

MINUTES OF THE MEETING
LONG-RANGE PLANNING SUBCOMMITTEE
49TH LEGISLATURE SPECIAL SESSION III

June 11, 1986

The meeting of the Long-Range Planning Subcommittee was called to order by Chairman Robert Thoft on June 11, 1986, at 8:30 a.m. in Room 108 of the State Capitol.

ROLL CALL: All members were present. Also present was Madalyn Quinlan, Associate Fiscal Analyst from the Legislative Fiscal Analyst's office (LFA).

Madalyn Quinlan, LFA, gave an overview of the issues which would be discussed in the subcommittee, which are the Governor's proposal for the park acquisition trust and the education trust fund. (5:A:008)

DEPARTMENT OF FISH, WILDLIFE AND PARKS:

Park Acquisition Trust: Jim Flynn, Director, Department of Fish, Wildlife and Parks (5:A:028) presented written testimony (EXHIBIT 1). He stated the Governor's proposal does two things: 1) replaces the general fund in the department, which is 100 percent in the parks division, and 2) caps the coal tax deposit to the park acquisition trust and diverts the tax to the general fund. Page 1 of the exhibit shows the cash flow in the parks division as a result of replacing general fund with interest from the park acquisition trust, and capping the coal tax deposit. Page 2 shows the capital projects that were approved by this committee in the last session. Some capital projects would be eliminated because they are taking coal tax money from capital projects and transferring it to operations. The only two projects that would be funded that aren't on this list would be the acquisition of Fort Benton museum and the second half of the purchase of Lake Elmo.

Rep. Bardanouve (5:A:133) asked Mr. Flynn about the possible lawsuit on Lake Elmo. Mr. Flynn replied that it is still pending. The seller preferred to have his money earlier than the option said, and the department was not inclined to exercise the option until July of 1987. Consequently, the seller started putting up fences to block the public out. The department went to the district court in Billings and got a court injunction to prevent the seller from doing that. The department has had some communication with his attorney, but right now it is in that mode.

Rep. Bardanouve asked Mr. Flynn (5:A:149) if the department has any legal leg to stand on. Mr. Flynn replied that the reason they were successful with the injunction is that the legalities were on their side.

Mr. Flynn (5:A:152) then went on to explain items 5 and 6 on page 3 of the exhibit. With the availability of the purchase of Lake Elmo for matching land and water conservation funds, they are proposing to use that land value to match the federal money for the items in number 6, and deleting from their request the items in number 5.

Chairman Thoft (5:A:173) asked Mr. Flynn if they had used the same interest rate for the three-year projections for coal tax earnings. Mr. Flynn replied they had. They do have a difference in the cashflow for FY 87 with the information from the LFA office, but he did not see this as a major difficulty. Part of the reason is that the department's cash forward to FY 87 is \$279,000 and the LFA's is in the neighborhood of \$800,000. A major part of that is because the department is assuming that things they are in the process of doing will be done by FY 87 and the LFA office was not aware of those details. Mr. Flynn further stated they have about a \$200,000 difference in opinion on the earnings of the coal tax account. If the capital projects are on the books, and they get the money, they will do them, and if they don't get the money, they won't do them.

Rep. Bardanouve (5:A:195) asked Mr. Flynn if they have a priority. Mr. Flynn replied they don't have. But if they did have any money available after the Fort Benton museum, they would apply anything they could to the Spring Meadow Complex in Helena. They are getting public use out there far beyond anything they ever imagined. They had anticipated spending about \$190,000 this year to get it up to speed, and it needs it desperately.

Sen. Van Valkenburg (5:A:212) asked Mr. Flynn about the list of capital projects listed on page 3 of the handout, that would be undertaken if they could use Lake Elmo's value as a match, but those projects don't seem to include any of the ones that are being eliminated under the coal tax funding. He wondered if that was because the other ones are not eligible for land and water conservation funds. Mr. Flynn answered that would be a part of the reason. The other reason is that the list on page 2 was a list developed in 1984, and the list on page 3

was developed in 1986. In comparing the two, they find these items are a higher priority than some of those from 1984's proposal.

There was more discussion by the committee regarding the different projects which were listed.

Chairman Thoft (5:A:260) asked Mr. Flynn if there is a bill to deal with this issue. Mr. Flynn said they have a bill that Rep. Manuel will sponsor, which will deal with the park acquisition coal trust. Mr. Flynn said the dollar figure changes will be dealt with in HB 500.

Dave Hunter, Budget Director, (5:A:274) said the Department of Fish, Wildlife and Parks will bring in a bill. The funding with regard to the general fund will be recommended to be in HB 500, and that will be handled in the subcommittee that handles the FWP budget.

Chairman Thoft (5:A:286) asked if there would be amendments to HB 928, which was the bill that dealt with most of these issues. Mr. Flynn replied that would be up to the committee if they want to delete the capital authority, or some portion of it.

Chairman Thoft (5:A:295) then asked if they could do all of these things without specific amendments to HB 928, or a bill. Mr. Flynn said that the only question the committee might want to consider would be if they want to delete the authority that they have to do the items in number 1. If the fiscal analyst's \$200,000 is more accurate than the department's revenue estimates, then they would still have the authority to go in and do Spring Meadow, Les Mason IMP, or any of the other projects.

Rep. Bardanouve (5:A:306) said he sees no harm in leaving it, and Chairman Thoft agreed, and they would deal with Rep. Manuel's bill.

Rep. Ernst (5:A:312) questioned the legality of substituting general fund money with coal tax. Mr. Flynn replied there is no legal problem.

MONTANA ARTS COUNCIL: (5:A:330)

Dave Nelson, executive director of the Montana Arts Council, said his accountant worked closely with Madalyn Quinlan, LFA. Their best estimate is that they can cover all of their legal obligations, which are contracts for

the amounts allocated last time by this committee for the projects. In the next years, when the cap is still in place, it reduces any growth that would have been expected and they estimate that in terms of 5 percent to 6 percent per year. This is in line with the 5 percent across-the-board reduction. Their best guess is that they are in reasonably good shape. They are assuming, however, that the committee act in the next session the way they did in the last session. That is, if there is a shortfall, that shortfall would be the first priority made up on the new round of grant appropriations. Otherwise, his agency would have to come up with the money and they don't have it. When the money is returned, to allow that fund to grow, then their estimate is that it would keep pace with inflation and the amounts of money available would be reasonable and comparable.

Chairman Thoft (5:A:367) asked Mr. Nelson to review the shortfall they may have to cover on the grants. Would it take a general fund appropriation? Mr. Nelson replied that, in the last session, the committee gave first priority for funding to prior year appropriations.

Rep. Bardanouve (5:A:376) asked Mr. Nelson if they have under contract all the proposals they approved. Mr. Nelson replied that once they are approved, there is a signed, legally binding contract with each recipient organization. Rep. Bardanouve then asked where they would be if there had been a shortfall, to which Mr. Nelson replied they would have come back to this committee and the agreement was that this committee would fund that shortfall out of the money available for the next go-around. Rep. Bardanouve also asked if they could be sued, and Mr. Nelson said if this committee refused to do this, his agency would be liable, which is the interpretation of the Governor's office. Rep. Bardanouve asked if the shortfall was beyond their control, shouldn't there be an escape clause that would make them not liable. Mr. Nelson said the next set of contracts would have that escape clause in it.

Chairman Thoft (5:A:406) commented that what Mr. Nelson was saying is that they can live with things.

Education Trust Coal Tax: (5:A:418) Madalyn Quinlan, LFA, presented this, which is on page G-11 of the LFA Budget Analysis book. The Governor's proposal is to divert the coal tax revenues from the education trust to the general fund for a three-year period.

Long-Range Planning Subcommittee

June 11, 1986

Page 5

Proponents: Dave Hunter, budget director (5:A:474), stated the Governor's proposal in regard to the education trust fund is to reduce their rate of savings. The legislature has the authority, by a majority vote, to cap the deposit on the RIT, park acquisition and education trust funds. There is no constitutional language preventing this action. The legislature has the authority to do whatever it chooses with regard to the education and park acquisition trusts. Mr. Hunter said they are proposing to leave the principal and the current allocation of interest earnings untouched, and to divert the coal tax revenue that would be otherwise deposited to the education trust, and deposit that to the general fund for FY 87, 88 and 89. Some people have proposed depositing the education trust in the foundation program, but the interest earnings don't all go to the foundation program, that adult basic ed and the university system get some of those. He felt the legislature needs to look at those priorities, and the more they earmark funds, the less discretion or ability the legislature has to prioritize. He ended by saying they will bring this committee a special piece of legislation which amends the allocation of coal tax revenue in the statute.

Carroll Krause, Commissioner of Higher Education, (5:A:529) stated they are in support of that proposal. It does have a significant impact upon higher education and is about \$1.5 million over the three-year period. The one concern they have is that it is only for the period of time that Mr. Hunter proposed. In the longer term, the education trust earnings are very important to their programs. Most of their WICHE-WAMI student support fees come from education trust earnings. As they have increased costs, it would not be possible to continue to support the number of students they have. If the language is written so that it clearly sunsets in 1989, they would support it.

Opponents: Eric Feaver, President of the Montana Education Association, (5:A:551), said they are not in favor of this proposal because of the long-term effects. If the Governor were proposing a one-year, one-shot infusion of the money that would otherwise be deposited in the education trust, then they would support it for FY 87. He hoped the committee would consider amending the bill to one year, so that the legislature would have an opportunity to review whether that is what they want to continue to do, after fiscal 1987. The reasons he brought this to the committee's attention is that the loss of income to the trust could be upwards of \$21 million over the three-year period. He believes that

the political impetus for keeping that money in operating budgets beyond the three-year period will be hard to overcome, and felt it would be the end of the coal tax allocation to the education trust. It could also be the end of earmarking. This is a short-term pain killer, but the long-term effect will be very hurtful to public education in the state. He ended by saying they would not like to see the revenue to public schools, the board of regents, and the vocational systems in the state diminish.

Rep. Ernst (5:A:605) asked Mr. Krause where the money will come from on the three-year interim on the WICHE-WAMI. Mr. Krause replied they will have the money they currently have. What they are losing is the money that would have come in. All fees are approved. The four WICHE's in Colorado State University is proposing a \$2,000 increase in veterinary medicine per student. That is one he is opposing very strongly. His concern is that if that is diverted forever, they will not have that base to continue to support the programs. The trust fund doesn't cover the entire amount in some of their WAMI program. They think they can stabilize the level of funding for WICHE-WAMI programs for this year with cuts in some support programs, and even hopefully to absorb the other without dissipating the long term.

Rep. Ernst (5:A:643) asked Mr. Krause if they will be reducing the number of students in the next few years, to which Mr. Krause answered no. They believe right now that they are funding the same number as last year. They are taking the 5 percent cut, and they have all the students covered.

Rep. Bardanoue moved to adjourn at 9:40 a.m. Chairman Thoft told the committee he hoped to take executive action on all issues on Monday.

The hearing reconvened at 1:30 p.m. to hear the Pay Plan Freeze.

PAY PLAN FREEZE: (6:A:000)

Rep. Gary Spaeth, District 84, appeared as sponsor of this bill (EXHIBIT 2). He explained that the bill is to continue fiscal year 1986 state employee compensation plans and benefit levels for fiscal year 1987, and came about because of the Governor's proposal to freeze state salaries at the current level. This bill is at the request of the Department of Administration (D of A).

Long-Range Planning Subcommittee

June 11, 1986

Page 7

Proponents: Ellen Feaver, (6:A:019), Director, D of A, went through the bill and explained it by sections. The effect of the bill will not reduce present salaries for any employees. Raises that were given to employees in 1986 will continue for FY 87. She said they continue to urge unions to sit down and cooperate in this effort to balance the budget. The \$8 million of general fund money is crucial to our budget. Many programs, organizations and individuals are being asked to sacrifice to help the state. Taxpayers around the state are already suffering from economic difficulties. This bill asks that state employees share in that sacrifice.

There were no further proponents present.

Opponents: Tom Schneider, (6:A:053), Executive Director of the Montana Public Employees Association, presented written testimony (EXHIBIT 3) in opposition to the proposed salary freeze as well as layoffs. In talking about everyone paying their fair share, state employees will pay 3.25 percent more in taxes than any other person in Montana. Their answer to layoffs is the early retirement option, as it is a valid way to reduce the work force. It has been used by every major corporation in the United States in the last five years. In closing, he said they have no intention of reopening their contracts. However, anything the legislature chooses to talk about in that area or proposes as an option, they are willing to look at and discuss. He finished by stating their minds are open and their only goal is to protect the interests of their members.

Nadlean Jensen, (6:A:166), representing the AFSCME, AFL-CIO, also spoke in opposition to the budget proposal.

Gary Evans, (6:A:177), professor at Montana State University, stated that on behalf of all the faculty at MSU, he would like to go on record as opposing this bill. This isn't just one year, and they feel they have suffered for quite a long time already. Last year they got a 1 1/2 percent raise. If they freeze salaries this year, he wondered what would happen in the next biennium. He stated they are losing their most productive faculty, and felt we can't be short-sighted on this and reduce the quality of education.

Carroll Krause, (6:A:204), Commissioner of Higher Education, said that 75 percent of the university system employees are in one kind of contract or another. Legal requirements for honoring those contracts can't be

ignored. Faculty turnover in the past year is 12 percent, compared to the norm of 4 percent. They are having a great difficulty in employing and attracting people to Montana. They now have to offer positions to third or fourth choices, and are still not obtaining the kind of people they feel are desirable in the system. They expect this problem not to go away. They sympathize with the legislature, but it would be more appropriate to honor the obligations that currently exist and look at the possibility, if there is a need to freeze salaries, to do so in the next biennium.

Jim McGarvey, (6:A:244), Executive Director, Montana Federation of Teachers/Montana Federation of State Employees, AFT, AFL-CIO, presented written testimony (EXHIBIT 4), which he read to the committee, stating his opposition to the bill, but asking the legislature to consider measures that would raise the revenue necessary to balance the budget. He also asked for support for state and university employee raises, as well as funding for the school foundation program. He also presented a year by year comparison of state employee pay increases vs. inflation, which is attached as EXHIBIT 5.

Phil Campbell, (6:A:330), representing the Montana Education Association (MEA), appeared in opposition to this bill. He presented a composite schedule for 156 statewide 1985-86 salary schedules, which he explained to the committee, as well as a comparison of public school salary schedules with a statewide composite (EXHIBIT 6). He felt the contracts should be honored, and if anything, to correct this problem and not make it worse.

Gene Fenderson, (6:A:365), president of Montana's Laborers Local #254, appeared in opposition to the bill. His organization, along with five other organizations, have talked to the state, and are willing to continue talking to the state. They have a number of questions which they need to have answered, before a final decision can be made to open those contracts or leave them closed. He requested that this committee hold up any action at this time and let the process work.

There were no further opponents present.

Committee Discussion: Sen. Fuller (6:A:405) asked Ms. Feaver of the Department of Administration, if she agreed with Mr. Schneider's analysis, that the contract is there and the base that was established by the contract at some

point will come into effect. Ms. Feaver (6:A:411) replied that her department does agree that they have a legal obligation to honor contracts they have. The level of emergency to break a contract has very high standards.

Sen. Fuller (6:A:428) also asked Ms. Feaver what options were considered by her staff and the Governor's office prior to the decision to freeze. Ms. Feaver said they discussed many options, which include asking for sacrifices from many sectors of our economy. The pay raise is a significant amount of money to come up with - \$8 million. The Governor has made a commitment to the people to look at cutting expenditures. It seems reasonable that rather than asking anyone to take a pay cut, that they not provide raises for people in this time of economic difficulties.

Sen. Fuller (6:A:454) wanted to know specifically, other than cuts of state employees' salaries, what other things they looked at. Ms. Feaver said they can't reduce work hours. Sen. Fuller then asked if any informal discussions were conducted with the bargaining units prior to the decision to freeze. Ms. Feaver replied yes. Sen. Fuller also wanted to know if the D of A or the Governor has any position at this time on the early retirement question, and would they support some type of early retirement bill. Ms. Feaver replied she had not seen a bill, and it would be hard for them to comment.

Rep. Bardanouve (6:A:493) commented to what Mr. Schneider had stated that private industry uses the early retirement system, and Rep. Bardanouve wondered how this will help Montana to save any money. Mr. Schneider replied that by reducing the work force by 500 people through early retirement, the savings would be the salaries of those people. By talking of layoffs versus retirement, the people who are laid off would not be replaced, and therefore the people who retire would not be replaced.

Rep. Bardanouve (6:A:524) wondered what early retirement would do to the PERS system, as many of those early retirees will be quite young yet. They will have to pay more years of pensions. Mr. Schneider replied that the only thing that the early retirement bill does is remove the penalty for early retirement. They will not be given the same benefits they would get if they stayed for 30 years. They are only talking a maximum of 30 percent. The employer contribution necessary to do that is somewhere between 25/100s and 30/100s of a percent. On an annual basis for all states and local governments in the state of Montana, it's going to be somewhere less

than \$350,000. The bill will defer the implementation of that contribution rate.

Rep. Bardanouve (6:A:552) told Mr. Schneider that the only problem with his solution is that the administration has no choice of when these employees will retire. The ones that retire may be very desirable people to keep in key positions; on the other hand, if the departments have a RIF, they will make the decisions in the areas that they feel they can suffer less in their operations. If employees are given a choice, there may be a key-people layoff and the ones the department wishes to lay off, will remain.

Mr. Schneider (6:A:571) said this is an unanswerable question, because they don't know where the layoffs will be, nor do they know who would take advantage of early retirement. The key positions will be filled if there is a retirement that is going to affect another area where the employee comes from. There isn't absolute control over layoffs, and you can't pick and choose who will be laid off. There is a process for layoffs in state policy, as well as a process for layoffs from all the contracts. There are \$100,000 to \$300,000 settlements because the process of laying off or hiring people was misused. There is a cost factor involved in layoffs that far exceed the cost factor involved with retirement. When people leave with retirement, they leave with a monthly check. When they leave with a layoff, they go to the unemployment office and draw unemployment for 26 weeks; some will go to the welfare office, some of them already qualify for food stamps, some will qualify for medical and dental care, as well as a lot of other programs. Options have to be explored.

Rep. Bardanouve (6:A:624) said private industry has a surplus and the only reason they have early retirement is to get rid of surplus workers. We do not say or claim we have surplus workers in the Montana government. Mr. Schneider said this was not done because of surplus workers, but because of the financial setback in operations, which is similar to what they have. The Department of Administration is saying either take a freeze or lay off 600 people. What he is saying is before that is done, they should look at a process to retire them rather than laying them off.

Mr. Schneider (6:B:004) said the first thing anyone talked about when this crisis arose is that state employees have to take a salary freeze because they have

Long-Range Planning Subcommittee

June 11, 1986

Page 11

to suffer along with the rest. This is the same group of people who took a step freeze last year, who were promised raises in 1971, and finally negotiated it in 1981, and still don't have it today. They are mad about the whole process because every time they negotiate, it is their feeling that the budget gets balanced on their negotiations. Today they say fine; if that is what you are going to do, go ahead and do it, but we're not reopening our contracts.

Sen. Van Valkenburg (6:B:021) addressed Ellen Feaver, D of A, that the proposed bill appears to establish a pay freeze, but on the other hand, her department says they will be bound by the existing contracts that the state has entered into. He wondered if it was her intent that employees that are not covered by collective bargaining agreements would be frozen in pay while those who are in collective bargaining agreements would be entitled to the benefits of those agreements. Ms. Feaver replied it is their intent to renegotiate the contracts. That is why they are introducing the bill.

Sen. Van Valkenburg (6:B:039) then asked if the bill were to pass in the form that it is now, and the contracts were not renegotiated, would the effect be that employees that are not in collective bargaining units would have their pay frozen, and those who are in collective bargaining agreements would be getting raises. Ms. Feaver replied they would not promote that. They would not find it desirable to have two pay plans.

Sen. Van Valkenburg (6:B:045) said that assuming if the legislature were to pass the bill in that form, then the Governor would veto it. Ms. Feaver said she could not respond to that.

Sen. Van Valkenburg (6:B:048) asked in what way those negotiations are conducted and what is the effect on the state of Montana if the legislature, in regular session, does not go along with the negotiations that the administration has entered into. He also asked if the administration had entered into an agreement with the collective bargaining entity, and the legislature as a whole does nothing, is the agreement entered into binding on the state of Montana and you have to pay according to that agreement? Ms. Feaver replied they go to the legislature with a tentative agreement. Sen. Van Valkenburg (6:B:076) then asked if there are post session contracts that are entered into based on what the 1985 session is, and it is those post session contracts that Mr. Schneider, the Department of Administration and others seem to believe

can only be broken by an emergency. Ms. Feaver replied they renegotiate. Sen. Van Valkenburg said he wouldn't call renegotiation breaking a contract. Renegotiation is re-entering into a contract.

Sen. Van Valkenburg (6:B:084) called on Ms. Feaver, as Director of D of A, to describe the negotiating process; how it went and whether there was really negotiating between the parties. Ms. Feaver replied that it would be more appropriate if their chief negotiator, Ron Sundsted, described it, which he did.

Sen. Van Valkenburg (6:B:138) directed questions at Mr. Schneider, and commented that Mr. Schneider had said in his testimony that there is no protection for the unions if the contracts were opened. Mr. Schneider replied that is correct. Sen. Van Valkenburg wanted to know if Mr. Schneider was genuinely being asked to open all the contracts with all the provisions, or if he was simply being asked to renegotiate the wages within the contract, and would be guaranteed that he would get no less than is being paid in June of 1986. Mr. Schneider replied that the administration's request is to reopen wages. Sen. Van Valkenburg asked if he was in any way being asked to accept a wage reduction. Mr. Schneider replied no. There are no risks of losing anything they have in June of 1986 in terms of wages as long as they don't reopen the contract before they sit down.

Sen. Van Valkenburg (6:B:163) asked that when talking about early retirement, is he really saying that he wants both early retirement and the wage increases that the contract would provide in July. Mr. Schneider replied yes.

Sen. Van Valkenburg (6:B:168) then referred to Mr. McGarvey's handout (Exhibit 4), with respect to increases in the pay plan. It does not include employer contribution to health insurance. If those were added to this, they would increase the level of the pay plan increase over the years to some degree. Mr. Schneider replied that is correct. Sen. Van Valkenburg questioned if it wouldn't be fair to include them within what the pay plan shows. Mr. Schneider said the simple answer to that is yes. However, he explained further (6:B:183).

Sen. Van Valkenburg (6:B:215) asked Mr. McGarvey if he had argued that it is unfair to hit state employees with the double responsibility of paying for the solution of

the deficit problem of the state. Mr. McGarvey replied yes. He also asked Mr. McGarvey if he had claimed that state employees will be taxed 3.25 percent higher than any other citizen of the state. Mr. McGarvey replied yes. Sen. Van Valkenburg pointed out that Mr. McGarvey had used the figure 3.25 percent as opposed to the figure of 1.25 percent which is what his same literature says the pay raise is. Mr. McGarvey replied it is not his intention to use different figures in different ways. However, it should not be the state employees or the children of the state who are taxed more heavily than the rest of Montana because of this unfortunate situation we find ourselves in.

Sen. Van Valkenburg asked Carroll Krause where the money is going to come from to grant pay raises in the university system, and what affect that will have on the level of institutional support, and whether the students in the universities will get their tuition raised in order that the presidents get a healthy increase in their income. Mr. Krause replied that one of the reasons the Board of Regents needs to proceed with the contracts is part of the constitutional provision of the federal government. That is why the Board of Regents have continued with their pay raises. They will absorb the pay plan freeze through getting rid of additional positions instead of raising tuition. That is their intent.

Rep. Bardanoue (6:B:337) said he was puzzled by what Mr. Schneider had said, that if workers are laid off, you would be subject to a possible legal suit for firing the laid off people, and that he was under the impression that if it was because of a money problem, you could lay people off. Ellen Feaver, D of A, said there are administrative rules that they are bound by in dealing with how to lay off people. Rep. Bardanoue felt that early retirement would solve discrimination problems. Ms. Feaver said the problem with early retirement is the fact that you must replace the people in vital positions in some instances.

Rep. Ernst (6:B:430) asked Ellen Feaver how the 500 to 700 employee reduction would relate to the institutions with the direct care. Ms. Feaver replied she did not know how the director of institutions would handle it.

Sen. Fuller (6:B:452) said there is an easy solution to the people they will lose to early retirement: if they are given a decent pay increase, they will stay there. He also said that one of his major concerns is getting

the legislature involved in negotiating, and felt it was bad public policy. He felt it would make sense to initiate some informal discussions at this point without having either side giving up anything. Ellen Feaver (6:B:479) said they did that in April, but no one has chosen to sit down with them and talk. Her department would be willing to talk, formally or informally.

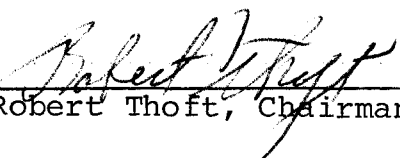
Sen. Fuller (6:B:493) asked Mr. Schneider if there was any interest in his organization to start that, at this point, with the understanding that you wouldn't have to open contracts. Mr. Schneider replied by stating three points: 1) they were only asked to reopen contracts, not to sit down and talk; 2) they were only asked to reopen their contracts for a wage freeze, and 3) they would have to deal with the legislature whether they like it or not. They do not trust the legislature, because of power play.

Sen. Fuller (6:B:548) stated that the message is clear, that Mr. Schneider's organization is not talking, but that Ellen Feaver is willing to having some informal discussions without opening the contracts. Mr. Schneider said they have already done that, and the problem is they can't get over the technical issues.

Mr. McGarvey (6:B:564) agreed with Mr. Schneider. Bargaining processes don't work very well. Sen. Fuller (6:B:635) ended by saying that unless those kind of informal discussions begin, this issue has pretty well been resolved, and we will be in court. He would like to see some discussions started.

In closing, Rep. Spaeth (6:B:646) summarized some of the problems everyone is faced with in approaching this problem. The budget balancing package is broad and far-reaching. Eight million dollars is not a small amount of money. Solutions have to be seriously looked at. There are five options: 1) salary freeze; 2) lay offs; 3) make the money up in other places; 4) tax increases; and 5) early retirement. He felt the freeze would be the least difficult in its impact. He urged passage of this bill.

There being no further business before the subcommittee, the meeting was adjourned at 3:10 p.m.



Rep. Robert Thoft, Chairman

VISITORS' REGISTER

Long Range Planning SUBCOMMITTEE

BILL NO. PAY PLAN

DATE 6/11/86

SPONSOR _____

1:30 PM

NAME (please print)	RESIDENCE REPRESENTING	SUPPORT	OPPOSE
Wanda Schumbe	MEHA	_____	_____
Ellen Sever	Dept of Administration	X	
Carye Ekongor	Dept. of Admin.	X	
ROO SUNNSTED		X	
Paula Schilke	interested citizen		X
Kathleen Holden	Dept. of Admin	X	
John Scott	Dept of Admin.	✓	
Jim Mc Gowan	Montreal Teachers	_____	_____
Herry Minor	MT Ad Teachers		
Phil Campbell	MEA	_____	
Gary Evans	MSU		
Eugene Fend	Labour Union	_____	_____
Madison Jensen	AFSCME, AFL-CIO	_____	_____
Ray Wilcox	U of M		
Donald Hall	U of M		
Don Kettner	D.C.C.		
Vic Bent	MT. Tech		
Cornel Brause	MT UNIV. SYSTEM		X

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.