

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

April 16, 1981

The 46th meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. The meeting was called to order at 8:08 a.m. by Senator Himsl, Chairman, roll call was taken, all members present except Senators Aklestad, Smith, Johnson and Thomas.

CONSIDERATION OF HOUSE BILL 63: Representative Moore, House District 41 said this bill would provide an exemption for those people who retire under private pension. The primary purpose is you grant a \$360 exemption under the private system and you have the mechanism to track them down. We can't find them now.

Ed Sheehy spoke as a proponent of the bill. He said he had always appeared in opposition to the bill and now was appearing as a proponent, so the state could find out who they are. We have had an exemption since 1961, there is no offset for social security. The state of Montana should look at how they treat retiree's income.

There were no further proponents, no opponents, and the Chairman asked if there were questions from the committee.

Senator Etchart: What was the fiscal impact on this? Moore: It is not known. Originally it was up to \$8 million which would have been a study of it also. They cut it down to 10% of the original estimate to get a tracking method.

Senator Dover: You feel these people will report themselves because they are getting a \$350 exemption? Moore: There has been no exemption for private pension. With a token exemption the Department of Revenue will be able to track them and find out who they are.

Senator Dover: What is the purpose of getting ahold of these people? Moore: A federal employee gets \$3600. PERS get tax free. It is just to do something for the private sector that has never been done before.

Senator Himsl declared the hearing closed.

CONSIDERATION OF HOUSE BILL 859: Representative Fagg, chief sponsor of House Bill 859 said the bill was really on the last 2 or 3 lines. Montana Corporations eligible for income tax exemption for charitable contributions. The Chamber of Commerce and others would like to have charitable contributions as an incentive for those making them. The pendulum is swinging back. People get together and purchase a building or something themselves, and don't go to the federal government for help. This is not just for the big drives. It is interesting. There is a potential impact of \$1/2 million or so if all the various people do contribute and do take it off their taxes.

Cal Winslow, House District 65 said, any efforts we make to encourage private companies to give is a worthwhile effort.

Somehow we have made it easier to go to the government for funding than to a private individual. There is so much less restrictions and red tape on private donations.

Dave Goss, Billings Chamber of Commerce said under the IRS code there is a limit on the amount of deduction, 5% of the total taxable income, and not just anybody can go out and collect money. It has to be a charitable organization that is qualified. There is a cut back in the communities. A lot of programs handled by local agencies and they need to be continued in the area. If the deduction in the state law, they can expand their capital base in the community to carry on the program. The impact is about \$500,000 on the fiscal note each year. \$14 to 15 million will be pumped into these organizations. We feel that this will be a pretty good investment. Some of this will be a shifting from the individual income tax to the corporate income tax.

There were no further proponents, no opponents, and the Chairman asked if there were questions from the committee.

Senator Keating: In simple arithmetic, a corporation goes to write a check for \$100 to a deductible cause. Does he take that expense automatically against his income, or is he limited to a portion of that expense? Goss: They can only take 5%. So out of a \$100 donation he would take 5% and the rest is out of pocket. Keating: For an individual to get a contribution he writes it down in the contribution column. What you are saying here is if you gave \$100 the most is 6.75% as a credit against their taxes.

Senator Van Valkenburg: Is the 5% limit to the IRS or ours? Fagg: IRS. Van Valkenburg: Is there anything that would limit the deductions to contributions made to charitable organizations principally based in Montana? Fagg: Any place. Goss: A local businessman would rather contribute to something in his community than out of state. I think we would pick up some dollars from multi corporations; Mountain Bell, etc. If they have a choice of South Dakota or Montana, if they can get a deduction in South Dakota and not in Montana that is where they put their dollars.

Senator Himsl: They make charitable contributions to some charities in Montana now. United Way, etc. Goss: Sometimes they go through the owner. Anaconda and Burlington Northern are examples. The Department of Revenue says they average around 1%. The National average is 1.5%.

Senator Himsl: Are they getting a tax deduction from the state? Fagg: Yes, in this bill. They can take it on the federal, but not on the state.

Representative Fagg said he did not need to close, and Senator Himsl declared the hearing closed.

DISPOSITION OF HOUSE BILL 859: Motion by Senator Dover that

House Bill 859 be concurred in. Voted, passed. Senator Van Valkenburg voting no, Senators Keating to carry. Senators Smith, Johnson, Regan, Thomas and Aklestad were gone.

DISPOSITION OF HOUSE BILL 63: Senator Hims1 said that at one time I thought everyone getting a pension should get the same deduction. I was told many of them had a contract and you could not break the contract. Judges retire at 1/2 pay, tax free. Now instead of the \$7,000 they were getting they have it up to \$30 and \$35,000 and it is still all free. When it gets that high, they should pay something for it. This bill excluded those in the government section that have retired but are trying to get a track on the private sector and hopefully measure the impact on it. I don't know if it still includes what it should.

Senator Dover: I was always under the impression that when you put the money in to get the tax exemption there was no tax exemption on the retirement benefits. Hims1: They do. There is different programs. On teachers retirement. If you retired in Montana your benefits are tax free. If in North Dakota they had their taxes on what they got from North Dakota. The whole impact on pensions is not the same.

Senator Keating: Under this bill those people would get a \$360 exemption from their retired income? Hims1: I don't know, I suspect they might.

Senator Keating: On the line above, the attempt was to let private annuities etc. be exempt up to that and no more?

Senator Story: One thing that comes to mind. This bill does not affect your pension. Why would you oppose private people having their own? Sheehy: When you look at granting full exemption simply because they worked for the state, then why tax ours? It is still pension. There are people with the same income I have and their income is tax free or an offset for social security. There are inequities and the state should look into it.

Senator Hims1: Senator Stimatz or Haffey, you work with this type of thing. Is this so sacred that the law will not allow us to tax an income like this? Stimatz: I wonder if the judges isn't different. Unless there is language that says it is not taxable, their contract is for paying a certain amount of money. Unless the contract states definitely in it, I don't see where it makes any difference. The judges may have something in it that says no tax.

Senator Van Valkenburg: The only thing I would add is that the contract comes in because the courts have interpreted it as a property right and you can't take that right without some compensation. It probably depends on what is in the statute. I don't think there would be any problem on limiting it on future contributions and benefits earned from this date forward. If you try to go back and touch benefits earned in the past you may

run into problems.

Senator Hims1: I think that is of some concern. If only the data and they can do nothing about the mass of concerns then we have nothing accomplished.

MOTION by Senator Story that House Bill 63 BE CONCURRED IN. Voted and passed, Senator Story to carry.

The meeting recessed and reconvened at 1:07 P.M.

CONSIDERATION OF HOUSE BILL 840: Representative Bardanouve, chief sponsor of House Bill 840 said he was the chief sponsor of the original bill, but there was not much to recognize in it at the present time. He said on page 4, line 16 it amends some of the original law. He said this is an important amendment, labor does not like it, but it will probably save Montana quite a bit of money. On page 43, line 20 as this bill was drafted it had more money in than this. It had \$54 million, and that has been cut after many arguments to the \$48 million you see here. On page 44, line 10 there is quite a new objective here. There is appropriated to the Department of Administration \$150,000 in general fund money for the purpose of funding a commission to study the pay plan.

There were no further proponents, no opponents, and the Chairman asked if there were questions from the committee.

Senator Dover: Do you see any problem in leaving the \$48 million over the biennium instead of breaking it down? If you have any problems, it could still be amended.

Senator Smith: The amount of money for the study. Isn't that a lot of money? Bardanouve: Personally, I thought it was quite a large appropriation. I don't know what they intend to do or how in depth -- maybe you should question the administration as to what they intend to do here. This is a very well financed study.

Senator Smith: They go ahead and have a hearing and they come up with a figure as to what they are going to fund the employees. Will we be obligated to fund the amount of money appropriated?

Representative Bardanouve: A negotiated settlement is not binding on the legislature. It may be amoral as to honoring it. It does put the administration in a bind if they negotiate and we refuse. Many settlements are based on the amount of funds made available by the legislature.

Senator Hims1: Whatever they do has to be ratified by the Union and funded by the Legislature.

Senator Van Valkenburg: The amounts for the Legislative branch were added by the pay plan committee when they acted on the bill. I am curious as to the percentage of increase

there alongside the agencies.

Judy Rippingale, LFA: The 8.555. It is relatively close to the 12.

Senator Van Valkenburg: There is a good deal of talk in the halls, etc. that the reason we can go with the negotiated figures is we are figuring a 3% vacancy savings in terms of the executive branch. Does it effect the Legislative branch the same way?
Bardanouve: They are separate and apart from the rest of the government. No matter what happens, the legislative agencies will receive this much. Regardless, they will get this amount.

Senator Van Valkenburg: Mr. Bardanouve, you have served on the Legislative Finance Committee. Do you have any authority on reducing legislative agencies? Bardanouve: We have never attempted it.

Senator Van Valkenburg: It seems to me this could create a little problem. If funded Legislative Agencies receive a set amount. Bardanouve: We will set them so that if the rest of the agencies settle on less than 8.555, they will be subject to criticism and unable to adjust this in proportion to the rest of the state government.

Senator Van Valkenburg: Most of the positions in the Legislative staff, 8.555 in the upper grades provides a good sized increase.
Bardanouve: You are so right.

Senator Van Valkenburg: In the section 4 of the bill page 6 and running through 12. A good deal of the language in respect to the pay schedules have been taken out of the bill. Isn't the bill technically flawed in that respect? Bardanouve: That was the judgment of the Legislators in the House. It does leave it very much suspect as to how it must be done.

Senator Van Valkenburg: The other big thing that is being talked about, The Governor by executive order or by rule, adopted 6 matrixes. The legislature will not do so with this bill.

Representative Bardanouve: That could happen. The first one made the matrix thing in the House. We were told later the executive branch could have changed those because it was not a law. Really, if it is not in this bill, I imagine the executive branch could build their own matrixes however they want to. It is not in the law. Last time it was in the law and they had to abide by it.

Senator Aklestad: Do you feel the rest of the taxpayers will be receiving this type of increase in their income?

Representative Bardanouve: I am not qualified to answer that. Many sincere people were working around on it and I did vote for the bill, while I did not agree with the political philosophy in it. Montana employees have been falling behind the last 2 years because thier pay increases have not kept up

with inflation. They shorted the pay plan by many many million dollars the last time. It ended up in the end that quite a few of the agencies received only 88% of the pay plan as it passed.

Senator Haffey: Judy Rippingale, do you have any idea if 12% the 12% x whatever the replacement numbers would be. Judy: The 8.555 and the 12-12 level to the governor was almost identical at the top level. The people in the Legislative branch at 14 and above there is a small amount of money that would be greater than the 12-12. For anybody below there it would not be as much.

Representative Bardanouve: The original bill, as written, there was a 9% pay raise. There was a 2% step increase and a 1% insurance increase. That is how the 12 and 12 was arrived at.

Senator Himsl declared the hearing closed.

DISPOSITION OF HOUSE BILL 840: Senator Dover moved the bill be concurred in. Voted and passed. 14-2. Senator Van Valkenburg to carry the bill.

Senator Himsl, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 1/1

NAME	PRESENT	ABSENT	EXCUSED
Senator Etchart	✓		
Senator Story	✓		
Senator Aklestad			
Senator Nelson	✓		
Senator Smith			
Senator Dover	✓		
Senator Johnson			
Senator Keating	✓		
Senator Boylan	✓		
Senator Regan	✓		
Senator Thomas			
Senator Stimatz	✓		
Senator Van Valkenburg	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Himsl	✓		

SENATE COMMITTEE

FINANCE AND CLAIMS

Date _____

Bill No. _____

Time 1:27

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart	<input checked="" type="checkbox"/>			
Senator Story	<input checked="" type="checkbox"/>			
Senator Aklestad		<input checked="" type="checkbox"/>		
Senator Nelson	<input checked="" type="checkbox"/>			
Senator Smith	<input checked="" type="checkbox"/>			
Senator Dover	<input checked="" type="checkbox"/>			
Senator Johnson	<input checked="" type="checkbox"/>			
Senator Keating	<input checked="" type="checkbox"/>			
Senator Boylan	<input checked="" type="checkbox"/>			
Senator Regan	<input checked="" type="checkbox"/>			
Senator Thomas	<input checked="" type="checkbox"/>			
Senator Stimatz	<input checked="" type="checkbox"/>			
Senator Van Valkenburg	<input checked="" type="checkbox"/>			
Senator Haffey	<input checked="" type="checkbox"/>			
Senator Jacobson	<input checked="" type="checkbox"/>			
Senator Himsl	<input checked="" type="checkbox"/>			

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion: _____

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

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Senator Etchart	✓		
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Senator Keating	✓		
Senator Boylan	✓		
Senator Regan	✓		
Senator Thomas	✓		
Senator Stimatz	✓		
Senator Van Valkenburg	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Himsl	✓		

STANDING COMMITTEE REPORT

April 16 19 81

MR. **President**

We, your committee on **Finance and Claims**

having had under consideration **House** Bill No. **840**

(Van Valkenburg)

Respectfully report as follows: That **House** Bill No. **840**

Mc.
BE CONCURRED IN

DO PASS

STANDING COMMITTEE REPORT

April 16 1981

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 63

(Story)

Respectfully report as follows: That House Bill No. 63

BE CONCURRED IN

DO PAS

STANDING COMMITTEE REPORT

April 16

19 81

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 859

(Keating)

Respectfully report as follows: That House Bill No. 859

BE CONCURRED IN

~~XXXXX~~
DO PASS

PA

March 16, 1981

Dear Senator

There are several facts that I would hope that you would consider while discussing HB 840 concerning salary increases for State Employees.

First of all, you will no doubt find very few people appearing to give any testimony against any type of benefit for State Employees. Ever since the very harsh "economic boycott" of the Helena merchants by the State Employees and the subsequent results of that boycott there has been only one side being heard. The facts of that particular Chamber of Commerce survey showed that the State Employees were at that time considerably overpaid and underworked as compared to the public sector. These findings were not disproven but under financial pressure the facts were withdrawn. Therefore, with no other group organized to represent the "other-than-government" people I am sure your hearings will be quite heavily represented by only one position.

Secondly, the media has reported many instances where the current economic conditions have caused the public sector of business and industry to require its' employees to take salary cuts to preserve their jobs and the companies. This is true in small companies and up to and including large companies like Braniff Airlines, Ford Motor Company and others. Please read the news item below.

With these comments in mind, I am afraid that if you are to truly represent all your constituents in this matter it will be necessary for each of you to do your own survey work. I am sure that both sides of this matter would like to be heard from, but with one side being put under fear of reprisal it is not likely that it will happen at an open hearing.

Very truly yours,

Robert E. Jones
Leviathan, Montana

Ford workers approve pay cuts to save jobs

DEARBORN, Mich. (UPI) — Workers at Ford Motor Co. voted overwhelmingly Friday night to take an average 84-cent hourly pay cut designed to save 3,200 jobs at the River Rouge plant. "They voted 75 percent yes to approve an adjustment in their incentive pay in order to save the 3,200 jobs," Bob King financial secretary of United Auto Workers Local 600 said. King said 2,195 workers of 2,913 voted yes on the wage reduction. Ford threatened to close its coke and blast furnace operations April 1 unless the UAW agreed to shave the worker incentive wages.

Billings Gazette 3/14/81