

**NASPE Eugene H. Rooney, Jr. Award Nomination
Innovative State Human Resource Management Program**

Program Title: Broadband Pay
State: Montana
Agency: Department of Administration
State Human Resources Division
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Summary: By 2003, the State of Montana's 30-year old classification and pay plan no longer met the needs of state government. The State Human Resources Division (SHRD), Montana Department of Administration, studied employee overall compensation (pay and benefits), and in October 2004, recommended necessary changes to the newly-elected Governor and cabinet. Its recommendations became the foundation for a year's work undertaken by a statewide pay task force. Executive branch agency directors, deputy directors and other policy-level administrators comprised the task force. In June 2006, they identified the vision, goals and objectives for a new compensation system. Specifically, the task force recommended: 1) Montana state government adopt broadband as its primary pay and classification plan July 1, 2007, and 2) all state agencies rely on the same centrally established market rates. These recommendations became law July 1, 2007.

The State Human Resources Division succeeded in its effort because of the state task force. The division used a facilitated, consensus approach that fostered enterprise direction from experienced directors and managers throughout the executive branch. At the same time, the Legislative Audit Division audited compensation practices in Montana and released their findings in November of 2006. The performance audit report mirrored the task force's findings including five recommendations to the department. Four of the five recommendations focused on improving the market analysis process, and the other recommendation addressed establishment of a system for monitoring desired outcomes.

The Department of Administration appointed a second task force in 2007 to address four specific charges identified by the department director and State Human Resources Division. Among those charges was improving the market analyses process. Within weeks after their first meeting, the task force recommended a market analysis approach for the division's 2008 efforts. Again, the task force reached their recommendation through a facilitated, consensus approach satisfying the interests of stakeholders within the executive branch and the concerns previously addressed by the Legislative Audit Division.

1. Please provide a brief description of this program.

The broadband classification and pay plan became the state's primary compensation system July 1, 2007. It's an enterprise-wide plan that allows state agencies the flexibility to develop their own pay plan rules using any combination of market, competencies, or performance within broad statutory and policy parameters and authorized funding levels. The system allows state agencies to strategically link their own pay rules to their unique missions and more quickly adapt pay practices to changing demographics and labor markets.

A counterbalancing objective of the system is to mitigate pay differences between state workers in similar jobs employed by different state agencies. Two statutory provisions target this objective: 1) all positions in the broadband plan are classified using the same job-related standards, uniformly and consistently applied (2-18-201, MCA), and 2) all state agencies must use the same centrally established market rates for the same job classes within each pay band (2-18-301 (8), MCA).

2. How long has this program been operational (month and year)?

The legislature approved broadband as an alternative to the statewide pay plan in 1997. It became the primary pay plan of the executive branch July 1, 2007. Since its inception, it has undergone significant revision based on fundamental changes in philosophy and funding.

3. Why was this program created? (What problem(s) or issues does it address?)

Broadband in Montana has evolved. In 1997, the legislature directed the Department of Administration to develop an alternative classification and pay system. This was in response to the inability of Montana's "one-size-fits-all" pay plan to address increasing recruitment and retention problems.

State agencies could implement a broadband pay plan beginning in 1997. By 2006, roughly 60 percent of the executive branch positions were paid under broadband. Agencies less reliant on state general fund for their budgets were able to embrace broadband and the flexibility it provided. Agencies experienced stronger applicant pools and better employee retention. Thus, agencies under the broadband plan were able to advertise a job at a better pay rate under pay rates established through their own market analysis process. This created retention and pay equity concerns for agencies remaining under the statewide pay plan.

The 2007 initiative evened the playing field. It provided for uniformed use of the broadband pay plan across the executive branch. It allowed us the ability to establish the broad parameters by which each agency would set their pay plan rules. It also established our market analysis as the standard used by the entire executive branch. Additionally, the legislature approved a one-time appropriation to bring all state employees to 80% of the 2006 market rates.

This legislative session, we are further refining and clarifying broadband. Agencies and other stakeholders confuse the broadband plan with a market plan. Market is one component considered when establishing pay. External competitiveness is balanced with internal equity and an agencies ability to pay. These changes will also make it a sustainable compensation system.

4. Why is this program a new creative method?

Broadband as a concept is not new. What's new is the design of a system flexible enough to meet the needs of the State of Montana as a whole. Our philosophy is to meet every agency's human resource needs (recruitment and retention, motivation and

engagement) while balancing economic considerations. To achieve our vision, the State Human Resources Division involved different branches of government to integrate problem-solving approaches to the issues. The legislative audit division studied the issues and made recommendations. A state pay task force comprised of 11 different agencies also identified concerns and developed solutions to the question of equity and pay. This collaborative approach resulted in the State Human Resources Division developing an approach to compensation.

Our new approach links pay to the strategic goals and objectives of each agency. We developed a broadband pay plan and market analysis process in response to recommendations from both the legislative audit and pay task force. We are refining definitions and moving from occupational pay ranges to competitive pay zones. We also consult with individual agencies to identify and implement the best approaches to meet each agency's specific needs using the new system.

5. What was the program's start-up costs? (Provide detailed information about specific purchases for this program, staffing needs and other expenditures, as well as existing materials, technology and staff already in place.) State agencies experienced some costs associated with implementation of broadband. These costs were considered part of the agencies normal expenditures and were absorbed within the existing appropriations. The state pay task force consisted agency directors, deputy directors and administrators. Their time was absorbed by their agency budgets. The 2007 initiative also included a one-time appropriation to move all state employees to 80% of the 2006 market rates. This one-time appropriation amounted to approximately \$2,560,099 in general fund expenditures for the executive branch.

6. What are the program's operational costs? The system is sustainable through the existing structure.

7. How is this program funded?

Broadband is funded through agency budgets made up of one or more of the following; state general fund, state special revenue, federal dollars, and proprietary funds.

8. Did this program originate in your state?

The concepts of broadband are not original. The form broadband has taken in Montana is original to the state and in direct response to the goals and objectives of Montana. The application and modifications are a strategic response to the needs of Montana's Executive Branch.

9. Are you aware of similar programs in other states?

Yes. I am aware of other states using a broadband approach to compensation but our approach is unique.

10. How do you measure the success of this program?

Agencies measure the success by their ability to attract and retain talent. We collect data annually about the overall number of employees changing jobs. We can break that information down by agency, division, bureau, or work unit. We can also distinguish terminations from transfers, identify turnover rates by employee's years of service, and compare overall turnover rates to trends in national turnover rates.

We implemented an exit survey system in order to provide reliable data about why employees change jobs and where they go when they leave. We created a centralized exit interview system in 2008. We now survey all employees who terminate their employment with state government or transfer from one agency to another. Further,

when we implemented our statewide online employment application in 2008, Montana state government will be able to track:

- The number of applicants for each recruitment effort,
- The number of times an agency recruits for specific positions,
- The amount of time to hire with and without advertising time,
- Where and why applicants are screened out of the process, and
- The demographics of applicants screened out.

11. How has the program grown and/or changed since its inception?

Old	New
It was the alternative pay plan to the statewide pay plan	It is the primary pay plan
Referred to as a market based system	It is understood as a broadband system
We published occupation pay ranges	We publish competitive pay zones
Agencies were free to develop their own market analysis	All agencies must use market analysis data published centrally
Market Analysis process used the following: <ul style="list-style-type: none"> • Agencies were not involved • A standard approach was used for all • The mean was used • Survey data was several months to years old • Discounted national data by 15% • Used OES, CSCA and Watson-Wyatt salary data • Many markets only used one data source 	Market Analysis process used today: <ul style="list-style-type: none"> • Agencies participate in the process • A two tiered approach is used allowing specialized markets for hard to fill occupations • The median is used • Survey data is “aged” to current value using the employment cost index • A regional labor market is used for most occupations • National data, when used, is not discounted • Use OES, CSCA and Salary.com for salary data • Two or more salary sources must be used on each analysis
A standard salary range was used for every occupation	Salary ranges vary by occupation based on band level. Lower bands have narrower ranges than higher band levels
Outcomes were not measured	A system was developed and implemented to monitor effectiveness
Legislature established pay schedules	SHRD developed the broad parameters, and agencies develop their specific pay plan rules designed to meet their specific needs - not just market, but all other factors.