

STATE ADMINISTRATION
FEBRUARY 10, 1981
RM 436

The meeting of the State Administration Committee was called to order by Chairman Jerry Feda at 8:00 a.m. on February 10, 1981. Representatives Azzara, Kennerly, Dussault and O'Connell were absent. All other members were present for the hearings.

Chairman Feda opened the meeting to a hearing on House Bill 613.

HOUSE BILL 613-SPONSOR, Representative Schultz, introduced this bill which amends the provisions concerning the Teachers' Retirement System by eliminating the annuity reserve fund and combining the functions of that fund with the pension accumulation fund to pay all pensions, annuities, and other benefits.

PROPOSERS

BOB JOHNSON, Teachers' Retirement System, arose in support of this bill. A copy of his prepared testimony is attached and is EXHIBIT 1 of the minutes.

OPPOSERS

There were no opposers to House Bill 613 present.

QUESTIONS BY THE COMMITTEE:

Sales: Representative Moore and others have been coming up with bills that would make it so the retirement system is not subject to income tax. Is that true with this bill?

Johnson: Both the annuity reserve fund and the pension fund are subject to federal income tax but exempt from state tax.

Representative Shultz closed the hearing on House Bill 613.

HOUSE BILL 608-SPONSOR, Representative Jensen, introduced this bill which revises the expense provision for legislators while in session. It provides a mileage allowance for daily travel between their home and the capitol for members living outside the city of Helena but at the same residence listed in their declaration for nomination. In addition, legislators who live at the same residence listed in their declaration for nomination are not entitled to the \$40 a day expense allowance.

HB 608 (cont.)

Representative Jensen stated that he would like to offer an amendment to the bill which would be as follows:

Page 2, line 18.

Following: "are"

Strike: "not"

Following: "to"

Strike: "a"

Insert: "\$20"

Representative Jensen said that he is aware that we do not want to go to a lot of expense as far as legislative bookkeeping goes, but as legislators we have an obligation to the state to cut expenses wherever possible. With a state this size we need to make some adjustments. He gave examples of how some other states handle the legislative pay.

PROPOSERS

There were no proposers testifying on House Bill 608.

OPPOSERS

There were no opposers testifying on House Bill 608.

QUESTIONS BY THE COMMITTEE:

Sales: I think the \$20 a day is a fair and equitable way to handle the per diem but we have to take into consideration that during the interim the four legislators from Helena do many things and have more responsibilities that we do not because they are right here. As long as we are making adjustments in the compensation, don't you think they should be compensated for their extra efforts?

Jensen: I am aware that most legislators are worth more money than they receive. We all have many things we do during the interim that we are not compensated for. I have made a few trips for legislative work during the interim myself. I do not get any pleasure out of presenting this bill but I feel it is our obligation to the taxpayers of the state to cut back wherever possible.

Kropp: How much money will we be saving by taking this step?

Jensen: About \$12,000 or \$13,000 a session.

Representative Jensen closed the hearing on House Bill 608. He asked that the committee would give careful consideration to this bill.

HOUSE BILL 637-SPONSOR, Representative Andreason, stated that this bill is very similar to House Bill 503 which the committee heard on February 9, 1981. He said that he would have liked to have the hearings on the same day. He suggested that the committee would reconsider their action on HB 503 and bring it back into committee so they could be looked at together. HB 637 permits a member of the Teachers' Retirement System with 5 years or more of creditable service in the retirement system to receive service credits without cost for active service in the United States armed forces during the Vietnam conflict. To qualify this service, a member must submit proper certification of his military service to the retirement board. This bill does not require that the member must have been a resident of Montana prior to military service. He said that if the committee was concerned about the fiscal impact he would suggest that they amend the body of the bill to indicate a certain number of service years that could be bought back. He suggested that four (4) years would be a comparable number.

PROPOSERS

DAVE SEXTON, Montana Education Association, concurred with Representative Andreason that the two bills should be considered together. He also said that he would not oppose some type of funding source being amended into the bill.

OPPOSERS

BOB JOHNSON, Teachers' Retirement System, submitted a copy of his written testimony to the committee. A copy is attached and is EXHIBIT 2 of the minutes.

QUESTIONS BY THE COMMITTEE:

McBRIDE: Can you give me an estimate of how much time this will add to the retirement system's 48 years of unfunded liabilities?

Johnson: It would only add about 2 or 3 months on but I am looking more at future conflicts of this type and what the overall effect could be.

Representative Andreason closed the hearing on House Bill 637. He said that he would be willing to amend the bill putting in a limitation on the number of years that can be bought back. Also he said that something could be written into the bill stating that you can only buy back the credits if you do not already have credits from previous war eras.

HOUSE BILL 573-SPONSOR, Representative Nordtvedt, introduced this bill to the committee. Currently teachers are eligible to receive a retirement allowance at age 55 under the Teachers' Retirement System. This bill permits a teacher to retire at age 50 and receive a proportionately reduced benefit. Representative Nordtvedt said that many times a teacher is tired of the system but does not retire because of the pension he would lose. He said that he knows this would benefit the university system and probably help the public system as well. He said that he got the formula used for computing the reduced benefits from Alton Hendrickson and it should cause no problems.

PROPOSERS

BOB JOHNSON, Teachers' Retirement System, stated that they support the bill and it would be no cost to the system. He said that many teachers suffer from "burnt out" and would like the opportunity to retire early.

DAVE SEXTON, Montana Education Assoc., stated that he concurs with the other proponents on House Bill 573.

OPPOSERS

There were no opposers to House Bill 575.

QUESTIONS BY THE COMMITTEE:

Briggs: Couldn't this bill offer a chance for "double dipping" to some of the teachers who retire early and then get into another system?

Nordtvedt: That is a different way of looking at it. I think that we have teachers in the system that do not want to be there at this point in their career. This does not help the education system. I think if they have the opportunity to leave, it will open up opportunities for those who want to teach. As far as "double dipping", the Teachers' Retirement System is self funded and they are entitled to that money.

McBride: What happens if they retire early and later decide they want to go back to teaching?

Nordtvedt: They would have to buy back prior service but this would be limited and controlled.

Representative Nordtvedt closed the hearing on House Bill 573. He stated that we need this flexibility in the system in order to benefit the quality of education.

EXECUTIVE SESSION

HOUSE BILL 608

DO NOT PASS

Representative Sales made a motion that HB 608 DO PASS.
Discussion followed.

Representative Mueller made a substitute motion that House Bill 608 DO NOT PASS. Following discussion, question was called and a vote taken. The motion carried with 11 YES, 3 NO and 1 abstention. Representatives Sales, Pistoria and Smith voted no. Representative Spilker abstained. Representatives Azzara, Dussault, Kennerly and O'Connell were absent for this executive session.

HOUSE BILL 613

DO PASS

Representative Briggs moved a DO PASS. Question was called and a vote taken. The motion carried unanimously with those present. Representative McBride moved that HB 613 be placed on the Consent Calendar. Vote was unanimous.

HOUSE BILL 503

RECONSIDERED

Representative Mueller moved that the committee reconsider action on HB 503 so that HB 503 and HB 637 could be considered together. This motion carried unanimously.

HOUSE BILL 161

DO PASS AS AMENDED

Representative Winslow reported on the sub-committee recommendations on HB 161. A copy of the statement of intent is attached and is EXHIBIT 3 of the minutes. A copy of the amendments is attached and is EXHIBIT 4 of the minutes.

Representative Sales moved the amendments. Following discussion a vote was taken and carried unanimously with those present.

Representative McBride made a motion that HB 161 DO PASS AS AMENDED. A vote was taken and carried with 14 YES and 1 NO. Four members were absent. Representative Kropp voted no.

EXECUTIVE SESSION (cont.)

HOUSE BILL 573

DO PASS

Representative Sales moved a DO PASS on HB 573.

Representative Briggs said that he was opposed to this bill for the reasons he mentioned earlier. He then was excused from the meeting.

Representative Holliday said that she had a concern regarding the competition for jobs that might be created by early retirement.

Following discussion, question being called, a vote was taken and carried with 11 YES, 4 NO and 4 absent. Representatives Kropp, Smith, Pistoria and Briggs voted no.

HOUSE BILL 138 -returned to committee

Discussion on the original amendments was held. Mr. Durkee was present and he said that there seemed to be a problem in the last amendment with the word "premises". It was decided by the committee to hold this bill until further research could be done concerning this matter.

HOUSE BILL 290- returned to committee SUB-COMMITTEE

Representative made a motion that the \$400 be amended to \$200 and all victims would receive the same amount, (widows included). Discussion on this motion followed. A vote was taken and the motion carried with 9 YES and 6 NO. Representatives Dussault, Kanduch, McBride, O'Connell, Phillips and Pistoria voted no. Further discussion on the bill followed.

Representative Fedra appointed a sub-committee to work out the amendments on the bill. Representatives Phillips, Hanson and McBride were appointed.

HOUSE BILL 291 -returned to committee DO PASS

Discussion on the bill was held. Representative Phillips said that this bill gives the department of SRS a free hand to question anything a county does.

✓ Representative Spilker questioned Ms. Judy Carlson about the existing authority of the department to deny aid to counties if the department feels it is unjustified.

Representative Dussault made a motion that HB 291 DO PASS.

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EXECUTIVE SESSION (cont.)

HB 291 (cont.)

Discussion on the motion followed. A vote was taken and carried with 8 YES and 5 NO. Representatives Kropp, O'Connell, Phillips, Pistoria and Smith voted no. Representatives Azzara, Briggs, Kennerly, McBride, Sales and Winslow were absent for this executive session.

HOUSE BILL 329- returned to committee DO PASS AS AMENDED

Representative Kanduch explained the amendments (which were submitted by representative Harper) to the committee.

Representative Spilker said that she was concerned about the amendment that required a 2/3 vote (6 members). She was concerned about a "walk out".

Representative Kanduch moved that the amendments be adopted. A vote was taken and carried with 13 YES, 1 NO and 5 absent. Representative Spilker voted no.

Representative Kanduch moved a DO PASS AS AMENDED. Question being called, a vote was taken and carried with 12 YES, 1 NO and 6 absent. Representative Dussault voted no. (SEE EXHIBIT 5 for amendments)

A motion was made to adjourn at 10:45 a.m.

Respectfully submitted,



G. C. "JERRY" FEDA, Chairman

Cathy Martin-Secretary

The Teachers' Retirement System



State of Montana
1500 Sixth Ave. Phone 406-449-3134
HELENA, MONTANA 59601

MEMBERS OF THE BOARD

JAMES E. BURKE, Livingston, Chairman
LEROY A. CORBIN, Butte
GEORGE H. GLOEGE, Billings
J. WILLIAM KEARNS, Jr., Townsend
HAROLD WENAAS, Great Falls
EDWARD F. ARGENBRIGHT
State Supt. of Public Instruction, Ex Officio

F. ROBERT JOHNSON, Executive Secretary
MARY L. ANDRIDGE, Ass't Executive Secretary

February 10, 1981

The Honorable Jerry Feda
Chairman
State Administration Committee
House of Representatives
Helena, MT 59620

Dear Representative Feda:

House Bill No. 613 is one of a housekeeping nature and one which we are requesting your support.

Currently, the law provides that the Teachers' Retirement System maintain three reserve accounts, one of which is the Annuity Reserve Account.

When a member retires, the member's account balance is transferred from the Annuity Savings Fund to the Annuity Reserve Fund. That portion of the monthly retirement benefit attributable to the member's account balance is then paid out of the Annuity Reserve Fund. The balance of the monthly retirement benefit which is attributable to the employer's contribution and the interest earned on those contributions is paid out of the Pension Accumulation Fund.

This bill would simply allow us to establish the member's account balance in the Pension Accumulation Fund and pay the entire monthly retirement benefit out of that fund. It would simplify the accounting process and at the same time allow us to comply with a Legislative

Representative Feda
February 10, 1981
Page 2

Auditor's report issued in October 1979.

It is generally agreed by the Legislative Auditor and our actuary that there is no need to maintain the Annuity Reserve Fund since the same information and results can be accomplished by combining them into the Pension Accumulation Fund.

Sincerely,



F. Robert Johnson
Executive Secretary

/kr

The Teachers' Retirement System



State of Montana
 1500 Sixth Ave. Phone 406-449-3134
 HELENA, MONTANA 59601

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F. ROBERT JOHNSON, Executive Secretary
 MARY L. ANDRIDGE, Ass't Executive Secretary

February 10, 1981

The Honorable Jerry Feda
 Chairman
 State Administration Committee
 House of Representatives
 Helena, MT 59620

Dear Representative Feda:

The Teachers' Retirement Board is in opposition to House Bill No. 637 because of the lack of funding. This is simply to reaffirm the Board's policy that it support only benefit changes when adequate funding is provided.

House Bill No. 637 is very similar to House Bill No. 503 with the exception that this bill applies to all members of the Teachers' Retirement System who have Viet Nam service, not just those who were Montana citizens prior to Viet Nam or members of the Teachers' Retirement System prior to the Viet Nam Conflict.

This would open it up to a larger group of people and could conceivably allow an individual service credit of 10 years 9 months, if that individual was a career military person and then entered membership service. This situation has happened in the past particularly in the University System. The number of these people admittedly would be small.

Representative Feda
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Page 2

Members currently have the right to purchase two years of military service at a cost which is considered actuarially sound.

If you are in support of this bill we would urge that funding be provided from some source.

Sincerely,



F. Robert Johnson
Executive Secretary

/kr

A BILL FOR AN ACT ENTITLED: AUTHORIZING THE DEPARTMENT OF ADMINISTRATION TO DEVELOP AND ADMINISTER A STATEWIDE INCENTIVE PROGRAM TO AWARD STATE EMPLOYEES FOR COST-SAVINGS PROPOSALS.

A statement of intent is required for this bill in that Section 3 delegates authority to the Department of Administration to adopt rules.

The general purpose of H.B. 161 is to provide incentives to state employees to make suggestions or to create inventions that reduce the costs of government operations or improve government operations without increasing costs. The discretion of the Department of Administration in granting awards is limited to 10% of the cost savings realized in the first year, or \$500, whichever is less. Larger awards may be proposed but the Legislature must approve the awards and appropriate the money.

The purpose for giving the Department of Administration rule-making authority is that it can best administer the program consistently throughout state government and determine the amount of money appropriate for an incentive award.

It is contemplated that the rules should address the following:

- (a) The composition of the Advisory Council created by the bill.
- (b) The procedures and bylaws that the Advisory Council will follow when conducting its business.
- (c) Providing model suggestion systems for agencies to use when administering the incentive program.
- (d) Standards to assure administration of the program on a state-wide basis.
- (e) Forms that may be necessary to administer the provisions in the bill.
- (f) Procedures for detailed investigations and evaluations of suggestions.
- (g) Procedures for filing suggestions with the Department.
- (h) Procedures for the review of employee concerns regarding the fair administration of the program.
- (i) Time limits for the review of suggestions and inventions.
- (j) Procedures for the presentation of suggestions or inventions to the Legislature when the legitimate value of the ideas exceeds the \$500 limit in the bill.

- (k) Procedures covering the timely payment of cash awards that are approved by the Department.
- (l) Procedures to maintain the integrity of the program through the review of awards to assure that they are granted equitably, on the basis of merit, and that the reasons for granting an award are made public.

Section 4. Appointment and functions of advisory council. ²⁰

(1) The department shall appoint an incentive awards advisory council under 2-15-122. Members of the advisory council must be selected from a diverse group to adequately represent employees.

(2) The advisory council shall meet regularly and consult with the department to review all proposed incentive awards and to recommend ~~grating~~ or rejecting these awards.

Section 5. Eligibility for award. (1) Except as provided in subsection (2), an employee may be eligible for an incentive award if his suggestion or invention results in:

(a) eliminating or reducing an agency's expenditures; or

(b) improving services to the public by permitting more work to be accomplished within an agency without increasing the cost of governmental operations.

~~OK~~ (2) ~~(a)~~ An employee may not be eligible for an incentive award if his suggestion or invention directly relates to his assigned duties and responsibilities unless the proposal is so superior or meritorious as to warrant special recognition as determined by the department.

(b) Suggestions or inventions relating to the following matters may not be considered for awards:

- (i) personnel grievances;
- (ii) classification and pay of positions;
- (iii) matters recommended for study or review; and
- (iv) proposals resulting from assigned or contracted audits, studies, surveys, reviews, or research.

Section 6. Agency head to grant award--amount and source of award. (1) After an agency implements an employee's suggestion or invention and the monetary savings to the state is estimated, an agency head, upon written application to and approval from the department and the incentive awards advisory council, may grant an incentive award to an employee whose proposal meets the requirements enumerated in [section 5].

(2) The incentive award may not be more than 10% of the savings resulting from implementing the employee's proposal for 1 year up to a maximum of \$500. Larger awards may be proposed and submitted to the legislature for consideration.

(3) The agency head shall pay the employee from the agency's budget in a single, lump-sum award. This award is in addition to the recipient's regular compensation."

MR. CHAIRMAN: I MOVE TO AMEND House Bill 329

February 5, 1981
3:00 pm
Harper
State Administration

1. Title, line 7.
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS"
2. Title, line 8.
Following: line 7
Insert: "2-4-305 AND"

zdl
2-4-406

Harper

COMMITTEE OF THE WHOLE AMENDMENT

MR. CHAIRMAN: I MOVE TO AMEND House Bill 329

February 5, 1981

3:00 p.m.

Harper

State Administration

1. Page 1, line 12.

Following: "committee"

Insert: "by a vote of at least six members at an open meeting"

Page 2,

Following: line 4

Insert: "(2) A request must be made by the committee prior to the final agency action on the rule and shall suspend any rulemaking proceedings under this chapter then in effect if a rulemaking hearing on the proposal remains to be held, and shall nullify any rulemaking proceedings then in effect if a final rulemaking hearing has already been held or no hearing has been scheduled by the agency. If rulemaking proceedings have been suspended or nullified under this subsection, those proceedings may begin again 20 days after the publication of the impact statement or the statement filed by the governor pursuant to subsection (6). The committee may withdraw its request for an economic impact statement at any time.

Renumber: subsequent sections

3. Page 2, line 10.

Following: "receiving"

Strike: "the"

Insert: "a"

Following: "statement"

Insert: "provided for in subsections (1) or (2)"

4. Page 2, line 13.

Following: "approves"

Strike: "its"

Insert: "the"

Following: "adequacy"

Insert: "of the impact statement"

5. Page 2, line 14.

Following: "to"

Strike: "its"

Insert: "the"

Following: "adequacy"

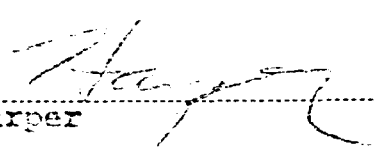
Insert: "of the impact statement"

6. Page 3, line 1.

Following: "committee"

Strike: "a"

Insert: "an impact"


Harper

COMMITTEE OF THE WHOLE AMENDMENT

MR. CHAIRMAN: I MOVE TO AMEND House Bill 339

February 5, 1981

3:00 pm

Harper

State Administration

7. Page 3, line 3.

Following: "or"

Insert: "a statement of impossibility under subsection"

8. Page 3, line 9.

Following: "least"

Strike: "20"

Insert: "30"

9. Page 3,

Following: line 11

Insert: "Notice of a hearing or final agency action on the rule must be given in accordance with 2-4-302."

10. Page 3,

Following: line 17

Insert: "Section 2. Section 2-4-305, MCA, is amended to read:

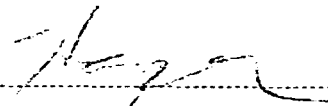
"2-4-305. Requisites for validity -- authority and statement of reasons. (1) The agency shall consider fully written and oral submissions respecting the proposed rule. Upon adoption of a rule, an agency shall issue a concise statement of the principal reasons for and against its adoption, incorporating therein its reasons for overruling the considerations urged against its adoption. When no written or oral submissions have been received, an agency may omit the statement of reasons.

(2) Rules may not unnecessarily repeat statutory language. Whenever it is necessary to refer to statutory language in order to convey the meaning of a rule interpreting the language, the reference shall clearly indicate that portion of the language which is statutory and the portion which is amplification of the language.

(3) Each rule shall include a citation to the specific grant of rule-making authority pursuant to which it or any part thereof is adopted. In addition, each rule shall include a citation to the specific section or sections in the Montana Code Annotated which the rule purports to implement.

(4) To be effective, each substantive rule adopted must be within the scope of authority conferred and in accordance with standards prescribed by other provisions of law.

(5) Whenever by the express or implied terms of any statute a state agency has authority to adopt rules to implement, interpret, make specific, or otherwise carry out the provisions of the statute, no rule adopted is valid or effective unless consistent and not in conflict with the statute and reasonably necessary to effectuate the purpose of the statute.


Harper

COMMITTEE OF THE WHOLE AMENDMENT

February 5, 1981

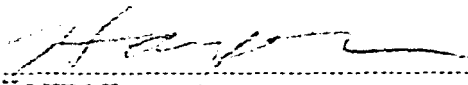
3:00 pm

Harper

State Administration

MR. CHAIRMAN: I MOVE TO AMEND House Bill 329

(6) No rule is valid unless adopted in substantial compliance with 2-4-302 or 2-4-303 and this section and unless notice of adoption thereof is published within 6 months of the publishing of notice of the proposed rule. However, if rulemaking proceedings are suspended by action of the administrative code committee prior to the expiration of the 6-month deadline provided for in this subsection, the agency may, following acceptance of the economic impact by the committee, proceed with rulemaking during a time period equivalent to that portion of the 6-month period that remained prior to the action of the committee."



Harper

Statement of Intent. A Statement of Intent is required for this bill because it gives the department of social and rehabilitation services the authority to set criteria by which it will determine if expenditures from the county poor fund are reasonable and necessary if the county is applying for a grant-in-aid. Grants-in-aid are mandatory if the county is spending over the 13.5 poor fund mill levy and if the present law is followed. Since grants-in-aid are paid entirely with state general fund monies, the state has an interest in determining the reasonableness and necessity of expenditures which led up to the grant-in-aid request.

Counties which levy less than the statutory limit of 13.5 mills would not be subject to these criteria.

The present statute requires that expenditures be lawful, but it does not reference necessity. It requires counties seeking grants-in-aid to furnish information but does not give the department authority to take action based on that information. The proposed change would give the department the authority to act as a prudent person to insure the reasonableness and necessity of expenditures.

Criteria will be set through the rule-making process setting forth the areas in which the department could determine reasonableness and necessity. These criteria will be stated as simply as possible in the following areas: staffing patterns required by caseload size, necessity of county medical costs as consistent with Medicaid reimbursement rates, consultants and contracted services based on policies followed by state agencies, and costs which are legally payable from other sources.

VISITORS' REGISTER

HOUSE Sto. Dain COMMITTEE _____

HB 573
Nonincumbent

Date _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Robert Johnson	1500 4th Ave	Teacher Retirement	✓	
Johnson	Hallway	MGE	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

State

COMMITTEE

H.R. 113

Date _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Miss Schifz	Leicester, MA	Dist 48	✓	
Robert Johnson	1500 6th Ave	Teachers Retirement	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

Date

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
David Sexton	Helene	MEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Robert Johnson	1500 6th Ave	Teacher's Retirement	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.