

February 20, 1979

The hearing was called to order at 8:10 a.m. by Chairman Brand, Rep.'s McBride and Hayne were excused.

HB 614-Sponsored by Rep. Nordtvedt -- This bill is mainly a matter of equity. In the Teachers' Retirement System, there are two contributions made -- by the employer and the employee, from his wages. This is really legally his money and his account up until the point he actually starts to take his retirement benefits. The interest earning of the employer goes into the General Fund of the retirement system, but the interest earnings on the employees' contributions are credited to the individual employee's account. The present statute reads interest at 4% per annum compounded annually, or such rate as may be set by the retirement board -- at the present time, it is set at 5 1/2%; while in fact, the employee money is earning 8%. There is quite a discrepancy between the actual earning of the employee's money and what he is credited each year under present policy. The purpose of the bill is to change the law to what interest is to be paid the employee account. It would be the actual interest earned in the previous fiscal year. If HB 614 passes, the employee would receive the interest that his account is earning after the retirement system is allowed to deduct reasonable administrative expenses. This is fair to allow those teachers, with or without vested rights, to take their contributions with the true interest earned.

DR. IRVING DAYMON-Deputy Commissioner of Higher Education -- He spoke in support, and said if the employee's contributions are earning at a certain interest rate, the full amount should be credited to his account.

NO OPPONENTS, NO QUESTIONS

SB 579-Sponsored by Rep. Fagg -- At the current time, the state law requires that an employee be paid within 5 days after termination of his employment or 6 days if he is employed by an out-of-state authority. This bill says he will be paid in the next regular pay period -- but in no case more than 15 days from termination of his job. The reason -- we are getting into more and more problems particularly in our cities that are on computer systems and it is more difficult to break in and close out for an individual who has just left.

DAVE GOSS-City of Billings -- He submitted written testimony, see Attachment #1.

NO OPPONENTS

FAGG-The only persons who would be concerned are unions and the League of Cities and Towns, and I have talked to the union people.

HB 680-Sponsored by Rep. Kvaalen -- This bill repeals sections of law related to the Environmental Quality Council -- because I feel it has outlived its usefulness. There is a price of \$365,000 for the next biennium.

OPPONENTS

NORMAN A NELSON-Northeast Montana Land & Mineral Owners -- See Attachments #2,3

VERNER L. BERTELSEN-Representative from Ovando -- What I feel we have here is when legislators don't have the time to find out what is involved. It is the legislative arm which is involved in determining if the departments and agencies of government are actually being involved and concerned in the environmental quality of the state. The Council did make trips and did see problems that were in need of correction. This past year they acted in the state of Montana as an avenue to establish an information center and you can get the latest information available to the legislature. They went to Sidney and found conditions in the oil field that concerned many people. It was felt there was a need for a program to inform the people of the problems and this was done. I feel as a legislature, we need an arm which can be concerned with what is happening in Montana.

HUGO J. ASBROCK-Speaking for himself, from Fairview, Mt. -- He spoke on what was happening in his area and he did not feel the departments of state government are enforcing their rules.

WILLIAM M. SPIJKER-Speaking for himself, from Helena, Mt. -- He is serving as an appointed public member of EQC. EQC had been controversial in nature but during the last two years the council has been strengthened and is providing the state of Montana with: a body on behalf of the legislature to review executive branch procedures in making environmentally sensitive decisions and provides a forum or body for Montana citizens and state agencies to meet on a common ground to resolve problems. The present staff is productive and competent.

DENNIS NATHE-Speaking for himself -- I would like to go on record as opposing this bill and to reaffirm what had been said -- I feel the EQC serves a useful function.

JOY BRUCKE-League of Women Voters -- She submitted written testimony, see Attachment #4.

LARRY TVEIT-Speaking for himself, from Fairview, Mt. -- I oppose this bill and feel that we have to have some control to oversee all this.

KVAALLEN-I would like to remind the committee that the EQC has no authority whatsoever, all they can do is advise. I think the reason we get something done is because we are legislators, and I think it is time the legislature require the enforcing agencies to do their job and not have the EQC running around reviewing them.

HB 804-Sponsored by Rep. Anderson -- This bill deals with teachers currently teaching. It needs amendments on page 1, line 19 and page 3, line 2 -- but they will have to be added on the floor.

PHIL CAMPBELL-Montana Education Association -- We support this. The change in the formula to 2% applies only to the years of service worked under the new formula. We would like to have applied to all teachers, but realizing the general mood of the legislature, decided no to. The additional costs will be borne by the employer and employee and will not adversely affect the school district budgets. The employer's contribution is a county-wide mill levy. The increase will help offset inflationary costs in the future and will attract good teachers.

NO OPPONENTS

BARDANOUVE-What will the cost to the property owner be? ANDERSON-This increase would apply to teaching service beginning July 1, 1979. The mill levy was said to be mandatory rather than a voted levy; for 15,000 school teachers and the additional cost would be approximately 1.5 million per year.

HB 762-Sponsored by Rep. Spilker -- I introduced this at the request of the Board of Cosmetologists, and it deals with temporary licensing. This is a license given to people from the time they leave school until they receive their permanent license. They wish now to give the people that come from another state a temporary license until they take the examination and receive permanent status.

KATHRYN M. TUCKER-Department of Professional & Occupational Licensing, and the Cosmetologists -- She spoke briefly in support.

NO OPPONENTS, NO QUESTIONS

HB 703-Sponsored by Rep. Moore -- A few years ago there was an extensive study in the Department of Revenue, Liquor Division, with much discussion on the stores. After talking to the people in the state stores and others they came up with this bill to retain the operation on the wholesale level. This will gradually take the state out of the retail business. Under this bill, there will be no more state stores opened and hiring of any more state employees would freeze. When personnel level at each store gets down to 50% or lower, that store will cease to be a retail state store. Personnel will be given the option of retiring, transferring or quitting. The store will be offered to the remaining employees to operate private. The agency store will be up for bid. What this does is accomplish a method of getting the state out of the retail business. The state is released from the cost of salaries, rent, utilities, etc. The people who operate stores are able to make money and the liquor sales by the state are not affected.

OPPONENTS

LEON MISSEPLY-Department of Revenue -- We oppose this concept. 80 out of 112 stores are state stores and they would not be able to hire any part-time help. They do not have the staff in the Liquor Division to handle the closures between now and the end of the year.

BILL GROFF-Department of Revenue -- You set the policy, but don't do it this way. There will not be any place to transfer to. They should provide equal service throughout the state of Montana.

LONNY MAYER-Retail Clerks' Union -- I just want to voice our opposition.

MOORE-I understood I would have opposition, however, I am still waiting for a suggested schedule amendment. I have no objection to phasing out in one or two years and would encourage the Department to come up with a schedule to go into this bill. The study did prove that this would not lose any money.

HB 627-Sponsored by Rep. Bardanouve -- This is not a bill of any magnitude, and does not cost more money and may even save the pension fund a little. This bill

(BARDANOUVE continued)-is a small attempt to regulate and control in one area and would apply to full-time employees making substantial salaries and remove them from receiving pension benefits until their salary drops.

LARRY NACHTSHEIM-Administrator, PERS -- He submitted written testimony, see Attachment #5 and 5a.

OPPONENTS

ROBERT MacPHERSON-Speaking for himself, from Great Falls, Mt. -- I think is very unfair to penalize the retired police officer who works and I ask you to give serious consideration to voting against this bill.

MIKE MORRIS-Policeman from Anaconda -- Two years we came to the Legislature because a big part of our people were on welfare and asked you to pass a bill to bring those people up off welfare. There wasn't a descending vote. We were satisfied with that bill -- why penalize the senior citizen.

JACK WILLIAMS-Montana Police Chiefs' Association -- We oppose this because we feel it constitutes changing the rules in the middle of the game.

MAURICE MULCAHY-AFSCME -- He submitted written testimony, see Attachments #6 and 6a.

DON FRAZER-Livingston, Mt. -- Spoke in opposition.

HELEN O'CONNELL-Representative from Great Falls -- Spoke in opposition.

PAUL PISTORIA-Representative from Great Falls -- Spoke in opposition.

BARDANOUVE-I don't feel it is fair to say that all these people are on welfare. This bill would not affect most of the people they are talking about -- it only affects 10% of the people involved. This bill is to slow up the cost of the bill passed last session.

BRAND-Why did you discriminate between wage earners and inherited money? BARDANOUVE-That would be very difficult to tell. If they are receiving substantial income from relatives they shouldn't be receiving welfare anyway. BRAND-It seems to me the bill says if they work you take away their pension; and also if you get interest. FEDEA-I think it might have to do with how a man manages his money throughout his life.

HB 854-Sponsored by Rep. Nordtvedt -- This authorizes an optional retirement program for administrators in the university system. The Board of Regents would organize this and they would have a one time option to join TRS or this. The bill provides some methods for this one time choice. A nationwide university retirement system exists that allows a lot of flexibility. This is particularly important to faculty we bring in on a specified temporary contract. They have no tenure and under the present system, they lose their retirement fringe benefits. The state contribution for retirement would be the same in either system, so there's no difference in the state contribution, and the employee contribution would be the same. We are talking about some fraction of 8% choosing the alternative. If a teacher chose to

(NORDTVEDT continued)-switch to the alternative his past contributions would stay in TRS and he accrues no future benefits. His future contributions would go into the optional system. No funds would be pulled out of TRS. New teachers would have a one time option.

PETER PAULY-Teachers' Insurance Annuities Association -- This organization stems from an organization created by Andrew Carnegie -- who was concerned about higher education teachers who couldn't find satisfactory retirement systems -- so he endowed the system. It soon became obvious that it was beyond his means to fund the entire thing, so an organization was chartered as Teachers' Insurance Annuity in New York to serve this function. In '52, it became apparent that fixed dollar annuities were losing money and it became possible for people to purchase variable annuities. This fund has assets of \$12 billion. They offer programs at 31 schools and 445 public financed schools. TIAA and CREF only offer their benefits to private institutions. We feel this should be offered in public institutions. It is so widely offered otherwise it affords portability and vesting -- he can take his benefits with him and continue to contribute to his retirement at the next school where he teaches. This makes our schools much more attractive to teachers from other states. Thus improving the quality of the system. It doesn't repeal or bother TRS and is intended only as an option.

RICHARD BARRETT-President, Teachers' Union, University of Montana -- We support this. It is attractive in bringing faculty by also people leaving the system benefit because they don't lose their benefits. It can be offered to them without significant impact on the fund.

DR. IRVING DAYTON-Deputy Commissioner of Higher Education -- Dr. Dayton submitted comprehensive written testimony, see Attachment #7, but had additional comments as well - I think we will see a lot more itinerant academicians and this option would allow us to be more competitive. So, with no fiscal impact, we are helping the university system to become more competitive.

OPPONENTS

OWEN MORRIS-Executive Director, Teachers' Retirement System -- We just don't want teachers to be able to select -- we want them either in one or the other. For some to opt the new one would increase the impact cost for the ones who stay. Younger members will undoubtedly choose the new system. There's an unfunded liability in TRS due to past increases -- 4.47% goes to amortize this, and this 4.47% should remain in the system. Mr. Morris also submitted written testimony, see Attachment #8.

GENEVIEVE ADALF-National Asso. of Retired Teachers -- Retired teachers think the retirement system has been adequate even though we need more.

NORDTVEDT-I realize that you have a burden and that many of the arguments have been sound; but education is entering a new era and the retirement systems need to provide for the quality of education and encourage flexibility. This system was designed with several safeguards for the employee/employer -- the contributions would be the same. It gives flexibility to hire short term teachers and I assure you, we will have to hire more short term teachers and this would enable us to do so.

DONALDSON-If a teacher is in the university and chooses to go to the new system what happens to his contributions to TRS? NORDIVEDI-All past contributions would stay in TRS. Future contributions of both employer/employee would go into the optional system. His additional years of service teaching in Montana would allow him to attain vesting, but the benefit would not tend to increase. He would be able to attain vesting in five years. MORRIS-For the number of years required to amortize the liability it is necessary to take out additional monies to pay back. PORTER-Who controls the rate for the future? NORDIVEDI-It would be controlled by law. So, the legislature and TRS would in essence be controlling the contributions. PORTER-What if you run into national pressure? NORDIVEDI-You would know more than I. BARDANOUE-At present, all teachers are required to belong. As a lawyer can you deny that if we set one part of teachers above all the others, wouldn't we have a law suit on our hands? PAULY-There may be an equal protection problem, but the system has been offered exclusively to institutions of higher education and there have been no law suits. It only makes this program available in colleges and universities. NORDIVEDI-It is an historic accident that public education and higher ed. teachers are in the same program. Public teachers negotiate with the Superintendent for their salaries and professors deal directly with the state. This bill could be written to say that all teachers could be given this option -- there was nothing sacred about reserving this for university teachers. BARDANOUE-Wouldn't there be a problem when all the other teachers come up wanting this and couldn't that destroy the teachers' retirement system? NORDIVEDI-If most teachers felt there was something better somewhere else for the same money, then maybe the present system isn't serving the best interest of teachers. BARDANOUE-In Washington, the state is being asked to bail out the TRS because of this same situation. NORDIVEDI-There's probably little concern about our bailing out any national system. This TIAA has the highest interest earning rate of the five largest insurance companies in the nation. BARDANOUE-Then maybe we should abolish TRS and all join this. DAYTON-There is no national system on the public-secondary level. You could certainly write it into the bill if you could find it. BARDANOUE-We are beginning to set up an elite teaching sector. BRAND-How many people would this involve? DAYTON-2,000 that would be eligible to make this selection. The university system, administrators, etc. MORRIS-16,000 pay into TRS. DAYTON-8% of TRS are in higher education. People with any appreciable service, I think, would stay with TRS. PORTER-I think we owe an apology to Mr. Pauly for the foul call.

HJR 47-Sponsored by Rep. Underdal -- He passed out financial outlines of the four candidates in the Congressional election just past - see Attachments #9a - 9d. During the past election, I read of contributions to the various candidates and I didn't like all the money that came from out of state. I ran down some figures on two of the elections. The ones who had been in DC before indicate some things. Pat Williams seems to have had the least out of state contributions. The two that had been in DC got the most from out of state. I think this indicates that our elections are tremendously influenced from out of state.

NO OPPONENTS

AZZARA-Do you think there's really any way to stop this money without violating other political rights. You are concerned about money not buying elections. You think they should be on the value of the candidate. UNDERDAL-I don't object to in state people contributing, but people outside of the state giving more than

(UNDERDAL continued)-\$5,000 each bothers me. AZZARA-Do you think this is also true in ballot issues?...How did you feel about HB 452? UNDERDAL-I have no way of assessing that. BRAND-My union donated \$3,000 and our office is in Cleveland but all the money is from Montana individuals; so how would you deal with that - we have to be federally regulated. UNDERDAL-If Congress sees fit, they will have to make such regulations. The federal regulations far exceed the state regulations. BRAND-Your list shows alot of things as out of state money that in essence probably are state money. A candidate doesn't have to accept the money if he feels it to be detrimental to his campaign.

EXECUTIVE SESSION

HJR 47-DONALDSON moved DO NOT PASS - I don't see how it can be accomplished and I have faith in the voter and we are getting too involved. AZZARA-I agree, I don't understand how it can be done.

The DO NOT PASS motion carried 17 - 1 (Bardanouve), with Azzara abstaining.

HB 579-SMITH moved DO NOT PASS.

KANDUCH made a substitute motion of DO PASS, which carried on a roll call vote 10 - 5.

HB 614-BENNETT moved DO PASS.

BARDANOUVE-This is being used to pay back the unfunded liability and with this bill you wouldn't.

KANDUCH made a substitute motion of DO NOT PASS which carried on a roll call 13 - 5.

HB 627-O'CONNELL moved DO NOT PASS, which roll called right on out 13 - 6.

HB 680-AZZARA moved DO NOT PASS - This Council saves the Legislator alot of time and footwork. FORNIER-Oscar feels it denies him the opportunity to communicate with his constituency. AZZARA-I think, considering the importance of many environmental issues, this Council is necessary.

The DO NOT PASS motion carried 12 - 7.

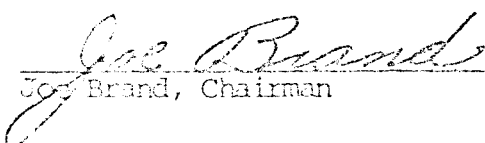
HB 703-KANDUCH moved DO NOT PASS, which carried 14 - 5.

HB 762-O'CONNELL moved DO PASS, which carried 18 - 0 with Azzara abstaining.

HB 804-SMITH moved DO NOT PASS, which carried 18 - 1.

HB 854-O'CONNELL moved DO NOT PASS, which roll called out 11 - 2. (5 people had to leave).

Adjourned: 11:55 a.m.


Joe Brand, Chairman


Nita Sierke, Secretary