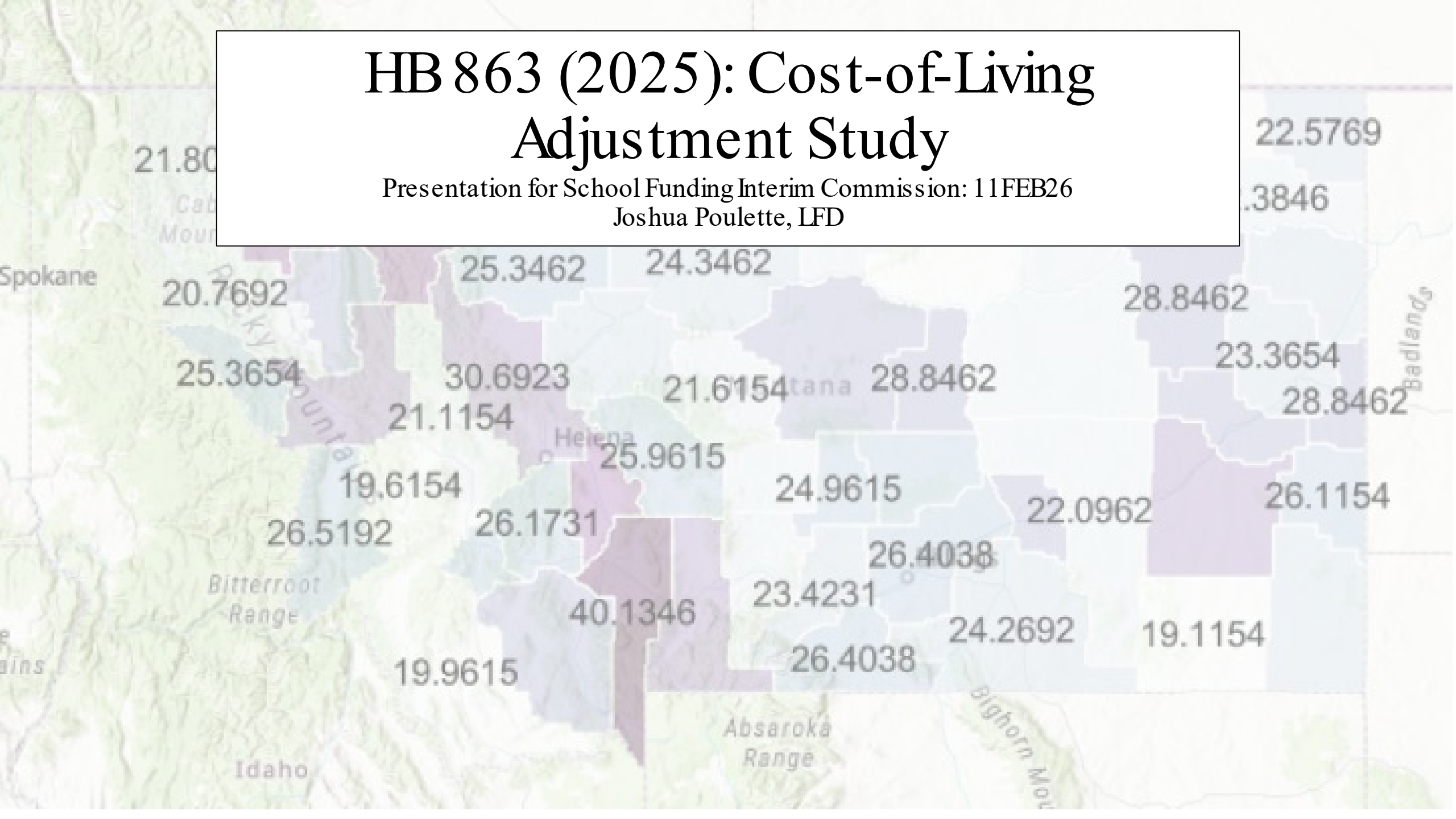


HB 863 (2025): Cost-of-Living Adjustment Study

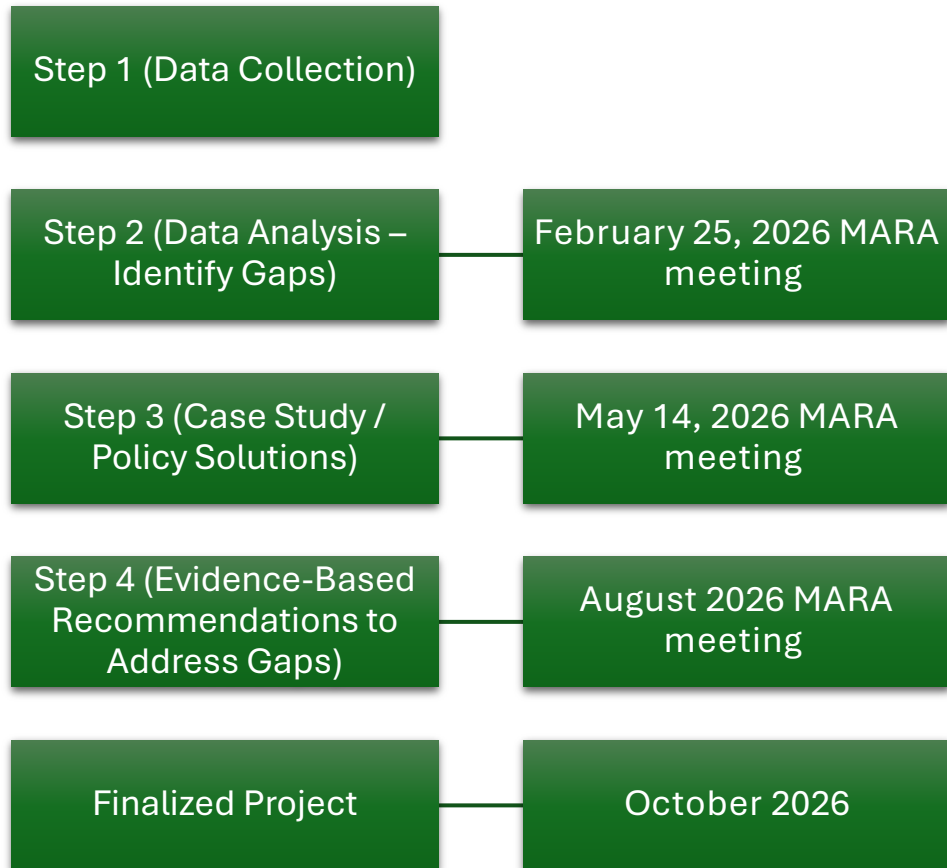
Presentation for School Funding Interim Commission: 11 FEB26
Joshua Poulette, LFD



HB 863, Section 5

Section 5. Study -- cost-of-living adjustments. During the interim following the 69th legislative session, the legislative finance committee may: (1) assign to the modernization and risk analysis committee established in 5-12-601 a study of what cost-of-living adjustments may be appropriate based on a state employee's work location, wages, housing costs in the area, and related geographic expenses; or (2) conduct the study described in subsection (1).

Timeline



Data Analysis is

Metrics

- State Positions Budgeted
 - Vacancy location, duration
 - Wage data for hiring
- Housing wage by location
 - How much does it cost to rent an “average” housing unit?
- Availability of basic needs
 - Available housing, childcare, grocery stores

Positions & Vacancies

- SABHRS HR Data
 - Position Information (POS)
 - Agency PB counts, Location, Compensation rates
 - Vacancy Rates
 - No compensation rate for vacancies
- TALEO Data
 - Met with Desiree McFadden --> pilot dataset next week
 - Type of data
 - Wage range for vacant positions
 - PBs length of vacancy
 - Minimum educational requirement
 - Better location data (telework location)
 - Status full- or part-time
 - How many times a position has been advertised
 - How many applicants for a position
 - Original location of applicants
 - Connections to other datasets: Job code/Job Family

Basic Budget Wage

[MIT Living Wage Calculator](#)

- Subscription service, not in budget at this time.
- Ex. Yellowstone County:

	1 ADULT				2 ADULTS (1 WORKING)				2 ADULTS (BOTH WORKING)		
	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children
Living Wage	\$22.06	\$39.83	\$50.63	\$65.39	\$31.15	\$37.19	\$41.35	\$48.03	\$15.42	\$22.43	\$27.90
Poverty Wage	\$7.52	\$10.17	\$12.81	\$15.46	\$10.17	\$12.81	\$15.46	\$18.10	\$5.08	\$6.41	\$7.73
Minimum Wage	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55	\$10.55

	1 ADULT				2 ADULTS (1 WORKING)				2 ADULTS (BOTH WORKING)		
	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children
Food	\$4,131	\$6,074	\$9,099	\$12,106	\$7,573	\$9,413	\$12,108	\$14,771	\$7,573	\$9,413	\$12,106
Child Care	\$0	\$13,532	\$25,090	\$34,105	\$0	\$0	\$0	\$0	\$0	\$13,532	\$25,090
Medical	\$2,777	\$6,953	\$7,026	\$7,102	\$6,276	\$7,920	\$8,193	\$8,496	\$6,276	\$7,920	\$8,193
Housing	\$11,020	\$14,946	\$14,946	\$20,541	\$11,557	\$14,946	\$14,946	\$20,541	\$11,557	\$14,946	\$14,946
Transportation	\$10,316	\$11,938	\$15,038	\$17,303	\$11,938	\$15,038	\$17,303	\$19,195	\$11,938	\$15,038	\$17,303
Civic	\$3,587	\$6,314	\$6,971	\$8,938	\$6,314	\$6,971	\$8,938	\$9,915	\$6,314	\$6,971	\$8,938
Internet & Mobile	\$1,923	\$1,923	\$1,923	\$1,923	\$2,529	\$2,529	\$2,529	\$2,529	\$2,529	\$2,529	\$2,529
Other	\$4,749	\$9,123	\$9,558	\$11,490	\$9,123	\$10,121	\$11,490	\$12,746	\$9,123	\$10,121	\$11,490
Required annual income after taxes	\$38,503	\$70,803	\$89,650	\$113,508	\$55,310	\$66,937	\$75,507	\$88,194	\$55,310	\$66,937	\$75,507
Annual taxes	\$7,384	\$12,034	\$15,662	\$22,495	\$9,487	\$10,409	\$10,491	\$11,704	\$8,826	\$12,824	\$15,662
Required annual income before taxes	\$45,888	\$82,838	\$105,312	\$136,003	\$64,797	\$77,346	\$85,998	\$99,898	\$64,136	\$79,761	\$91,169

Housing Wage

- Fair Market Rent – HUD

- “Gross rents” (rent plus tenant-paid utilities) for privately owned, decent, modest (non-luxury) rental housing
- 40th percentile rent among “standard-quality” rental units occupied by recent movers
- HUD uses FMRs to set payment standards for various federal housing-assistance programs
- Measure --> 2 bedroom

- Housing Wage

- Hourly wage a full-time worker must earn to afford a typical rental home without spending more than 30% of their income on housing (rent + utilities).

- Our model

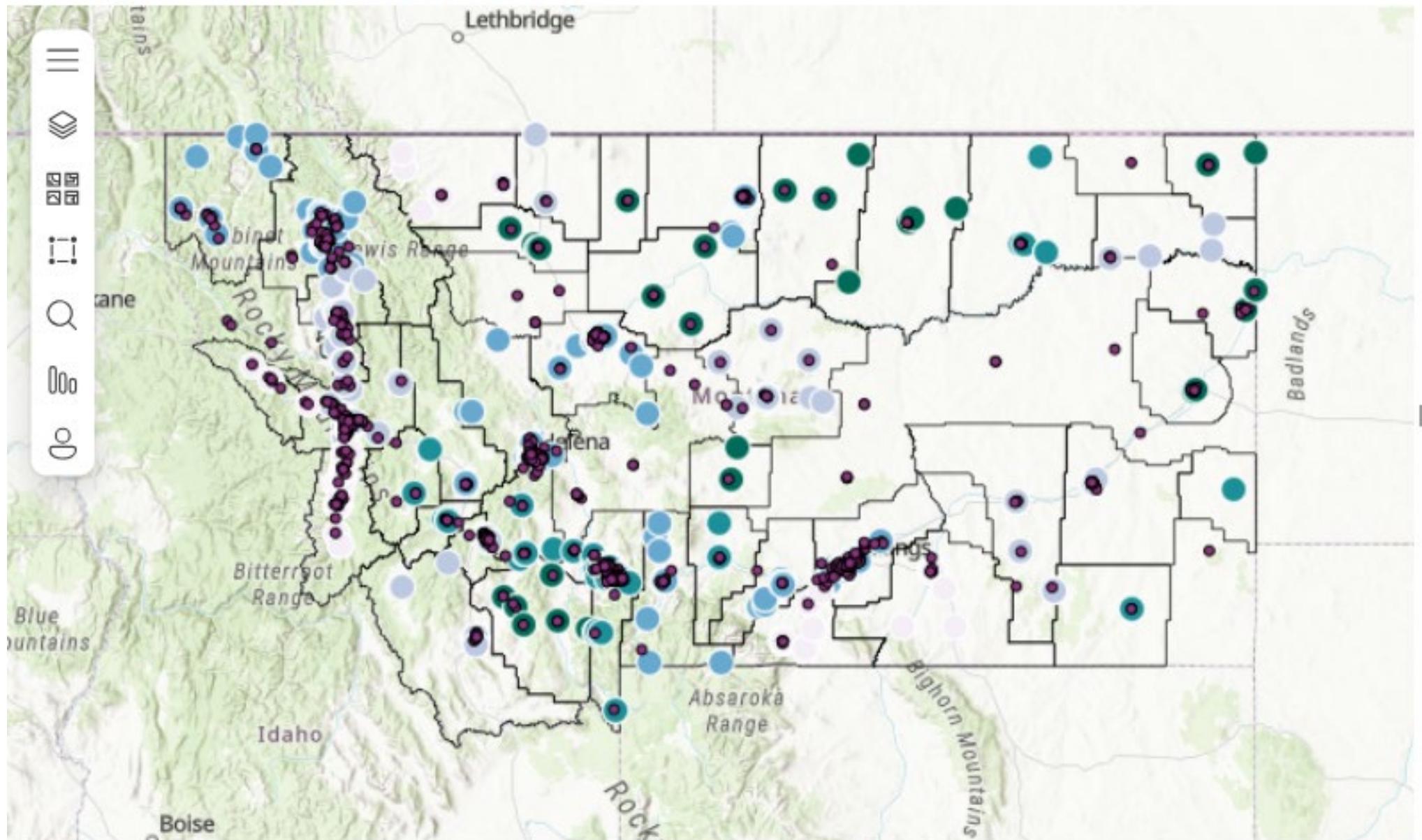
- Revised FMR, see MT Dept of Commerce

$$\text{Housing Wage} = \frac{\frac{(\text{Monthly FMR}_{\text{beds,area}} * 12)}{0.3}}{2080 \text{ hours}}$$

Basic Needs

- Childcare capacity
 - Available Providers
 - Capacity compared to population <6yrs old
- Available Housing Units
- Grocery Stores

Grocery Stores and childcare facilities

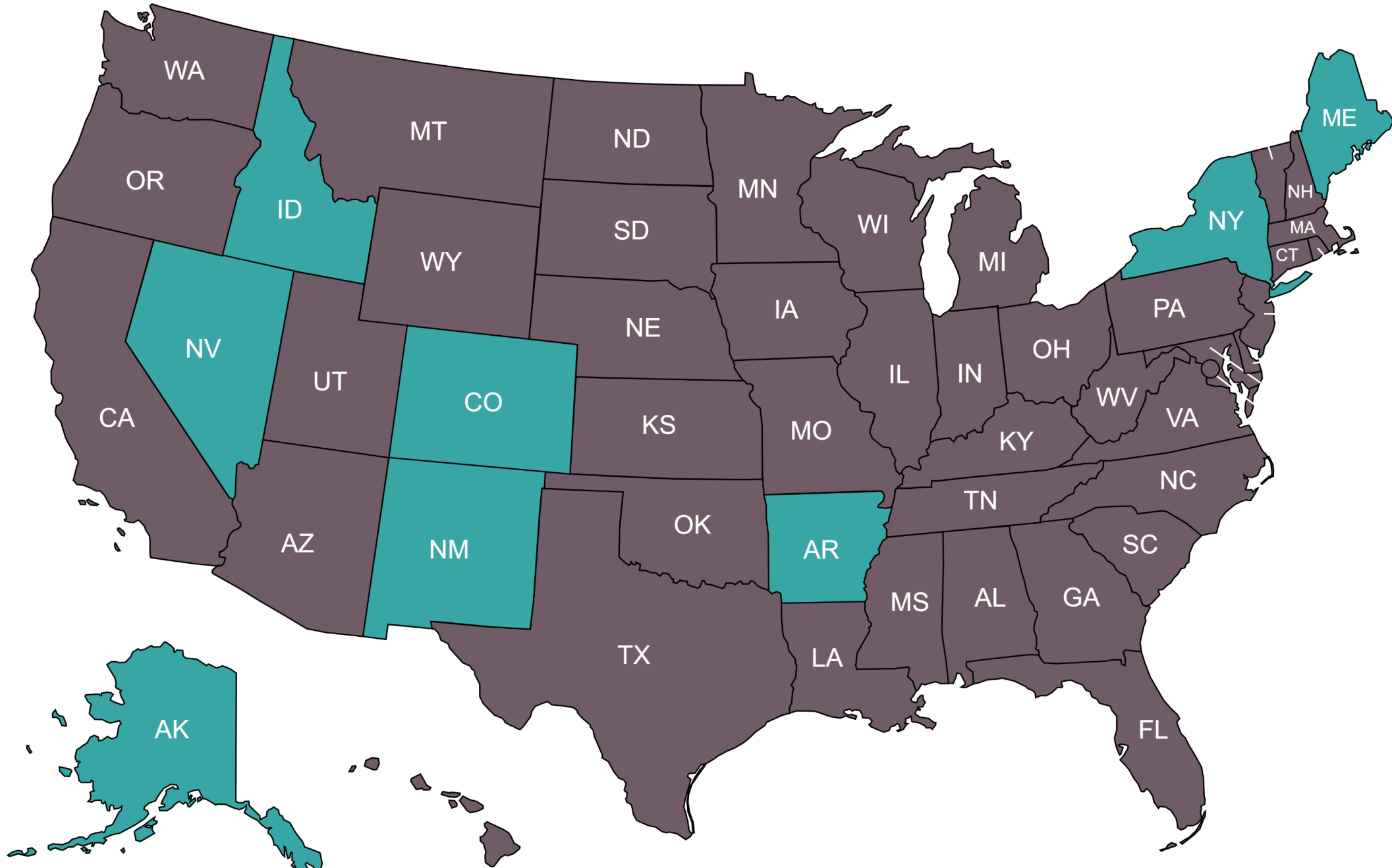


Case Studies

Geographic Pay Differential Policies

- Arkansas
 - Agency can provide up to ten percent based on geography
 - Agency to demonstrate an inability to recruit or retain qualified employees in specific geographic areas of the state.
- New York
 - Set amount based on job grade and baseline hiring rate
 - Amount decreases as hiring rate increases (maximum amount set)
 - Currently: \$8000
- Colorado
 - Not in statute but uses geographic differential data when making pay range recommendations and system maintenance studies.
- Nevada
 - Allows an adjustment in pay for an employee who resides in a particular geographic area. This isn't built into the state compensation system.

States With Geographic Pay Differentials



Recommendations

- MARA will suggest options for cost-of-living adjustments for state employees based on the methodology above