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Joint Legislative Study Committee

on

State Employee Compensation

Committee Members

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Senator Russell Bowers
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INTRODUCTION

Purpose:

Pursuant to Laws 1997, Chapter 3, First Special Session, amended by Laws 1998, Chapter 292, the Joint Legislative Study Committee on State Employee Compensation is charged with making recommendations to the Governor, President of the Senate and Speaker of the House of Representatives on a long-term strategy for addressing state employee compensation.

Duties:

The Committee shall study the various state personnel systems, state employee compensation and related issues, including salary, benefits, employee turnover and comparisons to other comparable public and private employers.

Reporting Requirements: By December 1, annually

Termination: December 31, 2003

Membership:

- Three members of the House of Representatives, appointed by the Speaker of the House. No more than two being from the same political party.
- Three members of the Senate, appointed by the President of the Senate. No more than two being from the same political party.
- Three members who are experts on employee compensation. Two appointed by the Governor and one by the Speaker of the House.

- Four members who are employees of the state and each with at least ten years of state services. Two appointed by the Governor, one by the President of the Senate and one by the Speaker of the House of Representatives.
- One member from the university personnel system appointed by the executive director of the Board of Regents.
- Three members who are state agency directors, deputy directors, or assistant directors, appointed by the Governor.
- One member who is a state employee and a member of an employee association, appointed by the Governor.

BACKGROUND

As a result of Legislators' concerns regarding salary competitiveness and high turnover, for the FY 1998-1999 budget, the JLBC staff recommended a total of \$42 million for state employee pay adjustments effective October 1, 1997. Also, several changes to the state personnel system were analyzed and recommended in the Governor's Executive Budget Message for Fiscal Years 1998 and 1999. A majority of the Governor's recommendations were adopted and approved by the Legislature through the passage of S.B. 1464- state personnel system (Laws 1997, Chapter 288).

Arizona State Personnel

The state personnel system is divided into several distinct personnel administration systems. The largest system is operated by the Arizona Department of Administration (DOA) Human Resources Division.

The DOA personnel system includes approximately one-half of all state full time employee positions, over 30,000 employees, working throughout a wide range of agencies. Other personnel systems include the University System and the Arizona School for the Deaf and Blind, the Department of Public Safety, the Government Information Technology Agency (GITA), the Department of Gaming, the Office of Tourism, the Governor's Office, and the Legislative and Judicial branches. Inclusively, these other personnel systems also cover about 30,000 state employees. Additionally, there are approximately 3,100 state employees who are not-covered by DOA personnel system but work within agencies that are under the DOA system.

1997 Committee Activities

The Committee held four public hearings. At its final meeting the Committee unanimously approved a five year plan to bring state employee salaries near market. These recommendations were realized in SB 1354. Several key provisions were codified by Laws 1997, Chapter 292, including:

- A statement that the Legislature recognizes the value of state employees. Therefore it is the intent of the Legislature to bring state employee compensation to market by the end of fiscal year 2003 and the foundation of this intent is grounded in the continuation and continued effort of the Joint Legislative Study Committee on State Employee Compensation.
- Continuing the Committee for five years and increasing the size of the Committee from 16 members to 18 by the addition a fourth member who is an employee of the state with at least 10 years of service and one member who is a state employee and a member of an employee association.
- Expanding the duties of the Committee to include a review of all statutorily authorized payroll deductions and all payroll deductions for employee associations.
- Requiring DOA to report to the Committee on issues such as changes to the personnel classification system, decentralizing human resources functions, progress in manager and supervisor training, benefit comparability and employee benefit satisfaction.
- Appropriating \$100,000 from the Retiree Accumulated Sick Leave Fund to the Special Merit Award Fund to provide rewards to state employees who provide state agencies and departments with innovative suggestions for reducing agency or departmental costs.

CURRENT ACTIVITIES

The Committee held four public hearings. All meeting notices, minutes and attachments are on file in the Office of the Secretary of the Senate and the Office of the Chief Clerk.

August 11, 1998

The Committee met and received testimony from DOA regarding potential changes to the classification system, the possibility of placing a question on the application of employment regarding whether the applicant has ever been dismissed from state

employment for cause and the implementation of training for managers and supervisors.

October 7, 1998

The Committee met and received recommendations from DOA regarding potential changes to the classification system. Additionally, DOA reported on the: comparability of state employee benefits to those provided by other public and private employers; workers' compensation issues; status of the Special Merit Award Fund; efforts of the Personnel Rules Review Committee and status of open enrollment dates for active and retired employees.

October 28, 1998

The Committee met and received the annual salary recommendations from DOA (see 1998 Committee Recommendations).

DOA also provided information to the Committee regarding automatic dues deductions, the purchase and installation of a comprehensive compensation software package for DOA, and the measures necessary to decentralize human resources operational functions. The Committee provided direction and authorized DOA to conduct a satisfaction survey regarding state employee benefits.

December 1, 1998

The Committee met and received salary recommendations from the Arizona Board of Regents, the Department of Public Safety, the Justice Department and the Arizona School for the Deaf and Blind (see 1998 Committee Recommendations).

The Committee discussed possible recommendations to be included in its annual report and potential legislation to be introduced in the 1999 Legislative session.

1998 RECOMMENDATIONS

The Joint Legislative Study Committee on State Employee Compensation recognizes the value and dedication of state employees and the vital role they play in ensuring that the state conducts its operations in a manner that is most beneficial to the taxpayers of Arizona. For this reason, the Committee on State Employee Compensation applauds the passage of Laws 1998, Chapter 292, which continues the Committee on State Employee Compensation until 2004 and stated it is the intent of the Legislature to bring state employee compensation to within five percent of market, including benefits, by the end of FY2002-2003.

In order to reach this long-term goal, the Committee on State Employee Compensation urges the Governor and the Legislature to include state employee compensation in initial budget considerations and appropriate sufficient monies for compensation from the same funds as currently used to support existing salaries. In order to attain the goal of competitive salary ranges, an increased emphasis should be placed on pay-for-performance and other incentives to encourage improved productivity. Additionally, measures to maintain competitiveness and reduce compression within the ranges must be incorporated with emphasis placed on the continual training of managers and supervisors in personnel management and employee appraisal.

The Joint Legislative Study Committee on State Employee Compensation recommends to the Governor and the Legislature the following measures for achieving this long-term goal:

1. *Appropriate monies, for compensation purposes, for those positions within the Arizona Department of Administration personnel system, over the next two fiscal years, as follows:*

	<u>General Fund</u>	<u>Other Fund</u>	<u>FY Totals</u>
FY2000	\$40,679,937	\$16,713,809	\$57,393,746
FY2001	43,096,325	17,706,609	60,802,934
Fund Totals	\$83,776,262	\$34,420,418	

2. *Appropriate monies, for compensation purposes, for those positions within the Arizona Board of Regents personnel system, over the next two fiscal years, as follows:*

	<u>General Fund</u>	<u>Other Fund</u>	<u>FY Totals</u>
FY2000	\$39,322,305	\$0	\$39,322,305
FY2001	39,322,305	0	39,322,305
Fund Totals	\$78,644,610	\$0	

3. *Appropriate monies, for compensation purposes, for those positions within the Department of Public Safety personnel system, over the next two fiscal years, as follows:*

	<u>General Fund</u>	<u>Other Fund</u>	<u>FY Totals</u>
FY2000	\$3,869,645	\$0	\$3,869,645
FY2001	5,141,099	0	5,141,099
Fund Totals	\$9,010,744	\$0	

4. *Appropriate monies, for compensation purposes, for those positions within the Supreme Court personnel system, over the next two fiscal years, as follows:*

	<u>General Fund</u>	<u>Other Fund</u>	<u>FY Totals</u>
FY2000	\$1,469,100	\$432,000	\$1,901,100
FY2001	1,469,100	432,000	1,901,100
Fund Totals	\$2,938,200	\$864,000	

Appropriate monies to the Supreme Court for compensation of state funded probation officers, as follows:

	<u>General Fund</u>	<u>Other Fund</u>	<u>FY Totals</u>
FY2000	\$1,478,700	\$0	\$1,478,700
FY2001	1,469,700	0	1,469,700
Fund Totals	\$2,948,400	\$0	

5. *Amend ARS § 15-1331, regarding the equity study for school personnel conducted by DOA for the Arizona School for the Deaf and Blind, to require DOA to include the study salary structures for surrounding states. Appropriate monies, for compensation purposes, for those positions within the School for the Deaf and Blind personnel system, over the next two fiscal years, as follows:*

	<u>General Fund</u>	<u>Other Fund</u>	<u>FY Totals</u>
FY2000	\$145,000	\$0	\$145,000
FY2001	145,500	0	145,500
Fund Totals	\$290,500	\$0	

6. *Once a competitive salary range is attained, continue to appropriate sufficient monies and adjust the salary structure on an ongoing basis to keep pace with market adjustments.*
7. *Utilize the majority of monies appropriated for Special Market Adjustments, implemented in accordance with current law, to modify the salaries of state employees in job classifications that are critical to the orderly conduct of the agencies and that meet comparative criteria, including positions experiencing high turnover or have salaries substantially below comparable positions in the private sector.*
8. *Amend ARS § 38-612 relating to the administration of payroll salary deductions to:*
 - *Change the "qualifying criteria" for recognized employee associations from 25 percent of all state employees to 1000 employees.*
 - *Require associations to pay DOA the costs associated with the dues deduction process. Associations shall pay an initial fee for the costs directly associated with the initial establishment of their automatic payroll dues deduction and an additional fee any time changes are needed as a result of an increase or decrease in the associations dues. DOA shall track all personnel hours dedicated to dues deduction.*
 - *Specify that DOA must have the capacity and capability to establish and maintain the deduction without the*

appropriation of any additional monies or technology improvements.

- Provide a one year probation period for associations that fall below the "authorized association" criteria. Failure to meet the criteria within one year would result in the immediate discontinuation of the deduction.*
- Change the deduction relating to DPS to allow a deduction for an association which requires its members to be peace officer status certified.*

9. *Amend ARS §41-763.02 relating to the Special Market Adjustment (SMA) Committee so that the SMA Committee is comprised of seven members, appointed by the Director of DOA as follows:*

- two members who have at least 10 years of experience in human resources administration;*
- the executive director of the Joint Legislative Budget Committee, or the director's designee who shall be an ex-officio non-voting member;*
- the director of the Governor's Office of Strategic Planning and Budgeting, or the director's designee;*
- one member who is a member of a state employee organization that has at least 1000 employee members;*
- two members who are state agency directors, deputy directors or assistant directors.*

Members shall serve no more than two consecutive three year terms. DOA shall provide all necessary staff for the SMA Committee.

10. *Provide adequate funding and amend ARS §41-763 to require employees with supervisory or managerial responsibility to annually participate in personnel management training.*

11. *Amend ARS §38-613 relating to Special Merit Awards to: change the name of the program to the "State Employee Suggestion Program"; limit the granting of awards to state employees; and allow DOA to use up to six percent of the monies appropriated for the suggestion program to be*

used for advertisement and promotion of the program.

12. *Add session law to require DOA to:*

- *Continue their efforts toward implementing a new classification system and report their progress and any recommendations to the Committee by August 1, 1999.*
- *Report to the Committee regarding employee salary increases by August 1, 1999.*
- *Review and report to the Committee by August 1, 1999, on the implementation of the Special Merit Awards (State Employee Suggestion Program). Review and report on the Employee Suggestion Program, including the number and amount of awards granted to employees and officers during FY 1998-1999 and any recommendations, by November 1, 1999.*
- *Examine and report to the committee an approach for moving employees along the pay scale and eliminating salary compression based upon their performance by August 1, 1999.*
- *Continue their efforts to replace the current DOA Human Resources Information System (HRMS).*
 - *By August 1, 1999, submit to the Committee information regarding DOA's planning activities, including cost estimates, for procuring a replacement computer system for the current HRMS.*
 - *By November 1, 1999, submit to the Committee DOA's final recommendations, including funding recommendations, for the procurement of a new HRMS.*

13. *Require the Board of Regents, Department of Public Safety, the Justice Department and the School for the Deaf and Blind to prepare and submit a report with recommendations for a salary plan and adjustments to the plan to the Governor and the Legislature on or before September 1 of each year.*