

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION**

Call to Order: By Chairperson Eleanor Vaughn, on January 25, 1991, at 10: A.M. in room 331.

ROLL CALL

Members Present:

Eleanor Vaughn, Chairman (D)
Bob Pipinich, Vice Chairman (D)
John Jr. Anderson (R)
Chet Blaylock (D)
James Burnett (R)
Bill Farrell (R)
Bob Hockett (D)
Jack Rea (D)

Members Excused: Bernie Swift

Member Absent: Harry Fritz

Staff Present: David Niss (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON SENATE BILL 173

Presentation and Opening Statement by Sponsor:

Senator Blaylock, Senate District 43, Laurel, is carrying Senate Bill 173 for the Political Campaign Practices Commissioner Dolores Colburg. It is a clean-up of our present law that would speed up the process and get rid of unnecessary reporting requirements for fire districts, irrigation districts, etc. It is difficult to get people to run for those positions and then to have reporting requirements adds another reason not to run.

Proponents' Testimony:

Dolores Colburg, Commissioner of the Political Practices appeared in support of Senate Bill 173, which her office had requested. It's an act revising the campaign finance laws, but the intent of the bill would make changes in just two areas. It would exempt certain special districts as enumerated in the bill;

conservation, fire, hospital, irrigation, sewer, transportation and water districts. The other area addressed in the bill is the public campaign fund. Moneys accumulate in this fund from the \$1.00 check-off on individual income tax returns and are allotted to eligible gubernatorial and Supreme Court nominees during general elections. This bill assures that the restricted fund be kept separate and not commingled with other campaign money. Please give this a favorable report. (See exhibit 5)

C. B. Pearson, Common Cause/Montana, stands in support of Senate Bill 173.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Hockett commented that many people who run for those offices run unopposed and don't spend any money and it is unnecessary paper work.

Senator Rea asked who receives this money? What candidates are we talking about? Dolores Colburg responded that on Page 2, section 2, subsection 3; then at the bottom of the page those funds go to governor, lieutenant governor, Supreme Court candidates if it is a contested election.

Closing by Sponsor:

Chairman Vaughn closed the hearing.

EXECUTIVE ACTION ON SENATE BILL 173

Motion:

Senator Rea moved to DO PASS Senate Bill 173.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

The VOTE was UNANIMOUS in favor of Senate Bill 173.

HEARING ON SENATE BILL 167Presentation and Opening Statement by Sponsor:

Senator Delwyn Gage, Senate District 5, said SB 167 is made at the request of the Public Employees Retirement Board. He talked to the School Board Association, the Montana Association of Counties, the League of Cities and this is not a controversial bill. This will allow the PERB to set time frames for the agencies whom they administer to deposit those funds with the state. Most local agencies don't invest those funds anyway. Getting these funds into the state and getting them invested at rates higher than the local areas could attract, could keep their rates from going up.

Proponents' Testimony:

Linda King, Assistant Administrator of the Public Employees Retirement Division, explain that her office administers 8 separate retirement groups within the state. The largest is the PERS and the statute surrounding that fund is very careful in defining the program. For the other 7 groups the framework is not clearly defined. This bill would set time frames for agency payments that are reasonable and cost-effective to contributors and the retirement systems that the board administers. It's not stated in law what the deadlines are. If the board could receive contributions earlier, investments could offset raises to the employer. She offered an amendment which she had drafted by the Legislative Council, that is a statement of intent to give the board rule making authority. (See exhibit 1) She also offered an information sheet on the 8 Montana retirement systems her board administers. (See exhibit 2)

Opponents' Testimony:

None

Questions From Committee Members:

Senator Pipinich asked if you want us to accept these amendments? Ms. King said it would be proper.

Attorney Niss said the Montana Administrative Procedures Act provides that whenever rules are authorized by the legislature the rule making authority has to be specifically granted in the bill. Is that included in this bill? Ms. King pointed out that on Page 2, Section 1 at a time prescribed by the board, each agency of the state shall remit to the public employees' retirement system all contributions required of each employer.

Attorney Niss stated your amendment cited Sections 1 and 2 as granting rule making authority. Linda King said that it should be section 3 as well. This language may need to be reworded. Mr. Niss took the amendment and will study the problem.

Chairperson Vaughn asked if you have contacted local agencies in regard to, where they have payroll twice a month, are they going to pay that once a month or after every payroll?

Linda King stated currently agencies report once a month, and they do not plan to change that very soon. They'll study the investment opportunities and if the earlier payment would give a better return they would change the regulation.

Senator Farrell asked who is covered under PERS? She responded that all state and university employees who are non-teaching employees. Some state employees have separate retirement plans.

Linda King asked David Niss to write a proper amendment to add a statement of intent into the bill. The thrust of this bill is to allow the board to set those deadlines.

Closing by Sponsor:

Chairperson Vaughn closed the hearing by saying that we will defer action on this measure until we can review the amendment and get the proper language back into the bill to get the proper operation of it.

HEARING ON HOUSE BILL 38

Presentation and Opening Statement by Sponsor:

Representative Grady, House District 47, stated that he's sponsoring House Bill 38 at the State Auditor's request. It is in regard to the collection of delinquent accounts owed to state agencies. This was transferred from the Revenue Department to the State Auditor in the last session. This will charge some of the cost of collecting the fees to the different agencies.

Proponents' Testimony:

Debbie Van Vliet, Administrator of the Fiscal Management and Control Division of the State Auditor's Office, gave a description of the Bad Debt Program. The program provides a debt collection service to state agencies and the university system. The service consists of an internal collections program, offset program and referral of state accounts to private collection agencies. The main objective of HB 38 is to provide an internal service fund whereby one department reimburses another department for services rendered. This would save the general fund an estimated \$170,000 over the next biennium. State Auditor urges the committee to pass this bill. (See exhibit 3)

Dennis Sheehy, Deputy State Auditor, offered an amendment that was suggested on the floor of the House. The amendment provides the regulation of what would happen if any funds were left in the account at the end of the year. This fund is designed to break

even, but if there are funds left they would carry over and decrease the cost to that agency the next year for that service. (See exhibit 4)

Opponents' Testimony:

None

Questions From Committee Members:

None

Closing by Sponsor:

Chairman Vaughn closed the hearing with a statement that they would consider the proposed amendment.

EXECUTIVE ACTION ON HOUSE BILL 38

Motion:

Senator Pipinich moved that we accept the amendment to House Bill 38 as presented.

Discussion:

None

Amendments, Discussion, and Votes:

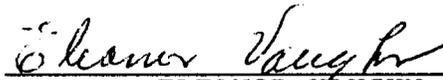
The VOTE was UNANIMOUS in favor of the amendment to HB 38.

Recommendation and Vote:

Senator Burnett MOVED that we DO CONCUR IN HB 38 AS AMENDED. The VOTE was UNANIMOUS in favor of HB 38 as amended.

ADJOURNMENT

Adjournment At: 10:50 A.M.


ELEANOR VAUGHN, Chairman


DOLORES HARRIS, Secretary

ROLL CALL

STATE ADMINISTRATION COMMITTEE

DATE Jan 25, 1991

52 LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR ELEANOR VAUGHN	X		
SENATOR BOB PIPINICH	X		
SENATOR JOHN ANDERSON	X		
SENATOR CHET BLAYLOCK	X		
SENATOR JAMES BURNETT	X		
SENATOR "BILL" FARRELL	X		
SENATOR HARRY FRITZ		X	
SENATOR BOB HOCKETT	X		
SENATOR JACK "DOC" REA	X		
SENATOR BERNIE SWIFT			<i>excused</i>

Each day attach to minutes.

Amendments to SB Bill No. 167
First Reading Copy

Requested by the Public Employees' Retirement Board

Prepared by Sheri S. Heffelfinger
January 24, 1991

1. Page 1, line 18.
Following: line 17
Insert: "

STATEMENT OF INTENT

A statement of intent is required for this bill because [sections 1 and 2] grant to the public employees' retirement board authority to set timeframes for agency payments into the retirement systems that the board administers.

(1) The legislature understands that capabilities for expediting deposits to the retirement systems are afforded by the increasing computer resources of both employers and the retirement system.

(2) Therefore, it is the intent of the legislature that:

(a) contributions payable to the retirement systems administered by the board be paid within timeframes that are reasonable and cost-effective to contributors and the retirement systems; and

(b) while expedited deposits can result in increased investment earnings for the retirement systems and the individual members of those systems, current contribution deadlines may not be shortened unless the resulting increase in investment income would help forestall increases in employer contribution rates required to actuarially fund the systems."

COMPARISON OF MONTANA PUBLIC RETIREMENT SYSTEMS

SENATE STATE ADMIN. BASIC BENEFIT FORMULA

EXHIBIT NO. 2

SOC. SEC.

CONTRIBUTION RATES

SYSTEM

SYSTEM	CONTRIBUTION RATES	SOC. SEC.	RETIREMENT ELIGIBILITY	BASIC BENEFIT FORMULA
PEERS	Employee 6.3%*	Yes	Regular: age 60 w/ 5 yrs. service	$1.79\% \times \text{FAS} \times \text{years of service}$ $\frac{\text{FAS}}{\text{Age}} = \text{Final Average Salary}$ = Avg of highest consecutive 36 months salary)
	Employer 6.417%*		Early: age 65, regardless of yrs service, any age	
	* (Both employee & employer contribution rates are scheduled to increase to 6.7% by 7/1/93)		Early: age 30 yrs service, any age	
TEACHERS'	Employee 7.044%	Yes	Regular: age 60 w/ 5 yrs service	$1.67\% \times \text{FAS} \times \text{years of service}$
	Employer 7.459%		Early: age 25 yrs service, any age	
			Early: age 50 w/ 5 yrs service	Same as above, actuarially reduced from age 60 or 30 years of service
JUDGES'	Employee 7.0%	Yes	Regular: age 65 w/ 5 yrs. service	$3.33\% \times \text{FAS} \times \text{yrs of service to 15}$ $+ 1.00\% \times \text{FAS} \times \text{yrs over 15}$ (+1.785% x FAS X yrs over 15, eff. 7/1/91)
	State 6.0%		Involuntary: Any age w/ 5 yrs service	
	Dist. Cr. Fees 31.0%*			Same as above, actuarially reduced from age 65
	Supreme Cr. 1/4 fees			
	*34.71% of Salaries on 7/1/91			
HIGHWAY PATROL	Employee 7.59%	No	Regular: age 50 w/ 20 yrs. service	$2\% \times \text{FAS} \times \text{yrs of service}$
	Employer 26.75%		Early: any age w/ 5 yrs. service	
			Regular: age 50 w/ 20 yrs. service	Same as above, actuarially reduced from age 60
SHERIFFS'	Employee 7.00%	Yes	Regular: any w/ 24 yrs. serv. (pre 7/1/89)	$2\% \times \text{FAS} \times \text{yrs of service to 25} +$ $1.35\% \times \text{FAS} \times \text{yrs in excess of 25}$ up to max. of 60% FAS
	Employer 7.67%		Early: age 50 w/24 yrs serv. (post 7/1/89)	
			Regular: age 50 w/ 15 yrs. service	2% x FAS x yrs of service, actuarially reduced from age 50 or 24 years service
			Involuntary: 10 yrs service, age 55	2% x FAS X yrs of serv, actuarially reduced same as early retirement
GAME WARDENS'	Employee 7.90%	Yes	Regular: Age 50 w/ 20 yrs. service	$2\% \times \text{FAS} \times \text{yrs of service}$
	Employer 7.15%		Involuntary: 10 years service, age 55	
	+ fines			
MUNICIPAL POLICE	Employee 6.0/7.5%	No	Regular: 20 yrs service (pre 7/1/75)	$2.5\% \times \text{Fin. Comp.} \times \text{yrs service to 20}$ $+ 1\% \times \text{Final Comp.} \times \text{yrs in excess of 20, up to a max of 60\% salary}$
	Employer 13.02%		Age 50 & 20 yrs in serv (post 75)	
	State 15.06%			
FIRE-FIGHTERS'	Employee 6.0%	No	Regular: Age 50, w/ 10 yrs service	$2.5\% \times \text{Final Comp.} \times \text{yrs serv to 20}$ $+ 1\% \times \text{Final Comp.} \times \text{yrs over 20, to a max of 60\%}$ (Pre 7/1/81 hires)
	Employer 13.02%		May terminate with 10 yrs and receive benefit at age 50	
	State 22.98%			2.0% x FAS X yrs of service, to a max of 60% (Post-7/1/81 hires)

TESTIMONY H.B. 38
State Auditor's Office
Debbie Van Vliet (444-5438)
January 25, 1991

Madam Chairman, members of the committee, for the record, my name is Debbie Van Vliet. I am the Administrator of the Fiscal Management and Control Division in the State Auditor's Office.

I would like to begin my remarks with a brief description of the Bad Debt Program. The Bad Debt Program was moved from the Department of Revenue in January of 1990 to the State Auditor's Office. The program provides a debt collection service for all state agencies and the university system. The service consists of an internal collections program, offset program and referral of state accounts to private collection agencies for a further collection effort. The section also provides a write-off service for all state receivables.

The main objective of HB 38 is to change the funding mechanism of the program from general fund to an internal service fund. An internal service fund accounts for the financing of goods or services provided by one department to other departments of state government on a cost-reimbursed basis. Since the Bad Debt Program's sole purpose is to collect debts for other state agencies, the internal service fund structure would apply to this program. The passage of this bill also provides the benefit of a general fund savings of \$170,000 over the next biennium. The program would be wholly financed through a service fee charged per collection. This service fee would not need to be added to agency budgets as the service is primarily used by agencies as a last attempt to collect receivables before writing them off of the Statewide Budget and Accounting System. The collection cost would be subtracted from the debt if collected and the balance would be returned to the agency.

Another advantage of converting to an internal service fund is a more equitable way of distributing the cost of collecting bad debts. Currently, the program is totally funded by general tax dollars. However, in FY 1990 the program collected \$182,000 for the child support program, \$30,000 for federal financed student loans, \$46,000 for the Employment Security Department and \$220,000 for the Workers' Compensation Fund. These programs are partially funded through federal or other funding sources. This means that the general fund appropriation for the bad debt program provides support to collect federal and other revenue sources.

The percentage charge will be based on projected budgeted expenses needed to operate the program. If excess revenue is generated from the service fee in FY92 the surplus will be carried over to the FY93 budget and the percentage will be recalculated for that year.

In conclusion, the proposed legislation would accomplish two objectives for the State of Montana:

1. The change in funding would more equitably distribute the costs of collecting bad debts to all funding sources including federal. Those who use the program, including the agencies who are federally funded, thus pay for the costs of their bad debt collection.
2. The change would also save the general fund an estimated \$170,000 over the next biennium.

The State Auditor urges this committee to give HB 38 a "do pass" recommendation.

I would like to thank the committee for the opportunity to speak and I will try to answer any questions you might have. Ken Rudio who is the Bureau Chief of the Bad Debt Program is also here to help answer any questions you might have.

(556)

SENATE STATE ADMIN.

EXHIBIT NO. 4

DATE 1-25-91

BILL NO. HB 38

Amendment to House Bill 038
Third Bill Copy
Prepared by the State Auditor

1. Page 3, line 22.

Following: "."

Insert: "Any excess carried forward into the next fiscal year will be used to reduce the designated percentage of the collected proceeds charged to the various state agencies."

COMMISSIONER OF
POLITICAL PRACTICES

SENATE STATE ADMIN.
EXHIBIT NO. 5
DATE 1-25-91
BILL NO. SB 173



STATE OF MONTANA

DOLORES COLBURG
COMMISSIONER
TELEPHONE (406) 444-2942

CAPITOL STATION
1205 EAST EIGHTH AVENUE
HELENA, MONTANA 59620-2401

January 25, 1991
Senate State Administration Committee

TESTIMONY IN SUPPORT OF SB 173

For the record, I am Dolores Colburg, Commissioner of Political Practices. I appear before the committee this morning in support of SB 173--a not surprising circumstance since the bill was introduced at the request of my office.

Although the title in the first line indicates that the bill is for an act "revising the campaign finance laws," let me assure you that it is not a sweeping overhaul of those laws. Rather, the intent of the bill is quite modest and would make changes in just two areas--and some of the changes I would characterize as being "housekeeping" in nature.

Under current campaign finance law, an exception from reporting requirements is provided for candidates and committees in small school districts. This bill would extend that exemption to certain special districts as enumerated in the bill--that is, conservation, fire, hospital, irrigation, sewer, transportation, and water districts.

I am told that finding candidates who will run for offices in these districts is hard enough. When candidates learn that

reports also will be required of them--even though in nearly all cases it may be simply to report that they will spend no money--people are further put off from running for these special offices. Most candidates in these special districts run unopposed; and, as the reports in my office indicate, they really spend no or very, very little money in their campaigns.

The same reasoning for exempting candidates and committees in small school districts from reporting requirements also applies to these special districts; thus, they too should be excepted from filing reports that reveal little or nothing.

The second area addressed in the bill is the public campaign fund. Moneys accumulate in this fund from the \$1.00 check-off on individual income tax returns and are allotted to eligible gubernatorial and Supreme Court nominees during general elections.

The law provides that moneys disbursed from the public campaign fund shall be spent only for ". . . legitimate campaign expenses of the candidates" who receive the funds. No such restriction is placed on other moneys that these candidates receive. In keeping with very basic accounting principles, this bill would assure that the restricted funds from the public campaign fund are not commingled with all of the unrestricted funds from other sources. It would do so by requiring that the public money be deposited in an account separate from any other campaign account and from any personal account.

Dolores Colburg
Testimony on SB 173
Page three

Finally, the bill corrects the designation of the office where the records of how the public campaign funds were spent must be filed. Currently, the law designates the office of the secretary of state; the bill changes that to the office of the commissioner of political practices, where campaign finance reports actually are filed.

In addition to the areas already discussed, the bill also includes a few stylistic changes and corrections in some other terminology.

Prior to introduction of SB 173, I discussed the features of the bill with the executive directors of both major political parties and with the chief of staff in the governor's office. None of them has any objection at all to the bill.

I hope the committee will take favorable action on SB 173.

Thank you for your consideration. I will be pleased to take any questions you may have.

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 25, 1991

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 38 (third reading copy -- blue), respectfully report that House Bill No. 38 be amended and as so amended be concurred in:

1. Page 3, line 22..

Following: "."

Insert: "Any excess carried forward into the next fiscal year will be used to reduce the designated percentage of the collected proceeds charged to the various state agencies"

Signed: *Eleanor Vaughn*
Eleanor Vaughn, Chairman

JM 1-25-91
Amd. Coord.

SP 1-25 2:10
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1

January 25, 1991

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Bill No. 173 (first reading copy -- white), respectfully report that Senate Bill No. 173 do pass.

Signed: *Eleanor Vaughn*
Eleanor Vaughn, Chairman

JJA 1-25-91
App. Coord.

SP 1/25 2:10
Sec. of Senate

1711115C.S.11