

STATE ADMINISTRATION
FEBRUARY 5, 1981
RM 436

The meeting of the State Administration Committee was called to order at 8:00 a.m. on February 5, 1981, with Chairman Jerry Feda presiding. All members were present except Representatives Azzara and Dussault who were absent.

Chairman Feda opened the hearing on House Bill 555.

HOUSE BILL 555-SPONSOR, Representative Manning, introduced HB 555 at the request of the Volunteer Firemen's Assoc. A copy of his prepared testimony is attached and is EXHIBIT 1 of the minutes.

PROPOSERS

ART KORN, Secretary-Treasurer, Montana State Volunteer Firemen's Assoc., presented the committee with testimony in favor of HB 555. A copy of his written testimony is attached and is EXHIBIT 2 of the minutes.

Other proposers that arose and stated their support of House Bill 555 are listed below.

VERN ERICKSON, Montana State Firemen's Assoc.

DAVE FISHER, Montana Fire Chiefs Assoc.

R. A. ELLIS, Montana State Volunteer Firemen's Assoc.

CLEM DUAIME, Montana State Volunteer Firemen's Assoc.

HENRY LOHR, Montana State Volunteer Firemen's Assoc.

JIM TURCOTT, Public Employee's Retirement Assoc.

OPPOSERS

There were no opposers testifying on House Bill 555.

QUESTIONS BY THE COMMITTEE:

Mueller & Spilker: Are the paid firefighters willing to go along with this?

Korn: The paid firefighters do not get a percentage, they get a fixed amount of dollars so it does not make a difference whether they get their money first or last to them.

QUESTIONS (cont.)

Spilker: What is the rest of the money in the fund used for?

Rick Tucker: The collections come in from the premium tax. Taxes enumerated under section 5-12 are set aside from all other collections from the insurance commission. The firefighters get their money first and the volunteers receive 5% of what is left. The remaining money goes to the general fund, however, the original intent of these moneys, especially under 5-12, was for the support of the retirement systems for police and firefighters.

Spilker: What type of benefits do volunteer firefighters get?

Korn: \$100 a month after 20 years service and it is a percentage of that for less years.

Winslow: Is \$300,000 a good estimate of how much money will come out of the general fund?

Tucker: In fiscal year 1982 it would be an additional \$66,000 for a total of \$351,604, in fiscal year 1983 it would be \$70,000 difference and this should not effect any other retirement fund. If 60 or 70 thousand dollars presents a problem, which we do not foresee, the bill could be amended. The original intent of the bill was to get \$300,000 into the fund annually with an 8% increase each year. If you desire you could pass the bill with an amendment that would reduce the amount of contribution to 4%. This would erase the 60 or 70 thousand dollar that they would be paid in excess of what they are receiving now under the present program. In fiscal year 1982 they would lose \$4,061 opposed to what they would presently get. In fiscal year 1983 they would receive \$309,412 and from that year on their fund would increase percentage wise at the same rate as the insurance premium taxes would. If it stays at the same trend as the past they would receive \$300,000 plus a 10% increase each year. These are all estimates.

Representative Manning closed the hearing on House Bill 555. He said that if we do not do something now, in a few years there will be nothing left in the retirement fund. He stressed that this bill would not hurt the paid firemen.

HOUSE BILL 504-SPONSOR, Representative Moore, introduced HB 504 to the committee. This bill revises the qualification requirements for the superintendent of Galen State Hospital. It requires that the superintendent be an individual with a minimum of three years of hospital administration experience and who is a physician qualified to practice medicine in Montana, a person with a master's degree in hospital administration, business, or in a health care or human services related field. We request, he stated, that the last part be stricken from the bill (or a person whom the director considers qualified). subsection 3

PROPONENTS

CURT CHISHOLM, Deputy Director, Department of Institutions, stated that this job requires someone who is trained in the administrative field as well as being a qualified physician.

OPPONENTS

There were no opponents to House Bill 504.

QUESTIONS BY THE COMMITTEE:

Briggs: How much money will this change save the state?

Moore: I don't have any definite dollar amount but there will be a definite savings due to a cut in personnel.

Representative Moore closed the hearing on HB 504.

HOUSE BILL 505-SPONSOR, Representative Moore, stated that this bill removes the requirement that a superintendent of the Montana Veteran's Home be an honorably discharged veteran of the armed forces of the United States. He said that they proposed an amendment to the bill which would require that veteran's preference be given in the selection of the superintendent.

PROPONENTS

CURT CHISHOLM, Department of Institutions, stated that they support the bill and have no problems with the amendments. He said that there needs to be flexibility in the selection of a qualified superintendent.

HB 505 (cont.)

TONY CUMMINGS, representing the American Legion and the V.F.W., stated that they opposed the bill as originally written but would support the bill with the proposed amendment.

OPPONENTS

There were no opponents to HB 505.

QUESTIONS BY THE COMMITTEE:

McBride: Would there be a requirement that a veteran be hired?

Moore: No, just a preference.

Spilker: Are there presently any requirements other than being an honorably discharged veteran?

Chisholm: We specify certain requirements in our recruiting division but there is no specification in the law.

Representative Moore closed the hearing on House Bill 505.

HOUSE BILL 519-SPONSOR, Representative Bardanouve, said that he introduced this bill at the request of the Legislative Audit Committee. This bill requires an agency to include in its annual budget proposal to the budget director the estimated audit cost for the following biennium. After adjournment of each legislature, the budget director must provide the legislative auditor with a schedule of amounts appropriated to each agency for costs. The auditor is authorized to bill agencies for audit services. Money received from audit services must be deposited in a revolving account to be used to pay expenses incurred in auditing state agencies.

PROPONENTS

SENATOR HIMSEL, Chairman of the Legislative Audit Committee, stated that the audits involve three elements; the finance audit, compliance audits and performance audits. A copy of his explanation of House bill 519 is attached and is EXHIBIT 3 of the minutes.

HB 519 (cont.)

JIM GILLETT, Acting Legislative Auditor, proposed an amendment to HB 519. A copy of this amendment is attached to the minutes. He passed out the handout to the committee which is EXHIBIT 3 of the minutes.

JACK NOBEL, Deputy Commissioner for Dept. of Finance of Universities, stated that they support the bill and the amendment. He said that he would request that the amount appropriated to the agencies for audit services be "line itemed" in this bill. He said there will be a portion of the audit cost that is general fund money.

OPPONENTS

LARRY HUSS, Montana Society for Certified Public Accountants, stated that the concept of this bill is a problem for the state to deal with but not for private industry. He said that the bill goes beyond the scope of intent by covering audits that are outside the realm of the legislative auditor. He said that it may be unconstitutional to transfer all responsibility of audits to the auditor. He said that he felt Mr. Northy and himself could work out some amendments to the bill that would be satisfactory to both.

QUESTIONS BY THE COMMITTEE:

Kropp: Do you agree with Mr. Huss' comments?

Himsel: I do not understand what he is talking about but I have not talked to Mr. Northy about this.

Northy: We could put something in that would specify audits as required by the Legislative Audit Act.

Gillett: Many of our audits are grant audits required by the Federal Government. Federal regulation changes have placed many of these requirements on the Legislative Auditor.

Huss: I am just concerned that the scope is larger than you intended it to be.

Representative Bardanouve closed the hearing on HB 519.

EXECUTIVE SESSION

HOUSE BILL 504

DO PASS AS AMENDED

Representative Sales moved the amendments to HB 504.
(SEE EXHIBIT 4) A vote carried unanimously. Representative Kropp moved that HB 504 DO PASS AS AMENDED. Question being called a vote was taken and carried unanimously with those present.

HOUSE BILL 505

DO PASS AS AMENDED

Representative O'Connell moved the amendments. (SEE EXHIBIT 4)

Representative Spilker said that she would like to see some kind of qualifications specified in the bill.

Representative Sales said that he did not think it was a good idea to tie the departments hands. He said they would hire the best person for the job.

Discussion followed.

A vote was taken and carried unanimously.

Representative O'Connell made a motion that HB 505 DO PASS AS AMENDED. Question being called a vote was taken and carried unanimously.

HOUSE BILL 555

HOLD

Held for fiscal note.

HOUSE BILL 484

DO PASS AS AMENDED

Representative Sales moved the amendments. (SEE EXHIBIT 5) A vote was taken and carried unanimously.

Representative Briggs made a motion that HB 484 DO PASS AS AMENDED. Discussion followed. Question being called a vote was taken and carried with 15 YES, 2 NO and 2 absent. Representatives Pistoria and Smith voted no.

EXECUTIVE SESSION (cont.)

HOUSE BILL 252 hearing 1/26

DO NOT PASS AS AMENDED

Representative Sales moved that the amendments submitted by Representative Curtiss DO PASS. Following discussion a vote was taken and carried unanimously. (SEE EXHIBIT 6)

Representative Mueller made a motion that HB 252 DO NOT PASS AS AMENDED. He addressed his motion. He said that this bill really does not solve anything and the real problem should be addressed by the leadership.

Representative Spilker agreed and said that this bill really does not address the problem Representative Curtiss is concerned about.

Question was called on the motion and a vote taken. Motion carried with 14 YES, 3 NO and 2 absent. Representatives O'Connell, Pistoria and Kropp voted no.

HOUSE BILL 519

DO PASS AS AMENDED

Representative McBride moved the amendments. (SEE EXHIBIT 6) A vote was taken and carried unanimously. Representative McBride made a motion that HB 519 DO PASS AS AMENDED. The motion was seconded by Representative Sales. Question called, a vote was taken and carried unanimously with 17 YES.

HOUSE BILL 456

DO NOT PASS

Lois Menzies, researcher, reported to the committee her findings concerning Fish & Game land in connection with this bill. She said that there is a law that excludes Fish & Game land from any of the requirements of other state lands so there is not need to exclude it from this bill. Discussion followed.

Representative O'Connell moved a DO NOT PASS. She said there is not clear guide lines in the bill.

Representative Phillips said that if the "Sage Brush Rebellion" bill passes we may need this bill.

Representative Briggs said they would be handled completely separate.

A vote was taken on the motion and carried with 14 YES, 3 NO and 1 absent. Representative Spilker abstained and Representative Dussault left a NO vote. Representatives McBride, Phillips and Dussault voted no.

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A motion was made and seconded to adjourn at 11:00 a.m.

Respectfully submitted,



G. C. "JERRY" FEDA, Chairman

Cathy Martin-Secretary

REMARKS TO HOUSE BILL 555

I have been asked by the Volunteer Firemen to introduce this bill and to support its passage.

Being a retired fire fighter, I realize the sincere concerns and problems that could arise from pending legislation in this session which could severely lessen the states contribution to Volunteer Firemen.

Under the present law, the States contribution to Volunteer Firemen's retirement fund is paid, after paid, and part-paid firemen's contributions are made. Under present law they receive 5% of the total Premium Tax collected after paid firemen's contributions have first been deducted. Thus, any increase of contribution to paid firemen would have the effect of lowering the contribution to Volunteer firemen by 5% of any increased contributions to the paid firemen.

This bill would completely alleviate that problem and any additional benefits or contributions that might be derived by deducting contributions for Volunteers first, would in my estimation be worthwhile.

Reasons are fairly evident due to the increase of Rural Fire Districts over the past several years and the expectation of several more in the future due to our so-called Urban Sprawl.

In addition, most of these new Fire Districts are being organized and comprised by younger persons and we all should hope that when their time comes to retire, that the Fund will be sufficient to support them.

I would appreciate if each member of this committee would support this bill.

Rep. Manning

This bill has been introduced because the Volunteer Firemen's Compensation Plan receives from the premium tax fund an annual contribution to fund the retirement plan. This plan has been in existence since 1965. Benefits were paid beginning in Fiscal 1973 to about 25 volunteers. In Fiscal 1980, there were about 270 recipients.

The funding for this retirement program comes solely from the premium tax payments and interest earned on assets.

The premium tax fund provides funding to the 1st and 2nd class cities fire relief association and to the fire relief associations of incorporated areas. Because of the rural character of the State of Montana, the Unincorporated Volunteer Compensation Fund was established. This provides benefits to the volunteers of the unincorporated area fire companies.

The need for this legislation is prompted by the fact that the relief associations of the 1st and 2nd class cities have introduced legislation which will use the majority of the premium tax fund to fund their programs.

Therefore, if the Volunteer Firemen's Compensation Plan is to be funded out of the balance after payments to the 1st and 2nd class cities, the contributions as originally anticipated would probably be very small; because 5% of the balance of the premium tax fund would be negligible and payments to the volunteers may be all but be suspended.

ART KORN
SEC. TREAS. MT ST VOL
FIREMEN'S ASSOC

Explanation of House Bill 519

The purpose of this bill is to provide the vehicle whereby state agencies will be required to budget and pay for the audit costs associated with their programs. This concept should maximize non-general fund payment of audit costs.

Since its creation in 1967, the Legislative Auditor's Office has been funded entirely from the general fund. In 1977 and 1979 specific line item appropriations for audit costs were made for paying audit costs for several non-general fund programs. The theory behind the line item appropriations is that the general fund should not be required to support non-general fund programs such as the liquor division, retirement systems, highway department, etc. In addition to the prior line item appropriations, the Legislative Auditor's Office has been billing federally funded programs with partial success. During the present biennium, the office has received over \$200,000 per year as reimbursement for non-general fund audit costs. This amount has been deposited in the general fund. However, in some cases even though audit costs are allowable administrative costs of federal programs federal funds have all been expended by the time of the audit and none are available to pay audit costs. In other cases, federal grant programs require audit costs to be budgeted in the grant application. Many agencies are not including audit costs in grant applications, and thus the general fund is absorbing these costs.

By establishing the audit revolving fund concept and requiring state agencies to pay audit costs, the responsibility will be with the agency to budget for audit costs and seek non-general fund reimbursement. Full and proper implementation of this concept should reduce general fund expenditures for audit costs by up to \$1 million per biennium.

Bill Sections

Section 1 provides definitions.

Section 2 requires the Legislative Auditor to advise agencies prior to submission of their budget requests of the amount and audit cost of their agency for the following biennium. Agencies are required to include those audit costs in their budget requests. After each session the budget director is required to furnish the Legislative Auditor a schedule of amounts appropriated to each agency for audit costs. The Legislative Auditor will bill agencies for audit costs in an amount not to exceed the amount appropriated.

Section 3 requires all financial compliance audits of state agencies be approved by the Legislative Auditor. This is to insure complete audit coverage of all state agencies, and to prevent duplication in audit coverage.

Section 4 creates an audit revolving account into which will be deposited funds received from state agencies to pay audit costs. The funds so deposited are appropriated and may be used to pay audit expenses pursuant to an operational plan approved by the Legislative Audit Committee.

Section 5 requires that where practicable the Legislative Auditor will include in each audit report separately at costs associated with implementation of audit recommendations.

JRM/jay

- (4) AMENDMENTS HOUSE BILL 504:

EXHIBIT 4

- ✓ 1. Page 1, line 18.
Following: "Montana;"
Insert: "or"
- ✓ 2. Page 1, line 21.
Following: "field"
Strike: "; or"
Insert: "."
- ✓ 3. Page 1, line 22.
Strike: subsection 3 in its entirety

AMENDMENTS TO HOUSE BILL 505:

- ✓ 1. Title, lines 4 and 5.
Following: "TO"
Strike: "REPEAL" THROUGH "REQUIREING"
Insert: "REMOVE THE REQUIREMENT THAT"
- Following: line 5 →* 2. Title, line 6.
Strike: "TO"
Following: "VETERAN"
Insert: "AND INSTEAD REQUIRE THAT VETERAN'S
PREFERENCE BE GIVEN IN THE SELECTION OF THE
SUPERINTENDENT"
Following: ";"
Strike: "REPEALING"
Insert: "AMENDING"
- 3. Page 1, line 10.
Following: "1."
Strike: "REPEALER" *"Repealer."*
- 4. Page 1, line 11.
~~Following: --line 10~~
Strike: "REPEALED."
Insert: "AMENDED TO READ:
"10-2-402. Superintendent to be ~~veteran-~~ given
veteran's preference. The In the selection of the
superintendent of the Montana veterans' home, the
department of institutions shall give preference
to veterans as defined in 10-2-202 be-an-honorably
discharged-veteran-of-the-armed-forces-of-the
United-States."

AMENDMENT TO HB 484:

ALTERNATIVE 1:

1. Page 2, lines 1 and 2.
 Following: Line 25 on page 1
 Strike: Lines 1 and 2 in their entirety.
 Insert: "Election administrator of the county in which the signatures were gathered for verification and certification under procedures provided in 13-27-303 through 13-27-306 no later than February 15 in an even-numbered year. The election administrator shall submit the verified petition to the Secretary of State by March 1, in the same year."

ALTERNATIVE 2:

1. Page 1, line 25.
 Following: "petition"
 Strike: "shall"
 Insert: "must"
 Following: "be"
 Insert: "presented to the election administrator of the county in which the signatures were gathered to be verified under the procedures provided in 13-27-303 through 13-27-306. The election administrator shall forward the verified petition to the secretary of state at least 50 days before the date of the primary. The petition must be submitted to the election administrator at least one week before the deadline for submitting the verified petition to the Secretary of State."
 Strike: remainder of line 25.

2. Page 2, lines 1 and 2.
 Following: Line 25 on page 1
 Strike: Lines 1 and 2 in their entirety.

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STATE ADMINISTRATION 436

AMENDMENTS HOUSE BILL 252

1. Page 2, line 17.

Following: "give"

Strike: "20"

Insert: "30"

Page 2, line 17.

Following: "to"

Insert: "the principal sponsor and"

AMENDMENTS HOUSE BILL 519

1. Page 2, line 1

Following: "audits"

Insert: "as required by Title 5, chapter 13"

2. Page 2, line 22.

Following: ~~"No"~~ "No"

Strike: "state agency may"

Following: "for"

Insert: "an"

3. Page 2, line 23.

Strike: "services"

Insert: "of a state agency may be entered into"

VISITORS' REGISTER

HOUSE

COMMITTEE

Date _____

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.