

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

March 20, 1985

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

ROLL CALL: All eighteen members were present.

CONSIDERATION OF SENATE BILL NO. 300: Sen. Matt Himsl, Senate District #3, sponsored the bill at the request of the Legislative Audit Committee and would bring the State into compliance with the federal government's Single Audit Act. Notification must be given to the federal government by 1987 that audits will be conducted every 2 years. (See Exhibit #1)

PROPOSERS: Jim Gillett, Deputy Legislative Auditor, said the federal government required this some four years ago and this just codifies current practice of auditing every state agency every two years.

OPPOSERS: There were no opposers.

There being no questions from the Committee, Senator Himsl closed his presentation.

CONSIDERATION OF SENATE BILL NO. 282: Sen. William Farrell, Senate District #31, said that the department of commerce needs the flexibility to balance the licensing renewal work load, therefore, the renewals would be distributed more evenly throughout the year.

PROPOSERS: Shirley Miller, Bureau Chief of the Professional and Occupational Licensing division, said it would balance the workload more evenly. Some boards have biennial renewal dates at times when the staff is already overloaded with work.

OPPOSERS: There were no opposers.

DISCUSSION OF SENATE BILL NO. 282: Rep. Cody asked if all these boards renew licenses at the same time. Ms. Miller said they changed the renewal dates for some of the boards two years ago.

There being no further questions, Sen. Farrell closed.

CONSIDERATION OF SENATE BILL NO. 247: Sen. M.K. Daniels, District #24, sponsor said this is called the pick-up and pay plan and would basically increase the take-home pay for all who are employed by State government. He stated that for a check of \$1,000, deducting \$60 for the retirement program, and state and federal taxes, the take-home pay is \$740. With this proposed plan, the \$60 is deducted first and then taxes

are figured on the remaining \$940, so the take-home pay would be \$752. He said there are more complex ramifications of the bill but would defer to Mr. Natschein and Mrs. Feaver to explain them.

PROPOSERS: Ellen Feaver, Department of Administration, had some visual aids that she explained to the Committee. She said it is a tax deferral proposal and not a pay increase. As everyone knows the benefits from PERS and TRS are not taxable. This bill would become effective July 1, 1985 and people employed at the present time would not be impacted. The State impact would be about \$2 million, which was included in the Governor's budget and there would be no impact to school districts or local governments. The increase in take home pay for just State employees would be about \$14 million. This would be a very significant benefit to give to public employees at a relatively low cost.

Larry Natschein, Administrator of the Public Employees' Retirement Division and representing the Public Employees' Retirement Board, said the bill covers every state administered retirement system except judges and firefighters. The fiscal note shows a decrease of tax revenues to the state of \$2 million but it did not show the increase in spendable income. The Montana economy would receive a transfusion of over \$12 million per year. Taxes will be paid on the deferred income when the benefits are taken. He believed the State of Montana should join in the tax break offered by the IRS. See Exhibit #2.

Nadieane Jensen, AFSCME, said that three of their units have settled, tentatively, with the State at 2%/2%. Part of that was to support the concept of pick-up and pay. This would not be a wage increase and would give them a little more money in take-home pay.

Mary Lou Garrett, ICCW, Department of Commerce, representing 40% of the women in State government, said they endorsed SB 247. She agreed with the information provided by the department of administration and urged the Committee's support of the bill.

Bob Johnson, Teacher's Retirement System and the Teacher's Retirement Board, wanted to be on record in support of this concept and said that this had been done in other parts of the country.

Erick Feaver, President of the Montana Education Association, said it was an excellent way to give more dollars to the employee to use in the economy.

Bill Verwolf, City of Helena and the Montana League of Cities and Towns, said this would be paying taxes on income when they receive it. This would pass the burden to pay taxes to when the employee actually receives the money and they were definitely in support of the bill.

Chip Erdmann, Montana School Boards Association, said it would stimulate the economy without costing any additional funds.

Bill Ware, Chief of Police, Helena, supported SB 247 and echoed the remarks already stated.

John Scully, representing the Sheriffs and Peace Officers' Association, supported the bill.

Bob Griffith, representing the Highway Patrolmen, urged support of SB 247.

Tom Schneider, Montana Public Employees' Association, also supported SB 247. He said the fiscal note says this is an employer pick-up and that is not true. He said if that were so there would be a cost of \$53 million. This is simply changing the statute to give that appearance. It will be the employee's money and wanted to make that clear. This will just enable them to take home more pay.

OPPONENTS: There were no opponents.

DISCUSSION OF SENATE BILL NO. 247: Mr. Natschein, in answer to a question from Rep. Jenkins, said that currently the taxes are paid on the \$1,000 check. Under this proposal the \$60 would not be taxable at the present time and the retiree would only pay taxes on that when the benefits are received. He said it would be treated the same as a personal IRA.

Rep. Harbin asked Mr. Schneider if this had been explained to the employees that he represents. Mr. Schneider said this was a resolution that was passed unanimously and said that naturally some people would benefit a lot more than other people. He said this was taken to the membership, the vote was unanimous so they felt very comfortable saying that their Association is supporting the bill.

Rep. Nelson asked if this is used in private industry. Mr. Natschein said it was only available to public employees and private industry has other plans.

Chairman Sales asked Mrs. Feaver if it was possible to take advantage of the federal tax portion and get that \$12-14 million in the economy and change the State tax law and keep our \$2 million. Mrs. Feaver said the IRS says it has to be taxable or nontaxable. She passed out a handout to the members.
(See Exhibit #3)

Rep. Fritz asked why the firemen were eliminated. Mr. Natschein said that they ordinarily have a very short work period and when they retire they are still working fulltime. This bill is only to benefit people that retire and don't work full time elsewhere.

Mrs. Feaver said if a person's tax bracket is higher than when they went to work for the State they would not benefit but most employees are not in that situation.

There being no further questions, Sen. Daniels closed.

CONSIDERATION OF SENATE BILL NO. 313: Sen. M.K. Daniels, Senate District #24, sponsor, said it would be an amendment to the Montana constitution, Article V, Sections 2 and 14, that would provide that each county would be represented by one senator in the State Legislature. Prior to the 1972 Constitution the Legislative body had 56 senators, one from each of the 56 counties in Montana. He didn't believe that the rural areas of the state were being adequately represented and that the urban areas are overwhelming the rural areas. He read some excerpts from an opinion by Justice Warren and said the logic of the majority opinion is frustrating to anyone that tries to use common sense. He also cited several examples of small counties that have not had a senator since the 1972 Constitution. He said he felt very strongly that the rural areas should receive more representation.

PROPOSERS: Alan Eck, Montana Farm Bureau Federation, said they have felt for some time that the Senate should be made up of one member per Montana County. His prepared testimony is attached as Exhibit #4.

Rep. Loren Jenkins, District #13, wished to be shown on the record as a proponent of SB 313. He said there are some counties in the state that are not being represented and that is not right. His county, Chouteau, has not had a senator that lived in the county since the Constitutional Convention. He agreed that the House of Representatives should be according to population but in the Senate each county should be represented.

Rep. Janet Moore, District #65, also wished to be shown as a proponent to SB 313. She said it is hard to get a rural person elected.

Rep. Bud Campbell, District #48, was a proponent to the bill also.

OPPOSERS: Margaret Davis, representing the Montana League of Women Voters, said their position was not based on the constitutional rule cited by Sen. Daniels. They supported the 1972 Constitution and support a Legislature of this size. In other words, the League supports the present system.

Eric Feaver, Montana Education Association, said they believe the current system is the proper way to do business and supported the Montana Constitution.

Rep. Ray Harbin, District #53, said his county consists of 19,000 people, approximately what each Senator represents at the present. Under this plan Yellowstone County would have

one senator representing 135,000 and didn't believe this would be fair to the larger counties.

Rep. Rod Garcia, District #93, also opposed the bill.

DISCUSSION OF SENATE BILL NO. 313: Rep. Fritz stated that one half of Montana's population lives in six counties. He asked Sen. Daniels if he was happy with the situation that six senators would represent that half of the population and that the other 50 would represent the other half. Sen. Daniels said in an attempt to balance the urban and rural populations, that would be the proper membership.

There being no further questions, Sen. Daniels closed his presentation and said that this would be submitted to the people for a vote as a Constitutional Amendment.

CONSIDERATION OF SENATE BILL NO. 306: Sen. Jack Haffey, Sen. District #33, sponsor, said this was at the request of the Montana Economic Development Board and would provide that the loan portfolio they are starting to fill would be audited by persons experienced in that field and who are able to pass judgment on the quality of the loans in the portfolio. The bank examiners in the department of commerce would be the logical persons to do this. This bill retains the annual program audit and this would be in addition to that audit.

PROPOSERS: Dale Harris, Montana Economic Development Board, stated that they supported this bill.

OPPOSERS: There were no opponents to the bill.

DISCUSSION OF SENATE BILL NO. 306: Rep. Cody asked Sen. Haffey how the audits are being done at the present time as she was unfamiliar with the auditing system. Sen. Haffey said that the Montana Economic Development Board had been in existence for about 2 years. The regular annual audit is done by the legislative auditors. Audits of state banks are done by the bank examiners in the department of commerce. This bill requires that this regular annual audit be conducted and requires in addition that the loan portfolio be done by the bank examiners of the department of commerce.

Rep. Jenkins asked if this would be a duplication and Sen. Haffey said it would not because the legislative auditors are not auditing the loan portfolio. Mr. Harris said that because of the trust funds they should have an annual audit. The legislative auditor does not have the background for this type of audit and that is why they are asking the bank examiners to conduct it. One is a program audit and one is a loan audit.

Chairman Sales brought out the statement under "Technical Notes" on the fiscal note that the bill did not appear to provide for recovery of the bank examiners' costs. Mr. Harris pointed out

that this was amended in the Senate on page 1, lines 16 and 17 to take care of this and the cost of the audit must be paid from the board's funds.

There being no further questions, Sen. Haffey closed.

The Committee then went into executive session on the bills just previously heard.

DISPOSITION OF SENATE BILL NO. 306: Rep. Cody moved that SB 306 BE CONCURRED IN, seconded by Rep. O'Connell. The motion CARRIED UNANIMOUSLY. Rep. Cody will carry the bill.

DISPOSITION OF SENATE BILL NO. 300: Rep. Phillips moved that SB 300 BE CONCURRED IN, seconded by Rep. Moore. The motion CARRIED UNANIMOUSLY.

Rep. Cody asked if they are doing this every two years now. Chairman Sales said that this would convince the feds that this is what we want and Rep. Smith said this bill would make it a statute. Rep. Phillips will carry the bill.

DISPOSITION OF SENATE BILL NO. 282: Rep. Cody moved that SB 282 BE CONCURRED IN, seconded by Rep. Phillips. The MOTION CARRIED with Rep. Fritz voting "no". Rep. Phillips agreed to carry the bill.

DISPOSITION OF SENATE BILL NO. 247: Rep. Campbell moved that SB 247 BE CONCURRED IN, seconded by Rep. Moore.

Chairman Sales said that on the fiscal note it says it would take \$1 million out of the Foundation Program even though the testimony said it would not affect the schools.

Rep. Harbin said there would be a \$2 million impact but said that the \$14 million generated back into the economy would be a good thing. He said that anyone that wants to defer taxes on their money should be able to do so. The motion CARRIED with Chairman Sales voting "no". Rep. Driscoll will carry the bill.

DISPOSITION OF SENATE BILL NO. 313: Rep. Campbell moved that SB 313 BE CONCURRED IN, seconded by Rep. Jenkins.

Rep. Pistoria mentioned that this bill has to come out of Committee. A Constitutional amendment cannot be killed in the Committee, it must go to the floor of the House.

Rep. Cody asked how this evolved in the first place, 50 Senators instead of 56. Rep. Fritz told the Committee that in 1966 the Governor told the Legislature to reapportion themselves, which they refused to do. Therefore, it was a court order that the Senate be apportioned by population. Rep. Fritz also said that this bill is totally unconstitutional.

State Administration Committee
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The motion Be Concurred In CARRIED with Reps. Harbin, O'Connell, Garcia, Fritz and Nelson voting "no". Rep. Holliday was assigned to carry the bill.

There being no further business, the Committee adjourned at 10:30 a.m.



WALTER R. SALES, Chairman

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

*3/22/85
H. H. H.*

DAILY ROLL CALL

State Administration COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/22/85

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	/		

STANDING COMMITTEE REPORT

March 20

19 35

MR. SPEAKER

We, your committee on State Administration

having had under consideration Senate Bill No. 247

Three reading copy (Blue)
color

EMPLOYER PICK-UP OF EMPLOYEE CONTRIBUTIONS TO PUBLIC RETIREMENT SYSTEMS

Respectfully report as follows: That Senate Bill No. 247

HE CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

..... March 20 19 35

MR. SPEAKER

We, your committee on State Administration

having had under consideration Senate Bill No. 313

Third reading copy (Blue)
color

CONSTITUTIONAL REFERENDUM TO PROVIDE FOR ONE SENATOR PER COUNTY

Respectfully report as follows: That Senate Bill No. 313

BE CONCURRED IN

DO-PASS

STANDING COMMITTEE REPORT

March 29 19 85

MR. SPANKS

We, your committee on State Administration

having had under consideration Senate Bill No. 306

Third reading copy (Blue)
color

AUDITS OF ECONOMIC DEVELOPMENT BOARD BY BANK EXAMINERS & LEGISLATIVE AUDIT

Respectfully report as follows: That Senate Bill No. 306

BE CONCURRED IN

RE-PASS

STANDING COMMITTEE REPORT

March 20

19 85

MR. SPEAKER

We, your committee on State Administration

having had under consideration Senate Bill No. 300

Third reading copy (Blue)
color

LEGISLATIVE AUDITOR TO ADDIT STATE AGENCIES EVERY 2 YEARS

Respectfully report as follows: That Senate Bill No. 300

BE CONCURRED IN

~~ADOPTED~~

STANDING COMMITTEE REPORT

March 20 19 25

MR. SPEAKER

We, your committee on State Administration

having had under consideration Senate Bill No. 202

Third reading copy (Blue)
color

**LICENSE EXPIRATION DATES FOR SOCIAL WORKERS, SPEECH
PATHOLOGISTS, AUDIOLOGY**

Respectfully report as follows: That Senate Bill No. 202

BE CONCURRED IN

DO PASS

EXPLANATION OF SENATE BILL 300

INTRODUCED BY: SENATOR HIMSL

BY REQUEST OF THE LEGISLATIVE AUDIT COMMITTEE

Senate Bill 300 codifies the state's current practice of performing a financial-compliance audit of each state agency every two years. The current audit cycle was established in fiscal year 1981-82 in response to federal regulations and legislative interest.

Codification is necessary in order to respond to the federal government's "Single Audit Act of 1984" which requires:

"(a)(1)(A) Each State and local government which receives a total amount of Federal financial assistance equal to or in excess of \$100,000 in any fiscal year of such government shall have an audit made for such fiscal year in accordance with the requirements of this chapter and the requirements of the regulations prescribed pursuant to section 7505 of this title.

"(b)(1) Except as provided in paragraphs (2) and (3), audits conducted pursuant to this chapter shall be conducted annually.

"(2) If a State or local government is required--

"(A) by constitution or statute, as in effect on the date of enactment of this chapter, or

"(B) by administrative rules, regulations, guidelines, standards, or policies, as in effect on such date, to conduct its audits less frequently than annually, the cognizant agency for such government shall, upon request of such government, permit the government to conduct its audits pursuant to this chapter biennially, except as provided in paragraph (3). Such audits shall cover both years within the biennial period.

"(3) Any State or local government that is permitted, under clause (B) of paragraph (2), to conduct its audits pursuant to this chapter biennially by reason of the requirements of a rule, regulation, guideline, standard, or policy, shall, for any of its fiscal years beginning after December 31, 1986, conduct such audits annually unless such State or local government codifies a requirement for biennial audits in its constitution or statutes by January 1, 1987. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

The Office of the Legislative Auditor does not believe performing annual "Single Audits" would be cost beneficial. Therefore, we recommend the adoption of Senate Bill 300.

SB-247
3/20/85

Senate Bill No.247 - Employer Pick-Up

Senate Bill 247, covers every state administered retirement system except judges and firefighters and includes PERS employees, teachers, game wardens, highway patrolmen, sheriffs, and police officers.

The fiscal note shows a decrease in tax revenues to the state in 1986 and 1987 of just over \$2 million. The fiscal note, by its nature, does not show the increase in spendable income to Montana public employees. The ratio used by the Department of Revenue in calculating federal income tax, state income tax is 5:1.

This means that Montana economy will receive a transfusion of over \$12 million per year in this biennium and more each succeeding year. This could be favorably compared to "up front revenue sharing" for 40,000 public employees at all levels of government; state, city, county, and school districts. It will provide the Montana market place with six times the seed money provided by the state.

There are some offsets to the lossed revenue:

- (1) A portion of the lossed revenue will be recovered due to lower federal income tax deductions on state tax returns.
- (2) Taxes will be paid on part of the deferred income in later years when those individuals who elect to take a lump payment of their contributions pay their deferred taxes.
- (3) The increased spendable income will provide additional state tax revenues as it is spent by the wage earner.

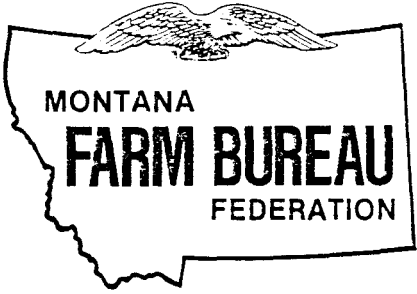
I believe the state of Montana should join the majority of state governments and share in the tax break offered by the Internal Revenue Service under 414(h). It is not too often the IRS extends any significant tax break to the middle income wage earner.

I hope you will support the bill so that Montana public employees will enjoy the same tax break as their counterparts in other states such as Idaho and Illinois.

Larry Nachtsheim, Administrator
Public Employees' Retirement Division

5/20/85

Eck #4



502 South 19th

Bozeman, Montana 59715

Phone (406) 587-3153

TESTIMONY BY: Alan Eck

BILL # SB-313 DATE 3/20/85

SUPPORT XXX OPPOSE _____

Mr. Chairman and members of the committee, for the record my name is Alan Eck. I am representing the Montana Farm Bureau Federation. We would like to go on record as supporting SB-313. The Farm Bureau has had policy for some time that the senate be made up of one member per Montana county. We feel this type of representation gives our legislature a body that would better represent their constituents. Each county has unique problems and concerns that might be better served by the system suggested in SB-313. For these reasons we ask that the committee give Senate Bill 313 a do pass recommendation. Thank You.

Alan Eck

SIGNED

VISITORS' REGISTER

St Adm.

COMMITTEE

BILL NO. SB 247

DATE 3/20/85

SPONSOR Daniels

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Nadrian Jensen	Helena AFSCME	X	
Tom Schauder	MPEA	X	
BILL WARE	Helena Police Dept	X	
Bob Griffith	Highway Patrol	X	
BOB JOHNSON	TEACHERS' RETIREMENT	X	
Mary Lou Garrett	ICCW	X	
Stanley	Shelby's Peace Off	X	
Flanne Donnelly	Mont Assoc of Counties		
Ann M. Taylor	State Personnel Division	X	
Bill Verwolf	City of Helena, MLCT	✓	
Larry Neelshin	PERP	X	
Ellen Leaver	Dept of Adm	X	
Chip GRDMANN	MT School Bd Assn	X	
Edgar	Helena MFA	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME Margaret Starvo BILL NO SB 313
ADDRESS 516 Florence DATE 3/20/85
WHOM DO YOU REPRESENT? LWV MT
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The League of Women Voters supports the present system of apportionment for Montana Senate districts and asks that the 1 Senator per County proposal be rejected.

