

Testimony in Support on House Bill 13
Paula Stoll
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My name is Paula Stoll, and I serve both as the Administrator of the State Human Resources Division and as the Governor's Chief Labor Negotiator. As chief negotiator, my job is to support our sponsor, Rep. Kathy Swanson, and to present the details of the bill.

I've been presenting the state employee pay bill since 1997. My first sponsor was Rep. Royal Johnson, a Republican from Billings. Rep. Johnson taught me to view this body as the board of directors and to present you with an objective, accurate picture of the stability of state government's workforce – our most valuable asset. That's what I plan to do today.

The bill in front of you today is comparatively straightforward. Section 1 provides 5% across-the-board pay raises for all executive branch employees in July 2013 and again in July 2014. Section 2 provides a 10% increase in the state's share towards each employee's health plan. This change will occur in January 2014 and again in January 2015, except for university system employees whose benefit year begins in July. Russ Hill, Administrator of the Health Care & Benefits Division, is here to answer any questions you may have about the state's plan and state share increases.

Section 2 also includes a proposal to clarify eligibility for health care benefits for employees whose jobs are eliminated through a reduction in work. It's not a change; it's provided so the reader knows that laid-off workers are entitled to health care benefits under another section of law. Finally, Section 3 provides the biennial appropriation for all three branches of government.

Speaking now to the stability of the workforce, I offer these facts:

- State employee turnover is now over 13%, the same turnover we experienced in 2007 when the unemployment rate hovered around 4%.

- State employees are retiring at record rates. In 2012 alone, 373 state workers retired. That's a 25% increase over our retirement rate in 2009.
- State employees have not received an across-the-board pay increase since October 2008, over four years ago. In the same time:
 - federal government wages increased by 6.6%,
 - local government wages increased by 7%, and
 - private sector wages increased by 8.1%.

That's according to the Quarterly Census of Employment and Wages published by the Bureau of Labor Statistics.

- IHS Global Insight forecasts continued strong growth in Montana wages, driven largely by private sector earnings.
- The Montana Department of Labor and Industry expects an annual growth rate of 1.4% in 2012 and 2013 and a slightly faster growth rate of 1.5% beginning in 2014. About 80% of those jobs will be in the service sector in which state government will directly compete (administrative, maintenance, health care, social service, lawyers, computer services, and education workers).
- About half the executive branch employees received adjustments in FY 2012. Roughly 70% of those adjustments were to address market pay problems - the increases went to the people who were the most underpaid. Nearly 90% of the employees who received adjustments in FY 2012 were in non-supervisory, non-managerial jobs.
- As of November 2012, the average state employee earned about 14.5% less than their counterparts in Montana and the four surrounding states. That's based on data received and compiled nearly a year ago, and it includes the 2012 broadband pay adjustments. You can find a summary of that analysis

on page 16 of the 2013 State Employee Profile (distributed earlier this month). Montana state government is no longer competitive at either the lower or the higher end of its pay scale.

Our mission at the State Human Resources Division is to help Montana state government become an employer of choice. To attract and retain a competent workforce, we must show workers they have a future in state government, we must offer a good work environment, and we must show career potential. Our success is directly linked to the quality of services Montana's citizens receive. It affects the safety of Montana citizens, our public health, and our transportation systems, to name just a few of the vital public services Montana state government provides.

The cost of turnover to taxpayers is estimated to be 1 and 1 ½ times the employee's annual salary. That estimate does not include the resulting loss in service or the increased liability of an untrained workforce.

In 2012, agency HR managers reported record numbers of state employees taking second jobs. Accompanying this is low morale and loss of productivity as a result of turnover and increased workloads. Fewer people are choosing state government as a career, and more people who made careers in state government are choosing to leave. We're at a precipice.

House Bill 13 offers a responsible wage and benefit increases for state employees. In fact, one could argue it doesn't do enough. Two years from now, we predict state workers will still be paid a minimum of 12% below the prevailing labor market.

On behalf of Governor Bullock, I urge you to pass House Bill 13.