

2011 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1031

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee
Fort Union Room, State Capitol

HB 1031
January 6, 2011
12624

Conference Committee

Committee Clerk Signature *Carmen Hart*

Explanation or reason for introduction of bill/resolution:

Create and enact a new section relating to a state compensation philosophy statement and to provide for implementation of changes to the classified employee compensation system.

Minutes:

All members were present and there was a quorum.

Sara Chamberlain, Fiscal Analyst, Legislative Council, appeared to provide information and to answer any questions that the committee had. **Attachment 1**

Rep. Bill Amerman: Who would make up the joint committee?

Sara Chamberlain: At this time it hasn't been established yet. It is in leadership's hands.

Rep. Lonny Winrich: All the sections beyond Section 1 are existing law. There is nothing underlined and yet, it appears the dates have been adjusted and so on. Is that true? Can you explain that?

Sara Chamberlain: The reason for that is that this is temporary law. What is in Section 1 will actually be put into permanent law. The sections after Section 1 are temporary law set to expire June 30, 2011. That is why there is the emergency clause at the end.

Rep. Lonny Winrich: Those sections only essentially relate to what we are doing in this legislative session. Okay, thank you.

Senator Dick Dever, District 32, appeared. During the interim I served as vice chair of the Government Services Committee where this bill came from. We really need to get away from providing compensation adjustments on a percentage basis as we have done in the past. In the current biennium we gave a 5% and 5% pay increases, and those are not across the board. They are given out to the agencies and they are able to distribute those as they see following their policies. The philosophy behind this bill is that rather than doing percentage, we would go out and look at the market, see who we are losing employees to, where we are getting employees from, and evaluating the different classifications and determining really what the pay level should be for those so that our state employee compensation is more reflective of what the market is out there. The reason for the

emergency clause is because the Hay Group who served as a consultant to the Government Services Committee is right now doing that market analysis. By the end of the session, they should have the information that we need to do to be able to implement that immediately. We will have some different issues regarding employee compensation during this session particularly in pensions which are not a part of this, and some of that might be controversial. Our committee is getting a little education by having Spar Collins there to provide some training on defined benefits, defined contributions, and those kinds of things. I would encourage your committee as well as the session moves along to educate yourself so that you have an understanding of just what the differences are and what the advantages and disadvantages are both from the prospective of the state and from employees.

Chairman Bette Grande: Mr. Collins will do the same after crossover for us. I am working with Miss Kopp at this point to see if TFFR wants to come in and do the explanation. They are large complicated issues, and if you are new to all of this, it will be harder to grasp so the more information, always the better.

Rep. Bill Amerman: Under Section 2, Page 4, Line 5, where it says requiring employees to share in the cost of health care insurance. Do you know how that will come about? Is that something that is going to come in a bill draft? How will the cost of that be determined?

Chairman Bette Grande: If you go back to the beginning of that point Number 4, Line 30 on 3, it says to develop so I think what we are looking at is developing the potential adjustments to various fringe benefits. That is just one of the fringe benefits with the potential that there would be something done.

Senator Dever: During the interim and in the committee, we received a lot of really good information that has been put together in comparison with ten other states that you might find useful. My understanding is that the Governor's budget included full funding for health insurance without any change.

Ken Purdy, Classification and Compensation Manager, Human Resources Management Services Division (HRMS) of OMB appeared. The old terminology would have been Central Personnel. We worked with the Interim Government Services Committee. We worked with the Hay Group. We are currently working with the Hay Group on the implementation aspects. It is an exciting development in the system. It is going to resolve some of the issues that have arisen. It is going to enhance the specificity of the compensation plan and address market more specifically. Item Number 4 is to develop a cost estimate for potential. In terms of that benefit item in this study, it has kind of been downplayed a little bit because of the hit with the retirement programs and so forth coming through Employee Benefits Committee in the interim. In the health care and health insurance area, the federal health care issue and legislation affects what states can do in terms of changing. The state desires, as I understand it at this point, to retain the grandfather status of the health plan. In terms of the overall study and activity, I think the two most significant components would be related to the methods and processes of classification. Section 2, Item 1 relates to the process of establishing the pay grades and assigning pay grades to various jobs in the state service. What we will be doing is adopting

the Hay Group guide chart job profile method of classification. It is very similar to the process we have had in place since 1982, but it is a refinement and essentially an upgrade of that process. It is fully adopting their methods, their processes, their validations. They work worldwide with this system and validated interchangeably among all of the employers in their database. While it is not a dramatic overhaul of our process, it is probably a pretty significant upgrade and refinement of the process we use. The other significant piece of it is the custom salary survey that the Hay Group is doing, the upgrade in the market analysis. We will be using a bigger variety of employers. They are going out more specifically and surveying North Dakota employers in more depth and detail and will develop those comparisons. One key issue is that over the years we have used kind of a one-size fits all concept. We have one set of grades and ranges, grades 1-20 with ranges assigned and we assign all of our job classes to those grades. It is more appropriate to address various occupations with different structures and different concepts in the pay. What that will lead to is more direct tie between market pay and our employee pay. It will be less generalized than the process we currently use.

Rep. Vicky Steiner: Do you have any idea on energy? Are we losing people to the energy market as the oil activity has taken off?

Ken Purdy: Dramatically. I have been getting a lot of emails forwarded from DOT especially where out in the oil patch who are the oil fields hiring? They are hiring laborers and truck drivers. Those are the people we have out there trying to maintain our roads, trying to plow the snow, and so forth. There has been a tremendous demand there. Recently there was one case where DOT lost several of their drivers' license examiners. As examiners, they test for CDLs and they have a commercial driver's license and are qualified to drive truck. They were lured away and DOT was trying to replace drivers' license examiners out there. Just the ability to recruit anybody out in that part of the state has been a dramatic impact with the rents, home prices, and the lack of housing. We heard recently that a large pizza out in Williston was \$40. Part of that is they have to hire cooks and servers in the restaurants. The trickledown effect of the oil industry and the money that is flowing out there is hitting all levels of work. We also look at the issues of equity and fairness across the state. DOT has done some creative things to do some recruiting or retention bonuses out in the western part of the state. As you transition out of the West into the Central and further to the East, their employees feel that they are not being treated fairly.

Chairman Bette Grande: As we did this work during the interim, part of that was looking at and keeping track of retention bonuses and recruitment. You will note that as Page 4, Number 5. That is part of the issue, and we will continue to look at ways and how that is taken care of and done. We have actually been able to do a little bit of that in the oil patch as far as retention bonuses in the bonus works. That is why we have that leeway there.

Rep. Lonny Winrich: It seems to me that a really important issue here is this concept of relevant labor markets. As it is defined, the markets from which the state attracts employees and to which we lose employees, it seems to me that you are going to have to define a relevant labor market for just about every position and they won't be the same. Having had some experience in the university system trying to work with the concept of

peer institutions that didn't work out too well, I wonder how this is going to work. Can you expand a little bit on that concept and what we expect to do there?

Ken Purdy: The Vice President with the Hay Group briefed your House Appropriations Committee yesterday on the whole process and the status to date. He talked about the market survey. What they did was to identify the various sectors, primarily what are the primary sectors that overlap into state government functions. They talked about energy, health care, engineering, manufacturing, and so forth. The first thing was to identify those sectors where there are job overlaps. Second was to look at the jobs that can be identified to actually go out and use as benchmarks for the survey purpose. The intent is to get the survey out within the next week to those employers. The Hay Group uses a process where they maintain a very extensive database of compensation data worldwide, but then they can break that down into nationally and regionally, etc. They use data that they have available. They use the data in this custom survey of North Dakota employers and that is a refinement. In the past we have generalized our in-state data from Job Service surveys. One of the issues was a degree of specificity, degree of job match. By doing the more specific survey in state, the Hay Group will gather more detail and more jobs at all levels from grades 1-20. They will also gather other surveys that they find available. They may be able to purchase a survey from the state health care organizations that do a survey. The counties and cities do some surveys. They are analyzing some of that data and information to decide whether they will plug some of that data in or use those sources to survey further. There are several others that will use data from the Central States Compensation Association which is a consortium of states and compile that data. They will put together a table with the benchmark job classes down the left side and across the top the different survey sources. As they compile the data into an overall comparison, they use a very broad based approach to that. By occupation and generalization, they do look at the different industry segments together then.

Rep. Karen Rohr: I have a question regarding Section 1, Bullet 5. It talks about the focus on performance objectives and competency determination. Is that something that is already in existence, or is that something new that is being developed because it is time sensitive? It says all to be done by June 30.

Ken Purdy: The state for a number of years had a performance measurement requirement in place for agencies to use with employees. There is a basic requirement that all employees have their performance evaluated at least once a year that it effectively measured three levels of performance—above average, average, and needing improvement. While I can't stand here and certify that every agency complies 100% with that, substantially, the agencies have performance systems in place. As the Hay Group did review, the process did collect information from a variety of agencies. They felt comfortable that the tools were in place to start to implement as we stand at this point.

Chairman Bette Grande: Through the interim we also looked at various agencies who have extensive programs in place like this, and we will do those comparisons and utilize the information we have that is currently being used in some of our agencies that are very effective.

There was no one neutral or in opposition of this bill. The hearing was closed.

Rep. Mark Sanford: Relating to the fiscal note, is it anticipated that there would be annual surveys in terms of matching the market so that there would be an ongoing fiscal cost to this that should be considered as part of this?

Chairman Bette Grande: Are you referring to the employees' increases in salaries?

Rep. Mark Sanford: I am referring to the market survey to determine what are the ranges and the midpoints.

Chairman Bette Grande: Continuing of hiring of Hay beyond this interim.

Ken Purdy: We have talked about that a little bit. Obviously, it is going to be an ongoing effort. One example given to us was that another state has contracts on a three-year cycle with the Hay Group to update the full data. In the interim between that span of time, they use available market data and trends in the market employment place, and so forth to make their adjustments. With our biennial cycle it makes it a little bit complicated.

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee
Fort Union Room, State Capitol

HB 1031
January 7, 2011
12648

Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Create and enact a new section relating to a state compensation philosophy statement and to provide for implementation of changes to the classified employee compensation system.

Minutes:

Chairman Bette Grande: We heard HB 1031 yesterday. Does anybody have any concerns, questions, or discussion they want to take up at this point? I know there were some questions on the fiscal note. One, it is under the threshold of going to appropriations, but two, it is not really an appropriation. It has actually been voted on and taken care of during the interim. It is in the budget area, so it is not really our concern. They will be dealing with this actually all the way up until the end, because this concerns the reports he is getting ready and done putting to the committees at the end of the session. We are concerned with getting this moving so that they can start doing their work. We would like to get the Hay Group rolling and getting the numbers together that we have contracted them to do.

Rep. Karen Rohr: I think, overall, it is a good bill and I think we need it. I have a problem with some of the terminology that they use. It is not really clear. For instance on Page 2, 14-18 when they talk about relevant labor markets. If they are going to be doing market analysis, it has to be realistically in an appropriate market. You can't be going to Washington state. Is that addressed somewhere else?

Chairman Bette Grande: That was addressed and those terms are used because of the 18 months we spent on this during the interim and that we have narrowed down and they are aware of what the relevant market is. We started out with a ten state. Then we came down to a narrower piece, and then we came into another. They studied and brought these numbers in. That is the definition that finally came to ___.

Rep. Karen Rohr: Who determines that relevant market then?

Chairman Bette Grande: That was actually determined through HRMS, with the Hay Group, with the Interim Committee, and with leadership. It was a very large committee that worked many months on that issue.

Rep. Gary Paur: In that interim report it looks like they use a multiple of relevant markets. It might be ten states. It might be just one state.

Chairman Bette Grande: Depending on his pertinence because sometimes you might not have enough child psychiatrists in the state to determine what should be his level of pay. Then we have to go regionally. We have to go and see throughout that way. That really is how come there are all these different things to determining relevant market. Relative market isn't Minneapolis, Denver, and Chicago. It is Bismarck, Fargo, and Dickinson.

Rep. Glen Froseth: One of the factors they take a look at is who are we losing our people to? Are we losing them to Minnesota, Montana, South Dakota, Wyoming? Also certain occupations like the veterans. Maybe we lose engineers to the larger areas of Denver, Minneapolis, or wherever. Maybe most of the skilled labor force doesn't move too far. I think that is taken into consideration also.

Rep. Ron Guggisberg: Were employees involved in these discussions or did they have representatives on the board?

Chairman Bette Grande: They did surveys of the agencies. They had whole agencies where every employee was surveyed and discussed on how they were doing it. We had various agencies come in and testify to how they were actually doing their agencies especially dealing with performance pay and things like that. Every agency has their ability to write out their policies, how they do that, and how bonus programs are used. They have a guideline that is set up by HRMS. Then they have this ability. Once they write that policy they submit that policy to HRMS. It is approved and then it is used. One of the things that we use to have a lot of problems with was turnover with Highway Patrol. Highway Patrol set up a whole new system, redid that, worked with HRMS, got that together. Their turnover rate, once they had that policy in place, dropped considerably. The Department of Corrections did the same thing.

Rep. Ron Guggisberg: Being a public employee myself, sometimes it seems these policies are put forward and they don't ask the employees. It could be the best policy in the world, but if you don't get employee input, it's just—we have a new pay structure; what do you think of it, and the eyes roll. It doesn't matter if it is a good policy or not. I appreciate that some employee input was involved.

Chairman Bette Grande: That was the nice part about knowing that we were breaking down into each agency being able to work with their group of employees versus carte blanche—this is the way it is all going to be done in a box. That doesn't work in the real world, and it doesn't work here and anyplace else. That is why we were trying to look at this as a huge overall project. I noticed on the news last night the press focused on the elected officials' pays. Our committee hadn't even asked for that report. We were focusing on, and as you can see, the policy statement deals with our public employees. It doesn't deal the other portions of the executive branch like that.

Rep. Karen Rohr: Getting back to the terminology. Is it fluent enough? If we are referring to something that Rep. Froseth or Rep. Guggisberg talked about from skilled to

non skilled, it could change every three or four years when they are looking at a market analysis. That language is fluent enough to incorporate that?

Chairman Bette Grande: Yes.

Rep. Karen Rohr: From a historical perspective do they keep track of all this? Who has that information?

Chairman Bette Grande: HRMS

Rep. Mark Sanford: When you are talking about what I guess would be variable pay or performance pay, how much time was spent discussing supervisor capacity to handle that?

Chairman Bette Grande: I think that all varied per agency, and we didn't get to into how they had set up those policies. Some of them were in place for many years. Others were brand new and working their way through them. How much time supervisors had to spend on doing that or the review process?

Rep. Mark Sanford: You have a performance goal and it is measurable. At some point and time, there is performance that is not a definite measurement, so you have supervisor responsibility for making a determination of competence. Frequently, everybody can land in the same place, or there can be this discrimination, so to speak. That requires some training and some skill on the part of the supervisors. I am assuming this will be part of the ultimate carry through as they finalize this, get this in place that the follow through will include supervisor training.

Chairman Bette Grande: That is why each of these agencies break it down differently. That is why each agency has their ability to put in their own policies that work for that agency. Protection and Advocacy agency has less than ten employees. They are going to have a different policy than Human Services who has multiples of hundreds of employees and how they break it down within inside their agency to each department. Those supervisors then would have that kind of hands on piece with each of those employees so they are going to have that ability to make those adjustments when needed.

Rep. Vicky Steiner made a motion for a Do Pass. Rep. Mark Sanford seconded the motion.

DO PASS, 13 YEAS, 0 NAYS, 0 ABSENT. Chairman Bette Grande will be the carrier of the bill.

FISCAL NOTE

Requested by Legislative Council
12/15/2010

Bill/Resolution No.: HB 1031

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The license renewal of the Job Evaluation Manager (JEM) software to support the Hay Point Factor Job Evaluation Method is \$45,000 per biennium. Other total compensation amounts can not be determined at this time.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Laurie Sterioti Hammeren	Agency:	OMB/HRMS
Phone Number:	328-4735	Date Prepared:	12/15/2010

Date: 1-7-11
 Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1031

House GOVERNMENT AND VETERAN AFFAIRS Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Steiner Seconded By Rep. Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande	✓		Bill Amerman	✓	
Vice Chairman Randy Boehning	✓		Ron Guggisberg	✓	
Glen Froseth	✓		Lonny Winrich	✓	
Karen Karls	✓				
Lisa Meier	✓				
Gary Paur	✓				
Karen Rohr	✓				
Mark Sanford	✓				
Vicky Steiner	✓				
Roscoe Streyle	✓				

Total (Yes) 13 No 0

Absent _____

Floor Assignment Rep. Grande

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

REPORT OF STANDING COMMITTEE

HB 1031: Government and Veterans Affairs Committee (Rep. Grande, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
HB 1031 was placed on the Eleventh order on the calendar.

2011 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1031

2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee
Missouri River Room, State Capitol

HB 1031
January 28, 2011
13600

Conference Committee

Committee Clerk Signature

Katrina Oliver

Explanation or reason for introduction of bill/resolution:

Relating to a state compensation philosophy statement; to provide for implementation of changes to the classified employee compensation system; to provide for status reports to the sixty-second legislative assembly and to the budget section; and to declare an emergency.

Minutes:

Testimony Attached

Chairman Dever opened the public hearing on HB 1031.

Sara Chamberlin: See attached testimony #1.

Ken Purdy: Classification and Compensation Manager with the Human Resource Management Services. In essence there are 3 activities that are the most critical in this bill. Item 1 adjusting the methods, simplify the classification and reclassification process that is underway with input from the Hay Group, item 2, minimizing salaries and equities translating that into enhancing and improving the job evaluation process. Since 1982 we have used a process in analyzing the pay grade and structure of the jobs in order to compare and assign pay grades. Our system was very parallel to the Hay system it is just a matter of adjusting our process. The 3rd item in that section is the market comparisons; the Hay Group is conducting a custom salary survey focusing on a wide range of employers in North Dakota; the other piece of that is using that data to establish our pay structures. Items 2 and 3 are the most critical part of this bill and are underway; in order to implement the job evaluation process we have established a committee of 15 human resource professionals from our agency and several other state agencies and have just gone through a 4 day process of evaluating about 200 of our state jobs against the Hay guide chart system. Over the next few weeks we have several sessions planned with our committee to evaluate the remaining 700 job classes in our system.

Hopefully, having done 200, we will be able to build on that and accomplish that in the next several weeks.

Senator Nelson: Do you see this all being carried out and if so you put the fringe benefit piece in at the end I would think that people are going to get a little alarmed?

Ken Purdy: In terms of the license of the implementation: the study and the \$198,000 implementation is the total cost for adopting the Hay guide chart system. There is no ongoing cost, the costs are the training. Future cost would be just that, it would be training. There is a small piece of job evaluation manager software system that tracks records and communicates those job evaluations. If we ask for special services from the Hay group it would be items and specific tasks to update the process and the data.

Senator Nelson: What about the fringe benefits?

Ken Purdy: The conclusion overall of the study is that our fringe benefits competitive, not superior or inferior, but competitive. They didn't focus on changes, they felt that needed to come though the analysis of jobs and the pay structure at this point they sighted the life insurance because it is such a minimal item and such a small benefit but again, I don't want to subtract from the core of the study. In terms of the disability benefit it is tied into the PERS system right now, if the PERS plan changes then this may need to change.

Vice Chairman Sorvaag: Are most of them comparable to just North Dakota?

Ken Purdy: It is a mix; we are expanding the primary focus is the expansion of the instate survey, the custom survey that they are doing at this time, they have sent it to North Dakota employers that we identified as having occupations similar to state government. They acknowledge the comparability to regional government settings where some jobs are pretty unique to government and we really don't find them in the private sector.

Vice Chairman Sorvaag: but that is all separated in the report?

Ken Purdy: as they described it they will end up with a table that shows the benchmark survey jobs down the left and the instate survey in 1 column, the central states related survey in another column, the Hay group's regional database relevant matches regionalized in another column, private survey in another column and then they generalize from all of that data.

Chairman Dever: Can you remind me the timeline of the survey?

Ken Purdy: I can retrieve a table of the activities and the dates that are set.

Chairman Dever: The implementation through the session is it done through the appropriations process agency by agency or are we going to need some other legislation.

Ken Purdy: I will leave that to you.

There was no further pertinent discussion on HB 1031 and Chairman Dever closed the public hearing.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee
Missouri River Room, State Capitol

HB 1031
February 18, 2011
14731

Conference Committee

Committee Clerk Signature

Kateo Aue

Explanation or reason for introduction of bill/resolution:

Relating to a state compensation philosophy statement; to provide for implementation of changes to the classified employee compensation system; to provide for status reports to the sixty-second legislative assembly and to the budget selection; and to declare an emergency.

Minutes:

No testimony attached

Chairman Dever: There are 2 amendments for this bill one from legislative council which is extremely simple. This is a result of an interim committee on government services. There was a study done by the Hay groups and we decided we wanted to adopt that philosophy.

Senator Cook: Motion to adopt 02001 and the suggested amendment that we remove the last sentence ending on line 23 starting on line 21 but I would like to make it clear for the record that the reason for removing that sentence is not because we disagree with it but rather that it is unnecessary and we can do it without it.

A motion was made by Senator Cook with a second by Senator Berry to adopt the amendments, there was no further discussion, roll was taken and the motion passed 7-0. A motion for a do pass as amended by Senator Schaible with a second by Vice Chairman Sorvaag, there was no further discussion, roll was taken and the motion passed 7-0b with Chairman Dever carrying the bill to the floor.

11.0249.02001
Title.

Prepared by the Legislative Council staff for
Senator Dever

February 1, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1031

Page 4, line 25, replace "appointed by" with "during"

Renumber accordingly

Date: 2-18-11
Roll Call Vote #: 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendment

Motion Made By Coak Seconded By Benny

Senator	Yes	No	Senator	Yes	No
<u>Deere</u>	<u>1</u>		<u>Neuman</u>	<u>X</u>	
<u>Sausage</u>	<u>1</u>		<u>Marcellais</u>	<u>X</u>	
<u>Benny</u>	<u>1</u>				
<u>Coak</u>	<u>X</u>				
<u>Schubert</u>	<u>X</u>				

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

February 18, 2011

JB
2-18-11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1031

Page 2, line 21, remove "To provide funding for compensation adjustments"

Page 2, remove lines 22 and 23

Page 4, line 25, replace "appointed by" with "during"

Renumber accordingly

Date: 2-18-11
Roll Call Vote #: 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number: _____

Action Taken DO PASS

Motion Made By Schreibler Seconded By Souza

Senator	Yes	No	Senator	Yes	No
Dewel	X		MICCOLLEAU	X	
SOUZA	X		WELSH	X	
BERRY	X				
COOK	X				
SCHREIBLER	X				

Total Yes 7 No 0

Absent _____

Floor Assignment Dewel

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

REPORT OF STANDING COMMITTEE

HB 1031: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1031 was placed on the Sixth order on the calendar.

Page 2, line 21, remove "To provide funding for compensation adjustments"

Page 2, remove lines 22 and 23

Page 4, line 25, replace "appointed by" with "during"

Renumber accordingly

2011 TESTIMONY

HB 1031

HB 1031
Attachment 1

Chairman Grande, members of the committee:

For the record, my name is Sara Chamberlin and I am a Fiscal Analyst for the Legislative Council. I am here to present information on House Bill 1031 relating to classified employee compensation system modifications. I appear neither for nor against the bill, but just to provide information and answer any questions you may have.

Pursuant to Section 7 of 2009 Senate Bill No. 2001, the Government Services Interim Committee studied the classified state employee compensation system. The committee selected and the Legislative Council contracted with the Hay Group to assist in its study for a fee of \$100,000. Hay Group began its work on the classified state employee compensation system study in February 2010 and concluded the study with the presentation of the final report to the committee in October 2010.

The Government Services final report included a recommendation that the Legislative Management chairman contract with Hay Group at an estimated cost of \$198,000 to implement the compensation study recommendations prior to the end of the 2011 legislative session. Legislative Management approved the committee's final report, which also authorized the Legislative Management chairman to proceed with this contract.

Currently Hay Group is working with HRMS, Human Resources Management Services, to implement recommendations of their classified employee compensation system study, and will present a final report by mid April.

House Bill No. 1031 provides for the implementation of Legislative Management recommendations resulting from Hay Group's classified state employee compensation system study.

Section 1 of the bill creates a state compensation philosophy statement and places it into statute. The compensation philosophy statement was created based on input from committee members; representatives of Hay Group, Governor's office, OMB, Human Resource Management Services, the North Dakota Public Employees Association; and from other interested persons.

Currently the State does not have a compensation philosophy statement. The Hay Group strongly recommended the development of one to provide a foundation for the design and administration of compensation plans, and to utilize as the basis upon which all decisions regarding compensation are made.

The compensation philosophy statement includes:

- An umbrella statement, that the compensation program for classified state employees must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota.

It includes statements that the compensation program must:

- Provide a competitive employee compensation package
- Be based on principles of fairness and equity
- Include a consistent compensation policy which allows for multiple pay structures to address varying occupational specialties, currently the state has one pay structure to fit all occupations
- Set the external competitiveness target for salary range midpoints at a competitive level of relevant labor markets. For purposes of this section, "relevant labor markets" is defined as the labor markets from which the state attracts employees in similar positions and the labor markets to which the state loses employees in similar positions.

- Include a process for providing compensation adjustments that considers a combination of factors, including achievement of performance objectives or results, competency determinations, recognition of changes in job content, and acquisition and application of advanced skills or knowledge.
- Provide funding for compensation adjustments based on the dollar amounts determined necessary to provide competitive compensation in accordance with the state's compensation philosophy. Funding for compensation adjustments may not be provided as a statewide percentage increase attributable to all employees nor as part of a statewide pool of funds designated for addressing equity issues.
- Consider the needs of the state as an employer and the tax effect on North Dakota citizens.

The compensation philosophy statement delegates responsibility to office of management and budget to develop and consistently administer the compensation program for classified state employees and ensure that state agencies adhere to the components of the state's compensation philosophy. The office of management and budget shall regularly conduct compensation comparisons to ensure that the state's compensation levels are competitive with relevant labor markets.

The compensation philosophy statement closes with a statement that the legislative assembly recognizes the importance of providing annual compensation adjustments to employees based on performance and equity to maintain the market competitiveness of the compensation system. To provide funding for compensation adjustments in times of difficult fiscal conditions, the legislative assembly may consider increasing revenues or eliminating certain functions or programs.

Section 2 of the bill provides directives to the Office of Management and Budget (OMB) for the implementation of Hay Group's recommendations by June 30, 2011. Recommendations relate to:

Methods used to determine classified state employee classifications

- Minimizing salary inequities both within an agency and within state government
- Developing appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints
- Development of cost estimates for potential fringe benefits adjustments (OMB only)
- Expanding recruitment and retention tools
- Develop a consistent long-term salary increase administration policy by determining the funding request for salary adjustments using a single funding allocation method that includes performance and equity components.
- Analysis on the effect of: (OMB only)
 - a. Appropriating funds to agencies for accrued employee annual leave and sick leave.
 - b. Defining "vacant" positions and excluding long-term vacant positions from agency budget requests.

These items are what the Hay Group is currently assisting with.

Section 3 of the bill requires OMB to provide status reports on the implementation of the recommendations to a joint committee during the 2011 legislative session.

Section 4 of the bill requires OMB to provide status reports on the implementation of the recommendations to the Budget Section during the 2011-12 interim.

Section 5 declares this act an emergency measure.

At this time I'd be happy to answer any questions.

House Bill No. 1031

Testimony to Senate - Government and Veterans Affairs - Friday, January 28, 2011

Chairman, members of the committee:

For the record, my name is Sara Chamberlin and I am a Fiscal Analyst for the Legislative Council. I am here to present information on House Bill 1031 relating to classified employee compensation system modifications. I appear neither for nor against the bill, but just to provide information and answer any questions you may have.

Pursuant to Section 7 of 2009 Senate Bill No. 2001, the Government Services Interim Committee studied the classified state employee compensation system. The committee selected and the Legislative Council contracted with the Hay Group to assist in its study for a fee of \$100,000. Hay Group began its work on the classified state employee compensation system study in February 2010 and concluded the study with the presentation of the final report to the committee in October 2010.

The Government Services final report included a recommendation that the Legislative Management chairman contract with Hay Group at an estimated cost of \$198,000 to implement the compensation study recommendations prior to the end of the 2011 legislative session. Legislative Management approved the committee's final report, which also authorized the Legislative Management chairman to proceed with this contract.

Currently Hay Group is working with HRMS, Human Resources Management Services, to implement recommendations of their classified employee compensation system study, and will present a final report by mid April.

House Bill No. 1031 provides for the implementation of Legislative Management recommendations resulting from Hay Group's classified state employee compensation system study.

Section 1 of the bill creates a state compensation philosophy statement and places it into statute. The compensation philosophy statement was created based on input from committee members; representatives of Hay Group, Governor's office, OMB, Human Resource Management Services, the North Dakota Public Employees Association; and from other interested persons.

Currently the State does not have a compensation philosophy statement. The Hay Group strongly recommended the development of one to provide a foundation for the design and administration of compensation plans, and to utilize as the basis upon which all decisions regarding compensation are made.

The compensation philosophy statement includes:

- An umbrella statement, that the compensation program for classified state employees must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota.

It includes statements that the compensation program must:

- Provide a competitive employee compensation package
- Be based on principles of fairness and equity
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labor markets from which the state attracts employees in similar positions and the labor markets to which the state loses employees in similar positions.

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