

February 17, 1977

The meeting of the Joint Select Committee on Employee Compensation was called to order at 8:15 p.m. in room 225 of the State Capitol Building by Chairman Senator Joe Roberts. The roll call was taken, a quorum was present; therefore, the hearings were started.

HOUSE BILL 346

Representative JoEllen Estenson, District #32, sponsor of the bill, briefly described the purpose of the bill. Health insurance is a fringe benefit, she said; and it is now necessary that representatives of the people and public employees of all branches of government be allowed latitude in bargaining. Group insurance now would be allowed to be negotiated beyond the \$10 per month contribution, and a union trust is now allowed. Meaningful negotiations would be allowed; the approval of the legislature would still be required but the agreement could take the form that was agreed upon. She strongly recommended a "do pass".

Proponents:

Duane Johnson, Administrator of the State Personnel Division, testified in support of H.B. 346 and submitted a copy of his prepared testimony, which is attached hereto.

Donald Judge, Field Representative of the Montana Council No. 9, American Federation of State, County and Municipal Employees, AFL-CIO, was next to testify in support of H.B. 346. A copy of his prepared testimony is attached hereto.

Jim McGarvey representing the Montana Federation of Teachers, also testified in support of this bill. He felt that negotiations should be allowed, not only for the amount of the contribution by the state, but the types of insurance benefits to be included, or the manner in which the employees want the state contribution to be made. Under this bill, a local unit can address the insurance company and bargain for the coverage.

Opponents: None.

Questions:

Representative South said that the judicial is included in this bill, but the fiscal note shows no additional cost. Mr. Johnson said this is correct because the passage of this bill need not cost the state extra money. It allows the state to negotiate for limits on state contributions and where the contributions could be applied.

Referring to page 1, line 17 through page 2, line 11, Senator Hims1 asked if the 2/3 vote would prevail there too? Mr. Johnson answered that in his opinion it would not. In collective bargaining, the bargaining unit representatives would be its own internal process for negotiating, subject to the individual labor union's membership. The 2/3 vote would be required to form a contract with the carrier. The component group would be the members of the union itself.

Senator Himsl indicated he is having a problem finding out where they have power; Mr. Johnson responded they are not in power to select the carrier. This does not empower the union unilaterally to select a carrier. Under federal law, the amount and carrier only are negotiable; Montana is the same.

In response to a question from Representative Ellis, Mr. Johnson said there could be several groups dealing with several different carriers.

Senator Roberts asked if different carriers were selected, would they be subject to ratification by the legislature? Mr. Johnson indicated he did not see why; on passage of the bill, the legislature would permit that without ratification.

Mike Young, of the Insurance and Legal Division of the Department of Administration, said there must be a 2/3 vote to decide on insurance in the first place. Then another 2/3 vote to decide on the carrier.

Representative Fabrega asked if there would be a significant difference in the cost of the plan if a group was made of 200 or 2,000? Mr. Johnson indicated that the cost would go substantially down in some cases.

In response to a question by Representative South; Mr. Johnson said that the university system would not be exempt but it would fit into the branches of government included in this bill.

Mr. Johnson said that nothing would immediately change upon the passage of this bill. Any changes would require a mutual agreement with the union and the state.

Senator Himsl asked what would be the process of resolving a problem if the contract is not agreed upon, referring to page 3, line 14. Mr. Johnson said it would remain status quo.

There being no further questions, the hearing on this bill was closed.

HOUSE BILL 293

Representative James T. Mular, District #85, sponsor of the bill, explained the bill briefly. It would raise the accrued sick leave from 1/4% to 1/2%; it applies only on termination of employment. There are some problems with the bill which he pointed out. Page 2, line 22, is ambiguous. Line 15 should be changed; save the accrual that has been saved since July 1, 1971 to July 1, 1977. There should be a fiscal note. As sick leave accrues it is an incentive to stay with the state government. This type of benefit is assuring some of the finest employees possible working for the state; it would be the career-type employees that would feel the effect of this.

Proponents:

Tom Schneider of the M.P.E.A. testified in support of the bill. He made some amendment proposals, on the witness sheet attached, and said

they could not support the bill without the amendments. The savings to the state would be the reduction in sick leave and it would be a benefit to the state.

George Hammond, of Montana Council #9, AFSCME, AFL-CIO, testified in support of the bill also. At one time they negotiated with the Dept. of Institutions for a fully-paid sick leave plan. After it was fully negotiated, they found out it was illegal and couldn't be done. He said the original intent was to put a value on sick leave and to make it more of an insurance policy and to stop abuse of sick leave. In their research, they found that in Colorado it was found that putting a value on sick leave decreased the abuse of it. The Council believes that eventually there should be 100% payment for sick leave like there is for annual leave. They agreed with the Legislature that they would let the record speak for itself.

Opponents: None.

Questions:

Senator Stephens asked if sick leave and annual leave should be defined as one and the same and what is the purpose of sick leave? Mr. Hammond responded that it to take care of a person during illness while on the job; to insure their pay while they are ill.

Senator Stephens further asked why there should be a pay off for sick leave when a man has not been sick? Mr. Hammond answered that it goes along with a man who is in good health. Can stop abusive sick leave which can be costly to the state by putting a value on sick leave. Mr. Schneider said that people who are sick are being paid for being sick; but when an employee is well and goes to work, he gets nothing but the protection. Give him some incentive to stay well and not abuse his sick leave, he said.

There being no further questions, the hearing on House Bill 293 was closed.

HOUSE BILL 612

Representative Joe Brand, District #28, sponsor of the bill, said he introduced this bill at the Governor's request. He urges that H.B. 612 receive a favorable consideration as it is necessary to eliminate confusions in the law relating to exemptions for personal staff of some public officials.

Proponents:

Pat Estensen, Chief of the Classification Bureau, was called upon by Representative Brand. He recommends passage of H.B. 612. The current situation is that there are about 350 positions presently classified as exempt from the classification act. These people are paid according to the pay plan that the elected official establishes. Another aspect is that those same employees do not have the right to file a classification appeal if their rate of pay or classification is incorrect.

Tom Schneider, M.P.E.A., testified in support of the bill, saying that he felt this bill would be a good way to handle the present situation of exempt personal staff.

George Hammond, AFSCME, AFL-CIO, also is in support of the bill and asks for a favorable consideration of H.B. 612. He said that he was going to question the definition of "department", but could be in favor of this bill as it is.

Opponents: None.

Questions:

Senator Himsl said that he questioned the definition of "department," and asked if classification isn't assigned to the personnel division. Mr. Johnson responded that it is. Senator Himsl then asked if he was satisfied that this be approved by the "department," or should it be more properly put in the personnel division? The personnel division is in the Department of Administration, Mr. Johnson explained, and the criterion would be worked up by the personnel division.

Senator Roberts asked if this should be the Board of Personnel Appeals? Mr. Johnson said he has no strong feelings on that. The Board of Personnel Appeals has become a catch-all and there was not more reason to put in there than in the department. It is probably not as much a labor-management relationship as a management-management relationship. In many cases, the employees affected may not be organized. Mr. Schneider had no objections to the proposal by Senator Roberts. Mr. Hammond said that he had no objections, that was what he was going to suggest originally. Representative Mular had no objections.

There being no further questions, the hearing on H.B. 612 was closed.

HOUSE BILL 618

Representative Carroll South, District #51, sponsor of the bill asked that this bill be postponed for hearing until further notice. Senator Roberts asked if there were any individuals interested in testifying on this bill tonight, since it had been noticed for hearing.

There being no testimony, the hearing on H.B. 618 was postponed.

HOUSE JOINT RESOLUTION 28

Representative Jay Fabrega, District #44 from Great Falls, sponsor of the bill, stated that after watching the people who work with the legislative council and the legislative fiscal analyst, he has found there is a substantial amount of time involved. He has visited with Rose Weber and John Lafaver about this matter. He introduced the resolution to bring to the attention of the House and the Senate the kind of volunteer effort on behalf of the legislature. Some kind of compensation should be made.

Proponents:

Legislative Fiscal Analyst John Lafaver said that he is neither an opponent or a proponent, but felt he should make a comment. He has talked with each member of his staff. Through the last pay period, his staff had over 9 weeks of overtime each since they started preparing for the legislative session. By the time the session is over they will have at least 12 weeks apiece. The Legislative Finance Committee has approved granting three weeks off in partial compensation of this overtime. If they go with the resolution they would probably have about 18 weeks comp. time by the end of the session. He said they would not be able to get their work done if they were to take off all that time. He suggested that the committee consider alternatives.

Opponents:

Mr. Duane Johnson stood as neither a proponent or opponent, but he felt he should point out some things. While the personnel division recognizes and appreciates the efforts and work of the legislative staff and feel that they should be fairly compensated, the proposal of the resolution would create some inequities to other employees. It would be discriminatory to the other employees in government that are not eligible for that special compensation time, but work many hours of overtime.

Questions:

Senator Himsl asked who is eligible for comp. time in state government; Mr. Johnson said that most employees above grade 12 are exempt from compensatory time for overtime worked. Those below grade 12 are eligible.

Senator Stephens asked Mr. Lafaver if they are under staffed; his response was that they are not overstaffed but if he had more analysts they would be put into areas they are not now working. Just because of the nature of the work, there is alot of overtime.

In response to a question by Senator Stephens, Mr. Johnson said that years ago a limit was set at 120 hours to be the maximum number of comp. time hours accrued. Working a lot of overtime cannot be avoided in some types of jobs.

There being no further questions, the hearing on H.J.R. 28 was closed.

HOUSE BILL 327

Representative Menahan, sponsor of the bill was not present at the time; Pat McKittrick, of the Joint Council of Teamsters #23, explained that this bill has some clarifying language for component groups. A reference could be drawn to the first bill heard tonight, he said.

Proponents:

Don Judge, of the Montana Council #9, AFSCME, AFL-CIO, testified as a proponent for this piece of legislation as it clarifies the original bill. He asked for favorable consideration of this bill.

Opponents:

Mike Young, Administrator of the Insurance and Legal Division, said that this bill is inconsistent with the present law. The uniform insurance act never defined the component group; but the attorney general defined it as the 19 agencies in state government and the elected officials. All components are free to come in, he said. He said that if a phrase was added to say a component group means what is defined in the bill, "but is not limited to" this definition, it would not exclude the other agencies of state government.

Questions:

Senator Fasbender asked if there were objections by the proponents to making the amendment? Mr. McKittrick said that page 1, lines 24 and 25, are not meant to exclude the other 19 agencies.

There being no further questions, the hearing on H.B. 327 was closed.

HOUSE BILL 183

Representative Mike Meloy, District #29, sponsor of this bill, explained that this bill increases the state contribution to employees' health insurance from \$10 to \$40. Until 1973, Montana was one of the only states that did not have a statewide health insurance plan for state employees. The premium which was finally adopted in 1974 for the group health insurance was not out of proportion to the state contribution, he said. However, the carrier has increased the premium so much so that presently the \$10 contribution is so small relative to the cost of the premium to the family at high option that many families cannot afford to purchase the insurance. This bill is an attempt to make health insurance available to all employees.

Proponents:

William Brumley of the University system testified in support of this bill. The university system does have an insurance plan separate from the state plan, with all parts of the university employment scene included. He feels that the \$10 contribution by the state for the group health insurance plans is exceedingly inadequate. Both the state and the employees would benefit by raising the contribution amount. He briefly addressed other bills being heard tonight, stating that the negotiated approach may give such a diverse number of plans that the statewide plan may not be able to function.

Tom Schneider, of the M.P.E.A., supported the bill also. He gave the committee information for the record. Employer-paid health insurance is a common practice in private industry; their organization supports the concept for the state also. Going back to 50 or 100 health insurance plans will not produce full paid health at any time. The desires

of employees at a grade 25 would be different than those at grade 5; therefore, we could set up a plan for them that would fill different needs and by different carriers. They feel that they must be able to get control of the plan to start and get top dollar control of the premium but must also get a plan that is good and equitable to the employees and that the state can pay for. Being realistic, they are aware that the Legislature will not approve full-paid health benefits at this time, but this would be a step in the right direction and further steps could be taken two years from now.

Dick Disney of the Department of Business Regulation and Insurance, testified as a proponent. He said that the last increase for the state's contribution was about 1969 when it went from \$7.50 to \$10. He does not feel that the program in effect for state employees is inadequate, the only input he has received is that the premiums are drastically out of line but the coverage being provided is not a problem. The Dept. of Administration has indicated they are going to go out to bid with the present program to include some additional options and provide more coverage for a smaller premium. He asked for approval of this bill and other bills addressed relating to the increased state contribution.

Don Judge, Montana Council No. 9, AFSCME, AFL-CIO, was another proponent of the bill, as this bill is a step toward fully paid insurance. One problem that had not been addressed yet was on page 2, lines 7 to 9. This part may be a problem because there are some current premium contracts that are about \$31. It may put an undue burden on public employees and schools and local governments if they were required to pay \$40 when it would not be necessary. He has received no complaints about the coverage, only the costs.

Fred Hennington, professor of insurance and finance at the University of Montana, supports the bill also. He discussed the insurance plan for the university system. He said that the extremely low coverage of employee benefits makes the job of recruiting and hiring quality faculty very difficult because those people come from areas with higher and better plans, and do not want to lose those benefits in coming to Montana. The increase from \$10 to \$40 may seem large, but there has been no changes made since 1969, during which time the medical costs have increased astronomically. This has been driving people away from the plan. If the state must choose between higher wages and higher employee benefits there is no question that practically all employees would benefit more from getting increased benefits. For the employees it would be the purchase of one dollar of benefits for sixty cents of after-tax dollars. The state would also be buying a bargain in taxes paid, he said. We would be able to get the carrier to provide more services for the premium. Harry Gaghen, representing the American Association of University Professors, strongly recommended this bill receive a "do pass" consideration. Medical costs have skyrocketed, which the costs have been borne by the employees. Montana is far below any average; but this would improve an untenable situation. There would be tax benefits for all concerned and the possibility that these tax dollars would not be leaving the state.

Mike Young, of the Department of Administration, stated he would like the committee to know that they will need about three-months lead time to prepare for changes as they must take a vote of about 26 different departments to approve any bids.

Joe Rossman of the Montana Joint Council of Teamsters stated that they support the bill and the concept of component groups. They are concerned with the higher amounts the employees are paying for the premiums. All of the plans the teamsters have include dental and other kinds of health care which he felt all insurance plans should include.

Lloyd Markell, Montana Education Association, representing the teachers at Mountain View School in Helena, Pinehill School in Miles City, and Northern and Western Montana Colleges, supported H.B. 183 and H.B. 170. He explained how the contributions work in their insurance plans, and stated that \$40 is a very reasonable figure. The state's increased contribution would benefit both the employer and the employee. He left information for the committee's records and information.

Opponents: None.

Questions:

Representative Tropila asked how they decided on the \$40 amount for the state contribution. Representative Meloy said they just felt it was an amount the state could afford but that the committee must make the decision on an amount and the statute. He also commented that the fiscal note is not the amount over and above the budget of the Governor, which does reflect some increases in the state's contribution.

Senator Stephens asked Mr. Hennington about his comments that because of the size of the group under the university plan, they are able to coerce the carrier to provide more coverage. Mr. Hennington indicated that they have more leverage and do get the carrier to provide more. Mr. Brumley said that they consider the carriers to be managers of their funds and they pay for services under question, and include it in the plan later.

In response to a question from Senator Stephens, Representative Meloy said that he has found that if a husband or wife works for the state and the other works for the private sector, in nine out of ten cases the family is insured under the private sector's plan because it is a lot less expensive in most cases.

Senator Fasbender asked Mr. Young about the policy for getting bids and if it wasn't the way the specs were written that made it possible for blue shield and/or blue cross to get the bids. Mr. Young said that since about 1974 they had not received bids other than from blue shield or blue cross. Most insurance companies bid on a certain number of employees under a plan. The specs require a claim office be in Montana for the company that provides coverage; very few companies are willing to set up an office in the state for only one policy. Attempts by their department to go to other carriers has met resistance as, he said, most employees like blue shield. This is one reason the costs

are higher. The difference in the approach to insuring is another reason, as is the initial cost coverage. Inflation has been at a 46% rate since 1974. Their plan is losing about that amount of money and they must keep the plan for a number of years to break even. They also do not bid because it takes a lot of time to contact all agencies and find how the make-up of the agency has changed. They do feel compelled to go out and bid this year. Senator Fasbender indicated that these sounded like excuses and were not good reasons; Mr. Young retorted that he might be right, but it was a last resort.

Representative South asked if more than \$40 could be paid if the bill passes. Representative Meloy stated that more than \$40 could not be paid under the bill. Senator Roberts added that the state could not but the counties could pay more than \$40.

There being no further questions, the hearing on H.B. 183 was closed.

HOUSE BILL 170

Representative Menahan, District #90, sponsor of this bill, said that this bill was drafted in the lines of H.B. 183. The amount of \$40 would be a minimum amount but bargaining units may bargain for higher amounts if they wanted to do so. It could be arranged that the increased benefits would be in lieu of the wage increases.

Proponents:

Don Judge, Montana Council No. 9, AFSCME, AFL-CIO, said they support this bill, but there is one problem they see. On page 2, section 5, lines 7 through 11, there may be a problem is a man gets terminated while on a payroll status, the state could have to continue to pay the premiums during that time. It would tend to drive up the premiums for the others. Perhaps the way to resolve the problem, he suggested, would be to take H.B. 346, insert the \$40 minimum contribution and leave open the maximum.

Jim McGarvey, Montana Federation of Teachers representative, said that they support this bill as well as other bills increasing the contribution. Their priority bill would be H.B. 346, because they feel it should be negotiable.

Lloyd Markell, Montana Education Association, said there must be equity found for all employees. There is currently an inequity, which could be remedied by these bills.

Opponents: None.


Questions:

Representative South said that there is no fiscal note on the impact on local government, and asked what it would be. Representative Meloy said there would be an increase probably, but they could not tell how much. Duane Johnson of the Personnel Division said he was not certain there would be a big fiscal impact.

There being no further questions, the hearing on H.B. 170 was closed.

In concluding the meeting, Chairman Roberts said that the committee would meet very soon to take action because the transmittal deadline is rapidly approaching; committee members will be notified of the time and place.

The meeting adjourned at 10:30 p.m.



Senator Joe Roberts, Chairman

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