

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 29, 1985

The meeting of the State Administration Committee was called to order by Chairman Sales at 9:00 a.m. in Room 317, State Capitol.

ROLL CALL: All members were present.

CONSIDERATION OF HOUSE JOINT RESOLUTION NO. 10: Rep. Bob Bachini, District #14, sponsor of the resolution, appeared before the Committee and explained the purpose of the legislation. He told the Committee that the President of the Sons and Daughters of Montana Pioneers was present to testify also.

PROPOSERS: Bruce Loble, Helena attorney and President of the Sons and Daughters of Montana Pioneers testified in support of the bill and explained how the land was gifted to the State in about 1946. Prior to giving the land to the State there was an understanding as to where the Sons and Daughters of Montana Pioneers headquarters was to be located. They would like to put a small plaque in the interior of the Sam W. Mitchell Building acknowledging the gift of the land for the construction of this building and the Pioneer's Memorial Building and Museum. He showed the Committee a photocopy of the proposed plaque but said that Legislative approval is required of all permanent plaques.

Ellen Feaver, Director of the Department of Administration, spoke in favor of the resolution also.

OPPOSERS: There were no opposers.

DISCUSSION OF HOUSE JOINT RESOLUTION NO. 10: There were no questions from the Committee, therefore the hearing on HJR 10 was closed.

CONSIDERATION OF HOUSE BILL NO. 308: Rep. Jack Ramirez, sponsor of HB 308, said that the bill was introduced to clear up some of the problems with elections of irrigation and drainage district commissioners. He said they should not be handled through the regular election procedure and said it would be a cost saving measure. He did not think this bill was the best alternative and said that there is a bill in the Senate, SB 169, that was requested by the Secretary of State which he feels better handles the problem. He suggested that the Committee hold this bill until the Senate takes action on SB 169 which is scheduled for hearing on February 4, 1985. SB 169 provides for ballot by mail. The heart of HB 308 is page 3, line 25 and the top of page 4. These are very set

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procedures and the commissioners are more akin to a corporation.

PROPOSERS: Gordon Morris, Executive Director of the Montana Association of Counties, said he had no problem with waiting for SB 169. He explained that this is a weighted voting system based upon acreage. It is one vote for each 40 acres of land or fraction thereof.

OPPOSERS: There were no opposers to the bill.

DISCUSSION OF HOUSE BILL NO. 308: There were no questions from the Committee.

Rep. Ramirez closed his presentation of HB 308.

The hearing was closed on HB 308.

CONSIDERATION OF HOUSE BILL NO. 243: Rep. Kerry Keyser, District #74, said that he introduced the bill for one reason and that is because the people of the state have indicated a strong desire to vote for the person and not necessarily the party in the primary election. Many people have asked him why they have to vote a straight party ticket in the primary. The intent of the bill is to make all parties responsible to the public and offer them a real choice in the primary. The opposers say this will kill the two party system but Washington and Louisiana have an open primary and it has not killed the two party system in those states. The people have consistently shown that they have voted for the person and it shows candidate dominance rather than party dominance in the general election. He said this bill would meet the needs of the strong independent minded people of the state of Montana. He explained that the candidates would still file by party but the names would be all on the same ballot.

PROPOSERS: There were no proposers to the bill.

OPPOSERS: Nancy Harte, Montana Democratic Party, read her prepared testimony in opposition to HB 243, which is attached as Exhibit #1.

There were no further opposers.

DISCUSSION OF HOUSE BILL NO. 243: Rep. Fritz asked how a political party could be assured of a place on the general election ballot. Rep. Keyser replied that they couldn't be guaranteed a spot. He said they must get out and work to emerge as one of the two top candidates. He said this would not vary much from the nonpartisan judicial races. He agreed with Rep. Jenkins that you could end up with two candidates from the same party in the general election.

Ms. Harte explained to Rep. Jenkins' question that certain primaries create more interest than others but the primary is a nominating process for the parties and not an election.

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Rep. Harbin asked if Ms. Harte knew if there were more Democrats or Republicans in the state. She said that as of the last poll it shows a little more Democrats than Republicans but there is still a large group of independent voters.

Rep. Harbin stated that he thought this bill would work to the advantage of the minority party, whoever it might be, and Ms. Harte said it would vary in different areas.

There was considerable discussion concerning the fact that two Republicans or two Democrats might be the top two vote getters. Rep. Keyser said he would not object to an amendment stating that the top Republican and the top Democrat could have a runoff. He said the main objective is to eliminate the people being locked into voting for one party. He also said there would be just one ballot - all candidates for the primary would be on the one ballot and all would be designated as to their party affiliation.

Rep. Phillips said there was a lot of support for this type of legislation. He asked Ms. Harte if she thought it was fair for the political parties to exert this type of control over the people of Montana. Ms. Harte said it could also be restrictive to the people of Montana in that two persons from the same party could end up being on the general election ballot.

Rep. Holliday asked Ms. Harte if the Democratic party could support Rep. Keyser's suggested amendment but Ms. Harte said that that is the way it is now, however, the Committee said that is not true. The people would be able to vote on just one ballot and not a straight party line. Ms. Harte said she would stand by the Party's original testimony and ask that it be left as it is.

Rep. Moore asked Rep. Keyser if he was trying to structure the primary like the general. Rep. Keyser said he was trying to structure the Montana primary so the voter would have the right to choose either Republican or Democrat on a single ballot.

There being no further questions from the Committee, Rep. Keyser closed, saying that Washington opponents thought it would kill the two party system, which it has not done. It would make the parties work a little harder, would produce better candidates so the people would have a real choice and asked the Committee to seriously consider this legislation.

The hearing was closed on HB 243.

CONSIDERATION OF HOUSE BILL NO. 348: Rep. Paul Pistoria, District #36, sponsor of this bill, told the Committee that the Constitutional Convention said that legislative members were to run from districts but did not say anything about those persons having to live in that district. This is something that the people want - they want their legislative members to live in their district. He suggested a grandfather clause could be amended into the bill to protect the incumbents in the event they are moved out of their district by reapportionment. They would be protected for as long as they remained in office.

PROPOSERS: There were no proponents.

OPPOSERS: There were no opponents.

DISCUSSION OF HOUSE BILL NO. 348: Rep. Cody asked why the provision for 1 year residency in the district. Rep. Pistoria said the existing law is 6 months in the county and it could be changed back to the 6 months in the district if that is the wish of the Committee.

Rep. Phillips explained his unique situation in representing Malmstrom Air Force Base in Great Falls. He cannot live on the Base unless he is an active member of the Air Force and if he was an active member of the Air Force cannot get involved in politics.

Rep. Peterson asked Rep. Pistoria if there were a great number of legislators that would be affected by this. Rep. Pistoria said that last session there were about 16-17 members affected.

Lois Menzies told the Committee that exceptions could be amended into the bill rather than the grandfather clause.

There being no further questions from the Committee, the hearing was closed on HB 248.

CONSIDERATION OF HOUSE BILL NO. 249: Rep. Cal Winslow, District #89, said this is the third time this bill has been introduced and it is simply a bill to recognize exceptional employees within State government. This bill would authorize the Department of Administration to develop and administer a pay-for-performance bonus program. It limits the number of one-time bonuses to State employees. There was no fiscal note required for this bill because it would not come from the present budget but from vacancy savings, etc., in the departments.

PROPOSERS: Dennis Taylor, Administrator of the State Personnel Division in the Department of Administration appeared in support of HB 249 and read his prepared testimony which is attached to the minutes as Exhibit #2.

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Sue Romney, University System, said that they have already negotiated this with several of their faculty unions and said the bill is a step in the right direction.

There were no further proponents and no opponents to HB 249.

DISCUSSION OF HOUSE BILL NO. 249: Rep. Fritz asked Rep. Winslow why the bill failed in the previous sessions to which Rep. Winslow replied that it was union opposition and the fear of cronyism or favoritism. He agreed it was possible for this to happen without some set guidelines. He pointed out that everybody doesn't work the same - some put more work and time into their job and this would be a way of recognizing that work.

Rep. Cody asked if the State employees are evaluated by their superiors and if their status was upgraded accordingly.

Rep. Harbin referred to page 3, line 3, concerning bargaining units. Mr. Taylor told the Committee there are 73 recognized units in the executive branch and 17 in the University system. None of them would be required to be under this unless they bargained for it. The University system, however, has already bargained for it. He also said that 50% of the State work force is not in these bargaining units and this includes managerial and supervisory personnel.

Rep. Jenkins asked if this would be a percentage or a flat rate bonus. Mr. Taylor said it would be up to the department. The recognition for superior work is the important part of this program rather than the monetary amount. In previous years they have asked that this be funded. This session they were asking that they have the authority to get this going with no funding request.

Rep. Campbell asked who would decide what division is going to get the money. Mr. Taylor said that all the terms would be set out before getting involved in the program.

In answer to Rep. Phillips, Rep. Winslow said he would have no objections to some parameters being set out in the bill for direction to the Department of Administration. He said this program would be a way for the State to let the employees know they are appreciated for their exceptional performance.

Rep. Winslow closed without further comment.

The hearing closed on HB 249, the Committee then went into executive session.

DISPOSITION OF HOUSE JOINT RESOLUTION NO. 10: Rep. O'Connell moved that HJR 10 DO PASS, seconded by Rep. Cody. Motion CARRIED UNANIMOUSLY.

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DISPOSITION OF HOUSE BILL NO. 308: Rep. Nelson moved that HB 208 BE TABLED until SB 169 is acted on in the Senate, seconded by Rep. Fritz. Motion CARRIED UNANIMOUSLY.

DISPOSITION OF HOUSE BILL NO. 243: Rep. O'Connell moved that HB 243 be placed in the election subcommittee, seconded by Rep. Nelson. Motion CARRIED UNANIMOUSLY.

DISPOSITION OF HOUSE BILL NO. 348: Rep. O'Connell moved that HB 348 be placed in subcommittee with other election bills. Rep. Pistoria did not feel this was an election bill, therefore, Rep. O'Connell withdrew her motion.

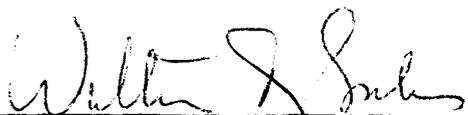
Chairman Sales appointed Reps. Harbin and Pistoria to work with Lois on the amendments to the bill and it will be brought before the Committee again for executive action. Rep. Phillips also suggested that they check the ConCon minutes and find out the rationale for this directive.

DISPOSITION OF HOUSE BILL NO. 249: Rep. O'Connell moved that HB 249 DO NOT PASS, seconded by Rep. Pistoria. Rep. Harbin also spoke in opposition to the bill. He said there were inadequate parameters in defining job performance and he did not see how it could not cost the general fund money as anytime you spend money you have to get it from somewhere.

Rep. Fritz spoke against the motion for a Do Not Pass. He said that the merit pay for teachers is now working well, however, not without contention.

Chairman Sales spoke in favor of the bill, as did Rep. Holliday. Rep. Phillips, however, said the concept is good but urged the Committee to be very careful in turning the Department loose with a blank check. It could also cause dissention among the employees. Rep. Jenkins said he liked the bill and asked if it could be placed in a subcommittee, however, there was a motion on the floor. Question being called for, the motion DO NOT PASS, on a Roll Call Vote, showed a 9-9 tie. See attached Roll Call Vote. The Statement of Intent also was adopted to accompany HB 249 WITHOUT RECOMMENDATION.

There being no further business, the Committee adjourned at 10:52 a.m.



WALTER R. SALES, Chairman

STANDING COMMITTEE REPORT

January 29

19 85

MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 249

First reading copy (White color)

PAY-FOR-PERFORMANCE BONUS PROGRAM FOR STATE EMPLOYEES

Respectfully report as follows: That HOUSE Bill No. 249

WITHOUT RECOMMENDATION

DO PASS

STATEMENT OF INTENT ATTACHED

January 29

19 85

STATEMENT OF INTENT
House Bill 249

A statement of intent for this bill is necessary because section 3 grants the department of administration the authority to adopt rules to equitably administer the employee pay-for-performance bonus program.

It is contemplated that the rules will address the following:

(1) professional standards for equitable performance appraisal and recipient selection procedures which must be met before any agency may implement this bill;

(2) the maximum size of the monetary pay-for-performance bonus which an employee may receive. It is intended that the award be large enough to be of significance so that it will motivate employees but no larger than necessary to satisfy that purpose.

(3) the maximum percentage of eligible employees in each agency which may receive a bonus in 1 year. It is intended that this percentage reasonably reflect the percentage of state employees who exhibit superior performance--that it not be so large as to award average performance and that it not be so small as to be out of reach of an "average" employee who through extra effort performs at an above average level. Initially it is intended that monetary awards will be limited to 5% of eligible employees.

(4) procedures for the review of employee concerns regarding the administration of the program;

(5) procedures to maintain the integrity of the program through the review of agency performance appraisal and performance awards procedures.

STANDING COMMITTEE REPORT

January 29

1955

MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE JOINT RESOLUTION Bill No. 10

First reading copy (White color)

TO AUTHORIZE MEMORIAL TABLET IN MITCHELL BUILDING

Respectfully report as follows: That HOUSE JOINT RESOLUTION Bill No. 10

DO PASS

STATEMENT OF INTENT

 H BILL NO. 249

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(4) procedures for the review of employee concerns regarding the administration of the program;

(5) procedures to maintain the integrity of the program through the review of agency performance appraisal and performance awards procedures.

(Type in committee members' names and have 50 printed to start).

DAILY ROLL CALL

State Administration COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 1/29/85

NAME	PRESENT	ABSENT	EXCUSED
Chairman Walter Sales	✓		
V-Chairman Helen O'Connell	✓		
Campbell, Bud	✓		
Compton, Duane	✓		
Cody, Dorothy	✓		
Fritz, Harry	✓		
Garcia, Rodney	✓		
Hayne, Harriet	✓		
Harbin, Raymond	✓		
Holliday, Gay	✓		
Jenkins, Loren	✓		
Kennerly, Roland	✓		
Moore, Janet	✓		
Nelson, Richard	✓		
Peterson, Mary Lou	✓		
Phillips, John	✓		
Pistoria, Paul	✓		
Smith, Clyde	✓		

STATEMENT OF INTENT

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intended that monetary awards will be limited to 5% of eligible employees.

(4) procedures for the review of employee concerns regarding the administration of the program;

(5) procedures to maintain the integrity of the program through the review of agency performance appraisal and performance awards procedures.



January 29, 1985

TESTIMONY IN OPPOSITION TO HOUSE BILL 243, TO PROVIDE FOR OPEN
PRIMARIES

My name is Nancy Harte, lobbyist for the Montana Democratic Party. The Democratic Party opposes House Bill 243.

This bill destroys Montana's primary. In considering this bill, you must first look at the purpose of a primary. A primary is not meant to elect candidates; its purpose is to allow political parties to nominate their candidates.

Our entire political system is based on checks and balances, on choices for voters. We have a basically a two-party system, with each party representing different philosophical viewpoints.

We also have a two-step election process -- first, parties nominate their candidates in primaries and then the voters choose from the party nominees.

That balance and choice between candidates would be upset by HB 243. Since the bill makes winners out of the top two finishers overall, and not the top finisher in each party race, there is a real chance that only one philosophical viewpoint will be presented to the voter.

Montana Democratic Central Committee • Steamboat Block, Room 306 • P.O. Box 802 • Helena, MT 59624 • (406) 442-9520

Executive Board

Bruce Nelson Chairman	Donna Small Vice Chairman	Mary Hempleman Secretary	Bobbie Wolfe Treasurer	Tony Jewett Executive Director	James Pasma Nat'l Committeeman	Dorothy Bradley Nat'l Committeewoman
Phil Campbell	Heien Christensen	Virginia Egli	Wendy Fitzgerald	Chas Jeniker	Les Morse	Les Pallett
Sharon Peterson	Gracia Schall	Barb Skelton	Clara Spotted Elk	Chuck Tooley	Mike Ward	Blake Wordal
Sen. Chet Blaylock	Rep. Dan Kemmis	Jim Foley	Rep. John Vincent	Phillis Moore		

Some people might think that the Democratic Party opposes this legislation because Republican candidates would most likely finish in the top two spots. There are often more Democrats running in primaries than Republicans, which might lead you to believe the Democratic vote would be split more than the Republican vote.

But if this bill were already law, in 1980 the two candidates for Western District Congressman would have been the two Democrats -- Bill Hand and Pat Williams -- who ran that year and received more votes than the Republican nominee, Jack McDonald. And the two candidates for Governor in 1980 would have been Democrats Tom Judge and Ted Schwinden, not Gov. Schwinden and Rep. Jack Ramirez, the Republican nominee.

The point of all of this is that you must keep in mind the point of a primary. It's our two-party system, and the nomination process that gives voters a choice.

We urge you to keep primaries that have some meaning, and vote against House Bill 243.

Official Canvass by County of Votes Cast at the Primary Election Held In the State of Montana, June 3, 1980

Published from the official files of Frank Murray, Secretary of State, Helena, Montana

REPRESENTATIVE IN CONGRESS

FIRST DISTRICT

Democrat	Democrat	Republican	Republican	Republican
Bill Hand	Pat Williams	Ken Dunham	John K. (Jack) McDonald	Suzanne Morris
1338	435	140	401	268
184	440	77	163	72
652	3060	53	117	94
1565	4646	943	3147	1217
939	4084	1079	1940	1196
352	1426	154	282	147
186	345	72	170	100
371	1079	154	194	158
611	2144	411	1042	618
2118	6656	1062	1173	631
78	374	58	180	51
1349	2094	172	374	283
282	418	291	564	317
52	214	65	161	68
268	566	36	90	65
2629	9718	1125	2030	2009
288	1497	323	976	503
207	1221	253	399	172
378	854	168	267	151
941	2871	429	1179	1000
327	980	208	476	300
3304	10810	170	189	161
201	800	243	303	154
18620	56532	7684	15817	9735
	37912		6082	

GOVERNOR AND LIEUTENANT GOVERNOR

Democrat	Democrat	Democrat	Democrat	Republican	Republican	Republican
Martin J. Beckman Bob Crane	Thomas L. Judge Joe R. Roberts	Robert Carlson Kelleher Wendy S. Nicolai	Ted Schwinden George Turman	Al Bishop Margaret Love	Florence Haegen Fred Carl	Jack Ramirez Walt Johnson
116	707	38	904	137	115	607
64	612	38	552	329	54	350
58	562	22	618	68	68	392
34	290	14	346	38	31	318
91	725	43	1203	239	63	494
6	116	13	116	52	36	177
539	6147	396	5695	484	511	3036
85	846	34	1010	62	82	557
58	877	44	753	235	179	965
6	139	9	445	53	47	259
28	746	28	826	253	154	674
125	1508	83	2138	62	68	148
23	364	14	316	64	47	369
128	1039	35	1012	182	736	1040
226	2930	129	2981	941	566	3735
233	2253	175	2920	1250	610	2953
12	104	7	180	32	36	198
118	935	68	773	93	89	417
11	52	2	120	25	18	123
17	278	6	234	63	50	258
183	1530	63	1558	112	137	663
63	451	29	970	79	52	412
32	339	15	328	16	97	299
99	1363	45	1302	386	211	1605
193	3315	179	6285	416	314	2470
39	197	13	242	31	12	266
147	2087	96	1156	262	148	447
40	324	11	345	215	112	992
21	125	3	462	30	39	258
9	167	4	105	29	29	268
30	400	24	384	33	21	137
373	5322	312	6642	660	700	3881
29	343	16	398	126	68	398
53	718	46	1018	407	327	1148
6	40	0	80	10	15	83
132	386	10	278	70	55	536
51	633	14	781	78	89	671
21	130	10	109	134	62	417
73	449	44	737	91	72	506
2	158	5	131	37	31	259
135	1764	57	1678	303	224	2256
49	546	31	858	180	72	593
51	298	12	1511	113	46	442
57	377	26	502	182	66	490
76	639	55	538	193	142	748
21	313	17	601	127	49	340
643	6727	435	6785	122	108	289
55	448	24	546	257	94	446
23	125	10	206	176	57	590
61	678	27	829	88	72	766
62	421	35	554	60	73	567
11	93	2	116	46	14	86
148	621	54	994	172	149	607
14	304	4	192	83	67	213
8	187	4	162	17	16	73
1003	4698	447	6526	4519	718	7634
5990	57946	3377	69051	14522	8118	48926
			11105			34404

Ex. #1
HB-243
1/29/85



January 29, 1985

TESTIMONY IN OPPOSITION TO HOUSE BILL 243 TO PROVIDE FOR OPEN
PRIMARIES

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Sen. Chet Blaylock	Rep. Dan Kemmis	Jim Foley	Rep. John Vincent	Phillis Moore		

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The point of all of this is that you must keep in mind the point of a primary. It's our two-party system, and the nomination process that gives voters a choice.

We urge you to keep primaries that have some meaning, and vote against House Bill 243.

Official Canvass by County of Votes Cast at the Primary Election Held in the State of Montana, June 3, 1980

Published from the official files of Frank Murray, Secretary of State, Helena, Montana

REPRESENTATIVE IN CONGRESS					GOVERNOR AND LIEUTENANT GOVERNOR						
FIRST DISTRICT											
Democrat	Democrat	Republican	Republican	Republican	Democrat	Democrat	Democrat	Democrat	Republican	Republican	Republican
Bill Hand	Pat Williams	Ken Dunham	John K. (Jack) McDonald	Suzanne Morris	Martin J. Beckman Bob Crane	Thomas L. Judge Joe R. Roberts	Robert Carlson Kelleher Wendy S. Nicolai	Ted Schwinden George Turman	Al Bishop Margaret Love	Florence Haegen Fred Carl	Jack Ramirez Walt Johnson
1338	435	140	401	268	116	707	38	904	137	115	607
					64	612	38	552	329	54	50
					58	562	22	618	68	68	92
184	440	77	163	72	34	290	14	346	38	31	8
					91	725	43	1203	239	63	494
					6	116	13	116	52	36	177
					539	6147	396	5695	484	511	3266
					85	846	34	1010	62	82	7
					58	877	44	753	235	179	55
					6	139	9	445	53	47	259
					28	746	28	826	253	154	674
652	3060	53	117	94	125	1508	83	2138	62	68	198
					23	364	14	316	64	47	19
					128	1039	35	1012	182	736	40
1565	4646	943	3147	1217	226	2930	129	2981	941	566	755
939	4084	1079	1940	1196	233	2253	175	2920	1250	610	2953
					12	104	7	180	32	36	198
352	1426	154	282	147	118	935	68	773	93	89	7
					11	52	2	120	25	18	3
186	345	72	170	100	17	278	6	234	63	50	238
					183	1530	63	1558	112	137	663
371	1079	154	194	158	63	451	29	970	79	52	412
					32	339	15	328	16	97	99
611	2144	411	1042	618	99	1363	45	1302	386	211	175
2118	6656	1062	1173	631	193	3315	179	6285	416	314	270
78	374	58	180	51	39	197	13	242	31	12	266
1349	2094	172	374	283	147	2087	96	1156	262	148	447
282	418	291	564	317	40	324	11	345	215	112	2
					21	125	3	462	30	39	58
52	214	65	161	68	9	167	4	105	29	29	58
268	566	36	90	65	30	400	24	384	33	21	137
2629	9718	1125	2030	2009	373	5322	312	6642	660	700	3881
					29	343	16	398	126	68	78
288	1497	323	976	503	53	718	46	1018	407	327	178
					6	40	0	80	10	15	3
					132	386	10	278	70	55	536
207	1221	253	399	172	51	633	14	781	78	89	671
					21	130	10	109	134	62	97
378	854	168	267	151	73	449	44	737	91	72	6
					2	158	5	131	37	31	9
941	2871	429	1179	1000	135	1764	67	1678	303	224	2256
					49	546	31	858	180	72	593
					51	298	12	1511	113	46	2
					57	377	26	502	182	66	0
327	980	206	476	300	76	639	55	538	193	142	8
					21	313	17	601	127	49	340
3304	10810	170	189	161	643	6727	435	6785	122	108	289
					55	448	24	546	257	94	436
					23	125	10	206	176	57	0
					61	678	27	829	88	72	5
					62	421	35	554	60	73	577
					11	93	2	116	46	14	86
					148	621	54	994	172	149	607
					14	304	4	192	83	67	3
					8	187	4	162	17	16	1
					1003	4698	447	6526	4519	718	704
18620	56532	7684	15817	9735	5980	57946	3377	69051	14522	8118	48826
	37912		6082					11105			34404



STATEMENT OF INTENT

H BILL NO. 249

A statement of intent for this bill is necessary because section 3 grants the department of administration the authority to adopt rules to equitably administer the employee pay-for-performance bonus program.

It is contemplated that the rules will address the following:

(1) professional standards for equitable performance appraisal and recipient selection procedures which must be met before any agency may implement this bill;

(2) the maximum size of the monetary pay-for-performance bonus which an employee may receive. It is intended that the award be large enough to be of significance so that it will motivate employees but no larger than necessary to satisfy that purpose.

(3) the maximum percentage of eligible employees in each agency which may receive a bonus in 1 year. It is intended that this percentage reasonably reflect the percentage of state employees who exhibit superior performance--that it not be so large as to award average performance and that it not be so small as to be out of reach of an "average" employee who through extra effort performs at an above average level. Initially it is

intended that monetary awards will be limited to 5% of eligible employees.

(4) procedures for the review of employee concerns regarding the administration of the program;

(5) procedures to maintain the integrity of the program through the review of agency performance appraisal and performance awards procedures.

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Ex. # 2
1/29/85
HB-249

DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION



TED SCHWINDEN, GOVERNOR

ROOM 130, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-3871

HELENA, MONTANA 59620

TESTIMONY OF DENNIS M. TAYLOR, ADMINISTRATOR,
STATE PERSONNEL DIVISION, DEPARTMENT OF ADMINISTRATION,
PRESENTED TO THE HOUSE STATE ADMINISTRATION COMMITTEE
IN SUPPORT OF HOUSE BILL 249

Mr. Chairman, Committee members, my name is Dennis Taylor and I am the Administrator of the State Personnel Division in the Department of Administration. I appear before you in support of HB 249. HB 249 authorizes the Department of Administration to develop and administer a pay-for-performance bonus program for state employees. HB 249 limits the number of one-time bonuses to state employees who have exhibited consistently superior performance over a significant period of time or who are responsible for a major one-time accomplishment. The bonuses authorized under the legislation would not add to the employee's base salary, but must be earned each time awarded.

It is important that state government have the means to recognize and reward those employees who consistently contribute at a superior level. Currently, the state pay plan has no mechanism for rewarding this kind of contribution.

Currently the state pay plan reflects collective bargaining, ability to pay, internal equity and longevity but not productivity.

An important feature of HB 249 is that it would encourage and insure that agencies participating in the pay-for-performance bonus system have a fully implemented performance appraisal system which meets professional standards established by the State Personnel Division. By requiring an approved performance appraisal system to be in place before an agency can participate in the program, there is an incentive to improve performance appraisal and a guarantee that bonuses are granted based on actual contribution.

Pay-for-performance bonuses have been successful in increasing productivity from 10 to 20 percent in many private organizations. In state government, this kind of increase in productivity could mean significant savings. A properly designed performance-based pay program increases productivity in two ways.

1. Pay-for-performance bonuses can provide an incentive for improved job performance.

Monetary incentives (most commonly tax breaks) are a widely used and effective tool for achieving public policy goals and should be used to achieve the goal of increased public sector productivity.

Prevailing compensation theories differ on the mechanism by which pay influences performance but all conclude that higher performance levels are achieved when pay is perceived by the employee to be contingently linked to employee efforts.

2. Pay-for-performance bonuses can improve retention of superior employees.

Public sector salaries for managers are generally not competitive with the private sector, resulting in turnover. Pay for performance helps close the gap for the most effective employees and consequently helps retain them.

Our research on performance based bonus systems indicates that there are certain prerequisites to a successful program. To be effective a pay-for-performance system must include the following features:

1. It must be based on a well developed, objective performance appraisal system to insure that it does, in fact, reward good performance.
2. It should be restricted to employees exhibiting superior performance but not so restricted that it excludes average employees who excel through extra effort.
3. To be an effective motivator, performance pay should be a significant amount.
4. Supervisors and managers must be fully trained in the proper implementation of the program.

While we must protect the interests of the state taxpayer by placing realistic controls and limitations on salary expenditures, I believe we should base employee advancement and compensation on demonstrated ability and quality of performance in order to encourage and achieve the high levels of performance and productivity by state employees that the taxpayers of Montana deserve.

If approved as proposed, HB 249 permits the Department of Administration to proceed to develop a feasible pay for performance system that could be implemented on a voluntary basis by FY 1987 and be fully implemented during the next biennium. HB 249 is a small step in the right direction.

Please give Montana state government an additional tool to encourage increased productivity, to recognize outstanding performers and help retain our highest achievers. Pay-for-performance programs are not a panacea but if carefully planned and successfully managed, the program authorized by HB 249 would significantly improve the state's overall personnel management capability.

Thank you for your attention and the opportunity to appear before you today. I will be happy to address your questions should you have any.

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PERSONNEL DIVISION



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(Type in committee name, committee members' names, and names of secretary and chairman. Have at least 50 printed to start.)

ROLL CALL VOTE

HOUSE COMMITTEE STATE ADMINISTRATION

DATE 1/29/85 HB Bill No. 249 Time 10:50

NAME	YES	NO
Sales, Walter		✓
O'Connell, Helen	✓	
Campbell, Bud		✓
Compton, Duane		✓
Cody, Dorothy	✓	
Fritz, Harry		✓
Garcia, Rodney	✓	
Hayne, Harriet		✓
Harbin, Raymond	✓	
Holliday, Gay		✓
Jenkins, Loren		✓
Kennerly, Roland		✓
Moore, Janet	✓	
Nelson, Richard	✓	
Peterson, Mary Lou	✓	
Phillips, John	✓	
Pistoria, Paul	✓	
Smith, Clyde		✓

Louise L. Sullivan
Secretary

Walter Sales
Chairman

Motion: Do Not Pass - Without Recommendation
tie vote 9-9

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