

MINUTES  
**CHANGE IN EMPLOYEE COMPENSATION COMMITTEE**

**DATE:** Friday, January 16, 2015

**TIME:** 1:30 P.M.

**PLACE:** EW42

**MEMBERS PRESENT:** Senators Co-chairman Tippetts, Patrick, Cameron, Martin, Lakey, Heider, Lee, Schmidt and Ward-Engelking

Representatives Co-chairman Anderson, Hartgen, Anderst, Holtzclaw, Romrell, Mendive, King and Rudolph

**ABSENT/ EXCUSED:** Representative Loertscher

**NOTE:** The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the Committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

**CONVENED:** **Co-Chairman Anderson** called the meeting to order at 1:31 p.m.

**Co-Chairman Anderson** thanked the members of the Change in Employee Compensation Committee (CECC) for their service. **Co-Chairman Anderson** acknowledged Co-Chairman Tippetts' birthday and wished him many more. **Co-Chairman Tippetts** thanked the CECC members and the support staff who presented reports and gave testimonies.

**Co-Chairman Anderson** stated the meeting would address the four items in the Governor's recommendation, as required by statute. **Co-Chairman Anderson** opened the discussion with whether or not there would be a Change in Employee Compensations (CEC) and if any additional considerations were to be included with the CEC.

**MOTION:** **Senator Martin** moved to give a 3 percent increase in employee compensation based on merit, with director discretion. **Senator Patrick** seconded the motion.

**SUBSTITUTE MOTION:** **Representative King** moved to raise the minimum state rate on the pay schedule 2 percent across-the-board for all state employees, plus an additional 1 percent merit raise given at the director's discretion and to raise the minimum policy pay rate from 68 percent to 75 percent. **Representative Rudolph** seconded the motion.

**Representative King** provided further detail regarding her substitute motion. She stated the purpose of this pay scale increase would be to move state employees away from the need for social services. The State would be on a path to establish itself as a leader in providing living wages for employees.

**Senator Ward-Engelking** wanted to clarify that the appropriation for a pay scale increase would be ongoing and not one-time funding. **Co-Chairman Anderson** agreed the funding would be an ongoing appropriation.

**Co-Chairman Tippetts** asked if the intent of the pay scale raise was an across-the-board increase which would include underperforming employees. **Representative King** said the increase would be applied in order to attract competent, qualified people.

**Co-Chairman Tippetts** said he thought a 3 percent CEC was an appropriate increase for state employees. A pay scale move to 75 percent would need further consideration by the CECC. He expressed concern regarding moving the bottom of the pay scale up to 75 percent in addition to the 3 percent increase and its effect on wage compression.

**Senator Schmidt** stated his respect for the intent of the substitute motion and believed it to be appropriate. A policy leader's job is to scan the current state of affairs and direct appropriate policy. If employee compensation was adequately funded, agencies would have the ability to capably administer their employee compensation policy.

**SUBSTITUTE  
MOTION  
NO. 2:**

**Senator Schmidt** made a substitute motion for a 3 percent merit-based increase in addition to a bottom pay line increase to \$9.25. He said as policy leaders, the CECC should make a statement of providing sufficient employee compensation. **Senator Ward-Engelking** seconded the motion.

**Representative Hartgen** stated he was in favor of the original motion. The original motion gave the maximum amount of flexibility while setting a specific target. He opposed the motion made by Senator Schmidt because he believed the State should not dictate a specific floor wage which was not aligned with the private sector. **Representative Hartgen** opposed the substitute motion made by Representative King because he did not want to move toward a step scale approach to state wages.

**Senator Ward-Engelking** said the need for state employees to acquire social services reflected poorly on the State. The impact of moving the minimum pay rate to \$9.25 was significant in terms of statement; the impact to appropriations was small. She gave her support for this motion.

**Senator Martin** asked what pay grades were compensated below \$9.25. **Senator Schmidt** said the pay grades were E and F. **Senator Schmidt** said the compensation data from the State Controller's Office (SCO) did not include every department; the financial impact was speculation based on that data and the excluded agencies.

**Co-Chairman Tippetts** discussed his position on raising the minimum pay base of the State above the federal minimum wage. His primary concern was whether the State would be managing a compensation system or setting social policy by moving the minimum pay base. He opposed this motion based on the position that compensating employees above market rate would not follow existing policy.

**Representative King** stated she considered both a minimum wage increase and a pay scale increase. She said the decision rested with establishing good policy. A pay scale set at 80 to 120 percent of market rate would attract competent, motivated employees.

**Senator Schmidt** restated his substitute motion of a 3 percent CEC increase in addition to moving the base wage to \$9.25.

**ROLL CALL  
VOTE:**

**Co-Chairman Anderson** called for a roll call vote on **Senator Schmidt's** motion. **Senators Schmidt** and **Ward-Engelking** voted aye. **Senators Patrick, Cameron, Martin, Lakey** and **Lee** and **Representatives Hartgen, Anderst, Romrell, Mendive, King, Rudolph, Co-Chairman Tippetts** and **Co-Chairman Anderson** voted nay. The motion failed.

**Representative King** restated her substitute motion of a 2 percent across-the-board increase, a 1 percent merit-based increase and to move the policy from 68 percent to 75 percent of pay scale.

**ROLL CALL  
VOTE:**

**Co-Chairman Tippetts** called for a roll call vote for **Senator King's** motion. **Senator Ward-Engelking** and **Representatives King** and **Rudolph** voted aye. **Senators Patrick, Cameron, Martin, Lakey, Lee** and **Schmidt** and **Representatives Hartgen, Anderst, Romrell, Holtzclaw** and **Mendive** and **Co-Chairman Anderson** and **Co-Chairman Tippetts** voted nay. The motion failed.

**Co-Chairman Anderson** restated the original motion which was to issue a 3 percent merit-based increase with director's discretion.

**Co-Chairman Anderson** addressed Robyn Lockett and Kathy Holland-Smith who were in the audience. He inquired as to what the most inclusive terminology would be for supervisors across all agencies who issued pay changes within the State. **Ms. Lockett** answered the most inclusive term would be agency heads. **Senator Martin** said he would like to amend the motion to use the term "agency head" instead of "director".

**Senator Martin** acknowledged a strong obligation to those at the lower end of the scale. The presentation given by Jeff Sayer, Director, Department of Commerce, provided insight as to how an agency head could use a 3 percent CEC to address agency-specific needs which included employees at the lower end of the pay scale.

**Co-Chairman Anderson** wanted it known that the leadership of Boise State University (BSU) had been engaged in discussion to resolve the compensation issues within the university system which were revealed during the testimony given on January 8, 2015.

**RESTATED  
MOTION:**

**Co-Chairman Anderson** restated the original motion to give a 3 percent merit increase, with agency head discretion. The motion carried by voice vote.

**Co-Chairman Anderson** stated the second item in the Governor's recommendation was salary structure, which would remain unchanged. The CECC concurred with the Governor's recommendation. **Co-Chairman Anderson** asked **Co-Chairman Tippetts** if a vote was needed. It was understood that no vote was needed.

**MOTION:** **Co-Chairman Tippetts** moved that the 3 percent merit increase motion be communicated in the form of a Joint Resolution to the Joint Finance and Appropriations Committee (JFAC). Senator Schmidt seconded the motion. The motion carried by voice vote.

**MOTION:** **Co-Chairman Tippetts** moved to increase the minimum pay rate at each pay grade from 68 percent to 70 percent of policy with the exception of pay grade D, which would remain at \$7.25 (federal minimum wage). He recommended the sum of \$354,325 be appropriated to fund the change. **Senator Martin** seconded the motion.

**Co-Chairman Tippetts** discussed some of the historical changes to the pay range. He said the State had lost ground on compensation compared to the private and the public sectors of surrounding states. The restoration of adequate compensation would be important because starting someone too low in pay grade made it difficult to move employees up to pay policy without sacrificing funds available to employees who are above the minimum rate. **Co-Chairman Tippetts** said a dichotomy was created by having the minimum pay scale 32 percent below policy level and trying to reward long-term capable employees. He stated the motion was to appropriate the funds to offset the 2 percent upward shift in pay grade. The Division of Financial Management (DFM) agreed this recommendation addressed the compression issues that would arise from an increase in the pay grade.

**Representative King** said she approved of the idea and thanked Co-Chairman Tippetts for introducing the motion.

**Representative Anderst** asked if there was a way to direct agency heads to utilize salary savings as opposed to using additional appropriations. **Co-Chairman Tippetts** said while direction could be given, some agencies have more savings than others. **Co-Chairman Tippetts** remarked that he preferred a movement away from a reliance on salary savings by agencies to maintain their compensation structure.

**Senator Cameron** asked if the proposed motion would be made as a recommendation to JFAC. **Co-Chairman Tippetts** said that was his intent.

**Co-Chairman Anderson** called for a vote on Co-Chairman Tippetts motion to increase the minimum pay rate from 68 percent to 70 percent for all state employees. The motion carried by voice vote.

**MOTION:** **Co-Chairman Tippetts** moved to concur with the Governor's recommendation to maintain the current payline exceptions. **Senator Cameron** seconded the motion. The motion carried by voice vote.

**Co-Chairman Anderson** stated the fourth item on the Governor's agenda was to fully fund increases to health care costs, thereby cancelling the shift to employees for fiscal year (FY) 2016.

**Senator Lee** shared the information she had received that the inclusion of a fully funded health care benefit increase would be equivalent to a 1.3 percent CEC.

**MOTION:** **Senator Patrick** moved to fully fund the health care premium increase instead of shifting the cost to employees. **Senator Ward-Engelking** seconded the motion.

**Representative Hartgen** asked what the State's cost of fully funding the health care increase across the statewide employee base would be. **Senator Lee** stated the cost for FY 2015/2016 would be \$15.7 million. **Representative Hartgen** said he would like to make an amendment to the motion to include the dollar amount of the increase. **Senator Patrick** expressed concern about putting an exact figure into the motion because of the possibility the number could be incorrect. **Representative Anderst** stated the motion used the word "funding" again which he did not think was what the CECC wanted to do. **Co-Chairman Anderson** clarified the motion was to fully fund the increase to health care premiums as opposed to transferring the cost to state employees.

**Senator Patrick** requested the motion be a recommendation to JFAC. **Co-Chairman Tippetts** reiterated while the average impact is the equivalent of a 1.3 percent CEC, the actual impact to those on the lower end of the pay scale is higher and less to the employees at the higher end due to the health care cost being fixed per employee, rather than a percentage of salary.

The motion carried by voice vote.

**Co-Chairman Anderson** noted the CECC had addressed the four items in the Governor's recommendation. He said one goal of this particular Committee was to build a foundation of knowledge as to the use of salary savings and how it served the needs of state employees.

**Co-Chairman Anderson** discussed future considerations of the CECC. The CECC sought to provide a balance between employees, the State and the taxpayer funding those entities. The policy rate had been an important subject. The CECC will need to revisit the salary savings issue with respect to other matters such as cost-of-living and turnover rates. The Office of Performance Evaluations (OPE) report and the questions that were contained in it will need to be respectfully considered. The question of how to achieve adequate compensation without incurring additional monetary costs to the taxpayer needs additional deliberation.

**Co-Chairman Tippetts** addressed the apparent contradiction of the use of salary savings the previous year and the current opinion of the CECC. He said the CECC implied that the use of salary savings was strongly encouraged during the prior year's CECC meeting. The CECC would prefer agencies eventually become less reliant on salary savings as a means of providing adequate compensation. Salary savings are an important tool to agency heads.

**MOTION:**

**Co-Chairman Tippetts** moved to recommend to JFAC that agency heads be allowed to continue the use of salary savings. **Senator Martin** seconded the motion.

**Senator Cameron** discussed his apprehension about the direction that salary savings had taken. He understood that in an economic struggle, it served a purpose, but the use of salary savings was as important to agency heads as it was to a CEC. He said in order to minimize its use we will need to appropriately structure a CEC.

The motion carried by voice vote.

**Co-Chairman Tippetts** asked Robyn Lockett and Cathy Holland-Smith to address any glaring omissions. **Ms. Lockett** and **Ms. Holland-Smith** did not indicate any issues at this time. **Co-Chairman Anderson** stated it was the intent of the CECC to have the Legislative Services Office (LSO) draw up the paperwork in support of the actions set forth and to have them circulated the following week.

**Co-Chairman Tippetts** discussed the need to review compa ratios in the following year's CECC. The compa ratio discrepancies between the higher, middle and lower pay grades have diverged. The reasons and explanations behind the differences should be included in the ongoing discussion between the CECC, the Department of Human Resources (DHR), DFM and agency heads.

**ADJOURNED:** There being no further business, **Co-Chairman Anderson** adjourned the meeting at 2:50 p.m.

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Senator Tippetts  
Co-Chairman

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Linda Kambeitz  
Secretary

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Representative Anderson  
Co-Chairman

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Jenny Smith  
Assistant Secretary