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Deanna H. Hall
Operator's Signature

10/23/03
Date

SPECIAL SESSION
2003 JOINT APPROPRIATIONS

SB 2423

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2423

Joint Senate and House Appropriations Committee

Conference Committee

Hearing Date 5-5-03

Tape Number	Side A	Side B	Meter #
1	x		190-2500
Committee Clerk Signature <i>Sandra Davison</i>			

Minutes: **CHAIRMAN HOLMBERG** opened the joint session hearing to SB 2423. A bill relating to provide legislative intent regarding state employee reductions; to provide for a report to the budget section; to provide for state employee compensation increases; and to provide an effective date.

REPRESENTATIVE RICK BERG explained the changes to this bill that the Governor vetoed. This bill was introduced because of the workforce adjustment, basically the changes are on the second page of the bill. This concept was to have a reduction in our state workforce and savings from permanent reduction for salary increases. On page 2, the dates were changed on the OMB bill on lines 9 to January 1, 2004, and line 18 was January 1, 2005. The reductions would be achieved and then the savings would be used for the salary increases. The other change on line 6, the original language stated the dollars would come from permanent reductions through retirements or through vacant positions. Line 6 was added savings were provided primarily from permanent savings resulting from reduction of full time equivalent positions. Line 10, language

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was added, the dollar supplemented as necessary to accumulate savings as part of a full time position. Those are the languages from the original bill.

(Meter 321) **REPRESENTATIVE DELZER** asked **REPRESENTATIVE BERG** to describe what he feels is the definition of the word "primarily" as used in the bill.

(Meter 345) **REPRESENTATIVE BERG** stated a high number such as 90%.

(Meter 365) **REPRESENTATIVE DELZER** asked why not put in the number 90% instead of the word primarily? **REPRESENTATIVE BERG** stated that it is something the committee needs to discuss. He stated this is the language that is before them and his concern is with in the past there have been salary increases that require agencies to find the money within and his perception of those salary increases are to determine what equipment or other expenses appropriated that end up being tossed in the next biennium. The intent here is a permanent savings to those dollars.

(Meter 457) **REPRESENTATIVE SKARPHOL** asked in the original version there was a triggered number of reductions that had to take place. Is that still in place?

(Meter 465) **REPRESENTATIVE BERG** stated that is another significant difference here. In the original language said there were two things that had to happen. That number was 84 positions eliminated and the salary increases would be up to a one or a two. This bill still has those targeted reductions but if that number is not achieved, the dollars that would be saved could be used for salary increases. The part of the discussion that evolved around that was that maybe positions that may be in upper management that could be consolidated or eliminated or merged and there would be a substantial savings there that wouldn't reflected in the numbers.

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(Meter 544) **REPRESENTATIVE SKARPHOL** asked if what he is saying is if there is an employee reduction of one, whatever salary that individual had would be split up? If there is no employee reduction there will be no salary raise? **REPRESENTATIVE BERG** answered yes to both questions.

(Meter 567) **REPRESENTATIVE DELZER** asked about the second page, in effect are we allowing any rollup to be used for the payment of the one and two percent, whereas before, we passed this, we were not.

(Meter 587) **REPRESENTATIVE BERG** stated that it gets back to the word "primarily" and gets back to the word "supplemented". He thinks it is agreed that if additional money is to be used, it defines it more clearly.

(Meter 615) **SENATOR ANDRIST** stated he is not agreeable with the word "primarily". He stated it seems to him that it makes it flat out a one or two percent raise. He would prefer that the word "primarily" removed and stick to the original concept.

(Meter 651) **REPRESENTATIVE GLASSHEIM** asked how does this work? Whatever you save the month before, then is divided by 4,000? **REPRESENTATIVE BERG** stated there are targeted dates in here and we would know what the salary was appropriated so those dollars can be easily identified. Targeted dates of July 1, 2003 and January 1, 2004.

(Meter 735) **REPRESENTATIVE GULLESON** stated the different language here, but the bottom line here is still facing employee compensation increases on finding a reduction in the staff. **REPRESENTATIVE BERG** answered that is one way to look at it. Whatever a \$12,000 a year employee salary increase would increase the health insurance \$400 or \$500 a month. An

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average cost of a state employee is \$50, 000 per year, \$100,000 per biennium. There is a lot of discussion about doing something different with the health insurance. What we are seeing here

really long term is if we control the road of state government, the number one cost is state employees and if that can be controlled to some degree, there will be a chance of salary increases.

(Meter 837) **REPRESENTATIVE SVEDJAN** stated prior coming into this meeting, they were in conversation with the Governor's office on a number of things related to this bill. Not the least, of which was the changes of dates. The dates that are shown on page 2, when the bill was originally passed, those dates coincide with the dates on the front of the bill. As dollars are rolled up from savings as generated from retirements, vacancies, or employee turnovers. The one percent or two percent would be paid out on the dates that coincide with the dates on the front of the bill. The intent of passing it out it was the House and the Senate did in regular session, was there needed to be dollars rolled up from these sources of savings before salary increase could be granted. In the discussions today earlier was how could we authorize salary increases without any time for these roll ups to occur. So in discussing these, it was his understanding that the Governor's office would be amenable to putting the dates back to the original date in the original bill.

(Meter 1000) The second discussion had to do with the word "primarily" and whether or not there should be some percentage put in there. Reason being this bill could be read a number of ways. On the one hand, you could read it there would be no attempt dirviring savings from vacancies result from retirements or termination or otherwise. And all the dollars would simply be rolled up from vacant positions. On the other hand, the word "primarily" suggests that most

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of the money that is authorized for paying salary increases should come from permanent savings resulting from reductions from the full time equivalent positions. So it was suggested at the earlier meetings, the inquirer about this, OMB, he wants to find out their feelings about whether or not a percentage should be put in there in place of the word "primarily".

(Meter 1123) **SENATOR MATHERN** asked how are we protecting the services to the public? If an agency decides to have a vacancy to provide salary increases, that translates into less services because that work that was no longer done. How is the public protected? What is the rationale of this method?

(Meter 1179) **REPRESENTATIVE SVEDJAN** responded the intent of this was not to lessen the amount of service of the employees offer to the tax paying public. The second year is rather and where possible, positions can be merged or the work load can be spread amongst them and therefore positions could be eliminated. That decision would fall within the agency. There is no requirement here, that just because a position is vacant, it is going to be terminated. It needs to be based on the needs of the agency. There is no intention here to reduce the position.

(Meter 1300) **SHEILA PETERSON**, OMB, testified that she could answer some of the questions. The OMB supports the concept of reducing full time FTE in order to provide a mechanism for salary increases for state employees. The second question of the word "primarily" versus percentage, to the extent of allowing some flexibility in accomplishing this, would be very comfortable with this.

(Meter 1403) **REPRESENTATIVE SKARPHOL** referred to the bill of lines 10-15-19 & 24, on page 2, it says supplemented if necessary from accumulated savings from other vacant positions. That to him, implies that they do not need to get rid of the vacant positions, they can merely use

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