

MINUTES OF THE MEETING OF THE HOUSE STATE ADMINISTRATION COMMITTEE
January 27, 1983

CHAIRMAN JOE BRAND called the meeting to order at 8 a.m. in Room 129 of the Capitol. All members were present.

HOUSE BILL 296

REPRESENTATIVE HAL HARPER, sponsor of House Bill 296, said the measure would allocate the Board of Veterans Affairs to the Department of Military Affairs. He said at present the Board is under the Department of Social and Rehabilitative Services for administrative purposes. Representative Harper said he did not know why the Board is with SRS. He said the Board is due for sunset review in 1987. He said the agencies wish to make sure that like agencies were together, and it would make sense to have the Board of Veterans Affairs within the Department of Military Affairs.

PROPOSERS

MAJOR GENERAL JAMES DUFFY indicated his support for the measure. He said the Department of Military Affairs can provide better service for the Board.

JUDITH CARLSON, deputy director of SRS, spoke for the measure. She said the function of the Board properly lays within the Department of Military Affairs.

TONY CUMMINGS, state adjutant of the American Legion, spoke in support of the bill, as did BILL WILSON and BOB DURKEE, representing the VFW. Durkee gave a brief history of the Board.

MICHAEL WOLF, administrator of the Veterans Affairs Division, spoke of the good relationship the Board enjoys with SRS. He said veterans would be better served if the Department of Military Affairs contained the Board and there would be cost savings as well.

THERE BEING NO FURTHER STATEMENTS BY PROPOSERS, AND NO OPPONENTS OF HOUSE BILL 296, REPRESENTATIVE HARPER CLOSED AND CHAIRMAN BRAND OPENED THE HEARING TO QUESTIONS BY COMMITTEE MEMBERS.

COMMITTEE QUESTIONS

REPRESENTATIVE CHET SOLBERG asked what kind of cost savings would happen. Wolf said in excess of \$20,000 a year.

REPRESENTATIVE WALTER SALES asked what the Board of Veterans Affairs did. Wolf said the Board serves veterans and assists with the application process for the various assistance programs. He said it also helps veterans gain admittance to VA hospitals.

THERE BEING NO FURTHER QUESTIONS FROM COMMITTEE MEMBERS, CHAIRMAN BRAND CLOSED THE HEARING ON HOUSE BILL 296.

HOUSE BILL 346

Chairman Brand relinquished the chair to Vice Chairman Helen O'Connell so he could carry House Bill 346 before the Committee. Representative Brand said that REPRESENTATIVE NANCY KEENAN, sponsor of House Bill 346, had other commitments and he would take care of the bill for the Committee today. Representative Brand said that House Bill 346 would free various agencies from report requirements. He said at present there is a duplication of reports by the Governor's staff. He said a money savings would be accomplished by the bill because information is already being duplicated.

PROPOSERS

DAVE LEWIS, director of the Office of Budget and Program Planning, spoke in support of the bill. He said there was no interest in the reports generated, and of the 150 legislators polled about the usefulness of the report, the ten who responded said the reports should be dropped. Lewis estimated a savings of \$3,500 a year.

THERE BEING NO FURTHER TESTIMONY BY PROPOSERS OF THE MEASURE AND NO OPPONENTS TO HOUSE BILL 346, AND NO CLOSING BY REPRESENTATIVE BRAND, AND NO QUESTIONS BY COMMITTEE MEMBERS, VICE CHAIRMAN O'CONNELL CLOSED THE HEARING ON HOUSE BILL 346.

HOUSE BILL 304

REPRESENTATIVE GLENN MUELLER, sponsor of House Bill 304, said the bill was requested by the Public Employees Retirement Board. Representative Mueller said the requested exclusion works to the advantage of students who may also be working for the state. He said as students, they would prefer to get all the money they can possibly earn and not put any away for retirement. He said the proper function of employment for students is to further their education, not a vocational process. He said that college students do not wish to participate.

PROPOSERS

LAWRENCE NACHTSHEIM, administrator of the Public Employees Retirement Division, issued a written statement for the Committee. (attached.)

THERE BEING NO FURTHER STATEMENTS BY PROPONENTS AND NO OPPONENTS TO HOUSE BILL 304, AND NO CLOSING STATEMENT BY REPRESENTATIVE MUELLER, CHAIRMAN BRAND OPENED THE HEARING TO QUESTIONS BY COMMITTEE MEMBERS.

REPRESENTATIVE KATHLEEN McBRIDE asked about part-time students. Nachtsheim said it was possible for a full-time employee to have two part-time jobs, and therefore, be eligible for PERS. But he said there are other protections in the statute.

REPRESENTATIVE JERRY DRISCOLL asked if all students must become members of the PERS unless excluded by the bill. Nachtsheim said yes, but elected public officials can opt in or out of the system.

Chairman Brand asked about any cost savings by the bill. Nachtsheim said he did not believe there would be any cost savings. He said it was an isolated loophole that the division wanted to clean up.

Representative Sales said the law now says that all students are excluded, but is it true that some are now covered? Nachtsheim said that reality was the other way around. He said it was a matter of interpretation and the division sought clarifying language. He said the term full-time would define the students the bill is talking about. He said the bill is aimed at avoiding potential problems.

Representative Driscoll asked if part-time students had to join PERS. Nachtsheim said they did not.

THERE BEING NO FURTHER QUESTIONS FROM COMMITTEE MEMBERS, CHAIRMAN BRAND CLOSED THE HEARING ON HOUSE BILL 304.

HOUSE BILL 311

REPRESENTATIVE RAY PECK, sponsor of House Bill 311, said the bill was requested by the Teacher's Retirement Board. He said it was a means of reducing the unfunded liability of the Teacher's Retirement Fund. He said the general stability and quality of the fund is measured against its liabilities. He said the liabilities are increasing on an actuarial basis as court rulings are adverse and the unfunded liability increases. As a result, the amortization period was increased. He said the bill would reduce the amortization period from 48.5 years to 40 years by increasing by 0.72 percent the employers' contribution to the system.

PROPOSERS

BOB JOHNSON, administrator of the Teachers Retirement System, said the system is moving away from a 40-year employment period and that indicates a weakening of the system. He said employees have made an 11 percent increase in their contributions to the system and now it is time to take action.

TERRY MINNOW, representing the Montana Federation of Teachers, AFL-CIO, indicated the group's support of the measure.

DAVE SEXTON, representing the Montana Education Association, endorsed the measure.

In closing, Representative Peck apologized for not being better prepared for the committee hearing today. He said he received notice of the committee hearing, and accepts the blame.

COMMITTEE QUESTIONS

Representative McBride asked how school districts would finance the increased contributions. Johnson said the school districts could increase the mill levy if needed. He said counties can include retirement increases in the mill levies.

REPRESENTATIVE FRANCIS BARDANOUVE asked "what's your responsibility?" He said the administrators had let the system get in "this shape." Johnson said the condition of the fund was due largely to adverse court decisions and the economic situation. He said the return has not kept up with the inflation rate.

Johnson introduced ELTON HENDRICKSON, a consulting actuary for the Teachers Retirement System. He said the amount requested in increasing contributions by employers, 0.72 percent is attributable to the court decisions that were adverse. He said six-tenths of 1 percent of the requested increase is attributable to other factors. He said that in consulting with the Teachers Retirement System he had been using actuary assumptions that did not prove out to be as high as reality. He said extra earnings on investments were not as beneficial as the cost of living was detrimental. In the long run, he said, planners want investment earnings to be 1.5 percent higher than the cost of living. He said, however, this Teachers Retirement System is solid.

Representative Bardanouve asked why the bottom line was always a minus sign. He said in 26 years he would expect the law of averages to catch up.

Chairman Brand said a problem with the system is the method of computing retirement benefits by considering the three highest consecutive years of salaries and prerequisites. He asked the consultant about that. Hendrickson said that was a problem with the system and the problem has grown. He said the matter has been brought before the board. Hendrickson said he never supported any benefits to be paid from any retirement system without it being paid for.

Representative Driscoll asked the average salary for members of the Teachers Retirement System. Johnson said it amounted to \$20,480 a year for male employees, and \$15,723 for female employees. Representative Driscoll asked the average benefit. Johnson said it was \$428 a month for male employees.

Representative Sales asked what positive actions the Legislature could take to help the system apart from this bill. Hendrickson suggested several things: he said that death benefits are inequitably high, but that problem has been changed. He said that "little things" can be done. He said in 1972 members received interest on their contributions. Representative Sales asked where the statutory problem was. Johnson said court cases have said that member's benefits could not be reduced.

REPRESENTATIVE CLYDE SMITH talked about an 8.5 percent shortfall in 12 years as "not minor." He asked "what's to prevent this happening in another 12 years?" Johnson said there have been two benefit increases. Representative Smith said what about the three-year computation formula for pension benefits. Johnson said that began in 1971.

Responding to a question by Representative Mueller, Johnson said the additional cost to allow retirement at 25 years of service would be 0.994 percent.

REPRESENTATIVE PISTORIA asked if the employer would pay the entire rate. Johnson said that by 1984 the legislation would bring in \$2,364,000 in additional revenue. Johnson said that "we can't have teachers pay for it according to court cases."

REPRESENTATIVE HAMMOND said he was concerned about mill levies on poor counties. He said that in Mineral County, where he comes from, the county already levies 150 mills to maintain the retirement system. He asked "how can I go home and tell people they're going to have to pay higher benefits just to keep my retirement where it is?"

Representative Peck noted that the county levy also applies to the PERS contributions for the county.

REPRESENTATIVE PHILLIPS asked what the employer contribution is. Johnson said it amounted to 6.187 percent of salary. For the PERS, he said, it was about 6 percent even.

Chairman Brand asked how many teachers contribute to this system. Johnson said 14,000, with 5,106 getting benefits.

Chairman Brand asked what would happen if the bill fails. He asked how much would be needed two years later. Hendrickson said the costs would stay the same. He said the employer assessment was 6.43 percent in October 1981, but was increased to provide for the Vietnam buy-back provision later on.

THERE BEING NO FURTHER QUESTIONS FROM COMMITTEE MEMBERS, CHAIRMAN BRAND CLOSED THE HEARING ON HOUSE BILL 311.

HOUSE BILL 329

Chairman Brand postponed the hearing on House Bill 329, noting that REPRESENTATIVE JOHN SHONTZ was not available to testify, and could not be found, after extensive search.

EXECUTIVE SESSION

HOUSE BILL 296

REPRESENTATIVE PHILLIPS MOVED House Bill 296 DO PASS, REPRESENTATIVE HAMMOND SECONDED.

REPRESENTATIVE SALES MOVED a SUBSTITUTE MOTION House Bill 296 DO NOT PASS, REPRESENTATIVE MUELLER SECONDED.

Representative Sales noted that the board was in the correct department now, SRS. He said "we ought to consider closing all these little stations."

Representative Driscoll said part of the savings would result from the plan to put the offices within the National Guard Armories.

Representative Phillips said mixing Veterans Affairs and SRS is equal to mixing apples and oranges.

Representative Solberg said the transfer would save \$2,000 in rental fees for SRS.

Chairman Brand noted that the savings would be able to be used for other things such as field service.

REPRESENTATIVE HAND said the federal government provides extensive veterans programs. He suggested the state should get out of veterans' servicing.

The question being called, the SUBSTITUTE MOTION by REPRESENTATIVE SALES FAILED by voice vote with only two affirmative votes. The two votes in favor were representatives Sales and Hand.

The question being called on the ORIGINAL MOTION by REPRESENTATIVE PHILLIPS, the motion CARRIED on voice vote. Representatives Sales and Hand voting "NO."

HOUSE BILL 304

REPRESENTATIVE MUELLER MOVED House Bill 304 DO PASS, REPRESENTATIVE SALES SECONDED.

Chairman Brand noted the bill would cost no money.

The question being called, the MUELLER MOTION CARRIED by unanimous voice vote. House Bill 304 was reported out DO PASS.

HOUSE BILL 311

REPRESENTATIVE BLISS MOVED House Bill 311 DO NOT PASS, REPRESENTATIVE SMITH SECONDED.

Representative Bliss said this was not going to get any worse in the next two years. Representative Driscoll said he did not understand why these funds were in such bad shape. Representative Mueller noted that every session "we tack goodies on these systems."

Chairman Brand said the bill would increase taxes for local tax payers.

Representative Sales proposed that teachers pay a \$175 annual license fee and the revenue be put into the retirement system.

Representative Driscoll said the problems with the system are not attributable to teachers, but are due to highly paid administrators.

Chairman Brand said the problem with the system is that people are trying to take care of increases without addressing the liabilities those increases bring.

The question being called, the BLISS MOTION CARRIED by voice vote. Voting "NO" were Representatives Driscoll, McCormick, and O'Connell.

HOUSE BILL 346

REPRESENTATIVE O'CONNELL MOVED House Bill 346 DO PASS, REPRESENTATIVE HAMMOND SECONDED. The question being called, the O'CONNELL MOTION CARRIED by unanimous voice vote.

HOUSE BILL 268

Representative McBride, who constitutes the subcommittee of one on House Bill 268, said she would hear the matter tomorrow.

HOUSE BILL 329

REPRESENTATIVE O'CONNELL MOVED House Bill 329 be considered tomorrow, REPRESENTATIVE BARDANOUE SECONDED.

HOUSE BILL 79

Representative McBride noted her committee was still working on House Bill 79.

HOUSE BILL 23

Representative McCormick said his subcommittee was still working on House Bill 23 and was awaiting new figures and expected to report sometime next week.

HOUSE BILL 151

REPRESENTATIVE MUELLER MOVED House Bill 151 DO PASS, REPRESENTATIVE DRISCOLL SECONDED. The question being called, the MUELLER MOTION CARRIED by unanimous voice vote.

HOUSE BILL 222

REPRESENTATIVE O'CONNELL MOVED House Bill 222 DO PASS AS AMENDED.

REPRESENTATIVE MUELLER MOVED the AMENDMENTS to House Bill 222, REPRESENTATIVE COMPTON SECONDED. The question being called, the MUELLER MOTION CARRIED by unanimous voice vote. House Bill 222 was amended.

The original question being called, the O'CONNELL MOTION CARRIED by voice vote. Representative Solberg voted "NO."

HOUSE BILL 259

REPRESENTATIVE DRISCOLL MOVED to RECONSIDER committee action on House Bill 259, REPRESENTATIVE HAMMOND SECONDED. The question being called, the DRISCOLL MOTION CARRIED by voice vote. Voting "NO" were Representatives Sales, Bliss, and Bardanouve.

REPRESENTATIVE DRISCOLL MOVED House Bill 259 DO PASS in its original form, the first-reading copy. REPRESENTATIVE McBRIDE SECONDED.

REPRESENTATIVE DRISCOLL MOVED to remove the AMENDMENT from House Bill 259.

Representative Sales said that legislators should be treated as other citizens, and pay their own way.

Representative O'Connell said removal of the amendment would gut the bill.

Representative Mueller said he disagreed with Representative O'Connell.

Representative Hammond said the issue was one of trust in elected officials.

Representative McBride noted that "we're all elected to represent our constituents."

The question being called, the DRISCOLL MOTION CARRIED on a 12-6 roll-call vote.

REPRESENTATIVE HAMMOND MOVED House Bill 259 DO PASS, REPRESENTATIVE DRISCOLL SECONDED. The question being called, Chairman Brand secured the consent of the Committee to reverse the earlier roll-call vote and have the MOTION CARRYING by an affirmative 12 votes.

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House Bill 259 was reported out in its original, first reading version.

REPRESENTATIVE HAND MOVED adjournment, REPRESENTATIVE SMITH SECONDED.

The meeting was declared adjourned at 10:34 a.m.


REPRESENTATIVE JOE BRAND, Chairman

STANDING COMMITTEE REPORT

JANUARY 27,

19 83

MR. SPEAKER:

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 296

first

reading (white)

A BILL FOR AN ACT ENTITLED: "AN ACT TO TRANSFER THE BOARD OF VETERANS' AFFAIRS FROM THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES TO THE DEPARTMENT OF MILITARY AFFAIRS; RENUMBERING SECTION 2-15-2202, MCA; AMENDING SECTIONS 2-8-103 AND 10-2-101, MCA."

Respectfully report as follows: That HOUSE Bill No. 296

DO PASS

REP. JOE BRAND

Chairman.

STANDING COMMITTEE REPORT

JANUARY 27,

83

19.....

MR. **SPEAKER:**

STATE ADMINISTRATION

We, your committee on

having had under consideration **HOUSE** Bill No. **304**

first reading copy (**white**)
Color

**A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING STUDENT
EXCLUSION FROM MEMBERSHIP IN THE PUBLIC EMPLOYEES'
RETIREMENT SYSTEM; AMENDING SECTION 19-3-403, MCA; AND
PROVIDING AN IMMEDIATE EFFECTIVE DATE."**

Respectfully report as follows: That **HOUSE** Bill No. **304**

DO PASS

REP. JOE BRAND

Chairman.

STANDING COMMITTEE REPORT

JANUARY 27,

19 83

MR. **SPEAKER:**

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **311**

first ~~reading only~~ (**white**)
date

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE
EMPLOYER'S CONTRIBUTION TO THE PENSION ACCUMULATION FUND OF
THE TEACHERS' RETIREMENT SYSTEM TO REDUCE THE AMORTISATION
PERIOD OF THE ACTUARIAL ACCRUED UNFUNDED LIABILITY OF THE
SYSTEM FROM 49.5 YEARS TO 40 YEARS; AMENDING SECTION
19-4-605, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **311**

~~DO PASS~~ **DO NOT PASS**

REP. JOE BRAND

STANDING COMMITTEE REPORT

JANUARY 27,

19 83

MR. **SPEAKER:**

STATE ADMINISTRATION

We, your committee on

having had under consideration **HOUSE** 346
Bill No.

first

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reading copy

color

A BILL FOR AN ACT ENTITLED: "AN ACT TO DELETE THE
REQUIREMENT THAT STATE AGENCIES AND THE GOVERNOR SUBMIT
CERTAIN REPORTS; AMENDING SECTIONS 1-12-104, 2-7-103,
2-15-201, 2-15-401, 2-15-50, 20-3-105, 20-25-301, 22-1-503,
22-2-106, 37-1-106, 39-51-301, 39-71-209, AND 69-14-115,
MCA; AND REPEALING SECTION 277-102, MCA."

Respectfully report as follows: That **HOUSE** 346
Bill No.

DO PASS

REP. JOE BRAND

Chairman.

STANDING COMMITTEE REPORT

JANUARY 27,

83

19.....

SPEAKER

MR.

STATE ADMINISTRATION

We, your committee on

HOUSE

151

having had under consideration Bill No.

first

reading copy (white
color

"AN ACT TO SUBMIT TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT
TO ARTICLE V, SECTION 14, OF THE MONTANA CONSTITUTION TO PROVIDE THAT
THE CONGRESSIONAL DISTRICTS IN MONTANA BE REDISTRICTED WITHIN 90
DAYS AFTER THE OFFICIAL FINAL DECENNIAL CENSUS FIGURES ARE AVAILABLE;
AND PROVIDING AN EFFECTIVE DATE."

HOUSE

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

151

DO PASS

STANDING COMMITTEE REPORT

JANUARY 27,

19..... 83

MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 222

first reading day (white)
Color

"AN ACT AMENDING SECTIONS 5-1-101, 5-1-106, AND 5-1-108 THROUGH 5-1-111, MCA, TO PROVIDE STATUTORY CONFORMITY TO THE CONSTITUTIONAL AMENDMENT TO ACCELERATE MONTANA'S CONGRESSIONAL REDISTRICTING PROCESS; AND PROVIDING A CONTINGENT EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 222

be amended as follows:

1. Page 3, line 12.

Strike: " "

Insert: "House"

2. Page 3, line 13.

Strike: " [LC 311]"

Insert: "151"

3. Page 3, line 17.

Following: " pass"

Strike: " "

Insert: "House"

Following: "No."

Strike: " [LC 311]"

Insert: "151"

AND AS AMENDED

DO PASS

VISITOR'S REGISTER

HOUSE COMMITTEE

BILL *HR 290*

DATE _____

SPONSOR

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HOUSE BILL 304 - STUDENT EXCLUSION - Mueller

This bill is proposed by the Public Employees' Retirement Board, to clarify the student exclusion from membership in the Public Employees' Retirement System and in almost every instant, works to the advantage of the students. This bill is proposed simply to clarify the exclusion provision for full-time students who are employed by a public school, or high school, vocational technical center, community college or any unit of the state university system.

These individuals are excluded under the premise that they are primarily in school as a learning rather than a vocational process. Most students, particularly at the elementary and high school levels, are employed by their school as part of the learning process rather than as career employees.

College students employed by their respective institutions are normally working to supplement their income and do not wish to participate in a retirement program with the accompanying reduction in income. THEY NEED THE MONEY WHILE THEY ARE IN SCHOOL.

For those individuals who after college become public employees, there is a provision to buy back their college worktime. This provision permits university students to participate in the PERS when it is more economically feasible rather than the time they are in school.

This provision limits the exclusion to students who are employed by the school which they are attending. This school establishes the criteria for full-time students and without this limitation, this section would be almost impossible to administer.

NOTE: Students may be subject to other provisions of this section, such as: 120 working days in a fiscal year - provision found in subparagraph 5, employment by the legislature found in paragraph 12, or the CETA provisions found in paragraph 14. All exclusions for any employee may be applied to a student the same as any other public employee.

Larry Nachbaur
Administrator PERD
Proposer

WITNESS STATEMENT

Name Tony Lynn M. M. M. Committee On St. Admin
Address Box 512 H. H. H. MT Date 1/27/83
Representing MT El L Teaching Support ✓
Bill No. HB 311 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name David Sexton Committee On State
Address Helena Date 1-27-83
Representing MEA Support ✓
Bill No. HB 311 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.