

MINUTES
CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE: Wednesday, February 01, 2023
TIME: 3:00 P.M.
PLACE: Room EW20
MEMBERS PRESENT: Senators Co-chairman Cook, Guthrie, Burtenshaw, Carlson, Ward-Engelking
Representatives Co-chairman Bundy, Holtzclaw, Kingsley, Wheeler, Gannon
ABSENT/ EXCUSED: None

Co-Chairman Cook called the meeting to order at 3:03 p.m.

MOTION: **Rep. Wheeler** made a motion to approve the minutes of the January 4, 2023, meeting. **Sen. Ward-Engelking** seconded the motion. **Motion carried by a voice vote.**

MOTION: **Sen. Ward-Engelking** made a motion to accept, -with one correction- the minutes for the January 18, 2023, meeting. **Rep. Holtzclaw** seconded the motion. **Motion carried by a voice vote.**

Co-Chairman Cook asked for recommendations to put forward to JFAC. He said that the recommendation will be divided into four sets of motions: 1) salary structure adjustment, 2) specific occupational, 3) benefits package, and 4) the merit increase. The Governor's recommendation was a salary structure adjustment of an average of 8.5%.

Rep. Gannon asked about the cost of funding the salary adjustment.

Christine Otto, Principal Budget and Policy Analyst, Legislative Services Office, answered that if it was just an 8.5% shift, it would be \$70 million from the general fund.

Lori Wolff, Administrator, Division of Human Resources (DHR), clarified that a cost resulting from an 8.5% salary structure adjustment would be minimal as few employees would fall below the minimum of the salary structure.

Rep. Gannon asked for clarification that the salary structure adjustment is an average 8.5% upwards shift, but the cost would be *de minimis*; change will occur, but it will not be funded.

Ms. Wolff stated that for every percent changed, it costs about \$10 million. An 8.5% increase would result in about \$80-90 million if a salary shift were fully funded.

Co-Chairman Cook asked whether the only cost associated with the Governor's recommended salary structure shift is, whether there are any employees that fall outside of the pay scale.

Ms. Wolff replied in the affirmative.

Sen. Guthrie asked, if the Milliman Report recommends the salary range falling between 80-120%, then why is the recommendation moving the salary to the upper range of 150%.

Ms. Wolff clarified it was the Korn Ferry salary study and it was their recommendation to shift salary structures with the current minimum at 70% and the maximum at 150%, broader band on the pay scales so we looked at an 80% minimum and a 120% maximum. However, DHR decided to go for 75% on the pay scale.

Sen. Guthrie asked if moving the goalposts like that make it look like pay is way behind.

Ms. Wolff replied that is why the two-year plan was put together; to try to get the policy rate close to labor norms; it's not affordable to do it in one year. She said that the recommendation does move the goalposts and fund it over a two year period.

**ORIGINAL
MOTION 1:**

Sen. Burtenshaw made a motion to shift the compensation schedule, salary structure, upwards by an average of 8.5% as recommended by the Division of Human Resources, with the exception of Pay Grade D where the minimum shall stay at \$7.25 per hour, for Fiscal Year (FY) 2024, and that the Legislature does not fund the shift. Additionally, there will be a salary structure for Public Safety added as recommended by the Division of Human Resources in the FY 2024 Change in Employee Compensation and Benefits Report. **Rep. Holtzclaw** seconded the motion. **Motion passed with a voice vote.**

Ms. Otto spoke about the details concerning the second motion, Specific Occupational Inequalities, also known as pay line exceptions. Pay line exceptions allow a specific class code to be paid at a higher pay grade due to retention or recruitment issues.

**ORIGINAL
MOTION 2:**

Sen. Ward-Engelking made a motion that the state maintain all job classifications with a current pay line exception to address specific recruitment or retention issues as recommended in the FY 2024 Change in Employee Compensation and Benefits Report from the Division of Human Resources. **Rep. Wheeler** seconded the motion. **Sen. Ward-Engelking** spoke in support of her motion, detailing a time in the past when it was difficult to find doctors to fill state positions and this action helped in the past. **Motion passed with a voice vote.**

Ms. Otto gave a brief overview of the motion for the benefits package.

**ORIGINAL
MOTION 3:**

Sen. Burtenshaw made a motion to maintain the current group insurance package for FY 2024 with an increase to appropriation for the employer share of health benefits. It will maintain the current employee group insurance package with an increase to the current year appropriation from \$12,500 to \$13,750. Additionally, this motion would maintain current PERSI benefits and include a one-year holiday for employers that contribute to the PERSI-managed sick leave plan. **Rep. Holtzclaw** seconded the motion.

Sen. Guthrie commented that the actual total fiscal impact is in the \$15,000 range and it may be due more to amounts taken from reserves. He also commented that PERSI rates for employers/employees have gone up due to the change in amortization rates.

Sen. Ward-Engelking said that she would like to encourage Ms. Wolff and DHR to look at the city of Boise as an example of different types to enhance the benefits package.

Motion passed with a voice vote.

Ms. Otto gave an overview of what a merit increase consists of. **Rep. Gannon** asked if each percent increase was \$8.3 million from the general fund. **Ms. Otto** confirmed that was correct.

**ORIGINAL
MOTION 4:**

Sen. Burtenshaw made a motion for a 4% increase in FY 2024 in funding for a merit-based salary increase for state employees with flexibility allowed for agency heads and institution presidents to distribute those funds as they see fit for retention and recruitment purposes. Additionally, for public safety positions, an additional 6% as outlined in appendix Z, page 195, of the FY 2024 Change in Employee Compensation and Benefits Report. **Rep. Holtzclaw** seconded the motion.

Sen. Burtenshaw spoke further to his motion by estimating the fiscal impact would be an estimated cost of \$73,014,300 from all funds, of which \$39,589,900 is from the General Fund; \$23,620,600 is from dedicated funds; and \$9,803,800 is from federal funds. Public School compensation, military compensation, and fund shifts will be taken up on a case-by-case basis for each agency budget.

Rep. Gannon commented that with the budget surplus, the Committee could recommend a 7% merit increase, at a cost of an additional \$17 million from the General Fund, as the 4% recommendation is not adequate with current inflation.

**SUBSTITUTE
MOTION FOR
MOTION 4:**

Sen. Ward-Engelking made a substitute motion for a 6% increase in FY 2024 in funding for a merit-based salary increase for state employees with flexibility for agency heads and institution presidents to distribute those funds as they see fit. Additionally, for public safety positions an additional 4% for positions outlined in appendix Z, page 195, of the FY 2024 Change in Employee Compensation and Benefits Report. **Rep. Gannon** seconded the substitute motion.

Sen. Ward-Engelking spoke in support of her motion as she has heard in other committees of businesses with 40% vacancy rates, increased overtime, and burnout causing 2,500 job vacancies in the state, and an over 20% turnover rate; the state is in trouble and Idaho can do better with the available surplus. The money goes back to the communities. Law enforcement officials will still get the 10% overall raise.

Rep. Wheeler asked for the cost to the different funds.

Sen. Ward-Engelking replied that the costs for all funds is \$101,974,900, of which \$53,427,100 is from the General Fund; \$33,969,400 is from dedicated funds; and \$14,578,400 is from the federal fund.

**AMENDED
SUBSTITUTE
MOTION FOR
MOTION 4:**

Rep. Holtzclaw gave an amended substitute motion for an increase in FY 2024 of \$1.20 per hour per FTP in funding for a merit-based salary increase for state employees with flexibility allowed for agency heads and institution presidents to distribute those funds as they see fit. Additionally, for an additional 4% for public safety positions as outlined in appendix Z, page 195, of the FY 2024 Change in Employee Compensation and Benefits Report. **Rep. Holtzclaw** stated that the cost from all funds would be \$67,510,600. He commented that while it is difficult to find the people needed for positions, but the state must be careful of spending taxpayers' money. **Rep. Kingsley** seconded the motion.

Sen. Ward-Engelking asked Rep. Holtzclaw for confirmation that his motion is less money than the Governor's recommendation. **Rep. Holtzclaw** replied in the affirmative.

Ms. Otto requested the Committee to go at ease to check parliamentary procedures as she believes it is not allowed to have a committee member second a motion in addition to making their own [amended] motion.

With clarification, the Committee removed Rep. Holtzclaw's amended substitute motion from consideration.

**SECOND
AMENDED
SUBSTITUTE
MOTION FOR
MOTION 4:**

Rep. Wheeler gave an amended substitute motion for an increase in FY 2024 of \$1.20 per hour per FTP in funding for a merit-based salary increase for state employees with flexibility for agency heads and institution presidents to distribute those funds as they see fit. Additionally, for public safety positions an additional 4%, as outlined in appendix Z, page 195, of the FY 2024 Change in Employee Compensation and Benefits Report. **Rep. Kingsley** seconded the motion. **Rep. Holtzclaw** spoke in favor of the motion.

Sen. Guthrie stated that the motion needs intent language that the raises not occur until after the start of FY 2024. Section 67-5309B, Idaho Code, requires internal equity and there cannot be internal equity if one agency has the money to give raises early and another agency does not.

Co-Chairman Cook commented that the Committee can include that request for intent language to JFAC.

Rep. Gannon asked if the sponsors of the motion knew the breakdown for salary percentage increases for public safety personnel.

Rep. Wheeler replied it is a 9.3% average increase for public safety personnel.

Rep. Holtzclaw said he does have a breakdown for the public safety personnel; a corporal officer is getting a 9.3% increase and an Idaho State Trooper is getting an 8% increase.

Rep. Gannon expressed concern that there will be difficulty reaching the 4% and even the 10% salary increases, with the \$1.20, which is only about a 2.5% pay increase for an employee making \$100,000; this motion will not help the situation.

**ROLL CALL
VOTE ON
SECOND
AMENDED
SUBSTITUTE
MOTION:**

Roll call vote was requested. **Motion failed by a tie vote of 5 AYE and 5 NAY.** Voting in favor of the motion: Co-chairman Bundy, Sen. Guthrie, Reps. Holtzclaw, Kingsley, and Wheeler. **Voting in opposition** to the motion: Co-chairman Cook, Sens. Burtenshaw, Carlson, Ward-Engelking, and Rep. Gannon.

**VOICE CALL
VOTE ON
SUBSTITUTE
MOTION:**

Motion failed.

**VOICE CALL
VOTE ON
MOTION:**

Motion Passed; Rep Gannon and Sen. Ward-Engelking requested their NAY votes be noted.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 4:03 p.m.

Senator Cook
Co-chair

Angela Haugh
Secretary

Representative Bundy
Co-chair