

MINUTES OF THE MEETING
SELECT COMMITTEE ON EMPLOYEE COMPENSATION

7:30 P.M.
February 8, 1979
Room 108
State Capitol Building

The meeting was called to order by Acting Chairman Senator Himsl at 7:30 P.M. All members of the committee were present with the exception of Senators Regan and Gerke. Senator Story was excused.

Chairman Himsl presented Representative Carroll South who explained the nature of this Special Committee. Representative South stated that the committee has been established to hear bills on state employees' benefits.

Senator Goodover, the sponsor of Senate Bill 226, explained that his bill is the result of discussions at interim meetings and that under current insurance laws coverage is fractionalized. As a result many agencies found themselves in a high risk category with increased rates. Senator Goodover stated that he does not believe there is another bill covering this same subject, and he concluded by stating that in order for the agencies to get the best insurance coverage, they should all be included in the same plan.

There were no other proponents to the bill.

Tom Schneider, representing Montana Public Employees Association, rose in opposition to the legislation. He stated that the problem with the bill is that it does not completely handle the problem. There are problems with employees handling insurance by themselves. If you allow employees to drop out, you really don't have a group insurance. He stated that you simply can not let everyone handle their own insurance.

Harry Hardy rose in opposition to the bill. Mr. Hardy stated that he is a teacher at Capital High School in Helena, and is a member of AFL-CIO. He stated that the bill discriminated against teachers, labor unions and other groups.

Senator Goodover stated that the bill is not restrictive. It indicates that if employees want to go this route, they just wouldn't get the state contribution.

Representative Ellis asked what this bill does to the insurance program that is offered by the University of Montana.

Senator Goodover stated that educational groups are not included in this plan. He further stated that state agencies would not be included in the plan offered by the University system.

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There were no other opponents, and Chairman Himsl declared the hearing on Senate Bill 226 closed. He then presented Representative Howard Ellis who spoke on House Bill 357.

Mr. Ellis stated that the purpose of House Bill 357 was to establish an experimental incentive pay program for state employees for efficiency in performance of their duties.

He called upon Dick Franz of the Office of Budget and Program Planning who stated that his office fully supports the bill. They feel that this program has been successful elsewhere. He explained that the bill calls for an Incentive Pay Committee to be established to oversee the operation of this program. His office feels that this step is unnecessary. They also feel that the exclusion of units that receive federal funds is too restrictive and that this should be worked out so that units selected for the program shall be given the opportunity to state their position.

Mr. Franz stated that they also would like to see the bill amended to provide the amount to be awarded to the employee up to 25% of the amount to be determined to be the true cost reduction pending the availability of funds. He explained stating the possibility that cash may not be available to pay the full 25% award, even though there is reverted spending authority. Also, he stated that if federal funds are involved, there may be restrictions which do not allow for the expenditure of the federal monies in support of the program. Without the proposed amendment, it may be necessary to use funds from other programs, or supplemental appropriations.

He concluded stating that this office would like to see the bill amended as stated above.

Mr. Bill Goznell from the Personnel Division of the Department of Administration rose in support of the bill. He stated that he is not sure that the problems can be ironed out to make the bill work.

There being no further proponents of the bill, Don Judge, representing the AFSCME, AFL-CIO, rose in opposition to the legislation. Mr. Judge stated that the bill will present some problems. He said that this could create a "bastardized" system. The bill would perpetuate the violation of the Salary and Classification Pay Plan. The bill could provide merit pay and raises for certain employees under the plan thus creating the possibility of numerous appeals and discrimination suits among the employees who were not given this same consideration. He stated that the specific salary grades could not be perpetuated. He explained that if you divide the 25% equally among

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the employees, this would allow the employees to fall into grades or steps that are not within the plan. In essence, this would perpetuate the rising cost of State government.

The next opponent to the bill was Cordell Brown, representing the Department of Public and Health Service Workers, MFT, AFT, AFL-CIO. Mr. Brown stated that his organization feels that the bill has noble intentions, but that during this time of fiscal strife, they just don't feel that the Legislature should be considering legislation that the Department of Administration feels will be "fun".

At this point the Chairman called on Tom Schneider, representing the Montana Public Employees Association. Mr. Schneider stated that he speaks in favor of the bill. He stated that it is his opinion that if the bill were to pass it would not affect the current pay status because it would be a one time payment and would not create an on-going increase. The bill would not cost any money because it simply gives the employee a portion of the money that was saved which, in essence, is not true money.

Representative Ellis explained the proposed amendments to the bill, stating that they would change the committee make-up. He said that this is strictly an experiment, it may create an attitude of the employees to save money for the State of Montana. He went on to state that North Carolina has a similar proposal and that industry and business have used incentives very successfully. He further said that when there is monetary rewards for productivity for similar projects for employees, there is an incentive to save and perform better duties.

Senator Fasbender inquired what happens after the first year. Representative Ellis replied that we have not had an opportunity to test this whole experiment yet.

Representative Tropila asked for an explanation of Section 8 on page 8 of the printed bill. Mr. Gosnell stated that under the existing law the advisory council is under appointment of the Governor. We want to have an advisory council to establish the guidelines for this.

Representative Tropila then stated that Section 3 says who may get the money, if we have any.

Representative South stated you may have appropriation authority, but not cash. Tropila then stated that the "if" is still there. Representative South stated that you may have reduced expenditures, but you still may have no revenue. Tropila replied that

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if there is no money, there is no incentive. Senator Fasbender stated that the likelihood of revenue not coming in is very slim. Chairman Himsl stated that the earmarked revenue funds are dedicated for certain purposes. Senator Fasbender said that he supposes there are some outside cases where earmarked revenue funds could produce some problems if they are not paid. Representative Tropila said that if you read the bill, there is still a big "if" in it. Senator Fasbender asked how are you going to know when it is a savings and when it is not? You are going to have to insure that the current level of service is maintained. If there are normal vacancy savings, they have to see that these vacancy savings are not counted as qualifying savings.

Senator Fasbender stated that the best way to save money is to eliminate a job.

Chairman Himsl stated that under Section 10, the bill will use \$10,000 even though it is supposed to be a money saving thing.

After a short question and answer period, Chairman Himsl asked for any further comments. At this point Mr. Schneider stated that he doesn't favor excluding the Department of Administration because they are a diverse department with only a small function being addressed to personnel matters.

Chairman Himsl asked for any other questions. There being no further questions, he urged Representative Ellis and the committee to look into this legislation further.

Chairman Himsl then introduced Representative South who is the sponsor of House Bill 437. Mr. South explained the purpose of his bill stating that it is to establish an adequate health insurance program for state employees.

Dave Evenson, from the Personnel Division of the Department of Administration, explained that the relative high costs of health insurance and the fact that it affects each employee makes it a controversial issue. He went on to say that the state employee health insurance program is a major financial program as much as an employee benefit. It is imperative that the State assume its proper role as an employer and manage this program to see that both the tax dollars are wisely spent and that the interests of all state employees are protected. This bill will give the authority to manage the state health insurance program to the Department of Administration. The Chairman asked if there were any other proponents.

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Jack Noble from the Montana University System, rose in support of the legislation. He addressed comments to the insurance benefits and closed by saying that although the university system remains outside the plan, they can come in at a later date, and they endorse the bill.

There being no further proponents of the bill, Chairman Himsel asked for any opponents.

Tom Schneider, of the Montana Public Employees Association, stated that he has a bill in the council that isn't too much different than this bill. His bill does not come under the management of the Department of Administration. It provides for a board of trustees comprised of a person from the Governor's Office, a representative from the Legislature and two members appointed from labor unions. The University System can be segregated and if they decide to come in at a later date they will be provided with two additional trustees. Under the trustee system the employee would feel they have representation. Also, their bill has a dollar value in it. Mr. Schneider said that his bill provides an option for an individual to go into self-insurance. He further said that employees are always suspicious of group insurance. He closed by saying that they feel insurance is very important and they would like action to be taken on Representative South's bill. Chairman Himsel responded, stating that action will not be taken until all legislation on insurance is looked at closely.

Discussion was held between Representative South and Mr. Gosnell as to whether a single employee could have full coverage for \$30 and take the remaining \$20 of the state contribution in salary without subjecting the first \$30 to taxation.

At this time, Jim McGarvey, representing the Teachers union, rose in opposition, stating that they are ruling out a composite rate right off the bat. Under a composite rate everyone pays the same.

Representative South responded by citing an example of a husband and wife both working for the state. One spouse would have full coverage for the entire family, then, the remaining spouse could not utilize the full state contribution, and under current law they would forfeit the amount of the state contribution not used for insurance.

Chairman Himsel stated that it is his impression that you should put the insurance out for bid to find out what coverage is available. We have to keep together and keep the group as large as possible. Mr. Gosnell rose again, saying that single people participating in the flat \$30 per month plan are subsidizing

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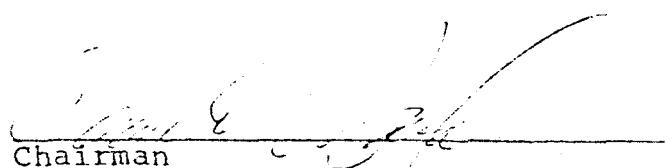
families. He feels we have to come up with a plan where everyone is benefiting equally. The Chairman stated that we take this position but it is impossible to please everyone and so you must compromise.

Don Judge, AFSCME, AFL-CIO, stated that there is a bill in that would allow the employee to take the state contribution as wages.

Cordell Brown rose again, saying that he thinks that Mr. Evenson's letter looks at the private sector. They are taking fixed dollar amounts and buying as much insurance as they can from that amount. The private sector chooses any number of options.

Tom Schneider asked if it is true that IRS has changed the rules; you can take your choice of benefit plans, no distinction is made for single or married persons. We decide what we want, we sent it out on a bid, we give the insurance company an amount to work with, and they tell us what coverage is available. This allows the state to buy fully paid life insurance for \$60 to \$70 a month. He concluded by saying that individuals can not build a solid insurance program based on their contributions alone.

The Chairman asked for any other opponents to the legislation and there being none, the meeting was adjourned.


Chairman

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