MINUTES

CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE:	Wednesday, January 17, 2018
TIME:	3:00 P.M.
PLACE:	Room EW42
MEMBERS PRESENT:	Co-Chairman Patrick, Senators Guthrie, Martin, Lakey, Thayn, Souza, Potts, Ward-Engelking, and Burgoyne Co-Chairman Anderson, Representatives Hartgen, Wood, Harris, Holtzclaw, Packer, Redman, King, and Chew
ABSENT/ EXCUSED:	None

CONVENED: **Co-Chairman Anderson** called the meeting of the Change in Employee Compensation Committee (CECC) to order at 3:07 p.m. (Note: Attachments and written testimony can be found at https://legislature.idaho.gov/sessioninfo/2018/joint/cec-materials/.)

Co-Chairman Anderson thanked those who have testified, both verbally and in writing. He noted the receipt of 47 letters of written testimony, copies of which were distributed to CECC members. He also expressed appreciation to the germane committees for accommodating the CECC meetings.

PRESENTATION: **Follow-Up Information from Previous Meetings. Susan Buxton**, Administrator, Division of Human Resources (DHR), referred to the CECCs request for additional information, and stated that the document submitted provided the CECC with that information (Susan Buxton1). She detailed reviewed:

1. 2017 Milliman Survey Interview Participants.
2. Compa-Ratio Data for Fiscal Year (FY) 2013 to FY 2017.
3. Payline Exception Report.
4. Turnover Percentages for Pay Grades D through I.
5. Milliman Geographical Adjustment.

DISCUSSION: **Representative Harris** inquired if DHR could provide data for employees leaving for private sector jobs as it related to the turnover percentages listed in the document. **Ms. Buxton** stated they could only give an approximate number, as the reason for leaving is often listed as "personal."

PRESENTATION: **Idaho's Labor Market**. **Craig Shaul**, Regional Labor Economist & Research Supervisor, Idaho Department of Labor (DOL), explained - supported by graphic information - the following (Craig Shaul2):

- Unemployment (2007-2017)
- Measures of Market Pressure (2011-2016)
- Idaho Median Wage (2016)
- Expected Key Growth Industries (2017-2019)
- Population Growth (2016-2017)
- Idaho Total In-Migration (2016)
- Idaho Total Out-Migration (2016)
- Net Migration (2016)
- Year-Over-Year Labor Force Growth (2017)
- Idaho Employment & Population Change (2000-2017)
- State Government Employment Metrics (1990-2017)

DISCUSSION: A discussion ensued among Co-Chairman Patrick and Senator Guthrie, Representatives Chew and Holtzclaw, Mr. Shaul, and Ms. Buxton regarding the current labor shortage and the risk of losing more State employees; a comparison of the wage growth in Idaho and surrounding states; and the amount needed to raise State employees' compensation to market rate. **Mr. Shaul** clarified information from his graphs. He explained that he did not have some of the information with him, but offered to provide the data. **Ms. Buxton** explained that the rate would need to increase by 9 to 10 percent.

Representative Holtzclaw asked how many people were coming to Idaho, excluding those from a foreign country. **Mr. Shaul** stated that 15,800 people were coming to Idaho, representing 9.5 percent of the total influx of people moving to Idaho in 2016 (Craig Shaul2, p. 4).

Senator Guthrie requested a comparison of Idaho employees' median wage and the market wage. **Mr. Shaul** replied he would need to add the State employee wage data to the graph depicting Idaho's market value compared to that of neighboring states (Craig Shaul2, p. 3). **Representative Harris** inquired if data was available in the Permanent Statewide Pay Changes Report (Craig Shaul3). **Mr. Shaul** affirmed that the data is available, and a comparison with State employees is possible.

Senator Martin noted that, in 2014, the CECC gave a 0 percent increase to State employees; the amount was 2 percent in 2015. **Representative Harris** indicated that the Change in Employee Compensation (CEC) number is useful, but would not be the number to use for comparison. He specified that the same approach should be used in looking at all the wages and all the new wages to arrive at a percentage.

PRESENTATION:` **FY 2018 Salary Adjustments for State Employees, and Other Appropriation Considerations. Robyn Lockett**, Budget and Policy Analyst, Legislative Services Office (LSO), advised the CECC that, in response to questions from the January 15 meeting, Russell Barron, Director, Idaho Department of Health and Welfare (DHW), provided a copy of the 2017 Separation Report to the CECC. **Ms. Lockett** noted the Legislature funded a personnel cost appropriation of $1.67 billion, which includes salary and benefits for over 25,000 State employees. She delineated the amounts allotted to each State department (Robyn Lockett4).

Ms. Lockett clarified the breakdown of compensation and benefits for individuals. In response to a question asked at the previous CECC meeting, **Ms. Lockett** explained that insurance reserves hold approximately 90 percent of State funds and 10 percent of employee-paid funds. She pointed out that, included in the $1.67 billing appropriation, was the CECC-recommended 3 percent CEC to be distributed at the discretion of the agency heads and institution presidents. **Ms. Lockett** then explained how the compensation plans are put into practice, including consideration of internal equity, availability of funds, and employee evaluation ratings.

Ms. Lockett provided the Permanent Statewide Pay Changes document (Craig Shaul3) to the CECC. She stated that the document explained the impact of the changes. She reiterated this means agencies can provide additional funds to an employee, all types of pay raises, and early implementation of the CEC funding. She noted that 83 percent of pay changes are due to the CEC. **Ms. Lockett** shared an analysis of employee count by pay range in 2017 and elected officials' salary changes (Robyn Lockett4). She emphasized that each agency needed to be considered individually. She reaffirmed there have been slow and steady increases in pay, and the overall compensation has increased. **Ms. Lockett** pointed out there are 19 line items in the State agency budget requests for additional appropriation, totaling over $11 million.

Senator Souza observed that Idaho has a high number of employees who are paid under $20,000. She discerned from the graph Employee Count by Pay Range in 2017 (Robyn Lockett4) that employees in the bottom categories are not getting equivalent raises to those in the higher categories. **Senator Guthrie** stated he interpreted the graph as showing a migration of employees to the higher pay categories. **Ms. Lockett** concurred.

DISCUSSION: **Committee Discussion and Consideration of the Committee's FY 2019 CEC Recommendation to the Joint-Finance Appropriations Committee (JFAC)**. **Co-Chairman Anderson** reminded the CECC members they agreed to a goal of completing their business in three meetings. He outlined the procedure for the presentation of motions. He also identified the four items to be considered as:

1. Salary Structure Adjustment.
2. Specific Occupational or Inequity Payline Exceptions.
3. Merit Increase Component.
4. Employee Benefit Package.

He stated that those items would be considered separately.

Co-Chairman Anderson suggested a lottery system would be used if the number of members wanting to submit a motion exceeds three. This method could result in combining ideas into a single motion. A discussion ensued regarding voting on each item, the lottery system, prioritizing the items, exemption of some motions, and examining potential motions. **Co-Chairman Patrick** read Idaho Code § 67-5309(a) which governs the work of the CECC.

Senator Guthrie expressed frustration that the CECC did not receive Idaho-specific data on salary, noting all of the increase goes into salaries. He stated that having this information would assist the CECC in making well-founded decisions.

Representative Wood outlined a motion that would accept the Governor's recommendation as it stands. He commented the Interim Committee on Group Health Insurance would need to made a recommendation to the Legislature, and the Department of Administration (DOA) would begin work immediately to present new options for health care benefits to begin in 2019.

Senator Burgoyne outlined a motion to take out number 3 of the four options (See Discussion above), put all of the money in option number 1, and pass options 1, 2, and 4. If that did not pass, the next possible motion would be to accept the Governor's recommendation, which would probably support Representative Wood's caveat.

Senator Ward-Engelking stated she would like every employee who has a satisfactory evaluation to receive a 2 percent raise, and then put 2 percent into merit -based raises. She commented this would move toward competitive State salaries, while allowing the agency directors flexibility in rewarding exemplary work.

Senator Souza requested clarification from Senator Burgoyne regarding eliminating the merit pay increase. **Senator Burgoyne** explained it provides too much discretion for the agency. He remarked if an employee is doing the work expected, then they should be a satisfactory employee. If they are not, they should be dismissed. **Senator Burgoyne** expressed concerns over significant variations in pay among agencies for employees in similar jobs.

Co-Chairman Patrick stated his idea was in line with Representative Wood in following the Governor's guidelines. He felt bids for insurance carriers should go forward.

Representative Redman suggested a raise of $1,100 for every employee working at a satisfactory level, and a 1 percent merit pay raise.

Representative King pointed out that the State needs to attract businesses that pay well. She outlined a motion that is in line with the Governor's recommendation, except she would give a 4 percent merit pay increase.

Co-Chairman Anderson discussed the current pay structure relating to percentages paid above and below policy rate. He explained the ramifications of shifting the payscale up 3 percent at each level.

Senator Guthrie remarked attention needed to be focused on those employees in the lower-pay levels. He outlined a possible motion as "employee pay in salary grades E through I be increased by X, that employee pay in salary grades J through O be increased by .75 of X, and the employee pay in salary grade P through V be increased by .5 of X." **Senator Guthrie** stated the intent of the motion would be that the increases would be distributed using a merit-based application while targeting specific pay grades.

Discretion for distribution would be granted to agency directors and institution presidents. He included in the intent that the value and cost of X and fractions of X shall not exceed the total cost of the Governor's recommendation of a 3 percent CEC. He explained that use of generic multipliers is due to the extra time that LSO and JFAC would need to accurately make the complicated calculations.

Senator Guthrie addressed the item regarding benefits. He outlined a possible motion, following State laws, which would support a transfer of $13,140,000 from the Employee Group Insurance Fund (EGIF) to the General Fund. He proposed the State's per benefit for Full-Time Equivalent (FTE) positions appropriation remain unchanged from FY 2018 to FY 2019.

Senator Guthrie related that, in accordance with legal accounting practices, any balances remaining in the EGIF exceeding the cost allocation requirements and the required reserve would be placed in a fund to be used for the development and funding of a State Health Savings Account (HSA) or for start-up costs for a self-funded health care model. If the employee savings account of the self-funded health care model were not instituted by the State, the funds would be returned to the EGIF to be used in subsequent years. He supported a self-funded model, noting there are ample funds in reserve.

Representative Redman explained that his proposal would increase the lower wages more than the those in the higher categories, and he pointed out that everyone would get an $1,100 increase. He also voiced support for the self-insured plan for benefits.

Representative King stated she liked Senator Guthrie's idea of giving those at lower income levels an added benefit. She noted that those hard-to-fill positions requiring specialized education need to have an increase also. **Representative Redman** shared his concern that HSAs only benefitted those receiving higher salary.

Senator Martin indicated agreement with Representative Redman and Senator Guthrie, but stated that each permanent State employee receive an ongoing $1,600 salary increase for FY 2019 and that for non-full- time employees the increase would be prorated. The motion would not apply to employees who receive a "Do Not Achieve" evaluation.

Representative Harris stated HSAs work well at all income levels. He suggested simplifying Senator Guthrie's proposal by setting X to 3 percent.

Representative Hartgen stated he would support Representative Wood's original motion.

Senator Lakey commented that he would support Senator Guthrie in providing more adjustment to lower pay levels and preserving the merit paywithin the changes, while preserving the concept of the merit within those changes. He delineated the percentage of employees at the pay levels, and stated he would be in favor of a 5 percent, 2 percent, 2 percent spread. **Senator Lakey** stated he would align with Representative Wood as a second choice.

Senator Thayn affirmed that the CECC recognizes a higher salary as a need, and he pointed out that medical costs are an ongoing problem. He agreed with Senator Guthrie that some money should be put aside to allow for additional outcomes and increased access, as well as lower costs. **Senator Thayn** indicated he was speaking of funded HSAs, meaning the employer contributes annually. He identified some problems involved in various plans, expressing a need to consider how these concerns affect individuals. Offering alternatives would allow employees to have a choice, both in plan type and - if they chose an HSA - how they would use the funds in their account. **Senator Thayn** added he would prefer a salary increase higher than 3 percent as opposed to a premium holiday.

Senator Ward-Engelking expressed concern regarding the loss of employees at the higher end of the pay scale. While agreeing with the need to increase the pay of employees at the lower end of the pay scale, she observed it is the highly skilled, experienced employees who are leaving State employment. **Senator Ward-Engelking** emphasized the importance of rewarding all of the employees.

Co-Chairman Anderson observed that the State pays approximately $300 million per year to Blue Cross (BC) for group health insurance. He noted after BC pays the claims, any overage the State has paid is put into an account to be kept in reserve. The State is expected to maintain a 10 percent reserve, or $30 million. It is anticipated the balance at the end of FY 2018 will be $95 million, leaving an excess of $65 million. **Co-Chairman Anderson** recounted that the Governor proposes $13 million be returned to the General Fund, leaving approximately $30 million to use. The Governor's proposal was the two-month premium holiday.

Co-Chairman Anderson pointed out the State pays BC $25 million a month, but the claims are only $15 million a month. In considering FY 2019 projections -after returning the $13 million and taking the two-month holiday, there would still be $68 million in reserve at the end of FY 2019. In order to self-fund, the State needs $30 million in cash. He related that, if the State funds HSAs at the rate of $1,000 per person, the cost would be $18 million. **Co-Chairman Anderson** asserted the State could return the $13 million, take the two-month premium holiday, and still have adequate reserves to fund both the switch to self-funding and to establish HSAs for each of the employees.

Robyn Lockett gave a detailed explanation using actual amounts, and stated that the approximate amounts explained by Co-Chairman Anderson were fair representations.

Representative Packer asked for an explanation of the discrepancy between the past amounts and projected future amounts in gains or losses. **Jennifer Pike**, Group Insurance Program Administrator, Idaho State Office of Group Insurance (OGI), clarified the reports are developed from actuaries; this report reflects changing funding mechanisms. She offered to provide a more concise explanation. **Co-Chairman Anderson** indicated that further explanation was needed.

RECESS: **Co-Chairman Anderson** called a recess at 5:05 p.m.

RECONVENED: **Co-Chairman Anderson** reconvened the meeting at 5:21 p.m.

Co-Chairman Anderson asked Ms. Pike to continue with her explanation. She introduced Robert Schmidt, an actuary with Milliman. **Representative Packer** reiterated her question regarding the discrepancy in past and projected future amounts.

Mr. Schmidt noted that under discussion was a comparison of the amounts returned to the State by BC after premiums, claims, and administrative costs were deducted from the amount paid by the State (gains) (Robert Schmidt5, Exhibit 2). He related that the gain in FY 2017 of $25 million was returned by BC, and projections for FY 2018 are about the same. **Mr. Schmidt** observed that, in looking forward, the amount is set to represent very little gain or loss in future fiscal years.

Representative Packer inquired if premiums were expected to drop dramatically in FY 2019 through FY 2021, or if claims were expected to increase. **Mr. Schmidt** stated there were less claims than expected in FY 2017, so the actual amount returned to the State was greater than anticipated. The FY 2018 projections were also based on earlier experience. The FY 2019 projection is expected to be more accurate. **Mr. Schmidt** mentioned that the gains and losses are ascertained monthly.

Co-Chairman Anderson perceived information in Exhibit 1 (Robert Schmidt5) would help explain the data in Exhibit 2. **Mr. Schmidt** concurred. Discussion continued regarding the costs up to this date and the projected costs.

Senator Thayn commented that one of the reasons claims decreased was that the average age of State employees dropped by five years in the last year. He pointed out that having this surplus is unusual.

Senator Guthrie asked for further clarification of the amount needed for the two-month premium holiday. **Mr. Schmidt** referred to Exhibit 2 and detailed the gains and losses anticipated for FY 2019 and FY 2020, as well as the amount needed for the contingency fund. He continued to analyze the data and indicated there will be more than needed for the two-month premium holiday.

Senator Burgoyne explained his previous statement regarding zeroing out the 3 percent merit increase. He stated if the CECC was not in favor of that option, he would support Representative Wood's motion which would accept the Governor's recommendation. **Senator Burgoyne** voiced his agreement with Senator Ward-Engelking regarding a hesitancy to direct such large sums of money toward the lower-level pay scale. He observed that the State did not have enough money to bring compensation to market level, so triage needed to be conducted. Because the lower-level positions are easier to replace, he asserted it would be more economically prudent to protect the more technical and skilled positions at the middle and top of the pay scale. For that reason, even though he does not like merit pay, **Senator Burgoyne** declared that he would support merit pay; he expressed hope that the agency heads will use it to maintain good employees in those hard-to-fill positions.

Senator Souza reflected on the discussions that have occurred, stating it is difficult to serve on the CECC because the members would like to give everyone a large raise. She pointed out that those who have spoken during the last meetings represent the State employees, but the legislators represent the taxpayers in their districts. **Senator Souza** affirmed the responsibility of the CECC members to balance a quality work force and representing the needs of the taxpayers in their districts; taxpayers are the ones who will pay for the decisions. She noted although the economy is good now, but that can change. She noted that any salary increases given cannot be taken back if the economy lags. **Senator Souza** emphasized the legislators must be careful spending public funds.

Senator Guthrie clarified some aspects of his potential motions. Regarding the classified employees, he stated they should be treated in a similar manner as others in their pay range. With respect to the benefits, **Senator Guthrie** acknowledged concerns were expressed about federal obligations the State may have. He explained he understood that the federal obligation would be covered by the statewide cost allocation program, and he specified that if that was not accurate, he would make sure that any federal requirements were identified and covered.

Senator Potts suggested that the CECC needed to take a targeted approach instead of a broader focus. **Senator Burgoyne** voiced his desire to conduct the voting. **Senator Martin** inquired how the lottery system of voting will work. **Co-Chairman Anderson** asked how many people wanted to make a motion. He noted Representatives King, Wood, Chew, and Redman; Senators Guthrie, Ward-Engelking, and Burgoyne planned on making motions.

Representative Chew reiterated that the State's labor force is its most valuable asset. She offered for consideration a 3 percent one-time raise to all except those who do not achieve, and a 3 percent merit pay for recipients, to be determined by agency directors.

Co-Chairman Anderson indicated that the CECC could continue and finish their business, or they could continue to another day to allow further deliberation.

Senator Guthrie pointed out that, in considering the disparity between increases for the various pay levels, it is incumbent on the department heads to use the merit pay increases where they are needed.

Representative Chew indicated it might be prudent to meet again in order to allow CECC members to consider the options.

MOTION: **Senator Martin** moved to continue with the proceedings to conclude tonight. **Senator Ward-Engelking** seconded the motion. The motion carried by **voice vote**.

Discussion ensued regarding motions and voting procedures. It was decided that the order of presentation of motions would be determined by lottery.

Co-Chairman Patrick asked for the opinion of Ms. Lockett regarding adherence of the motions to Idaho Code. **Ms. Lockett** declined to comment on the legality of motions prior to their being made.

Co-Chairman Anderson requested that Committee Secretary Linda Kambeitz draw for the order of presentation of motions. The draw resulted in the following order: #2, Representative Chew; #1, Representative King; and #4, Representative Redman.

MOTION: **Representative Chew** moved to give a 3 percent merit and a 3 percent base raise, except those with a "Do Not Achieve," evaluation to give flexibility to the directors and to align with the Governor's recommendations in the other areas. **Representative King** seconded the motion.

Senator Burgoyne inquired to which component of the raise she wanted the satisfactory performance attached. **Representative Chew** replied that she wanted it attached to the base pay. **Senator Souza** asked what the fiscal note is and how much this plan would cost. **Representative Chew** replied she did not know. **Senator Thayn** asked Ms. Lockett what the fiscal note would be. **Ms. Lockett** explained how the amount is determined; she reported that it would be $80.4 million for the total 6 percent increase.

Co-Chairman Anderson advised the CECC that the order was incorrect. **Representative Chew** withdrew her motion.

RECESS: **Co-Chairman Anderson** called a recess at 6:10 p.m.

RECONVENED: **Co-Chairman Anderson** reconvened the meeting at 6:20 P.M.

DISCUSSION: **Co-Chairman Anderson** clarified the motion process stating that Representative Chew should make her motion, followed by Representative King with a substitute motion, and then Representative Wood with an amended substitute motion. He requested that Representative Chew present her motion. **Senator Ward-Engelking** expressed concern about the order of motions. **Senator Burgoyne** explained the use of a motion and reconsideration to prevent a good plan being defeated by a less acceptable plan. A discussion followed regarding the order of motions. Further discussion ensued with **Representative Wood** offering to defer to the second set of motions.

MOTION: **Senator Martin** moved to accept the proposed motion of Representative Wood, which was to make a default motion and defer to the second round of motions. **Senator Souza** seconded the motion. The motion carried by **voice vote**. **Senator Potts, Vice Chairman Patrick** and **Representative Hartgen**voted **nay**.

Co-Chairman Anderson explained another draw was needed. This draw resulted in Senator Guthrie replacing Representative Wood in the rotation.

MOTION: **Representative Chew** moved to give a 3 percent base raise for all except for those with a "Do Not Achieve" evaluation; a 3 percent raise based on merit to give flexibility to the directors and to provide more increase toward the 9 to 10 percent recommended by Ms. Buxton; and to align with the Governor's plan on the remaining points of the recommendation. **Representative King** seconded the motion.

SUBSTITUTE MOTION: **Representative King** moved: 1) to shift the compensation schedule up 3 percent at the minimum and maximum policy pay rates in all pay grades for FY 2018-2019 (the cost is estimated to be $260,000 to bring 484 employees up to the new minimum of the salary ranges) with an exception to the change being that the minimum wage would remain at $7.25 per hour in pay grade D, as recommended by the Governor; 2) to recommend that the State maintain the job classifications that currently have a payline exception to address specific recruitment or retention issues (as recommended in the FY 2019 Change in Employee Compensation and Benefits Report from the DHR); 3) to fund an ongoing 4 percent increase in funding for a merit-based increase for State employees with flexibility in distribution allowed for agency heads; and 4) to accept the Governor's recommendation for the employee benefit package. **Representative Chew** seconded the motion.

AMENDED SUBSTITUTE MOTION, PART I: **Senator Guthrie** moved that State employee compensation for FY 2019 be as follows: 1) salary grades D through I be increased by "X"; 2) salary grades J through O be increased by .75 of "X"; 3) salary grades P through V be increased by .5 of "X" with the intent that non-classified employees who are not in a pay grade be treated in a similar fashion using those dollar amounts depicted in those various pay grades; 4) that the increases will be distributed using a merit-based application; 5) that the value and cost of "X" and fractions of "X" not exceed the total cost of the Governor's recommendation of an across-the-board 3 percent CEC, totalling $40.2 million. **Senator Guthrie** noted that generic multipliers were used in the motion due to the extra time LSO will need to accurately complete this mathematical exercise. **Senator Martin** seconded the motion.

DISCUSSION: **Co-Chairman Anderson** inquired of Jani Revier, Administrator, Division of Financial Management, Executive Office of the Governor, if non-classified employees could be treated in a like manner. **Ms. Revier** responded that many non-classified positions would match, but there are also positions that do not have a like position in the classified system. **Senator Guthrie** asked if the dollar amounts associated with the designated bandwidths could be used to make the match. **Ms. Revier** replied that could be done, but that approach could be complicated by overlap. Discussion continued regarding the percentage to be used, the amount of time needed to make calculations, clarification of the merit aspect, and increased compression at the high end of the pay scale.

AMENDED SUBSTITUTE MOTION, PART II: **Senator Guthrie** moved, notwithstanding any other law to the contrary, to transfer $13,140,000 from the EGIF to the General Fund for FY 2019. He also moved that the State's per benefit eligible FTE appropriation amount remain unchanged from FY 2018 to FY 2019 and employee-paid premium rates remain unchanged from FY 2018 to FY 2019. Any remaining balance(s) in the EGIF which exceeds the FY 2019 Statewide Cost Allocation Program insurance internal service fund requirements and the actuarily-required reserve at the end of FY 2019, will be placed in an escrow account or like fund. The intended use will be for the development and funding of a State employee HSA and/or be used for start-up costs should the State choose to move to a self-funded health care model. Should the State not develop a HSA or move to a self-funded model, money in the escrow account or like fund would be transferred back to the EGIF for use in subsequent years. **Senator Martin** seconded the motion.

ROLL CALL VOTE ON AMENDED SUBSTITUTE MOTION: **Co-Chairman Anderson** called for a roll call vote. **Senators Martin, Lakey, Guthrie, Thayn, Souza, Potts, and Representatives Holtzclaw, Packer, and Redman** voted **aye**. **Senators Ward-Engelking, Burgoyne, and Representatives Hartgen, Wood, Harris, King, Chew, and Co-Chairs Anderson and Patrick** voted **nay**. The motion failed.

DISCUSSION ON SUBSTITUTE MOTION: **Representative King** restated her motion. She mentioned 4 percent has a $53.6 million fiscal impact on federal, State, and dedicated funds. A discussion ensued regarding fiscal impact, clarification of the merit 4 percent, and the positive impact at all levels of the payscale.

ROLL CALL VOTE:	**Co-Chairman Anderson** called for a roll call vote. **Senators Martin, Ward-Engelking, Burgoyne, and Representatives King and Chew** voted **aye**. **Senators Lakey, Guthrie, Thayn, Souza, Potts, and Representatives Hartgen, Wood, Harris, Holtzclaw, Packer, Redman and Co-Chairs Anderson and Patrick** voted **nay**. The motion failed.
DISCUSSION ON ORIGINAL MOTION:	**Representative Chew** restated her motion. Clarification was given regarding the 3 percent base increase and an additional 3 percent merit increase.
ROLL CALL VOTE:	**Co-Chairman Anderson** called for a roll call vote. **Senator Ward-Engelking, Representatives King and Chew** voted **aye**. **Senators Martin, Lakey, Guthrie, Thayn, Souza, Potts, Burgoyne, and Representatives Hartgen, Wood, Harris, Holtzclaw, Packer, Redman and Co-Chairs Anderson and Patrick** voted **nay**. The motion failed.
	Co-Chairman Anderson asked who wanted to make a motion. Representatives Harris, Wood, and Redman; Senators Ward-Engelking and Thayn affirmed they would all like to make a motion.
MOTION:	**Senator Martin** moved to use the three remaining draws from the original lottery, and if more were needed, they were available. **Representative Burgoyne** seconded the motion. All agreed.
MOTION:	**Senator Wood** moved to accept the Governor's recommendation with the exception of health care benefits. Having received Senator Guthrie's permission, his benefit motion with respect to health care will be attached to the Governor's recommendation. **Senator Thayn** seconded the motion.
DISCUSSION ON MOTION:	**Senator Burgoyne** requested clarification on how the Governor's recommendation was affected by Representative Wood's motion. **Representative Wood** explained the only difference was in the use of the reserves. Instead of the two-month premium holiday recommended by the Governor, the money would be saved to be used for future health program development.
SUBSTITUTE MOTION:	**Representative Redman** moved that his motion be the same as Senator Guthrie's original motion except "X" would be 4 percent. **Representative Holtzclaw** seconded the motion.
AMENDED SUBSTITUTE MOTION:	**Senator Ward-Engelking** moved to apply a 2 percent raise on the base salary and a 2 percent raise based on merit at the discretion of the directors, and to accept bullet points two and four of the Governor's recommendation. **Representative King** seconded the motion.
DISCUSSION:	**Senator Ward-Engelking** observed the total would be a 4 percent increase. **Senator Potts** requested clarification regarding the structural alignment. **Senator Ward-Engelking** reiterated that there would be a 2 percent increase on the base for everyone, plus 2 percent merit. Discussion continued regarding the amount the proposed increase would cost the State as opposed to the Governor's recommendation.
ROLL CALL VOTE ON AMENDED SUBSTITUTE MOTION:	**Senators Martin, Ward-Engelking, Burgoyne, and Representatives King and Chew** voted **aye**. **Senators Lakey, Guthrie, Thayn, Souza, Potts, and Representatives Hartgen, Wood, Harris, Holtzclaw, Packer, Redman, and Co-Chairs Anderson and Patrick** voted **nay**. The motion failed.

DISCUSSION OF SUBSTITUTE MOTION:	**Co-Chairman Anderson** asked Representative Redman for a summary of his motion. **Representative Redman** explained the motion gives the lower end of the salary schedule more money with a 4 percent increase, 3 percent at the next level, and 2 percent at the next level. The intent is the same as the motions of Representative Wood and Senator Guthrie. The salary structure adjustment and occupational payline exceptions are the same as the Governor's recommendation. **Senator Lakey** asked if the amount spent will be equal to the Governor's recommendation. **Ms. Lockett** replied that she thought it would work, but she was not certain. She added LSO has staff to figure that out, but not without further analysis. Extensive discussion ensued regarding the use of set percentages rather than unknowns, how the formula would relate to the Governor's recommendation as well as the various bandwidths of the payscale, and the possibility of revisiting previous motions.
VOTE ON MOTION TO END DEBATE:	**Representative Packer** called for the question to end the debate. **Senator Burgoyne** seconded the motion. A roll call vote resulted in unanimous agreement to end the debate.
ROLL CALL VOTE ON SUBSTITUTE MOTION:	**Senator Guthrie, Representatives Holtzclaw, Packer, and Redman** voted **aye**. **Senators Martin, Lakey, Thayn, Souza, Potts, Ward-Engelking, Burgoyne, Representatives Hartgen, Wood, Harris, King, Chew, and Co-Chairs Anderson and Patrick** voted **nay**. The motion failed.
DISCUSSION OF MOTION:	**Co-Chairman Anderson** requested that Representative Wood restate his motion. **Representative Wood** replied it was to accept the Governor's recommendation, including the benefits package, with the exception of how the reserves for heath care are treated for FY 2019. Normal funding for health care benefits, and normal programs would remain the same, but there would be no two-month premium holiday. From the reserves $13.1 million, which were borrowed previously, would go back into the General Fund. The remainder would be held to fund future health plan choices.
ROLL CALL VOTE ON MOTION:	**Senators Martin, Lakey, Guthrie, Thayn, Souza, Potts, Ward-Engelking, Burgoyne, Representatives Holtzclaw, King, and Co-Chairs Anderson and Patrick** voted **aye**. **Representatives Harris, Packer, Redman, and Chew** voted **nay**. The motion carried.
ADJOURNED:	There being no further business at this time, **Co-Chairman Anderson** adjourned the meeting at 7:50 p.m.

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Representative Neil Anderson, Co-Chairman	Linda Kambeitz, Secretary
___________________________	___________________________
Senator Jim Patrick, Co-Chairman	Carol Cornwall, Assistant Secretary