

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

March 13, 1979

The forty-first meeting of the State Administration Committee was called to order by Chairman Pete Story at 10:00 A.M. on the above date in Room 442 of the State Capitol Building.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF HOUSE BILL No. 558: The Chairman called on Rep. Francis Bardanouye, House District 6, Harlem, as sponsor of the Bill, to present his testimony.

Rep. Bardanouye stated this goes back about 60 years as the legislature has attempted to put the police officers' retirement system into good fiscal standing for many years, however so many bills have been put in without sound funding. The police have really tried to help. The bill 2 years ago did not increase the funding and was mainly for re-organization so we could see what the system was doing. Now, we find that the system needs additional funding. The hearing in the House on this Bill drew considerable witnesses and he stated he appreciated the cooperation of the police on this matter.

Further proponents were called for by the Chairman.

Dan Mizner, League of Cities and Towns, supporting the Bill, testified they found out in the last 2 years that there was unfunded benefits under this retirement system. First and second class cities were definitely in trouble. Amendments on pages 3, 4 and 5 were done in the House and worked out with the police and the PERS administrator. This Bill is now acceptable to the cities and towns, the police and the Department of Administration. He directed the attention of the Committee to page 5, line 15, and page 6, line 7 where the contribution rate has been adjusted. The Bill now provides that the State puts in 14% of salary from earmarked funds, the 14% that the city pays and the 7 1/2% that the police officers going on duty as of July 1st would pay would bring the system up to date. Through cooperation of these groups, these provisions were agreed to, and we therefore ask this Committee's approval.

Samuel Boggess, Director of Finance, City of Billings, testified in support of the legislation that Billings strongly favors the Bill as it provides a means of rectifying the unfunded liability problem and provides shifting of the burden of tax from the local area through a sharing effort. He felt this will resolve the problem of the unfunded liability.

W. J. (Bill) Verwolf, representing the City of Helena, stated they favor the Bill as it now reads.

Jim Turcotte, PERS, stated it would settle the problem of unfunded liability in the retirement benefits and eliminate the need for an additional contribution over and above the 14% of salary that is called for in the Bill. Before, some witnesses were asking for an additional 3 to 4%.

Jack Williams, Montana Chiefs of Police Association, testified they are in favor of the Bill and ask it be supported.

Opponents were called for by the Chairman.

Maurice J. Mulcahy, Montana Police Protective Association, opposing the bill, stated that when it was at 9% in the House, they felt this was asking too much. They, therefore, met with the PERS administrator to work it out, and when they left the meeting, it was settled at the figure of 7%. We think it was unfair that the new men coming on duty after June 30th would have to pay such an increased amount. The Police Protective Association has taken the position that if we can't ask for a small wage increase that is granted, that we ask you to remember you denied our request.

There being no further testimony, questions by the Committee were called for.

Sen. Rasmussen asked Mr. Mizner to explain how the funding works in this system. Mr. Mizner responded that many years ago a tax was put on the insurance premiums, like 1% or so, for liability insurance of fire insurance policies. That money goes into an earmarked account for the cities and towns to pay their share of the pension plans.

Sen. Hafferman questioned the negotiations with the Police Protective Association. Rep. Bardanouye responded that it was a matter of philosophy. Along this same line, Sen. Ryan asked Mr. Mulcahy again what figure was agreed to. He answered that they agreed to 7%, but after the Association representative left, they changed it to 7 1/2%.

Sen. Ryan commented that he remembered 2 years ago, he was told the system was actuarially sound, so now what is the problem. Mr. Turcotte replied that they found some cities had not paid contributions of enough money to fund their liabilities. Some cities needed about 40 years at 67% of salaries in order to amortize their liabilities while other cities had overfunded theirs. So, they had to figure out which ones would have to be adjusted in order to come out right; some would end up paying more and some less. Continuing, Sen. Ryan asked if they were receiving the money in a timely manner, to which Mr. Turcotte answered in the affirmative, Sen. Ryan then asked where the problem was if the employees had been paying all along. Mr. Turcotte explained that at the time the system was established, benefits were paid on the basis of salary and contributions were paid on the basis of the mills levied on taxable property in the particular area. Therefore, there was a great disparity in some areas as to what was paid compared to what should have been paid as it went according to taxable value and not a set amount.

Answering Sen. Ryan's question relative to the new patrolmen paying an increased rate of 7 1/2%, Mr. Turcotte replied that the way the program is set up, this will cover that particular individual's retirement benefit, not those who were presently covered who were not paying that much.

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Sen. Rasmussen asked about the firemen's system, which Rep. Bardanouve stated was in much worse condition than the policemen's is.

Sen. Roskie commented that it seems somewhat unfair to have the state and county share increased, but not the policemen already employed, to which Mr. Mulcahy responded that the police have always paid on a certain rate of their salary, not a fluctuating amount. The problem arose because of the taxable value in some areas not bringing in enough revenue or if only one-half of the taxes were paid and the rest not collected, then contributions paid into the retirement plan were only one-half of the necessary funds. But the police have always paid their share. For years, we supported taking our money and putting it into the Board of Investments, but this didn't work out. Another problem is that some of these cities refused to pay additional amounts requested to make up this deficit.

Sen. Roskie was not sure the unfunded liability was being corrected by this Bill, to which Mr. Mulcahy commented that the extra 1 1/2% the police are putting into the system goes to pay for the unfunded liability. However, the new officers coming on in July are going to have to pay for this at a higher rate, which we didn't think was fair when 2 persons working the same job have to pay different rates of contribution for retirement.

Mr. Turcotte added that those persons paying additional amounts will have additional benefits on retirement; that they can't go back and assess prior members for something they will not derive any benefit from.

Discussion on the different rates being contributed was held, with Rep. Bardanouve responding to Sen. Ryan's question on what person who was paying 7 1/2% was getting that person paying 6% was not to the effect that the person paying the higher rate was fully paying his share. The State is putting in 4% more and only asking the police to put in 1 1/2%.

Sen. Hafferman questioned if this Bill was passed, if they would come back in 2 years asking for more funding, to which Rep. Bardanouve stated that this Bill is now actuarially sound. However, if the legislature were to pass additional benefits, they must also consider some means of financing that benefit. Income from this money which is reinvested is of great importance to these retirement accounts and the high interest rates help to put them on a sound basis, he added.

Mr. Mizner, responding to Sen. Roskie's question, stated that in the past it was true that a few of the cities did not fund fully these pension plans, but also that the legislature had granted benefits without proper funding. A centralized program was worked out which they felt was the answer, which has resulted in the State paying in more money for the next 40 years to take care of past errors.

In closing, Rep. Bardanouve stated he felt the Bill was fair, and there was a cost to the general fund of about \$225,000 per biennium to make this system sound.

Hearing was then closed on House Bill No. 558.

CONSIDERATION OF HOUSE BILL No. 591: The Chairman called on Rep. Bardanouve, who was also sponsor of this Bill, to present his testimony.

Rep. Bardanouve stated this was a very simple Bill providing for a disability allowance to be paid starting after a policeman is disabled. The policemen's bill passed last session establishing a disability retirement allowance, however, the problem with that is that a person had to wait a whole month before he could receive any benefits if a disability occurred on the first day of the month. This merely changes the way the law reads presently to the intent of the legislature that he should receive benefits from the day he is hurt.

Proponents were called for by the Chairman.

Jack Williams, Chief of Police Association for Montana, in support of the legislation, testified this was first noticed when an officer who had served about 19 years on the force had suffered an accident and was disabled. He was deprived of one month of his benefits because of the way the language of the law was set up. This Bill would correct the language to allow a person disabled to be eligible for benefits the day after his last day of active duty.

Dan Mizner, League of Cities and Towns, stated they supported the Bill and that the problem with the PERS had been resolved.

Maurice Mulcahy, Montana Police Protective Association, also supported the measure.

Jim Turcotte, PERS, stated this Bill would revise the policemen's system to where it would now read the same as all other systems relating to this particular benefit, and they supported it.

Closing statement was waived, and the hearing on House Bill No. 591 was closed.

CONSIDERATION OF HOUSE BILL No. 600: As this Bill was also sponsored by Rep. Bardanouve, Chairman Story directed him to proceed.

Rep. Bardanouve stated he introduced this Bill because out in the small rural areas of Montana there is very little medical services and people live a long way from the hospital. Most of the services are handled by volunteers such as the ambulance drivers and attendants. These volunteers are liable for the patients under their care, but they are local people, just local citizens who give their time to provide this service. They do have the training to handle this service as required by regulations. However, they receive \$5.00 per trip reimbursement for their time, no matter how long the trip may be. These are people who have other jobs to do and work at other professions. This Bill will put them under the "good samaritan" law so that they can't be sued in cases of alleged medical malpractice or something like that, as long as the volunteer does not receive more than 25% of his annual income from ambulance

driving. It just exempts these people from liability for some error they may or may not have made, real or imagined.

Sen. Story questioned if any lawyers had appeared against this Bill, to which Rep. Bardanouye responded that an attorney from Kalispell had asked a few questions in the House, but did not oppose it. The three attorneys in the House did not speak against the Bill.

To clarify a point, Sen. Roskie asked to whom this specifically pertained. Rep. Bardanouye stated it concerned just the treatment of the patients while under the care of the volunteer ambulance people. Sen. Roskie stated he did not feel these people should be exempt if they were driving too fast or recklessly, to which Rep. Bardanouye replied gross negligence was not excused and that the Bill could be amended however he wanted to guard against this.

There being no proponents and no opponents to this Bill, and no further questions from the Committee, the hearing on House Bill No. 179 was closed.

CONSIDERATION OF HOUSE BILL No. 179: The Chairman called on Rep. Art Lund, House District 2, Scobey, to present his testimony as sponsor of the Bill.

Rep. Lund read a portion of the law which pertained to this Bill which had been requested by the Office of Budget and Program Planning. This referred to the sections this Bill would repeal, which are Sections 17-7-104 through 17-7-106, MCA. This pertained to a priority budgeting system set up in 1975 by House Bill No. 643, which was supposed to be a better way to do the budgeting for the state at that time. The data generated by this system has been given little attention, such as the report prepared by the Budget and Planning Office and sent to the legislators. The priority budget system adds another layer of paper work, he stated. By eliminating this system, the state would save a lot of paper and a lot of man-hours. Also, this system is not compatible with the present state accounting system, so presently the state has 2 systems of budgeting. Some of the material is somewhat contradictory when it comes to figuring out the final budget and the amount of time spent by the state agencies using this system is a real problem.

Further proponents were asked for by the Chairman.

John Fitzpatrick, Deputy Director, Office of Budget and Program Planning supporting the Bill's passage, stated there were two budgeting systems at present: 1) the line item format and the 2) priority budgeting format which was only used by 7 agencies and was originally a pilot program based on zero-based budgeting. The performance to date using this second system has not been satisfactory. It creates a paper blizzard, he stated, as there is so much procedure which must be done in order to arrive at a final figure. There is about 60 budget forms required for this system, as compared to 7 for all usual budgeting formats. Both our office and the fiscal analyst have to go over these forms, so it does create more work. It is also confusing, he stated, when you try to compile final figures from 2 or 3 budgeting systems. He then detailed the work which went into the two separate types of budgeting systems and showed a sample of each form. He did not feel any

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information would be lost by going with the less complicated system and that it would end some of the confusion of having to prepare the different forms. He explained this Bill did not totally repeal this system, but allows them to retain a portion relating to long-range building programs, etc.; they will keep those provisions which had some value to the system.

No opponents appearing, questions by the Committee were called for.

Sen. Ryan questioned if people who worked on this would be let go or reassigned, which Mr. Fitzpatrick answered that this would not result in a loss of personnel as those people who were required to prepare this budget system were required to work overtime. This Bill would eliminate that problem also.

Sen. Tom Rasmussen moved that House Bill No. 179 BE CONCURRED IN; motion carried by unanimous vote.

DISPOSITION OF HOUSE BILL No. 558: Sen. George Roskie moved that House Bill No. 558 BE CONCURRED IN.

During further discussion of the Bill, Sen. Story expressed concern that over \$200,000 would be taken from the general fund to pay for this and that it would take 40 years.

Upon roll call vote, the motion carried by majority, with Sen. Story voting "no". Sen. Roskie will carry the Bill on the floor.

DISPOSITION OF HOUSE BILL No. 591: Sen. Greg Jergeson moved that House Bill No. 591 BE CONCURRED IN; motion carried by unanimous vote. Sen. Jergeson will carry this bill on the floor.

DISPOSITION OF HOUSE BILL No. 600: Sen. Jergeson moved that House Bill No. 600 BE CONCURRED IN. This motion carried without any opposition and Sen. Jergeson will also carry this Bill.

FURTHER CONSIDERATION OF HOUSE BILL No. 208: Chairman Story announced that Mr. Larry Zanto was present to discuss House Bill No. 208 which had been previously acted upon by this Committee but had run into a problem.

Larry Zanto, Director of the Department of Institutions, explained that after the Committee hearing on this Bill, some other labor people came to him stating they had a problem with the Bill on the construction provisions. Even though they had agreed to the provisions previously and amended the Bill to suit their opinions, some of these labor people now objected. Because of his agreement with labor, he felt an obligation to ask that the portion referring to the inmate construction projects be eliminated from the Bill. He stated the important portion was the provisions relative to selling of the prison farm products.

Sen. Story added that another problem was a sponsor to carry the Bill on the floor, which Mr. Zanto stated he would take care of.

Sen. Hafferman did not think that portion should be taken out of the

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Bill, with Sen. Rasmussen agreeing.

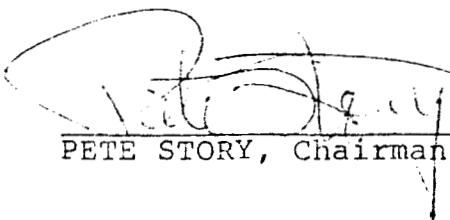
Discussion was held on finding a sponsor for the Bill and if the Senate Committee should amend it. It was the consensus of opinion that they would leave the Bill alone.

The Chairman directed that additional time would be allowed to find a sponsor for the Bill and it would not be reported out until that time.

Sen. Bill Thomas later agreed to carry the Bill on the floor.

ADJOURNMENT:

There being no further business, Chairman Story adjourned the meeting at the hour of 11:40 A.M.



PETE STORY, Chairman

Date March 13, 1979

ROLL, CALI.

STATE ADMINISTRATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

DATE March 13, 1979

COMMITTEE ON

State Administration

HB 179, 558, 591, 600

VISITORS' REGISTER

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Tom Rasmussen moved that House BILL No.

179 BE CONCURRED IN: motion carried by unanimous vote.

Sen. Rasmussen will carry the Bill on the floor.

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

.....March 13.....1979.....

MR.President.....

We, your committee on.....State Administration.....

having had under considerationHouse..... Bill No. 179.....

Lund (Rasmussen)

Respectfully report as follows: That.....House..... Bill No. 179.....

Third Reading Bill,

DISAGREE

BE CONCURRED IN

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date 3-8-70 File No. 11 Bill No. 222 Time 8:00
Evening

Jennie L. Palmer
Secretary

Pete Story

Motion: Senator Bill Hafferman moved that House Bill No. 208
BE CONCURRED IN: Motion carried by majority vote, with
Senator Ryan voting "no".

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 8, 1972

MR. President

We, your committee on State Administration

having had under consideration House Bill No. 233

Brand (Thomas)

Respectfully report as follows: That House Bill No. 233

Third Reading Bill,

DOLPASSE BE CONCURRED IN

ROLL CALL VOTE RECORD

SENATE COMMITTEE ON STATE ADMINISTRATION

Date 7/1/14 7/1/14 Bill No. 601 Time

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Greg Jergeson moved that House Bill
No. 600 BE CONCURRED IN; motion carried by unanimous vote.
Sen. Jergeson will carry the Bill on the floor.

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 13, 1972

MR. President

We, your committee on State Administration

having had under consideration House Bill No. 600

Bardanouye (Jergeson)

Respectfully report as follows: That House Bill No. 600

Third Reading Bill,

GJF/ASB

BE CONCURRED IN

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date 7-17-19 Bill No. 1000 Time 10:00

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator George Roskie moved that House Bill
No. 558 BE CONCURRED IN; motion carried by majority
vote, with Sen. Story voting "no".

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 13 1979

MR. President

We, your committee on State Administration

having had under consideration House Bill No. 553

Sardanouve (Roskie)

Respectfully report as follows: That House Bill No. 553,

Third Reading Bill,

DO PASS

BE CONCURRED IN

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date March 12 79 Bill No. 1131 Time 10:00

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Greg Jergeson moved that House Bill
No. 591 BE CONCURRED IN; motion passed without opposition.
Sen. Jergeson will carry the Bill on the floor.

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

.....March 13.....1979.....

MR. President

We, your committee onState Administration.....

having had under considerationHouse..... Bill No....591.....

Bardanouye (Jergeson)

Respectfully report as follows: That.....House..... Bill No....591.....

Third Reading Bill,

XORASSX

BE CONCURRED IN

.....Pete Story, Chairman.....

NAME: Jin Turcotte DATE: 3-13-79

ADDRESS: 1712 9th

PHONE: 9-3155

REPRESENTING WHOM? PERD

APPEARING ON WHICH PROPOSAL: HD 558, 591

DO YOU: SUPPORT? AMEND? _____ OPPOSE? _____

COMMENTS: written

NAME: W. J. Verwolff DATE: 3-13-79

ADDRESS: civic center Helena

PHONE: 442-9920

REPRESENTING WHOM? City of Helena

APPEARING ON WHICH PROPOSAL: HB 558 and HB 591

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: HB 558 - 1. Proposes to have all participants in
police reserve fund (city, state, employee) participate in
reduction of unfunded liability,

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.