

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2189

2007 SENATE APPROPRIATIONS

SB 2139

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2015 and (2189)

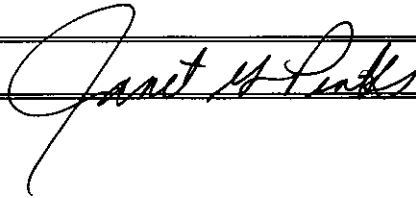
Senate Appropriations

Check here for Conference Committee

Hearing Date: 01/15/07

Recorder Job Number 1069

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2015 and 2189 at 9:00 a.m. January 15, 2007 with roll call. He announced that the two bills were being heard together as they both discuss State Employee Compensation.

**Senator Dave Nething, District 12, Jamestown,** introduced SB 2189 testifying indicating that the state is in a good position and the the budget Governor Hoeven proposed is good. He indicated the OMB budget waits until crossover because of the nature of the bill and the number of items that need to be considered or added to. He stressed it is important to put state employees on the fast track and put them first as well as bring them current with the times. He indicated he hoped the appropriations committee likes the proposal and acts on it quickly.

**Lt. Governor Jack Dalrymple** testified on the bill on behalf of the Governor's Office. He indicated the factors that entered into the bill. The 4/4 reflects the attitude the committee has toward employees. He discussed the \$75 increase for lower end employees, the 4/4 increase, the issues of the minimal acceptable amount in wages, the total cost of the health insurance, the equity pool and the fact that this is the largest increase to the lower price wage scale.

**Senator Krauter** questioned why the \$75 increase and not \$100 and if the fiscal staff could explain the bottom line numbers at \$75 or \$100.

**Representative Dave Weiler**, District 30, Bismarck, testified, indicating he was asked to co sponsor SB 2189. He explained why the state is where it is today and asked the committee to support the bill.

**Senator Richard (Dick) Dever, District 32, Burleigh County**, testified in support of SB 2189, thanking Senator Nething for introducing the bill, applauding state employees for being present to testify, indicating the importance of this bill and thanking appropriations for putting this on the fast track.

**Senator Robinson** testified in support of SB 2189, indicating the state is in a rare position, to allow for things getting done that could not be done before. He indicated this bill is consistent with the Governor's package and will be a big factor in keeping our employees happy.

**Senator David O'Connell, District 6, Bottineau**, testified in support of SB 2189, indicating it is time to show appreciation to state employees. He stressed to get the raise on the table and if there is extra money at the end, we can always add to it.

**Roger Johnson, Commissioner, Department of Agriculture**, presented written testimony (1) in support of SB 2015 and SB 2189, providing raises to state employees and establishing a market equity pool. He indicated there is a need to have an additional amount for the equity pool. He further indicated the losses to his department as it related to equity pay. He had concerns about the decreases in health coverage. He indicated his department had analyzed the impact of the market and equity needs. The proposed package is the absolute minimum increase.

**Cory Fong, Tax Commissioner**, presented written testimony (2) in support of SB 2189. He stressed a strong need to adjust salaries to keep up with the market.

**Arvy Smith, Deputy State Health Officer, Department of Health**, presented written testimony (3) in support of SB 2015 and SB 2189 regarding state employee compensation issues and salary adjustments. She indicated what the employees in the department do, that many employees left the department's

workforce (12 percent), and that of those 60 percent left for higher salaries. She indicated salary is a major issue within the department. She said this salary increase is a step in the right direction.

**Senator Mathern** indicated he was pleased that there was some feedback from the employees when they leave the agency and he wondered if the health coverage had anything to do with employees leaving.

**Francis Ziegler, Director, ND Department of Transportation**, presented written testimony (4) supporting SB 2015 and 2189. It is his belief that this bill will positively impact the departments ongoing efforts to recruit and retain employees. He indicated this state cannot have economic impact with the DOT.

**Gary Feist, President, ND Public Employees Association, (NDPERS)** presented written testimony (5) testifying in support of ST 2015 and 2189 stressing that the current proposal will continue to move salaries closer to the market. He stressed the state needs to be competitive if we are going to attract the young.

**Senator Krauter** asked that if \$75 was applied to low end wages where is that on the scale. The response was at \$18,000 or less.

**David Sprinsynatic, Adjutant General**, testified in support of SB 2189 and 2115 asking that strong consideration be given to these bills. He indicated salary equity is essential and we need to do this much, if not more.

**Gerry Nies, Grand Forks**, testified in support of SB 2015 and 2189, indicating that many employees now are working one or two jobs to make ends meet. He stressed the need to continue having fully paid health insurance coverage. He quoted Martin Luther King, "I have a dream, this will not happen the last hour of the last day.

**Dennis Fewless, state employee, member ND State Employees Assn**, distributed written testimony (6) in support of SB 2189. He indicated he is encouraged that this bill will help correct some of the inequities

and enable the state to obtain and maintain a workforce that can ensure a high quality of life and economic growth in ND.

**Brad Holt, President, Local 2857, AFSCME Corrections United, Bismarck**, representing correctional officers and NDSP and MRCC, presented written testimony (7) and testified in support of SB 2015 and 2189. He indicated state workers present a valuable service to North Dakota and are deserving of the 4 percent annual raise proposed.

**Ron Franz, state employee since 1980**, testified in support of SB 2015 and 2189. He stressed the importance of equity pay raises and relayed his personal experiences. He expressed concern that he didn't know if the budgeted equity amount was enough.

**David Skalsky, Assistant Director, State Historical Society**, distributed written testimony (8) in support of SB 2015.

**Sharon Silengo, Photo Archivist, State Historical Society**, testified as a private person in support of SB 2015 and 2189. She relayed her personal experiences as it relates to salary equity. She did stress the 4/4 raise is good, but definitely inadequate.

**Henry Winckler, ND State Employee at BSC**, testified in support of SB 2189. He indicated that salary increases have not kept up with the cost of living increases. He indicated that when students find jobs with adequate pay, it is not in ND. State employees deserve a good pay package.

**Todd Sando, Assistant Sate Engineer, Director of Water Development for ND State Water Commission**, presented written testimony (9) and testified in support of SB 2015.

**Tom Mork, State Employee since 1988**, testified in support of SB 2015 and 2189. He indicated he had been in four agencies and the private sector and understands the equity issues.

**James Long, WSI**, presented written testimony (10) and testified in support of the proposed amendment to SB 2015 as has been expressed in the WSI budget request.

**Chairman Holmberg** indicated there is a subcommittee looking at the WSI request.

**Holly Pope, Citizen, Minot**, testified in support of SB 2015 and 2189 citing her disappointment when she says raises in the private sector and not with state employees.

**Teresa Schaffer, Correction Officer, NDSP**, testified in support of SB 2015 and 2189. She expressed her concerns at the turnover rates, the risks that correction officers are taking with their profession and the health insurance benefits to state employees.

**Sherry Gartner, EMS**, testified in support of SB 2189 and the equity budget proposal. She testified about the 70 percent turnover in EM Communications and that is not acceptable. The reason for the exits is low pay.

**Lisa Fair McEvers, ND Department of Labor**, testified in support of SB 2015, and asked for clarification as to how the bill reflects increases for part time employees as well as full time equivalent employees.

**Morella Krein, citizen, Department of Human Services**, testified in support of SB 2189 and stressed the inequities in the pay rates and how it is not conducive to long-term employees.

**Mary Ryan, citizen, State Historical Society of North Dakota**, testified in support of SB 2015 and 2189 stressing how important the health care coverage and how important it is not to increase the co-pay.

**Cathy Halgunseth, Citizen, Department of Veterans Affairs**, testified in support of SB 2015 and 2189, stressing how important equitable pay is. At the current rates, there will continue to be a high turnover rate.

**Dorothy Streyle, Human Resources, ND Parks and Recreation Department**, distributed written testimony supporting SB 2015. (12)

**Ruth Kihm, citizen, Teacher, MSC**, on behalf of the League of Students, testified in support of SB 2015 and 2189. She indicated that too often despite recruitment offers to students, the students go out of state because of the compensation.

**Allen Kihm, citizen, ND Public Employees Association, teacher, NDSU,** testified in support of SB 2189.

He cited instances he was aware of, of job applications turning down North Dakota jobs because the pay scale is substantially higher in private sector.

**Carrie Smith, citizen, 15-year employee with social services,** testified in support of SB 2015 and 2189.

She indicating she is aware of state employees whose family financial needs are not being met and they must rely on public funds for assistance.

**Robert Jacobson, Citizen, Fargo,** testified in support of SB 2189 and applauds the package as proposed.

**Candy Skowgie, Administrative Secretary,** testified in support of bill 2189.

**David Kemnitz, NDAFL-CIO,** testified in support of SB 2015 and 2189, stressing the AFL-CIO

supports the efforts being made.

**Jody Moor, Executive Director, ND Public Employee Association,** testified in support of SB 2115 and 2189. He indicated the AFL-CIO wants to see state employees first, not last. He thanked the committee for hearing this early in the session and he looks forward to a do pass.

**Linda Houfek, Human Resources Director, Department of Corrections and Rehabilitation,** presented written testimony (15) and testified in support of SB 2015.

**Ardyth Pfaff, Human Resources, IT Department,** testified in support of SB 2015 and 2189. She indicated there is still more work to do, but these bills are an excellent start. She indicated there are 14,000 FTE's, and it takes a state of the art plan design to manage this number of people. She indicated that on the Health, prescript drug plan, PERS pays 8.9% and employees pay 51.03% of the cost; on the hospital coverage PERS pays 52.64% and the employee pays 47.36% and with physician (clinic) coverage PERS pays 45% and employees pay 54.15 percent. She indicated applicants are getting very smart and realize the health coverage plan is very diluted. She stressed it is important to keep the interim benefit committee in tact.



**Ericka Perry, citizen, Administrative Assistant for DOT**, testified in support of SB 2015 and 2189. She discussed personal concerns and indicated if we want to keep young people in ND the equity pay needs to be addressed.

**Chairman Holmberg** closed the hearing on SB 2015 and 2189.

**Senator Wardner** moved a DO PASS on SB 2189, Senator Robinson seconded.

**Senator Mathern** suggested adding the statement "and health benefits are not to be reduced" as intent in SB 2189. There was discussion.

**Senator Mathern** moved for a DO PASS on this suggestion. Senator Robinson seconded.

**Chairman Holmberg** indicated the makers of the first motion would need to withdraw their suggestion.

**Senator Wardner** questioned having a revision to this bill.

Further discussion ensued.

**Chairman Holmberg** indicated there appears to be confusion and the bill would be sent to the sub-committee.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2189

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01/19/07

Recorder Job Number: 1461

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2189.

**Senator Mathern** suggested an amendment number 70600.0201 to SB 2189. There was brief discussion.

**Senator Mathern** moved the amendment .0201 be adopted. Senator Krauter seconded.

Discussion ensued. Roll call vote was taken resulting in DO NOT PASS with 6 yes, 7 no, 1 absent.

**Senator Krebsbach** moved to adopt the bill as written, Senator Wardner seconded. A roll call vote was taken resulting in DO PASS with 13 yes, 0 no, 1 absent.

**Chairman Holmberg** closed the hearing on SB 2189.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2189

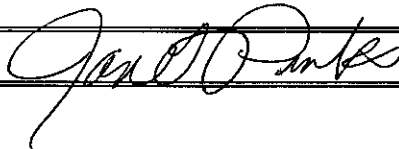
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01/22/07

Recorder Job Number: 1485

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2189.

**Senator Mathern** moved an amendment which was distributed 70600.0201 which adds the words and that the health care benefit should not be decreased to SB 2189, page 2, line

**28. Senator Krauter seconded.** There was discussion and it was felt this bill should be sent to the house with the strongest language possible to make sure health care benefits don't decrease to the point that persons with a salary increase have the increase eaten up by higher co-pays and deductibles. There was indication there would be another vehicle to put this amendment on.

**Senator Wardner** indicated this bill is on a fast track and I would like to think that by the time those committees that are involved with this amendment would be done. The final decision on this bill will be in conference committee and he felt this could be done without the amendment. A roll call vote was taken resulting amendment resulting in 6 yes, 8 no, 0 absent. The motion failed.

**Senator Krebsback** moved the SB 2189 DO PASS, **Senator Robinson** seconded. **No discussion.** A roll call vote was taken resulting in 14 yes, 0 no, 0 absent. The motion carried a DO PASS on SB 2189.

**Chairman Holmberg** closed the hearing on SB 2189.

*2 minutes  
recorded  
1st one used*

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2189

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01/25/07

Recorder Job Number: 1865

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened discussion on the equity model of distribution.

**Ken Purdy** distributed a draft of the market/equity distribution by agency which is based on the November payroll. He reviewed that this a draft and will change after the legislators adjourn and prior to July 1, 2007. Each agency will distribute the equity increases and then will distribute thier 4 and 4 raises within their budgets. The department of Human Resource Management will work with each division on an individual basis because each increase given is done on an individual basis.

**Senator Robinson** expressed his concerns as to whether state wages will hold their own when the private sector also makes increases. The response was that the average pay should be at the midpoint on the scale.

The discussion closed.

70600.0201  
Title.

Prepared by the Legislative Council staff for  
Senator Mathern  
January 19, 2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2189

Page 2, line 28, after "\$658.08" insert "and that the health care benefits not be decreased"

Renumber accordingly

1/19/07 SP 2189  
 Date: \_\_\_\_\_  
 Roll Call Vote #: 0201 amend

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO.**

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .0201

Action Taken Not Passed

Motion Made By Mathern Seconded By Krauter

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm		✓	Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm			Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm		✓	Senator Tim Mathern	✓	
Senator Randel Christmann		✓	Senator Larry J. Robinson	✓	
Senator Tom Fischer		✓	Senator Tom Seymour	✓	
Senator Ralph L. Kilzer		✓	Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach		✓			
Senator Rich Wardner		✓			

Total (Yes) 6 No 7

Absent 1

Floor Assignment Holmberg

If the vote is on an amendment, briefly indicate intent:

1-19-07

Date:  
Roll Call Vote #:

2/89

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number Do Pass

Action Taken Do Pass

Motion Made By Krebsbach Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm			Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Sen Holmberg

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 19, 2007 8:54 a.m.

**Module No: SR-13-0801**  
**Carrier: Holmberg**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2189: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2189 was placed on the  
Eleventh order on the calendar.



2007 HOUSE APPROPRIATIONS

SB 2189

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2189**

House Appropriations Committee

Check here for Conference Committee

Hearing Date: 2-1-07

Recorder Job Number: 2662

Committee Clerk Signature

*Marie Skora*

Minutes:

**Chairman Svedjan:** Opened the hearing on SB 2189.

**Sen Nothing, Dist 12:** Introduced SB 2189. This bill is identical to what was in the OMB...a bill which was the Governor's recommendation. We removed it and put in a separate bill so we could get it on a faster track than the OMB bill usually takes. That's usually the last one out of a body that starts the process and one of the last comes from the legislature. This is an effort to move it along and hopefully your committee would also feel that it's worthwhile to have it on the fast track to let our state employees know that we appreciate them and want them to know that they're high on agenda in resolving their pay increases.

**Chairman Svedjan:** There were no changes made the bill in the Senate...it's still a 4 and 4 and is there anything else?

**Sen Nothing:** No, it's identical to what was in the OMB bill...that section would be taken out after your action.

**Chairman Svedjan:** And it carries a \$75 minimum?

**Sen Nothing:** Yes

**Chairman Svedjan:** So all of that remains the same... committee members, is there anything in this that you would like to query further?

**Rep Kerzman:** I see it just refers to permanent state employees...was there any discussion about part time or temporaries?

**Sen Nething:** Not that I'm aware of...I wasn't there when they had the bill in the Senate Appropriations.

**Rep Wald:** On Line 12 & 14, Page 1, you say "classified state employees"...why not include non-classified?

**Sen Nething:** That's the way it was when it was presented in the SB 2015.

**Chairman Svedjan:** Would you have any objection if we struck "classified" and include "all employees"?

**Sen Nething:** That's up to the committee to decide, primarily, my purpose is to hope that whatever you do with we can keep it on the fast track.

**Chairman Svedjan:** When we're done with questions for you, we'll ask Mr Purdy to address that question for us.

**Rep Ekstrom:** We've heard a number of agency budgets now over the last week or two and they're have been several where they've said they have an equity bill put in by the Governor, separate from the \$10M. Will those folks also be entitled to share in the equity pool?

**Sen Nething:** I don't know...I'm not the one to answer that question.

**Chairman Svedjan:** My understanding is that they would participate in the equity pool over and above the 4.4% and I see Mr Purdy shaking his in the affirmative. If no further questions for Sen Nething, Mr Purdy, could you step up to the podium and address Rep Wald's question?

**Mr Purdy:** As I understood the question, it was whether we could strike the work classified in Sections 1 and 2 and that really isn't possible because the entire basis for the equity measurement, the analysis of the equity situation is based on our classified employment...our

grades, salary ranges and positioning of salary ranges, etc. If we strike the word classified we're adding that and trying to compare to where an appointed official might be paid or where the attorneys and the attorney generals office...we don't have a salary range for them...they're independent of the market analysis in our classified service. The same thing with Workforce Safety and the Department of Commerce, who were excluded from the jurisdiction of our personal system to establish their own, so they have their own and are responsible for their own market analysis and requesting their own equity funds, if that were necessary.

**Rep Pollert:** We've had at least a couple agency bills...more the smaller ones, that we specifically asked, because they've come forward with equity proposals that have been recommended by the Governor and we specifically asked them...are they in the \$10M pool and they've told us no, but they've put into the agency budget.

**Mr Purdy:** Let me clarify that (some of the budget staff may help me if I stumble) as they receive the budget request (there were a tremendous number requests for additional funds) in most cases OMB took those out of the agency budgets in favor of a more comprehensive and complete look overall including all of the agencies. They left some appropriations in a few agencies because of probably the most extreme situations or even more unusual than the norm so those agencies will receive that money, they will also be eligible to share in the market equity fund. I anticipate that the amount they get independently would affect the amount they get out of the equity fund and we'll take that into consideration, but it won't be a direct offset.

**Chairman Pollert:** We also have had an instance where not only are they for the 4 and 4 have been included, but also in the 10M equity and there's been a little also that's been requested and been recommended for an increase as well, in the grade level. So not only is it 4 and 4 but it's also part of the 10M pool...it's also another recommendation as well. Is that more than just one agency that I've seen, or is that common?

**Mr Purdy:** I think there were several and I don't know exactly the number offhand.

**Chairman Svedjan:** Were you planning on providing testimony.

**Mr Purdy:** If you'd like a quick run through...I don't want recover what we covered in the joint appropriations committee meeting, but if you want a quick summary of the kind of a steps we anticipate it covers, some of the questions Rep Pollert was just asking about how it will all fit together. Mr Purdy reviewed earlier testimony                      **SEE ATTACHMENT 4**

**Rep Klein:** Will that 10M equity go out in the first year?

**Mr Purdy:** Yes, July 1, 2007

**Rep Ekstrom:** Your office will be doing the oversight to make sure that we're not adding to the compression problems?

**Mr Purdy:** The market equity fund is...the agencies are essentially required to follow the model that we provide. They have the authority to take exception if there are some unusual circumstances...in past years when we've done that they've documented that, we've visited with them and covered that so they do have some latitude but it's very limited...the model is based on our system.

**Rep Williams:** I want to make sure I understand what I think you said earlier...a state agency (any agency) may have (in these budget hearings) they may try to establish their own small equity pool. If that happens, did I hear you say that that would be taken into consideration when you look at the 10M?

**Mr Purdy:** Yes

**Rep Williams:** So basically, in general, if an agency or several agencies have their own equity pool, it's basically just adding to the general equity pool of 10M?

**Mr Purdy:** In a sense, but it's focused more directly at the issue that agency is dealing with, so it would come out...it would be more focused to that agency then they would get if that were added to the market equity fund.

**Rep Williams:** However, when you're giving money out of this larger equity pool, it would be basically for them a negative if they had their own.

**Mr Purdy:** Not a negative...if agency A is tapped for \$100T and there's a recommendation for another \$10T in their individual budget, it wouldn't automatically take \$10T off that \$100T and give them \$90T, but it would figure into the overall calculation of the model and reduce it proportionally.

**Rep Carlson:** When you give out the equity on July 1<sup>st</sup>, is that before the 4 and 4 is applied or after?

**Mr Purdy:** Before

**Rep Carlson:** Another question, possibly for Council...we addressed the budget this morning where we added money because of what we believed was reasonable to add an equity pool in one of our agencies and that's why Rep Williams was asking those questions, and Mr Chairman, I'd like to know how many budgets have additional equity pools out there in addition to the \$10M that's being sent out...what's the total when we're all done? How many other agency equity pools are we going to be addressing?

**Chairman Svedjan:** Allen, do you have a read on that? I know there's been some discussion around the LC budget...the Judicial budget...there may be others, but I think your question has more to do with equity pools that reside in agency budgets right now.

**Rep Carlson:** Yes.

**Allen:** *Last name not in recording or Registration*) We did, in the analysis of the Governor's budget book, on Page 1 – 2 is a schedule that showed the other funding that was in agency budgets

for equity adjustments...they weren't all for classified employees, that would include unclassified as well...there is the schedule in the book that you can refer to.

**Chairman Svedjan:** What page was that again?

**Allen:** Page 1 – 2 ... it's under the State Employee tab, for instances, the Attorney General has \$654T...Office Administrative hearings, the Governor's Office, Insurance Department, Retirement Investment Office, Public Employees Retirement System, Department of Financial Institutions and Department of Corrections that have moneys in addition to the \$10M that's in the statewide pool.

**Chairman Svedjan:** And those agencies would participate in the \$10M?

**Allen:** Those that have classified employees...the attorneys in the Attorney General's office wouldn't.

**Rep Carlson:** We've had the discussion over a number of biennium's about what is the best way to address equity and we've had discussions about minimums and percentages, equity, merit and performance and now we have somewhat of a hybrid here with a minimum of \$75/month and it's 4 and 4, but it really doesn't address whether anybody did a better job, it's just that we're going to make sure that everybody gets 4 and 4 plus and equity pool. Could you explain how we're addressing performance and equity here when you have a flat 4 and 4?

**Mr Purdy:** In Section 3 of 2189, it is the intent of the 60<sup>th</sup> Legislative Assembly that compensation adjustments for permanent state employees are to be based on documented performance and equity and the intent is performance based pay and that agencies not do it across the board. Performance based pay if they're ready and prepared and are confident in their performance appraisal system; if their equity issues internally are still their highest priority...they may prioritize that. The models we provide give them two options to start in either way...start in the performance avenue or start in the equity avenue. If they distribute 2/3

of their raise via performance, then 1/3 may be based on a percent for performance...the remaining 1/3 may then be distributed based on a flat dollar share for equity funds...we're trying to balance that argument of percents versus dollars and we're trying to alleviate agencies to insure that their performance management systems are ready to recognize performance in distributing pay.

**Rep Carlson:** Are we going to see some type of follow up to this, because in the past we've reviewed this and found that in reality the majority of the raises were exactly the percentages we gave them without many variations between one being 5 and one being 3. I understand that we want our managers to manage but because of fear of having unrest within a department, they have many times been all the same and then I'm saying this is just nothing but words.

**Mr Purdy:** The past appropriations have been something along the lines of 2% appropriation...\$35 is to be across the board, the remainder for performance...that leaves a very small amount left...so another appropriation is 3% with 2% across the board and 1% for performance...this really does give them more latitude although it does carry the \$75 minimum, if performance meets all standards. So again, we're not divorcing performance from it at all...any of these increases...the market equity fund, the general increase...anything in here is contingent upon performance meeting all standard, so that element is there in that sense too. It's going to take some time for agencies to polish and gain confidence and to build their ability to be real effective in performance measurement and performance distribution of the pay. Many agencies are ready right now, others are going to much more cautious about it and if they're not prepared for it the worst they can do is go out and give some employees 2% and some employees 8% and not have the documentation and the analysis and the



