MINUTES

JOINT HOUSE AND SENATE
CHANGE IN EMPLOYEE COMPENSATION (CEC) COMMITTEE

DATE: February 6, 2007

TIME: 4:00 p.m.

PLACE: State Capitol Building, JFAC Room

MEMBERS PRESENT: Co-Chairman Andreason, Co-Chairman Schaefer; Senators Coiner, McGee, Fulcher, Hammond and Kelly; Representatives Bradford, Roberts, Bolz, McGeachin and Pasley-Stuart

MEMBERS ABSENT/ EXCUSED: None

CONVENED: **Co-Chairman Andreason** called the meeting to order at 4:04 p.m. The purpose of this meeting was for the Committee to determine their final recommendation to JFAC for state employee compensation for 2007.

Co-Chairman Andreason introduced **Amy Castro**, Senior Budget and Policy Analyst, Legislative Services Office, to open the meeting with her presentation to the Committee.

Ms. Castro directed the Committee to the motion sheet posted on the monitors, advising that an amount of one percent of the general funds had been inserted as a multiplier for calculation of the Committee's recommended percentage. She also included the Governor's budget recommendation, but noted that it did not include the annualization for the salary increase for elected officials that was approved last year. Although the Governor did recommend the salary increase for elected officials, the funding amount of $15,900.00 was not included in his recommended budget. **Ms. Castro** said she had included this amount in her one percent budget posting of $6,130,600.00 for the CEC Committee's recommendation.

Co-Chairman Schaefer discussed the work of the Joint Interim CEC Committee and the issue of salary savings. He did not recall that the Joint Interim Committee had fully addressed that issue, and he feels that this is an issue which needs further review and should be addressed by the Committee.

Co-Chairman Andreason also commented on the work of the Joint Interim CEC Committee. He reminded the Committee of the final recommendation that concluded a minimum salary increase of 5.8% per year, for ten consecutive years, would be required to bring state employee compensation levels competitive to market rates. The reason state compensation lags so far behind market, is that for several years there was not sufficient funding available to provide salary increases. Now that the state has a surplus, and adequate funding is now available, he

wanted to remind the Committee of this goal, which is in accordance with legislative policy.

Co-Chairman Andreason then asked for motions to be presented by the Committee. With no motions forthcoming, **Senator McGee** requested a brief recess to have **Amy Castro** review the computerized motion program. **Senator Coiner** requested that the Committee recess briefly for about ten minutes. Without objection, **Senator McGee** asked unanimous consent for the Committee to recess until 4:20 p.m.

Co-Chairman Andreason re-convened the meeting at 4:20 p.m.

Amy Castro advised that three resolutions for the CEC recommendation had been drafted for presentation to the Committee. She explained that the three proposals are similar, with slight differences, which she explained as follows:

Senate Concurrent Resolution #1 represents a 5% CEC of $30,653,300 in general funds to be distributed, based on merit, as follows: Targeted funding first toward high turnover classifications and individuals below midpoint within their agency; targeted funding second to positions within their agency that are below 90% of the compa-ratio; and then target any remaining funding based on merit using the merit matrix required by Idaho Code. *(See Attachment 1.)*

All three proposals also direct the the Department of Administration is to: (1) Institute an additional insurance plan option to provide state employees a choice that better meets the employee's individual needs and benefit coverage desires; (2) maintain current insurance plans with benefits consistent within the current benefits coverage and an optional plan with premiums consistent with current 2007 premiums for both the employer and employee; and (3) cover increased premiums costs from the reserve balance in excess of the actuarially required reserve amount.

House Concurrent Resolution #2 also represents a 5% CEC of $30,653,300 in general funds, but ties specific percentages of the salary increase to specific target areas, as follows: Targets one percent of funding to high turnover classifications and individuals below midpoint within their agency; targets an additional one percent of funding to positions with their agency that are below 90% of compa-ratio; and targets the remaining three percent funding based on merit using the merit matrix required by Idaho Code. *(See Attachment 2.)*

Additional differences in this proposal include the recommendation for a new state fund to be established within the State Treasurer's Office and all general fund salary savings generated by state agencies during a fiscal year to be swept to the newly established fund, and all monies accrued to the fund to be reinvested toward maintaining competitive salaries and benefits for all state employees through the appropriations process. There is also the provision for the Division of Financial Management, under the Office of the Governor, to report salaries and benefits combined, as compared to market, during the 2008 legislative session.

House Concurrent Resolution #3 is the same as #2, but does not include the provisions for a new state fund to collect and appropriate agency salary savings. *(See Attachment 3.)*

Representative Roberts explained that his intention in drafting House Concurrent Recommendation #2 was to address the issue of salary savings in specific departments. The "sweeping" of the salary savings and appropriation of those funds would be directed by JFAC. The purpose of sweeping those savings into a new account is to use those funds for appropriation of salaries in the ensuing year. The entire process for allocating these monies would be established by JFAC.

Co-Chairman Andreason asked how the recommendation for sweep pf salary savings would apply to agencies with mixed funding. **Ms. Castro** advised that the language of recommendation #2, as written, would apply strictly to general funds, and dedicated funds and federal funds would remain within the agency.

Ms. Castro stated that she had received a letter from the Division of Financial Management reporting, "The group insurance medical fund balance as of the end of FY06 was $75,543,412.00." **Ms. Castro** stated that since the reserve requirement is $40,633,000.00 there should be sufficient funds to cover the increase in the state employee health insurance premiums for 2007.

Senator Dean Cameron, Co-Chair of the Joint Finance Appropriations Committee (JFAC), addressed the Committee advising that the letter from Division of Financial Management is a response to a question he posed to **Mr. Foltman** regarding the amount of the reserves and the proposed amount of increase for the health insurance premiums. **Senator Cameron** said that the state has a significant amount of reserves in that account, and there is a need to reduce those reserves. This year, rather than a premium holiday, he made the recommendation that the reserves be used to cover the costs of health care premiums. While the specific dollar increase is not known at this time, he feels that the funding reserves are more than sufficient to cover this cost increase. He said it is JFAC's intention that there would not be any shift in the percentage of health insurance costs from the employer to the employees.

Ms. Castro reviewed the three proposals and confirmed that each of them include a 5% CEC. However, House Concurrent Resolutions #2 and #3 designate that specified percentages of the 5% must be allocated to specific target areas. **Ms. Castro** confirmed that if an agency does not have employees in a specified compensation category, those funds could not be expended for another category, but funding would remain dedicated as specified. **Representative Roberts** clarified that the intention of House Concurrent Resolutions #2 and #3 is to address the issues of salary inequities and provide targeted funding to where salaries are most below market rate. **Senator Hammond** stated that the Senate Concurrent Resolution #1 also sets forth the same target priorities, but does not tie specific percentages of the salary increase to any category; this will allow greater flexibility for each agency to address the needs of their employees.

MOTION: **Representative Roberts** made a motion, and **Representative Bradford** seconded, to adopt House Concurrent Resolution #2, with ten paragraphs, as the Joint CEC Committee recommendation to JFAC for 2007.

SUBSTITUTE MOTION: **Representative Bolz** then made a substitute motion to adopt House Concurrent Resolution #3, with nine paragraphs, as the Joint CEC Committee recommendation to JFAC for 2007. The substitute motion was seconded by **Representative McGeachin**.

AMENDED SUBSTITUTE MOTION: **Senator Coiner** then made an amended substitute motion to adopt the Senate Concurrent Resolution #1, with eight paragraphs, as the Joint CEC Committee recommendation to JFAC for 2007. The amended substitute motion was seconded by **Senator Hammond**.

ROLL CALL VOTE: A **Roll Call Vote** was conducted, and the amended substitute motion to adopt Senate Concurrent Resolution #1, with eight paragraphs, as the Joint CEC Committee recommendation to JFAC for 2007, passed with seven Ayes (**Senators Andreason, Coiner, McGee, Fulcher, Hammond, Kelly and Representative Pasley-Stuart**) and five Nays (**Representatives Schaefer, Bradford, Roberts, Bolz, and McGeachin**).

ADJOURNMENT: **Co-Chairman Andreason** adjourned the meeting at 5:22 p.m.

Senator John Andreason
Co-Chairman

Representative Robert Schaefer
Co-Chairman

Olga Coply
Secretary

NOTE: Any sign-in sheets, guests lists, and/or testimony, booklets, charts and graphs, will be retained in the Committee Secretary's Office until the end of session, then will be on file with the minutes in the Legislative Services Library (Basement E).