

MINUTES OF THE MEETING  
FINANCE AND CLAIMS COMMITTEE  
MONTANA STATE SENATE

March 3, 1979

The eighth meeting of the Senate Finance & Claims Committee met in room 108 of the State Capitol on the above date. The meeting was called to order at 11:07 a.m. by Senator Himsel, Chairman.

ROLL CALL: All members present except for Senators Lockrem, Regan, and Thiessen.

CONSIDERATION OF HOUSE BILL 445: Representative Joe Brand, district 28, Deer Lodge, spoke in explanation of the bill. Testimony attached, exhibit 1.

Larry Nachtsheim, administrator for PERS spoke for the bill. He said prior to this bill there was one rate for the individual that retired a year before, and another for the one who retired 2 or 3 years before, etc. This bill would say if you retired on January 1, 1978 you would receive 10.8% and if you retired December 1978 you would receive 5.4% and this was only equitable since the December 1978 retiree had the advantage of an extra year of salary and raises, etc. The income to be used is interest income from the social security, and should have no trouble paying for it until 4 years from now, when the federal government may take over. At the present time, there is a lag of a quarter (reported quarterly) on social security paid to the federal, and this amount deposited, earns interest. It does not affect the social security fund since the interest is the only part used for the retirement benefit raise. The principal goes to the federal government. After 1980 the Department of HEW is demanding they deposit within 15 days of the first month, 15 days of the second month, and 45 days after the third month. It takes the IRS 12 days to get the deposit to them after they have received it in their office, so this time limit probably will be negotiated. At the present time they are considering a postponement of the Federal Regulation.

Mr. Glen Drake, Montana Public Employees Association, spoke in favor of the bill. He said the major beneficiaries of this bill are those who retired prior to 1955. They were not in government long enough to be covered by Social Security, and the only benefits they had were those from other sources.

Representative Brand closed by stating that the most mail he has received this session has been on this bill. They feel that HB 445 is much needed, especially by older retirees with no social security. It is one of the good deeds that we can do.

Questions from the Committee included:

Senator Aklestad: Will this bill only cover individuals that are not qualified for social security? Ans. Mr. Nachtsheim: It will cover all the employees of PERS who are receiving retirement.

The average benefit payment paid by PERS annually is about \$2500.

All answers given are by Mr. Nachtsheim unless otherwise specified.

Senator Aklestad: How does it compare with the social security increase? Ans. Not as generous. It is a sort of combined calculation of CPI (Consumer Price Index) and wages.

Senator Smith: There is no contribution as of now? Ans, Glen Drake: The funding money comes out of the interest end of the social security deposit. The federal government has indicated a desire to make the reporting on a faster basis than it has been doing.

Senator Fasbender: In regard to the 5.4% increase. How did you come up with the figure? Ans: This was an attempt to use about the same thing as before. The 75% of the CPI last time and the 74% this time.

Senator Fasbender: Will you be in to change the figure again? Ans: Probably. Next time, if the interest is there and the cost of living goes up. You should be able to give the people a reasonable cost of living benefit. You are asking them to take a cost of living cut in their income if you don't.

Senator Fasbender: With the cost of 15 hundredths of 1%, will you have to ask for an increase in contributions in the next few years? The next two years we feel are covered, the law provides that we can use the interest accumulated. The only problem is if the federal government should shift the ground rules so far as deposits are concerned, Mr. Nachtsheim answered.

Senator Boylan: Shouldn't the Social Security money belong to social security people? Ans. The legal authorities say the money does not belong to the Social Security until they are required to pay it.

Senator Himsel: We are not talking about the principal payments of Social Security, it is the earnings from the Social Security Deposits that are made. They are held instead of turning it in right away, isn't that right? This is not social security money, but earnings, and you are not compelled to turn that in. The earnings do not go to the general fund? Ans. No. Himsel: The board of investments? Ans. Yes, and the money goes into the retirement fund.

Senator Himsel: What has happened to this in the past? Ans. For many years of the past, it just handled our operations expense.

Senator Himsel: Has the operations been eating up \$300,000 a year? Ans. With less interest it just funded the operations of the retirement operation.

Senator Himsel: This .45% each month. That is a figure on a compound or cumulative basis, or what is it? Ans. We took the percentage to our wage on July 1, 1979 that each individual is entitled to for the benefit. Once we make this calculation that is it.

Senator Himsel: If the person were entitled to the 12 months, would he get  $12 \times .45$  hundredths or what? Ans. No. It is a one time thing. We calculated 5.4% for the first year, 5.4% the second year, added together it is 10.8%. That percentage is applied against the benefit they were receiving that year. That would be forever if nothing else changes.

Senator Himsel: Is there a limit to the increase, or is it a continuing thing? Ans. It is granted once. We pay it as long as that individual lives. Only the one time does the benefit change, and it stays that way until he dies.

Senator Himsel: It is not limited to those who retired prior to December 1978? Ans. It is those "then payable". If there is no benefit then payable, there is no increase. It applies only to people who retired before Jan 1, 1979. Anyone after that would not have the benefit coming.

Senator Story: This is a one shot enhancement because the investors are doing so well--nothing else? Ans. That's right.

Senator Story: The funding is because of modern procedure?  
Ans. Yes.

Senator Story: In 10 or 12 years down the road, if the investments increase, how are we going to take care of the young bucks? Ans. The income for the last 40 year period is, I think about 7%.

Senator Story: We will never have a 40% increase. Ans. Right now we are earning about 10%.

Senator Story: Someday then we might be able to use this that is put in now? Ans. Future bills for future generations.

Senator Himsel: There is no general fund money in this bill then?  
Ans. That is right.

Senator Himsel: There ought not to be any general fund money involved then? Ans. We have enough to fund this benefit for 4 years if social security does not change something.

Senator Himsel: Suppose social security does change its regulations? You would have enough money to take care of this if social security changed so you could not have it? Ans. We could be in trouble if that money from social security were cut off completely.

Senator Aklestad: What percentage of people in this program are not able to have social security benefits at this time? Ans. I don't have that figure. Glen Drake: Presently, as of June 30, 1978, 4180 people receiving benefits. Nactsheim: The majority of our retirees do receive benefits, of those-- I'd say about  $\frac{1}{2}$  of them are 70 years or older and probably were in the state not long enough to receive social security benefits.

Senator Thomas: What would be the amount each would receive here? Ans. The average benefits we are paying is \$2,568 a year. That is the total benefit for the year. The average would be 10.8 of that--if you were eligible, it would be about \$260 per year.

Senator Etchart: How many people are covered under PERS? Ans. 24,368 active, 4,960 retired on January 30, 1978.

The hearing on Senate Bill 445 closed.

CONSIDERATION OF HOUSE BILL 403: Representative Howard Ellis, district 93, Missoula, explained this bill as a good bill--it spends no money, is not controversial and would simplify the accounting by a transfer of funds and the costs of the current distribution system. Explanation attached.

There were no further proponents, no opponents, and questions from the committee included;

Senator Thomas: Would this eliminate the county treasurer having a deputy in each one of these places? John W. Northey, Attorney for the Legislative Audit Office, said: No, it would not. The bill came as the result of an audit of the State Treasurer's Office. This bill would eliminate a lot of paper work.

Senator Smith: Would this also help on the county level, or just on the state? Northey: The paper work is all on the state level.

Senator Himsel: As I understand it, the money comes in, The treasurer puts it in a clearence account, then they have to take about 16% out and put it in the Highway Retirement fund, then the balance goes back to the general fund. The purpose of this bill--the money would go right into the general fund, they would pay the 16% right into the retirement fund.

Senator Nelson: How much is this 16% in the bill accumulating? Northey: The total drivers license fees are \$1,132,000, the total to the retirement fund \$423,000. 46% of the fees collected.

Senator Smith: How often are the transfers going to be made, and when are they to be paid out? Northey: annually. Senator Smith: Interest? Northey: To the general fund.

Senator Etchart: Would you explain the percentages again?

Northey: Under the Highway Patrolmen's Retirement Act, the State Treasurer shall transfer 16% of the total salary from the license receipts. That amount is 46% of those receipts.

The hearing was closed.

MOTION by Senator Smith that House Bill 403 BE CONCURRED IN. Voted and passed. Senator Stimatz to carry the bill.

DISPOSITION OF HOUSE BILL 301: Chairman Himsl reviewed the testimony of 301 for the benefit of the committee.

Senator Fasbender said the difficulty with this bill is that the money needed is unknown. The Counsel has no say over when or how much will be needed. The law says they must defend the case and they have no control over when. Additional money would have to be appropriated from the general fund, and there is a provision at the end of the bill that says the money remaining can be used in the next year. That opens it up to a new amendment if they really just want to use what is generated by the fee, this should not be allowed. A simple amendment to strike lines 13 through 15 on page 4 and insert "shall be used to reduce the percentage calculated in 69-1-224 in the subsequent fiscal year." should take care of it.

Senator Himsl: Does this relate to page 2, line 7? Senator Fasbender: If any money is left over, it should be used to reduce it the next year, not carry it over. Senator Himsl: Year or biennium? Senator Fasbender: year.

Senator Etchart: Apparently I was not present on the testimony on this bill. How much money is the Consumer Counsel spending, and who has a handle on it? Senator Himsl: This was explained in the other bill we passed on the consumer counsel. This one comes in to enable them to have a base appropriation and also a contingency appropriation.

Senator Smith: Served 2 years on the consumer council. At times they have no idea what the rates are going to be in a year. They are mandated by law to defend the consumer and there is no way to know what their costs may be 2 years down the road.

Senator Etchart commented that all of these costs are then passed on to the consumer.

MOTION by Senator Fasbender to move the amendment. Voted and passed.

Senator Himsl said this bill basically states: Do you favor the idea of having a base appropriation with a contingency with the exception if there are national emergency funds that they can use them.

Discussion was held on the PSC and the Consumer Counsel both working on the rate increases, and that these expenses as well as those of the utility companies are passed on for the consumer

to pick up the tab; that the consumer counsel was mandated by the constitution, but the PSC was not, but was one of the executive reorganization departments; and that they did not do the ground work but acted as judges, etc. Senator Himsl brought them back to the bill at hand, and Senator Fasbender said this bill was a compromise. The Council did not feel the budget should be open ended, this bill would limit it and they would have an amount of money appropriated by the legislature.

MOTION by Senator Fasbender that HOUSE BILL 301, as amended, BE CONCURRED IN. Voted and passed. Senator Fasbender to carry the bill.

MOTION to adjourn. The meeting adjourned at 12:00 noon.

  
Senator Himsl, Chairman

DATE

3-3-79

COMMITTEE ON

*HP*  
BILL NO. 403-44

VISITOR'S REGISTER

NAME	REPRESENTING	Check One	
		Support	Opp
Joe Brand	Self	445	
Jim Bahineau	Self & other retirees	445	
W.G. Miller Jr.	SELF	445	
Greg Brabec	MEPCA	445	
Dr. Markham	PERS	445	

## ROLL CALL

## SENATE FINANCE AND CLAIMS COMMITTEE

46TH LEGISLATIVE SESSION 1979

Date 3-3-79

NAME	PRESENT	ABSENT	EXCUSED
SENATOR HIMSL	✓		
SENATOR STORY	✓		
SENATOR AKLESTAD	✓		
SENATOR LOCKREM		✓	
SENATOR ETCHEART	✓		
SENATOR NELSON	✓		
SENATOR SMITH	✓		
SENATOR BOYLAN	✓		
SENATOR REGAN		✓	
SENATOR FASBENDER	✓		
SENATOR THIESSEN		✓	
SENATOR THOMAS	✓		
SENATOR STIMATZ	✓		

HOUSE BILL NO. 445

This is the most equitable cost of living increase ever proposed for members of the public employees' retirement system. The month by month approach recognizes the difference in the economic situation of the past two years of the individual who retired on January 1, 1977, and the individual who retired on December 1, 1978. One receiving retirement benefits during the entire year and the second being retired for only one month.

Our actuary cautions us that the funding of the P.E.R.S. is reaching 40 years as of the July, 1978 valuation (37 years). However, he knowingly ignores the interest income received from the present social security fund investment, estimated to be about \$750,000 for FY 1979, because the Federal Government has put the states on notice that they will require more frequent depositing of social security moneys beginning July 1, 1980. It is our feeling that this matter will be compromised.

The funding of the increased benefit is available for the next two years and thereafter the funding will be dependent on the action of the Federal Government. The cost of this benefit is .15% of salary or about \$380,000 per year.

3/3

EXPLANATION OF HOUSE BILL NO. 403

House Bill No. 403 would simplify the accounting for drivers' license revenue at the Department of Administration, Treasury Division, and the Department of Justice, Accounting Division, by eliminating transfers of funds as they are collected and by eliminating the administrative costs of the current distribution system. Section 15-1-501, MCA provides, in part, that the State Treasurer shall deposit to the credit of the state general fund all moneys received from the collection of automobile drivers' license fees under section 61-5-111, MCA. Section 19-6-404, MCA provides that the state of Montana shall annually contribute to the Montana highway patrolmen's retirement account an amount equal to 16 percent of the salaries paid to highway patrolmen who are covered by the retirement system. This section also provides that the contribution shall be made from drivers' license fees. During fiscal year 1977-78, the contributions to the highway patrol retirement system amount to 46 percent of the drivers' license fees collected.

To comply with existing statutes and to avoid understatements of revenue, the Treasurer should deposit all drivers' license fees to the general fund upon receipt, except 5 percent which is deposited to the credit of drivers' education in compliance with section 3-20-7-501, MCA, and then pay the contributions to the highway patrol retirement system from these specific fees. The concept of earmarking specific general fund revenues for specific purposes adds administration and distribution costs to those moneys. A specific appropriation from the general fund for the retirement system would simplify the distribution of these funds by eliminating the Treasurer's distribution function and by including the distribution as a Department of Justice payroll function.

# STANDING COMMITTEE REPORT

March 3

1973

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 403

Respectfully report as follows: That House Bill No. 403

BE CONCURRED IN

DO-16381

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 3-9-77

SB. 403

Bill No.

Time 11:44

NAME	YES	NO	ABSENT

SENATOR STORY

SENATOR AKLESTAD	X		
SENATOR LOCKREM	ad		
SENATOR ETCHART	X		
SENATOR NELSON	X		
SENATOR SMITH	X		
SENATOR BOYLAN	X		
SENATOR REGAN	ab		
SENATOR FASBENDER	X		
SENATOR THIESSEN	ad		
SENATOR THOMAS	X		
SENATOR STIMATZ	X		
SENATOR HIMSL	X		

Secretary

Chairman

Motion

*Conc.*

# STANDING COMMITTEE REPORT

March 3 1979

MR. President

We, your committee on Finance and Claims,

having had under consideration House Bill No. 301,

Respectfully report as follows: That House Bill No. 301, a third reading bill, be amended as follows:

1. Page 4, line 13.

Strike: lines 13 through 15 in their entirety

Insert: "shall be used to reduce the percentage calculated in 69-1-224 in the subsequent fiscal year."

And, as so amended, BE CONCURRED IN

DO PASS

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 3-3-79 11 Bill No. 30 Time 11:50NAME YES NO ABSENT

## SENATOR STORY

SENATOR AKLESTAD	x		
SENATOR LOCKREM	ab		
SENATOR ETCHEART	x		
SENATOR NELSON	x		
SENATOR SMITH	x		
SENATOR BOYLAN	x		
SENATOR REGAN	ab		
SENATOR FASBENDER	x		
SENATOR THIESSEN	ab		
SENATOR THOMAS	x		
SENATOR STIMATZ	x		
SENATOR HIMSL	x		

Secretary

Chairman

Motion: Open

SENATE COMMITTEE

FINANCE AND CLAIMSDate 3-3-Bill No. 30 Time 11:59NAME YES NO ABSENTSENATOR STORY XSENATOR AKLESTAD XSENATOR LOCKREM XSENATOR ETCHEART XSENATOR NELSON XSENATOR SMITH XSENATOR BOYLAN XSENATOR REGAN XSENATOR FASBENDER XSENATOR THIESSEN XSENATOR THOMAS XSENATOR STIMATZ XSENATOR HIMSL X

Secretary

Chairman

Motion: 16-20-1

Page 4, line 13

Strike: All of lines 13 through 15.

Insert: "shall be used to reduce the percentage calculated in 69-1-224  
in the subsequent fiscal year."