



Legislative Council

64th Montana Legislature

SENATE MEMBERS

DEBBY BARRETT--Vice Chair
EDWARD BUTTREY
ROBYN DRISCOLL
TOM FACEY
BOB KEENAN
JON SESSO

HOUSE MEMBERS

CHUCK HUNTER--Chair
BRYCE BENNETT
SETH BERGLEE
STEPHANIE HESS
AUSTIN KNUDSEN
MARGARET (MARGIE) MACDONALD

COMMITTEE STAFF

SUSAN FOX, Executive Director
TODD EVERTS, Legal Division Director
FONG HOM, Secretary

August 10, 2016

To: Legislative Council

From: Susan Byorth Fox

Re: State Wage and Benefit Information

Attached is a Memorandum from Barbara Wagner, Chief Economist, Montana Department of Labor and Industry. I had posed questions regarding compensation and benefits that resulted from the discussion at the May Council meeting. The information will be helpful in the discussion at the August meeting. I want to provide additional information that should clarify your conversation.

Wages

Regarding Ms. Wagner's Memo, in the first two bullets and in the Wages section, the information used is from the Occupational Employment Statistics (OES). The definition of "legislators" includes those elected at the local, tribal, state, and national level to enact laws. While Ms. Wagner stated that the OES is more helpful when you separate out local government from state government, a special request would be required for that data. Therefore, the discussion and numbers for legislator's annual wage will not be helpful for your discussion. Please refer to the memo that was prepared for the May meeting entitled, "Overview of Montana State & Legislator Pay Information", May 2016, for the wage portion of the discussion. It is posted online under the May, 2016 meeting.

Benefits & Wage Escalation

The remaining sections provide the information that you were seeking on benefits and a measure of wage escalation. For comparison to the numbers in Table 2, I have prepared a similar table for employer costs paid per Montana legislator.

Employer Costs paid per Montana legislator hour

Wage and Salary (part-time)	\$10.33 hour (2015)	\$11.33 hour (2017)
Avg annual salary (1/13 - 12/15)^	\$8500	
Paid leave benefit	none	
Overtime	none	
Health insurance*	\$11,712 (state share only)	\$5.63/hr
Retirement Savings	8.37%	
IT benefit	\$1500/4 years	\$3 to 7,000 (2017)

^Approximately \$7,500 during session and \$1,000 during the interim.

*Based on full-time 2080 hours: Compare to: in 2015, the average total benefit cost was \$14,161.13, and \$3,517.13 was paid by the employee (State Employee Profile 2015). The amount listed does not include the employee portion. Compare to Memo amount for average employer contribution for health insurance in Montana of \$4,855 annually.

Regarding Wage Escalation

Ms. Wagner makes the distinction in her memo between adjusting wages annually for cost-of-living or market pressures. A cost-of-living increase is intended to allow workers to remain at a steady standard of living. Adjusting salaries using market wage rates may assist with rewarding employees for experience and increased productivity, or for retention purposes.

The discussion in May resulted in a motion that "staff prepare a bill draft that would reflect a base based upon hourly average wage for Montana industries and indexed to average wage growth". I have included a bill draft in this packet that provides two different variations for your consideration. I placed the same statute in the bill twice, but in any final draft, it would require a decision on which method or an alternative that you adopt.

In the attached LCLC02, section 1(1)(a), I replaced the base wage that you received from 2007 through 2015, with the 2014 (most recent year available) Average Hourly Wage of Montana Based on UI-Based QCEW Data from BLS. This is very close to the fiscal year 2017 average weekly wage (\$755.76/week) divided by 40 hours to obtain a \$18.894/hour. Either source could be used. This is actually closer to a Band 6 employee in both the executive and legislative branches.

In section 1(1)(b), I have added language that would apply an inflationary adjustment to the wage in subsection (1)(a). Please note in Ms. Wagner's memo, the inflationary increase over the last two years since the legislative session was a 0.98% increase, compared to a 3.0% wage increase for all Montana workers in 2015.

As an alternative, I drafted section 2, which I believe reflects a base salary based upon an hourly wage (this time I illustrated the average weekly wage method) and indexed it to the most recent average hourly wage by having that calculation done prior to each session. This is not an inflationary adjustment but a wage adjustment based on the growth in salary across Montana

workers, more akin to a market adjustment.

If the Council chooses to not adopt the full increase from the \$11.33/hour that legislators will receive in 2017 to a \$18.894/hour rate (approximate) in 2019, the members could consider increases to the amount incrementally, for example, over the next 6 years.

Decision Points

1. Base wage
 - A. Average Hourly Wage Based on UI-Based QCEW Data from BLS. This data will lag behind. Please note that the most recent annual data available was 2014.
 - B. Hourly rate based on the Average Weekly Wage -- adopted in June 2016 for the next fiscal year 2017. This average weekly wage is defined by state statute (39-51-2201, MCA) to determine the maximum and minimum benefit amounts for unemployment insurance benefits. It is also used to determine the maximum benefit amount for workers' compensation benefits.

The average annual wage is calculated by dividing total wages paid by all covered employers as reported on Unemployment Insurance (UI) Contribution reports by the average monthly number of individuals employed as reported on such contribution reports. The average annual wage divided by 52, rounded to the nearest cent, is the average weekly wage. This data excludes Federal Government.
 - C. A percentage of either measure in subsections (A) or (B); i.e., two-thirds of the average weekly wage.
2. Wage adjustment
 - A. Inflationary adjustment -- calculated as provided in Wagner's memo. Using 2017 as an example, (effective in 2019) the adjustment would be 0.98% or \$0.11 to \$11.44/hour.
 - B. (i) Index tied to most recent Average Weekly Wage. This would use a calculation for the fiscal year in which the session will be held. For fiscal year 2017, average weekly wage is: \$755.76 divided by 40 hours/week equals \$18.89/hour.
(ii) Incrementally adopt changes over three to five sessions. This proposal would not go into effect until the 2019 session. If over three sessions, for example, for 2019, the rate of increase could be one-third the difference between the hourly rate and an hourly rate based on the average weekly wage. (Using 2017 as an example: $\$18.89 - \$11.33 = \$7.56$; $\$7.56/3 = \2.52 ; $\$11.33 + \$2.52 = \$13.85$) For 2021, the calculation would be two-thirds of the difference, and then for 2023, the calculation would equal an hourly rate based on the average weekly wage. (See the bill draft for sample language)
3. Another consideration would be to determine whether legislator pay would be reduced if the rate of inflation or wages fell if we pegged legislator salaries to the average weekly wage.

CI0425 6223sfna.