

MINUTES
CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE: Tuesday, January 22, 2019

TIME: 3:00 P.M.

PLACE: EW 20

MEMBERS PRESENT: Senators Co-Chairman Patrick, Agenbroad, Lakey, Guthrie, and Burgoyne

Representatives Co-Chairman Anderson, Holtzclaw, Syme, Kingsley, and Gannon

ABSENT/ EXCUSED: None

CONVENED: **Co-Chair Anderson** called the meeting of the Change in Employee Compensation Committee (CECC) to order at 3:05 p.m.

Co-Chairman Anderson thanked the CECC and the other participants for their collaboration on the Fiscal Year (FY) 2020 Change in Employee Compensation (CEC) Recommendation. **Co-Chairman Patrick** emphasized the significance of the CECC's charge to ensure compensation levels and to enable the State to maintain a respectable workforce.

Co-Chairman Anderson cautioned the CECC that there would be numerous motions and the motions would be voted on in reverse order. He provided a brief overview of the anticipated motions.

DISCUSSION: **Senator Burgoyne** asked if the \$500 increase mentioned would be an ongoing, annual increase. **Co-Chairman Anderson** replied the increase would be ongoing. The anticipated cost of this was \$6.2 million. He added that other than the motion proposing a 5 percent increase, all the motions were designed to fall within the Governor's recommended cost footprint. **Co-Chairman Patrick** wanted to know if the \$500 increase was considered a merit pay increase. **Co-Chairman Anderson** answered that it would not be considered a merit increase and was an across-the-board increase to all eligible employees.

Senator Guthrie described his understanding of what contributed to the annual unspent personnel amount and how those amounts were subsequently reappropriated or reverted back to the General Fund. **Co-Chairman Anderson** asked for Robyn Lockett, Budget and Policy Analyst, Legislative Services Office (LSO), to verify Senator Guthrie's explanation of the unspent personnel amount. **Ms. Lockett** confirmed Senator Guthrie's assessment. She added that a part of the unspent amount was a result of vacant positions; however, it was one of several variables. Personnel costs, such as stipends and raises, were figured into the spent dollar amounts rather than the unspent amount and it was the unspent amount that could be reverted or reallocated towards another purpose. **Co-Chairman Anderson** further added that the need to budget for payroll expenditures in a single, annual appropriation can lead to unspent personnel amounts. Those unspent amounts may arise from positions not being filled or becoming vacant over the course of the fiscal year.

Representative Gannon questioned Ms. Lockett on the details of how much of the appropriated personnel funds from FY 2018 were reverted and how much were spent on non-payroll expenses. **Ms. Lockett** replied that \$150.5 million was reverted to the General Fund and \$80 million was spent on non-personnel expenses.

Senator Burgoyne requested an explanation of how dedicated funds are reallocated in future FYs, as they are not reverted back to the General Fund for the Joint Finance and Appropriations Committee (JFAC) to review. **Ms. Lockett** answered that JFAC reviewed actual agency expenditures every three years. They consider those findings when making future budget decisions. **Senator Burgoyne** remarked he felt there needed to be a closer look given to the use of appropriated funds that were not spent on personnel expenses. **Co-Chair Anderson** concurred with Senator Burgoyne and noted that in addition to making decisions on the current FY CEC recommendation, it was the CECC's duty to identify future items in need of assessment.

Representative Gannon questioned why the State was so far behind in pay scale when there appeared to be a substantial amount of appropriated funds left unspent or directed towards other expenses. **Co-Chairman Anderson** stated one of the motions would include a higher percentage of pay increase than the Governor's recommendation. **Co-Chairman Patrick** expressed his concern of over-appropriated funds not being spent as allocated in the budget reviewed by JFAC. **Senator Burgoyne** emphasized his dislike of the current oversight of over-allocated personnel funds. He suggested there be language referencing legislative intent within the recommendation. **Representative Gannon** remarked the revelation of the amount of over-appropriated funds seemed to support taking a significant step forward in achieving mid-line.

MOTION:

Representative Gannon moved for a 2 percent salary structure increase and to establish a minimum pay of \$10 per hour or \$20,800 annual wage for full-time personnel; to give a 5 percent merit-based pay increase to bring as many employees up to mid-line as possible; to transfer \$20 million from the health insurance reserve fund (reserve fund) to supplement the FY 2020 health insurance premium expense; and to include a letter of legislative intent with the recommendation.

Senator Burgoyne seconded the motion.

DISCUSSION:

Senator Burgoyne requested clarification from Ms. Lockett on the number of full-time employees making less than \$20,000 in annual wages. **Ms. Lockett** replied that upon further review, there were no employees in that category.

Representative Gannon noted the 5 percent increase as opposed to a 3 percent increase would only increase the cost of the recommendation by \$14 million. The additional funds would be taken from the unspent personnel amounts, leaving \$70 million remaining to be reverted back to the General Fund.

SUBSTITUTE MOTION:

Senator Guthrie moved for a 2 percent increase to the salary structure; to give a merit-based pay increase by pay grade - \$1,000 to pay grades O, P, Q, R, S, and V, 3 percent to pay grades K, L, M, and N, 4 percent to pay grades E, F, G, H, and I, and a similar merit increase structure for non-classified positions; for the reserve fund to be \$53 million or the maximum funding level based on law and/or federal guidelines with the intent that there is continued review of the health care plan; and to include a letter of legislative intent with the recommendation. **Senator Lakey** seconded the motion.

DISCUSSION: **Co-Chairman Patrick** asked David Fulkerson, Deputy Administrator, Idaho Division of Financial Management (IDFM), to explain how the per employee insurance premium was affected by leaving the current excess in the reserve fund as opposed to reducing the reserve fund to federal policy. **Mr. Fulkerson** responded that if the federal government deemed the amount of excess as reimbursable back to the federal government, it would be 20 percent of the excess reserve. The FY 2019 plan's federally allowable reserve was \$54 million with an actual balance of \$76 million. **Senator Burgoyne** requested, prior to any spend down of the reserve fund, delineation be made between what were employee and employer portions of the funds so as not to spend employee contributions on non-health care plan expenses.

Senator Guthrie restated his desire for more detailed information related to the management of appropriated personnel both being reallocated or transferred and unspent personnel amounts. **Co-Chairman Patrick** stated he preferred to see a more level merit-based increase.

AMENDED SUBSTITUTE MOTION: **Co-Chairman Patrick** moved for a 2 percent increase to the salary structure; to give a 3 percent merit-based pay increase; to approve the current pay line exceptions; and to maintain the percentage of employer and employee contributions to the benefits package. **Senator Agenbroad** seconded the motion.

DISCUSSION: **Senator Guthrie** specified that he was against approving a 3 percent increase because he felt the different pay grades differed in the amount of discrepancy between achieving adequate pay scales. **Senator Burgoyne** agreed with Senator Guthrie's point that there was a need to pay attention to the needs of the lower pay scale employees. This was in no way a negation of the efforts of those who are at the upper ends of the pay scale; however, the middle to low pay grades needed the most immediate attention. **Senator Agenbroad** expressed his support of Co-Chairman Patrick's motion because he felt the pay structure itself was not at issue; the merit increase was given on a departmental level and the agency directors did have the ability to address wage disparity. **Representative Gannon** stated he was unable to support Co-Chairman Patrick's motion because of the attention needed at the lower pay scales.

ROLL CALL VOTE ON AMENDED SUBSTITUTE MOTION: **Co-Chairman Anderson** called for a roll call vote. **Senator Agenbroad**, and **Representatives Holtzclaw** and **Kingsley**, and **Co-Chairman Patrick** voted aye. **Senators Lakey**, **Guthrie**, and **Burgoyne**, and **Representatives Syme**, **Gannon**, and **Co-Chairman Anderson** voted nay. The motion failed.

ROLL CALL VOTE ON SUBSTITUTE MOTION: **Co-Chairman Anderson** called for a roll call vote. **Senators Agenbroad**, **Lakey**, and **Guthrie** and **Representatives Syme** and **Kingsley** voted aye. **Senator Burgoyne**, and **Representatives Holtzclaw** and **Gannon**, and **Co-Chairmen Anderson** and **Patrick** voted nay. The motion failed.

ROLL CALL VOTE ON MOTION: **Co-Chairman Anderson** called for a roll call vote. **Senator Burgoyne** and **Representative Gannon** voted aye. **Senators Agenbroad**, **Lakey**, and **Guthrie**, and **Representatives Holtzclaw**, **Syme**, and **Kingsley**, and **Co-Chairmen Anderson** and **Patrick** voted nay. The motion failed.

RECESS: **Co-Chairman Anderson** called for a recess at 4:40 p.m.

RECONVENED: **Co-Chairman Anderson** reconvened the meeting at 4:50 p.m.

Senator Burgoyne asked for a reconsideration of Senator Guthrie's motion. **Co-Chairman Anderson** informed the CECC a majority vote would be required on the reconsideration request.

- RECESS:** **Co-Chairman Anderson** called for a recess at 4:52 p.m.
- RECONVENED:** **Co-Chairman Anderson** reconvened the meeting at 4:54 p.m.
Senator Burgoyne withdrew his request to reconsider Senator Guthrie's motion.
- PASSED THE GAVEL:** Co-Chairman Anderson passed the gavel to Co-Chairman Patrick.
- MOTION:** **Co-Chairman Anderson** moved for a 3 percent salary structure increase; to give a 2 percent merit-based pay increase, and notwithstanding Idaho Code § 67-5309(a), and to provide an ongoing \$550 one-time annual increase inclusive of all employees as of December 31, 2019; to maintain the benefit funding at the current level; to have the germane committees of the House and Senate review the funding of employee retirement benefits; and to have the germane committees of the House and Senate review and monitor the issuance, evaluation, award, and implementation of the request for proposal regarding the State's employee health care plan as per the Interim Committee on Group Insurance's recommendation. **Representative Kingsley** seconded the motion.
- DISCUSSION:** **Co-Chairman Anderson** stated the intent of the motion was to offer a more competitive wage base in the lower pay brackets. **Senator Agenbroad** asked how the motion affected the reserve fund. **Co-Chairman Anderson** replied that the contribution level would not change, therefore, the anticipated balance for FY 2020 in the reserve fund would be approximately \$43 million. **Representative Gannon** asked Ms. Lockett if, given the amount unspent on personnel amounts, the CEC could fall into that deficit and potentially go unspent or be spent on non-personnel items. **Ms. Lockett** responded that she believed that would not be the case, as agency directors try to restrict personnel dollars to personnel expenses. **Representative Holtzclaw** stated he did support the CEC but wanted clarification on how the open full-time positions would be handled by the agencies. **Co-Chairman Anderson** responded that the pay structure would increase; however, the merit pay increase would only be given to eligible employees. Newly hired employees are not eligible for raises until they have been with the State for at least six months. **Representative Gannon** noted he was not in favor of the current motion because he felt it did not go far enough to address the unspent personnel funds which could be used to move employees closer to midline.
- SUBSTITUTE MOTION:** **Senator Guthrie** moved for a 2 percent increase to the salary structure; to give a merit-based pay increase by pay grade - \$1,000 to pay grades O, P, Q, R, S, and V, 3 percent to pay grades K, L, M, and N, 4 percent to pay grades E, F, G, H, and I, and provide a similar merit increase structure for non-classified positions; for the reserve fund to be \$54 million or the maximum funding level based on law and/or federal guidelines, with the intent that there is continued review of the health care plan; and to include a letter of legislative intent with the recommendation. **Senator Burgoyne** seconded the motion.
- DISCUSSION:** **Representative Syme** noted his support of the original motion as it worked towards closing the wage gap through pay structure. **Senator Lakey** expressed his support of the substitute motion as it had a more comprehensive merit increase. **Senator Burgoyne** explained his support of the substitute motion. He would like to see the CECC perform a comprehensive look at the entire pay structure formula that the State has had in place for a very long time.

**ROLL CALL
VOTE ON
SUBSTITUTE
MOTION:**

Co-Chairman Patrick called for a roll call vote. **Senators Lakey, Guthrie,** and **Burgoyne** voted aye. **Senator Agenbroad** and **Representatives Holtzclaw, Syme, Kingsley,** and **Gannon,** and **Co-Chairmen Anderson** and **Patrick** voted nay. The motion failed.

**ROLL CALL
VOTE ON
MOTION:**

Co-Chairman Patrick called for a roll call vote. **Senators Agenbroad** and **Burgoyne, Representatives Holtzclaw, Syme,** and **Kingsley,** and **Co-Chairman Anderson** voted aye. **Senators Lakey** and **Guthrie,** and **Representative Gannon** and **Co-Chairman Patrick** voted nay. The motion carried.

**PASSED THE
GAVEL:**

Co-Chairman Patrick passed the gavel to Co-Chairman Anderson.

ADJOURNED:

There being no further business at this time, **Co-Chairman Anderson** adjourned the meeting at 5:16 p.m.

Co-Chairman Anderson

Linda Kambeitz
Secretary

Co-Chairman Patrick

Jenny Smith
Assistant Secretary