be inserted after the words "*specific appropriation*." The remaining words in lines 21-23 should be stricken. Senator Stegner seconded the motion.

Senator Kelly asked **Representative Roberts** if it was his intent that funding of merit increases *not* be funded through salary savings? **Representative Roberts** answered that if it was a recommendation from the administrator of DHR, then it could be addressed through a specific appropriation. If the committee and the legislature deal with other funding sources for merit pay, so be it, but in this proposal it is referring to recommendations that come from the administrator of DHR.

Representative Roberts amended his original motion that the entire second sentence on lines 20-23 be stricken. Unanimous request consent was received for the amendment; Senator Andreason called for a voice vote on the amended motion, and it passed unanimously by voice vote.

Representative Roberts requested unanimous consent to approve page 3, Section 3 as amended. There being no objection, unanimous consent approval was given.

Senator Stegner requested a break, and the chair called for a recess at 2:33; the committee reconvened at 2:45 p.m.

Senator Andreason called Vicki Patterson to the podium and she stated that the Idaho Public Employees Association was asked to address the committee, but they relinquished their time since the committee was behind on the agenda. They will be sending a letter to the committee for their consideration, and they will add to that letter their comments about the actions taken on the proposal at the meeting today.

Human Resource Directors, Mr. Tim O'Leary, Idaho State Police, and **Ms. Jane Buser**, Boise State University, were asked to speak to the committee next, and they handed out draft omnibus legislation, a copy of which is available in the Legislative Services Office. **Ms. Buser** explained that this draft legislation was a result of past meetings where human resource directors made recommendations and then consulted with **Mr. Youtz, Mr. Freeman,** and **Mr. Jay Anderson**, DHR, also incorporating some changes that she thought would be good management tools for state agencies. **Ms. Buser** referred to page 1, lines 16 and 17, and the words "*delegate authority to agency human resource departments*" pointing out that members of higher education, larger agencies and DHR have had an interest in this; DHR had advised them that a code change was preferable, so that authority was added to the administrator of DHR. The next change was on page 3, line 49, dealing with disciplinary actions of state employees and added under (n) 2., the words in italics as follows: "Inefficiency, incompetency, negligence in the performance of duties *or job performance that fails to meet established performance standards."* On page 4, lines 36-47, a change was drafted in the shift differential pay (from 5% changed to 25%) *based on local market practices*, and three new sections were added (v), (w), and (x) allowing agency managers more delegated authority, with audit provisions; allowing temporary and acting appointment service time to count toward fulfilling entrance probationary requirements; and providing equitable treatment with regard to holiday pay, thus clarifying two sections of code which contradicted each other.

Representative Roberts referred to page 4 (x), lines 46 and 47, and asked if changing the word *equitably* (from *fairly)* would cause the need for other code sections to be changed? **Ms. Buser** stated that all state employees were not treated *equally*, i.e., employees have different life insurance coverages due to different salaries, or parking may be covered at one agency and not at another.

Senator Stegner referred to page 4(v), line 38, stating that terms like "*delegated authority for certain personnel functions"* could provide a huge loophole and requested the language be tightened.

Representative Kemp referred to page 4, line 36, asking if the panel could share their rationale from going from 5% to 25% shift differential pay *based on local market practices,* asking if *local market* meant the state of Idaho or the Pacific Northwest? **Ms. Buser** answered that nurses compete in a local market, according to the Department of Health and Welfare, to compete with the local hospitals; this is the prevailing rate for differential, which is why the 25% was used in the draft language, since this is the highest percentage encountered at this time by state agencies. It may be different in other parts of Idaho, and **Ms. Buser** pointed out that the percentages could be different statewide, pointing out the words "up to 25%."

Representative Kemp referred to page 4 (x), line 46, and asked why "*classified*" only and no other employees were addressed there? **Ms. Buser** answered that it was because in this section of code, DHR only has authority over classified employees.

Mr. O'Leary began by stating that from page 4, section 4, line 49 to page 8, line 5, all that language was in the proposal which had been considered and revised by the committee during this meeting. To eliminate uncertainty, he pointed out page 8, section 7, line 54, (Section 67-5309D) where "*market competitiveness,*" is defined. On page 9, section 8, line 17, (Section 67-5309E) Pay Strategy provides that: "In addition to annual pay for performance, the state shall provide a mix of pay delivery options . . ." which enables individual agency heads to address their specific and particular needs in managing their agency to provide services for which they are responsible.

Senator Andreason referred to page 9, section 8, line 22, asking what "*incentive pay*" was? **Mr. O'Leary** answered that it could be used for a special assignment. It would be incentive for an employee to take a position in a less than desirable location, allowing tools for management to provide necessary services to Idaho citizens, in out-of-the ordinary circumstances.

Mr. O'Leary briefly described all the additions and changes in this draft legislation which would provide efficiency and tools to agency directors who need to act more expeditiously to hire or maintain employees in certain situations.

Senator Stegner suggested that this draft legislation could be modified and possibly considered at the next meeting to see if this committee would want to adopt this draft legislation as a further recommendation for consideration by the legislature. **Senator Andreason** asked the committee members to submit their comments and recommendations as soon as possible, the results of which could be a revised draft to be considered at the next meeting.

Mr. Freeman pointed out that at the August meeting the committee actually did vote on codifying moving expenses, revising statutory bonus provisions and increasing the long-term disability maximum monthly benefit, all of which were put into draft legislation. These drafts were passed out to the committee and were taken home by the members for their consideration, to be discussed at the next meeting.

Senator Andreason introduced **Mr. Marty Peterson**, Assistant to the President of the University of Idaho (U of I) who asked **Mr. Archie George**, Director of Institutional Research and Assessment, to present a packet of information, a copy of which is available in the Legislative Services Office. They had been invited to present a salary survey recently completed that compares University of Idaho salaries to salaries at other institutions. The one caveat was, he pointed out, that while this is a University of Idaho specific salary study, it is symptomatic of problems at all of the institutions of higher education in the state of Idaho. Faculty salaries across the state are at about the 25^{th} percentile of the national institutions or 25% behind comparative schools, based on a peer group analysis. This presents a considerable challenge for the institutions to hire and retain high quality faculty to keep programs vibrant and Idaho students in the state.

Representative Kemp thanked the presenters for their information and stated that it mirrors what is happening at other universities in Idaho, adding that it also mirrors exactly what is happening across the state of Idaho for all employees of all agencies and institutions based on data from the U.S. Department of Commerce, Bureau of Economic Analysis.

Mr. George reiterated that the big story here is not how far behind we currently are , as much as what the continuing trend is. **Senator McGee** stated that he suspected that it would be very difficult to meet the national averages of major metropolitan areas, but clearly the disturbing trend that needs to be addressed is that the gap is getting wider and wider.

Representative Roberts asked about the other legislative proposals on the November 28^{th} agenda and if **Mr. Freeman** anticipated the committee would be able to get through all of them at a subsequent meeting. **Mr. Freeman** distributed copies of these other proposals with committee members, adding that he would be working with individual sponsors and the human resource directors to reconcile any differences prior to the next meeting.

Representative Kemp moved that on the December 21st agenda there be no new draft legislation brought before the committee, since final recommendations need to be made rather than entertaining brand new drafts, and that the "Other Legislative Proposals" remaining on the November 28th agenda be moved to the December 21st agenda, allowing time to accomplish what the committee will need to complete.

Senator Andreason announced that the next meeting would be held on December 21, 2005, at 9:00 a.m. and the meeting was adjourned at 4:00 p.m.

Attachment: Proposal for a basic compensation statute