

February 16, 1977

Chairman Brand called the meeting to order at 8:15 a.m., with Ryan, O'Connell, Tower, and Bardanouve excused for other meetings; Menahan and Meyer not in yet, and Speaker Driscoll sitting in as an ex officio member to achieve a quorum.

Dick Hargesheimer submitted his summary - see attachment #1.

HJR 58-Rep. Curtiss, sponsor--(she submitted written testimony, accompanied by other explanatory matter - see attachments 2, 3, and 4)

SOMNY HANSON, Montana Technical Council--As governmental agencies expand, it cuts down on the amount of work available for civil engineers. (he went on to speak generally in support of referring work to the private sector)

ART SCOBEE, Director, Small Business Association--As the advocate of the small business community, I strongly support this because it affects the ability of state and municipal government, and improves the tax base. All of the money we work with in state and federal government originates in somebody's pocket, and we need to recirculate it. I feel this bill creates a direction that is favorable to everyone. I don't believe government should compete with free enterprise. I feel we should go further than this resolution. This creates profit that can be taxed. I recommend an amendment (see attachment #5). The addition of this "WHEREAS" could strengthen the bill. I certainly hope this bill meets with your favor.

TOM WINSOR, Montana Chamber of Commerce--We favor the concept, but suggest that this be considered for study to determine which areas it should apply to. Page 2, line 4 is a bit broad. Some things should be covered by public employees - and this does not address efficacy.

ROD WILSON, Billings Chamber of Commerce--We favor this. There's a limited amount of capital available and when government takes capital away from the private sector, it increases government to the detriment of the people.

OPPONENTS

GEORGE HAMMOND, AFL-CIO, AFSCME--We have tried to get our employees on a par with the private sector. When maintenance and other services are contracted out, it becomes more costly. If state government continues to grow, maintenance will grow in the same proportions.

TOM SCHNEIDER, AFSCME--I didn't intend to oppose this, but I take issue with the comments about water testing and the state lab. If you didn't have the state lab, small hospitals would have to go out of state -- Salt Lake, Seattle, or Atlanta. As far as water testing - there aren't enough tests for private industry. The majority of these services would leave the state. Those people out of state aren't bringing in revenue; but state employees do spend the money here.

CURTISS--That wasn't the intent of the resolution. Our human resource is our most valuable resource. Morris Brusett's office did the study for me based on the Bureau of Budgets in the President's office. The purpose of the study was to increase government reliance on the private sector.

BRAND--When you give it to free enterprise, shouldn't it be on a competitive basis? Most of those contracts are on a cost-plus basis -- sometimes cost, wages, advertising,

and 10% above that. I would discourage government from giving them a deal like that. CURTISS-You will always find abuse. WINSOR-I am sure the state's competitive bidding laws would prevail. Cost-plus is mostly a federal deal.

HB 756-Rep. Driscoll, sponsor--This is a attempt to make some minor changes in the teachers' retirement system. I checked with Owen Morris - and it turns out there would be very little fiscal impact. The bill gives definitions of full time and part time service, which have been changed; plus a half dozen other amendments. This is at the request of Owen Morris, so it would be more acceptable to IRS.

OWEN MORRIS, Administrator, Teachers' Retirement System, Department of Administration--The purpose for the changes is to allow us to obtain favorable advance determination from IRS for qualified tax status. Page 3, line 4 expands the definition of earned compensation - such as amounts paid in kind -- the value of these would be determined by the employer. It also expands the definition of average final compensation -- rather than 3 consecutive years, IRS says the 3 consecutive years which yield the highest average. This bill leaves no room for discretionary foolishness. Page 17 has nothing to do with qualification status. Presently, retired people can return to part time and receive 2/3 credit. With this bill, a retired member may be employed as a part time or substitute teacher and may not earn more than 1/4 of the value members received in the previous year. Presently, upon the death of an active member, we pay the beneficiary through the age of 18. This didn't include disability. Page 25, line 1 - upon the death of any member with minor children, we will pay \$100 a month.

ALTON HENDRICKSON, Actuary for state retirement systems--There will be no additional cost to the system. The fact that the plan has always been interpreted as being qualified by IRS has never given it qualification. The ultimate result will be a letter of qualification. The biggest concern is that the plan not be discriminatory. The importance of having the plan qualified is that it will have no surprises or tax disadvantages in the future.

DRISCOLL-I want an amendment on page 16, line 14 - (see committee report)

KROPP-How many teachers are we talking about. MORRIS-A considerable number. We have requests every day from teachers who wish to receive credit. TURNER-Why don't we know how many teachers, and why doesn't it cost? HENDRICKSON-Credit has always been given for part time work. This just allows the teacher to retire before 60 if they have been teaching for over 30 years. They would, of course, have less service credit. That is one of the major factors, but this isn't a new provision. Part time teachers have always received credit. They make the same contributions.

HB 400-Rep. Harper, sponsor--The first resolution you heard today sets the stage for this - the amount of tax money that private industry can contribute. This isn't a new concept. It keeps coming back if it doesn't pass because it is a legitimate concept and this time it is urgent. The funding of schools, except the foundation program, is done with property taxes. In areas where large amounts of employment and land are state-connected, the tax base is lost because the state properties are tax exempt. So, people in areas like Helena pick up the burden in property taxes. Not only do we lose that part of our tax base, but the state picks up fire and police protection off our property taxes. The Helena schools are overcrowded, in rotten condition, and the teachers are very low paid. Our bonds have just been turned down. This won't go away. There's no fiscal note as yet.

JOHN CAMPBELL, Business Manager, Helena School District--The intent is to have state government provide property tax relief where there is state-owned property. It isn't an exclusion of the property itself, but only the improvements. The federal government recognizes the impact on communities with their conducting of business, and helped by providing money to school districts based on the number of children of federal employees attending the school. This bill applies to state owned property within the school district, and pays in proportion to the mill levies established. The family unit provides two tax bases -- one where they live and one where they work. When we think of state owned property, one is missing, so this provides an offset to that. As far as Helena's ability to finance the school district -- the amount of property tax per child - the Helena district is 11th out of the 13. Libby and Glasgow both get federal money. The mechanics of the bill propose to establish the value of state owned property. This property (MSU, U.M., Eastern, the state prison) would be understood to be only improvements to such property. The value must be established for fire insurance purposes, and this value would be used as the full and true market value. 84-401 - this value would be reduced on to the assessed value and then on to the taxable value.

PENNY BULLOCK, Montana School Board Chairperson--This bill applies to areas with concentrations of state owned buildings. (1)land normally on the tax roles are taken off; (2)state employees work for and provide service to the entire state, but we have to educate their children. We aren't asking for an increase in taxes, but we want them to be more equitable.

HARPER--This is a legitimate and vital concept. The federal government does this.

BRAND--On page 2, line 1 - should that be assessed value or taxable value? CAMPBELL--The intent is to have it be taxable value. BRAND--I served on the interim committee that recodified the school laws, and we had a law that the state paid for state employees' children. CAMPBELL--Yes, but that is where the employee both lives and works on state property. It has a very small effect. This bill was intended to repeal that section. KROPP--I think we would have a fiscal note that would stagger us. BRAND--We won't have Executive Session until the fiscal note comes.

HB 686--Rep. Mular, sponsor--This arises from urban wet land problems. Almost every urban community in the state has subsurface flooding. All of you are familiar with flood planes. HUD has flood insurance. They are now setting up flood planes all over the state, but there is no coverage for subsurface flooding. Most houses don't even have basement drains. In my district, there were 84 homes. When I dug the basement, I went through 6 feet of granite, but when the wet season came, it flooded. All this asks is to make a feasibility study as to whether private insurance could carry such coverage. For \$3,700 you could do this, and allow communities to go the millage route. It might no happen but once in 10 years. They would report back in '78 and say whether we could have a program like this.

OPPONENTS

BILL ASHER, Agricultural Preservation Asso.--Mr. Asher left his testimony on a witness statement, as he had to attend another meeting. see witness statement for testimony.

KROPP--What is the money for? MULAR--DCA knows where to go and what facts to gather from what has already been gathered. The study would indicate whether there's a feasibility of carrying something like this. It is tough for low income people.

HB 794-BRAND-I want Nachtsheim to explain this bill (see attachment #7) since he is here, because it is similar to the bill Driscoll had here today. We will have a hearing on it.

LARRY NACHTSHEIM--This is a simple bill, but you have to look at the road map (see attachment #6). There are 5 systems addressed here. This deals with IRS qualification also. We did change some language so we wouldn't amend out something included in another bill. (1) there's a cash option; (2) people have to retire on the first of the month or the first of the month in which they make application - so they can't pick some day in the middle of the month; (3) this won't affect anything in this bill, it is here because of SB 260; (C) we repealed a similar clause in the PERS bill in '73. We want this repealed because it is unenforceable. We have no method to monitor civil suits in Montana, and if it is out of state, it's even worse. This has put the system together to be compatible with the record bills.

TURNER-Have you always been able to draw for unused sick leave? NACHTSHEIM-PERS received contributions on all compensation received by employees. What we are trying to do is prohibit someone from loading the last 36 months. His annual leave and sick leave are paid in terms of the \$1,000. We will add the two months at the end, but we take off 8 months at the beginning. (that's really what I have in my notes - Sec.)

EXECUTIVE SESSION

HB 741-Brand read the amendments, O'Connell moved the amendments be accepted, seconded by Meyer, and carried unanimously. O'Connell moved AS AMENDED DO PASS, Meyer seconded.

Kropp made a substitute motion of DO NOT PASS, stating that he felt this to be class legislation.

The DO NOT PASS motion failed, with Brand, Kanduch, Mular, O'Connell, Ryan, Meyer, and Turner voting no. (Bardanouve, Lien, Menahan, Robbins, and Tower had been excused for other meetings, and were not voting)

O'Connell moved to reverse the vote and the motion and let the bill go out with a recommendation of AS AMENDED DO PASS - the motion carried.

MEETING ADJOURNED - 10:00 a.m.

Joe Brand, Chairman

Anita C. Sierke
Anita C. Sierke, Secretary