

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
49th LEGISLATURE SPECIAL SESSION III
HOUSE OF REPRESENTATIVES

June 20, 1986

The meeting of the State Administration Committee was called to order by Chairman Sales on June 20, 1986, at 1:30 p.m. in Room 317 of the State Capitol.

ROLL CALL: All members were present with the exception of Rep. Garcia who was absent.

CONSIDERATION OF SENATE BILL NO. 2: Senator Matt Himsl, sponsor of the bill, explained the bill to the Committee and handed in written testimony, Exhibit #1, which is attached to the minutes.

PROPOSERS: Kathy Fabiano, Administrator of the accounting division, appeared as a proponent of the bill and also handed in written testimony, Exhibit #2, attached to the minutes. She went through the testimony and explained her position.

Rep. Bruce Simon, District #91, said he was a member of the Audit Committee and had been asked to carry the bill on the floor of the House. He urged concurrence in the bill.

OPPOSERS: There were no opposers.

DISCUSSION OF SENATE BILL NO. 2: Rep. Cody asked about line 6 and 7 on page 3 pertaining to unusual circumstances in which the director of the department of administration may grant an extension. Ms. Fabiano said that this has never happened.

There being no further questions from the Committee members, Sen. Himsl closed his presentation by asking for support for his bill.

EXECUTIVE ACTION:

Rep. Pistoria moved DO PASS, seconded by Rep. O'Connell.
MOTION CARRIED UNANIMOUSLY.

CONSIDERATION OF HOUSE BILL NO. 27: Rep. Dennis Rehberg, District #88, appeared to present his bill to the Committee. He said that if we are asking the state employees to take a cut in pay or a freeze it is only fair that everyone take the same cut or freeze. He brought out the fact of the 5% pay cut in Rep. Patterson's bill. He felt that not everybody would support a cut but might support a freeze. The Legislative Council informed him that the two bills could be melded together.

PROPOSERS: There were none.

OPPONENTS: Gordon Morris, Executive Director, Montana Association of Counties, said that he, and he felt the Legislators also, were very tired of this subject; that of elected county officials' salaries. This takes a lot of time and is brought to the Legislature every session. He strongly urged that the county officials be deleted from the bill. He said they had supported HB 11 sponsored by Rep. Manuel that came out of the Local Government Committee with some amendments by MACO. He said that was a far superior way to go. The freeze should not be indefinite and on-going but should have a definite ending time. The salaries of the elected county officials has nothing to do with the issues of the State budget.

Dick Michelotti, County Treasurer's Association, also opposed the bill saying the elected officials' salaries will not help state finances. The option should be given to the local governments to freeze their own salaries and said he would support HB 11 as amended.

DISCUSSION OF HOUSE BILL NO. 27: Rep. Harbin asked Rep. Rehberg why it is an infinite time schedule and Mr. Rehberg said he had no problem with putting in a termination date. He said that the legislators represent the taxpayers and the elected county officials also have a responsibility to those same taxpayers. Rep. Rehberg said that the fiscal impact would not be tremendous and it was more a philosophical move on the part of the Legislature.

In answer to a question about the savings, Gordon Morris said the savings was estimated by MACO at about \$243,000; the fiscal note shows \$202,000.

Rep. Rehberg said that the university professors were never intended to be included in the bill and they have separate contractual agreements.

There being no further questions, Rep. Rehberg closed his presentation.

EXECUTIVE ACTION:

House Bill No. 16:

Chairman Sales told the Committee that the \$2 million in the social security contribution account would only last another 3-4 years and then the cost of administering the funds would be on the state so it was only a question of this being done now or later. He pointed out the options to the Committee as far as how this \$2 million could be handled and reviewed the testimony from June 19, 1986.

Further discussion was had on the cost of administering the fund and whether it would be split between the employer and employee, however, the opinion was that it could not be added

to the contribution of the employee - any added contribution must be a direct benefit to the employee.

Rep. Jenkins moved that HB 16 DO PASS.

Rep. Cody asked how the cost would be divided between the eight retirement systems. Chairman Sales said that it would be pro-rated.

Rep. Phillips asked if Lois would state the amendment that she had prepared that would take care of the option to let the retirement funds take care of themselves by assessing each fund. Lois Menzies, staff researcher from the Legislative Council then read her amendment to the Committee and explained what the amendment would accomplish.

Ms. King explained to the Committee, in answer to a question from Rep. Cody, that the division could handle it either way but it would be more paperwork for the division.

Rep. Phillips asked what the liability is right now. Ms. King said they were at 40 years at the present time. She said it may be .2% but more likely it will be an additional .3% employer contribution

Rep. Cody moved that HB 16 DO NOT PASS AS AMENDED, seconded by Rep. Harbin. Following further discussion the motion was withdrawn.

Rep. Jenkins moved that HB 16 DO PASS, seconded by Rep. Cody.

Rep. Pistoria asked what the amount would be added to the state general fund to which the answer was \$2 million. Chairman Sales said the \$2 million would be taken now for the general fund but in 3-4 years the state would have to take over the cost of administering the fund.

The question being called on the Do Pass motion, the MOTION FAILED on a 11-6 vote. The vote was then reversed for a DO NOT PASS. (See roll call vote attached to the minutes.)

House Bill No. 13:

It was pointed out that HB 11 included elected county officials but that it was voluntary by county. Rep. Phillips felt that everybody was going to have to give up a little something. He said that 5% was not a drastic or ridiculous cut in pay.

Chairman Sales asked for a show of hands supporting a 10% cut. There were none. He then asked for a show of hands that would support a 5% cut and nine hands were raised. In answer to a question to support a freeze the hands showed were 11.

Rep. Jenkins moved to AMEND HB 13 to 5% CUT IN SALARIES, seconded by Rep. Smith. MOTION CARRIED 11-6. (Roll Call vote #2 attached.)

Rep. Jenkins moved to INCLUDE COUNTY OFFICIALS in HB 13, seconded by Rep. Smith. MOTION CARRIED 9-8. (Roll Call vote #3 attached.)


Rep. Phillips moved to INCLUDE THE AGENCY DIRECTORS, seconded by Rep. Janet Moore. The MOTION CARRIED 12-5. (Roll Call vote #4 attached.)

 moved that HB 13 DO PASS AS AMENDED, seconded by Rep. Compton. The MOTION CARRIED 10-7. (Roll Call vote #5 attached.)

House Bill No. 27:

Rep. Jenkins moved that HB 27 BE TABLED IN COMMITTEE. The MOTION CARRIED.

The meeting was adjourned at 2:50 p.m.



Walter Sales, Chairman

St. Administration

BILL NO. H/B-27 & SB-2

6-20-86

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

06/86

SB-2

INTERENTITY LOANS

This files includes:

1. Copy of the Bill.
2. Sponsor's Testimony.
3. Bill Analysis.
4. Possible Questions and Answers.
5. Interfund Loans Outstanding at June 30, 1985

TESTIMONY ON SB-2

INTERENTITY LOANS

SB-2 - An act to require that all interentity loans be paid within one calendar year of the date approved; amending Section 17-2-107, MCA, and providing an applicability date and an immediate effective date.

Purpose

SB-2 is requested by the Department of Administration. This bill amends MCA Section 17-2-107, the interentity loan law, removing the requirement that loans be repaid by fiscal year-end. As amended, the law will require all loans to be paid within twelve months of the date they are approved. This means agencies would be allowed to carry any loan over year-end, but normally could not carry a loan for more than one calendar year without legislative approval.

Background and Justification

Montana has several accounts that must pay expenses before their revenues are collected. This is typical for government accounts, where services provided are not always directly related to the revenues that pay for them. For example, payroll expenses are paid from an account every two weeks throughout the year; but an account's only revenue source may be fees which are collected once or twice a year. The State also has several accounts that operate on a reimbursement basis. These operations purchase an item one month and sell it the next, recovering their cost. These types of governmental operations must borrow cash from other accounts to pay expenses incurred before their revenues are received. The 1983 Legislature amended the interentity loan law to require all loans, except in limited circumstances, to be repaid by fiscal year-end.

The Department of Administration reviews all loans requested by agencies for compliance with the interentity loan law. Since the 1983 amendments to this law became effective, the department has had several requests for loans that, under the current law, could not be approved because the requesting agency did not anticipate collecting revenues in time to repay the loan by fiscal year-end. Many of these loans were necessary in order for the agency to meet its other statutory obligations.

The Department of Administration is requesting this legislation to correct the conflict between the loan law, which says an agency can't carry a loan over year-end and repay it with cash collected in the next year, and other laws which require agencies to pay their expenses timely and make cash distributions before year-end. A representative from the Department of Administration will provide the committee with examples of these conflicts.

Conclusion

It is unrealistic to expect all interentity loans to be repaid by fiscal year-end unless we also require state agencies to sell all their merchandise inventories and collect on every account receivable by June 30.

The legislation proposed by the Department of Administration will allow agencies to have a loan outstanding for one calendar year, recognizing the fact that the financial affairs of the State for a particular fiscal year are never completely wrapped up within that year. Rather, each year's activities carry over into the next fiscal year - and so must the interentity loans that are needed to conduct those activities.

BILL ANALYSIS

Bill Title - "AN ACT TO REQUIRE THAT ALL INTERENTITY LOANS BE PAID WITHIN ONE CALENDAR YEAR OF THE DATE APPROVED; AMENDING SECTION 17-2-107, MCA, AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

Purpose - Amend Section 17-2-107, MCA, repealing existing language that requires loans, if not made for one of the limited purposes set forth in subsection 3, to be repaid by fiscal year-end. New language will instead require all loans to be paid within one calendar year of the date approved.

Pros - The proposed amendment will eliminate the conflict between Section 17-2-107, MCA, which prohibits both a negative cash balance and the carry-over of an inter-entity loan at fiscal year-end, and other statutes which require certain expenditures and distributions to be made before June 30.

Cons - The proposed amendments may result in some loans going unpaid longer than necessary. However, the Accounting Division will still be monitoring all loans to ensure they are paid within 12 months of the date approved.

Alternatives to Legislation - None.

Financial Impact - None.

Prior legislative history - The language that will be amended by this proposed legislation was inserted by the 1983 Legislature at the request of the Legislative Fiscal Analyst.

Interested persons/parties -

- Judy Rippingale, Legislative Fiscal Analyst
(not contacted, may oppose this legislation)
- University Units (CHE supports this legislation)
- Office of Public Instruction (supports this legislation)

Problems with October 1 effective date - The proposed legislation should be made effective upon passage and approval for loans processed on or after July 1, 1985 to alleviate the problem in time for fiscal year-end 1987.

SB-2

POSSIBLE QUESTIONS AND ANSWERS

1. HOW MANY LOANS ARE RECORDED BY STATE AGENCIES EACH FISCAL YEAR?

In FY85 the Department of Administration processed 176 loans and to date over 200 loans have been processed in FY86.

2. ARE ALL LOANS TO OTHER ACCOUNTS MADE FROM THE GENERAL FUND?

No. In both FY84 and FY85, only 21 loans were made from the General Fund to other accounts. In FY86, to date, 45 loans have been made from the General Fund to other accounts. As of May, \$5.8 million in General Fund loans are outstanding.

3. UNDER THE CURRENT LOAN LAW, WHAT TYPES OF LOANS CAN BE CARRIED OVER YEAR-END?

Loans can be approved for carry-over into the next fiscal year if they are made -

(1) to repair or replace property damage covered by insurance; or

(2) to pay expenses which will later be reimbursed by

(a) federal revenues

(b) receipts due to the Higher Education agencies' auxiliary, restricted, and loan funds; or

(c) receipts from the sale of prison ranch products.

4. HOW MANY LOANS ARE CARRIED OVER YEAR-END?

FY85 interentity loans carried over year-end totalled \$37.8 million, including intrafund loans.

Approved under 17-2-107(3)	- \$ 28.6 million
Grandfathered (made prior to 3/1/83)	- 4.3 million
Not approved	- 4.9 million
	<hr/>
	\$ 37.8 million

5. WILL ALLOWING AGENCIES TO CARRY-OVER A LOAN AT YEAR-END DISTORT THEIR TRUE FINANCIAL POSITION ON THE STATE'S ACCOUNTING RECORDS?

No. When an agency records a loan the cash borrowed (an asset) is offset in the accounting records with accounts payable (a liability). Thus, there is no affect on the account's fund balance.

6. HOW MANY LOANS HAVE BEEN APPROVED UNDER THE CURRENT PROVISION WHICH ALLOWS THE DEPARTMENT OF ADMINISTRATION'S DIRECTOR TO AUTHORIZE ONE ADDITIONAL EXTENSION OF LOANS APPROVED FOR CARRY-OVER YEAR-END?

None of the loans approved for carry-over year-end have been outstanding for longer than twelve months. One loan that was not approved for carry-over Fiscal Year-End 1985 is still outstanding. This loan is for \$1.3 million from the General Fund to the SRS county revolving account.

7. WILL THE PROPOSED AMENDMENTS SOLVE ALL THE PROBLEMS AGENCIES ARE HAVING COMPLYING WITH MCA 17-2-107?

No. Most agencies will be able to repay their loans within the twelve month period proposed in SB-2. However, some loans are needed for longer than twelve months. This legislation will require those agencies to get legislative approval to carry a loan for longer than twelve months.

2. INTERFUND LOANS

Interfund loans receivable and payable balances at June 30, 1985 are as follows (in \$000's):

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$ 2,074	\$
Special Revenue Funds		
State	28,795	
Federal		25,724
Revolving		4,991
Capital Projects Funds		
Long-Range Building Program	150	
Federal and Private Construction Grant		150
Enterprise Funds		
Economic Development Board		150
Beginning Farm Loans		138
Internal Service Funds		
Motor Pool		3
Prison Ranch	40	
Prison Industries		40
FWP-Office Supplies		25
FWP-Warehouse Inventory		75
Expendable Trust Funds		
Unemployment Insurance	237	
Higher Education Current Funds		
General Operating	4,168	
Designated		1,164
Auxiliary	90	147
Restricted		2,074
Higher Education Fiduciary Funds		
Agency	110	326
Higher Education Plant Funds		
Unexpended	11	
Renewal and Replacement	275	8
Retirement of Indebtedness	8	943
	<u>\$ 35,958</u>	<u>\$ 35,958</u>

3. PRIOR PERIOD ADJUSTMENTS

For the fiscal year-ended June 30, 1985 the following corrections of errors have resulted in beginning fund equity restatements:

<u>FUND TYPE</u>	<u>Increase (Decrease) - (In \$000's)</u>					
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>TOTAL</u>
Special Revenue	\$ 5,851	\$	\$	\$ 2,069	\$ 432	\$ 8,352
Enterprise		(11)			8	(3)
Internal Service		(525)			(35)	(560)
Pension Trust					22	22
Higher Education:						
General Operating					(259)	(259)
Designated					49	49
Auxiliary					210	210
Restricted					(65)	(65)
Student Loans					(4)	(4)
Unexpended Plant			(4,057)			(4,057)
Retirement of						
Indebtedness			(7,762)			(7,762)
Investment in Plant			4,057			4,057
TOTALS	<u>\$ 5,851</u>	<u>\$ (536)</u>	<u>\$ (7,762)</u>	<u>\$ 2,069</u>	<u>\$ 358</u>	<u>\$ (20)</u>

- A. Encumbrance incorrectly reported as deferred revenue in fiscal year 1984.
- B. Contributed capital was incorrectly added to retained earnings in fiscal year 1984.
- C. Corrections in reporting bond activity.
- D. Restatements for Department of Commerce's Community Block Development Grants.
- E. Miscellaneous restatements.

TESTIMONY

Interentity Loans

Currently the law requires all interentity loans processed during the year to be repaid by fiscal year-end (June 30), unless they are for one of the limited purposes set forth in statute or are legislatively authorized to be carried over year-end. This proposed legislation will amend MCA Section 17-2-107 to remove the requirement that loans be repaid by June 30 and replace it with language that instead requires all loans to be repaid within 12 months of the date they originated. As proposed, the amendments will be effective retroactively to loans processed on or after July 1, 1985. Because of the revenue shortfalls this year, more interentity loans than usual that cannot be paid back by June 30 are necessary.

The language specifically requiring most loans to be repaid each year by June 30th was enacted by the 1983 Legislature at the request of the Legislative Fiscal Analyst, effective for all loans processed after March 1, 1983. The Department of Administration (DOA) reviews support for all loans before they are processed, including the agency's reason for needing the loan and the revenue source that will be used to repay it. We monitor all loan due dates, contacting an agency when its loan is not paid on time. Since FY84, the department has processed over 600 loans. Most loans are either between two university accounting entities or between federal and earmarked accounts. Such loans comply with the current law for carry over year-end. However, since the DOA implemented the 1983 Legislative amendments to 17-2-107, we have also seen a number of requests from agencies for loans that do not qualify under the current law for carry-over year-end, yet the revenue source used to repay them will not be collected before June 30. For example -

- The university system has a number of "designated" accounts which, by their nature, pay expenses which are later reimbursed through the sale of goods to the various university departments. These accounts pay expenses in one year, for example, for inventory purchases, the cost of which will not be recovered through user charges until the next fiscal year. For fiscal years 1984 and 1985, five of the six universities had loans outstanding in their designated accounts which could not be repaid by year-end.
- Last fiscal year-end the University of Montana needed a loan on the last working day of June in order to make a bond payment on July 1 of this fiscal year. The payment is due July 1 so the cash must be wired to the fiscal paying agent the working day before. The University did not have cash available to make the transfer on June 30 because it was held in escrow and couldn't be withdrawn until July 1.
- This year because of revenue shortfalls the General Fund will need, or will come very close to needing, a loan from another account the last week in June. The Governor's Executive Budget is projecting a FYE86 fund balance of approximately \$1 million and the General Fund's year-end cash balance is usually very close to its fund balance.
- Also this fiscal year-end, the Office of Public Instruction expects to need a loan in order to make their June distribution to schools. The loan will be repaid from FY86 interest and income revenues distributed

in July. This situation results from the legislature using an accounting accrual (non-cash revenue) to balance the budget last session. This LFA proposal, by its nature, requires a loan over year-end.

For each of these examples, according to 17-2-107 a loan should not be processed because it must be carried over year-end and repaid in July; but at the same time, there are other statutes and legal requirements that cannot be complied with unless these accounts are given loans.

- In the case of the university designated accounts, the law allows these individual accounts to have negative cash all year long (as long as the subfund's cash in total is positive); but requires that each account have a zero or positive cash balance by fiscal year-end. The General Fund is also required to have positive cash at year-end. If the General Fund or a designated account is negative on June 30, we have a choice between violating the section of law that says an account can't have negative cash at year-end, or violating the section that says an account can't have a loan that is carried over year-end.
- We could either give UofM a loan to make the transfer to their fiscal agent on June 30 for bond payments due July 1, or have the fiscal paying agent refuse to service the debt.
- We can either give OPI a loan for the foundation program this year, or violate the law that says county treasurers must receive their distributions by June 30.

The Legislative Auditor's recent audit report for the Department of Administration has also noted a statutory conflict, that is between the current loan law and the law that requires the State's accounting system to be in accordance with generally accepted accounting principles. Their report says they are finding cases where agencies have financial activity that, according to generally accepted accounting principles should be recorded as a loan, but isn't because the loan can't be repaid by year-end in accordance with 17-2-107.

We don't see how the LFA can oppose this bill when, in part, they created the situation. The current law fails to consider a number of situations where interentity loans are necessary but can't reasonably be repaid by June 30th. Agencies are being put in the position of not complying with the loan law so that they can comply with another law, or vice versa. As amended, the law will require all loans to be repaid within one calendar year of the date they are approved. The Accounting Division will review all loan requests and monitor repayments for compliance with the twelve month limitation. Loans that are needed for a period longer than twelve months will require legislative authorization.

Prepared by:

Kathy Fabiano, Administrator
Accounting Division
Department of Administration

ROLL CALL VOTE

STATE ADMINISTRATION

COMMITTEE

DATE 6-20-86 BILL NO. HB-16 NUMBER 1

NAME	AYE	NAY
SALES, Chairman		/
O'CONNELL		/
CAMPBELL		/
CODY	/	
COMPTON		/
GARCIA		
HARBIN	/	
HAYNE		/
HOLLIDAY	/	
JENKINS	/	
KENNERLY	/	
MOORE		/
NELSON		/
PETERSON		/
PHILLIPS		/
PISTORIA		/
SMITH		/
VELEBER	/	

TALLY

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Secretary

Chairman

MOTION: 16 Motion Do Pass - Failed
Vote reversed for Do Not Pass

ROLL CALL VOTE
STATE ADMINISTRATION

COMMITTEE

DATE 6-20-86 BILL NO. HB-13 NUMBER 2

NAME	AYE	NAY
SALES, Chairman	<input checked="" type="checkbox"/>	
O'CONNELL		<input checked="" type="checkbox"/>
CAMPBELL	<input checked="" type="checkbox"/>	
CODY		<input checked="" type="checkbox"/>
COMPTON	<input checked="" type="checkbox"/>	
GARCIA		
HARBIN	<input checked="" type="checkbox"/>	
HAYNE	<input checked="" type="checkbox"/>	
HOLLIDAY		<input checked="" type="checkbox"/>
JENKINS	<input checked="" type="checkbox"/>	
KENNERLY		<input checked="" type="checkbox"/>
MOORE	<input checked="" type="checkbox"/>	
NELSON	<input checked="" type="checkbox"/>	
PETERSON	<input checked="" type="checkbox"/>	
PHILLIPS	<input checked="" type="checkbox"/>	
PISTORIA		<input checked="" type="checkbox"/>
SMITH	<input checked="" type="checkbox"/>	
VELEBER		<input checked="" type="checkbox"/>

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Secretary

Chairman

MOTION:

*Jenkins 5% cut
including state officials. Motion carried*

ROLL CALL VOTE
STATE ADMINISTRATION

COMMITTEE

DATE 6-20-86 BILL NO. HB-13 NUMBER 3

NAME	AYE	NAY
SALES, Chairman	✓	
O'CONNELL		✓
CAMPBELL	✓	
CODY		✓
COMPTON	✓	
GARCIA		
HARBIN		✓
HAYNE	✓	
HOLLIDAY		✓
JENKINS	✓	
KENNERLY		✓
MOORE	✓	
NELSON		✓
PETERSON	✓	
PHILLIPS	✓	
PISTORIA		✓
SMITH	✓	
VELEBER		✓

TALLY

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Secretary

Chairman

MOTION:

Include cemetery officials. Motion
carried

ROLL CALL VOTE
STATE ADMINISTRATION

COMMITTEE

DATE 6-20-86 BILL NO. HB-13 NUMBER 4

NAME	AYE	NAY
SALES, Chairman	✓	
O'CONNELL		✓
CAMPBELL	✓	
CODY		✓
COMPTON	✓	
GARCIA		
HARBIN		✓
HAYNE	✓	
HOLLIDAY	✓	
JENKINS	✓	
KENNERLY		✓
MOORE	✓	
NELSON	✓	
PETERSON	✓	
PHILLIPS	✓	
PISTORIA	✓	
SMITH	✓	
VELEBER		✓

TALLY

12 5

Secretary

Chairman

MOTION:

*Legislative officials - Phillips
motion - Co agency directors from the
Legislative branch. Motion carried.*

ROLL CALL VOTE
STATE ADMINISTRATION

COMMITTEE

DATE 6-20-86 BILL NO. HB-13 NUMBER 5

NAME	AYE	NAY
SALES, Chairman	✓	
O'CONNELL		✓
CAMPBELL	✓	
CODY		✓
COMPTON	✓	
GARCIA		
HARBIN		✓
HAYNE	✓	
HOLLIDAY		✓
JENKINS	✓	
KENNERLY		✓
MOORE	✓	
NELSON	✓	
PETERSON	✓	
PHILLIPS	✓	
PISTORIA		✓
SMITH	✓	
VELEBER		✓

TALLY

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Secretary

Chairman

MOTION:

Do Pass as amended. Motion
carried.

DAILY ROLL CALL

STATE ADMINISTRATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 6-20-86

NAME	PRESENT	ABSENT	EXCUSED
SALES, Chairman	✓		
O'CONNELL	/		
CAMPBELL	/		
CODY	/		
COMPTON	/		
GARCIA		/	
HARBIN	/		
HAYNE	/		
HOLLIDAY	/		
JENKINS	/		
KENNERLY	/		
MOORE	✓		
NELSON	/		
PETERSON	/		
PHILLIPS	/		
PISTORIA	/		
SMITH	/		
VELEBER	/		

STANDING COMMITTEE REPORT

June 20

1986

Mr. Speaker: We, the committee on State Administration

report HB 16

☐ do pass
☒ do not pass

☐ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

Walter Sales,

Chairman

First reading copy (White)
color

STANDING COMMITTEE REPORT

June 20

1986

Mr. Speaker: We, the committee on State Administration

report SE 2

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

Walter Sales,

Chairman

Third

reading copy (blue)
color

STANDING COMMITTEE REPORT

June 21,

19 86

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report HOUSE BILL 13

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

Page 1 of 3

Rep. Sales

Chairman

REDUCE THE SALARIES OF LEGISLATORS, CERTAIN ELECTED AND APPOINTED STATE OFFICIALS AND EMPLOYERS, AND ELECTED COUNTY OFFICIALS

1. Title, line 5.

Following: "LEGISLATORS"

Strike: "AND"

Insert: ", "

2. Title, line 6.

Following: "EMPLOYERS"

Insert: ", AND ELECTED COUNTY OFFICIALS"

Following: "2-16-405,"

Insert: "3-10-207,"

3. Title, line 7.

Following: "5-2-301,"

Insert: "7-4-2107, 7-4-2502 THROUGH 7-4-2505,"

4. Page 1, line 17.

Strike: "\$45,407"

Insert: "\$47,929"

5. Page 1, line 19.

Strike: "\$32,527"

Insert: "\$34,334"

6. Page 1, line 23.

Strike: "\$41,415"

Insert: "\$43,715"

7. Page 1, line 25.

Strike: "\$30,008"

Insert: "\$31,675"

8. Page 2, line 1.

Strike: "\$35,705"

Insert: "\$37,035"

9. Page 2, line 4.
Strike: "\$33,627"
Insert: "\$35,495"

10. Page 2, line 7.
Strike: "\$32,527"
Insert: "\$34,334"

11. Page 2, line 9.
Strike: "\$30,008"
Insert: "\$31,675"

12. Page 2, line 11.
Strike: "\$29,161"
Insert: "\$30,781"

13. Page 2.
Following: line 11.

Insert: "Section 2. Section 3-10-207, MCA, is amended to read:

"3-10-207. Salaries. (1) The board of county commissioners shall set salaries for justices of the peace by resolution. Salaries must meet the minimum requirements established by this section, except that after June 30, 1986, the salary for a justice of the peace may not be higher than 95% of the amount it was on June 30, 1986.

(2) If the salary of the justice of the peace was determined on a fee basis for the years 1971 and 1972, he shall receive a monthly salary of not less than one-eighteenth of the total fees, civil and criminal, collected by the justice or his predecessor in office during the 2 years 1971 and 1972.

(3) If the salary of the justice of the peace was determined on a nonfee basis for the years 1971 and 1972, the justice shall be paid not less than the highest salary earned by the justice or his predecessor for the years 1971 and 1972.

(4) The salary of the justice of the peace may not be less than the salary for the district clerk of the court in that county, except as provided for in subsections (1) and (5).

(5) In the event his court is not open for business full time, the justice's salary shall be commensurate to the workload and office hours of the court."

Remember: subsequent sections.

14. Page 2, line 15.
Strike: "908"
Insert: "958"

15. Page 3.

Following: line 18

Insert: "Section 4. Section 7-4-2107, MCA, is amended to read:

"7-4-2107. Compensation of county commissioners. (1) Each member of the board of county commissioners in counties of the first, second, third, and fourth class shall receive an annual salary equal to 95% of the annual salary established in 7-4-2503 ~~for the clerk and recorder plus \$2,000 in effect on June 30, 1986.~~

(2) Each member of the board in all other counties is entitled to a salary for each day in which he is actually and necessarily engaged in the performance of board duties, ~~as set by resolution of the board. For the fiscal year beginning July 1, 1985, the~~ The salary is \$60 ~~\$57~~ a day.

~~Thereafter, on or before July 1 of each year, the county commissioner shall fix a cost-of-living adjusted daily salary by adding to the amount of \$60 an increment calculated as provided in 7-4-2504.~~

(3) This section does not apply to counties that have adopted a charter form of government.

"Section 5. Section 7-4-2502, MCA, is amended to read:

"7-4-2502. Payment of salaries of county officials and assistants. (1) Except as provided in subsection (2), the salaries of the county officers and their assistants may be paid monthly, twice monthly, or every 2 weeks out of the general fund of the county and upon the order of the board of county commissioners.

(2) (a) The salaries of the county attorney and deputy county attorneys authorized by 7-4-2703 are payable monthly, with the salaries of the county attorney and no more than two deputies payable one-half from the general fund of the county and the other one-half from the state treasury upon the warrant of the state auditor. Such salaries for the deputy county attorneys include the longevity increases provided by 7-4-2503(3) (4) (d).

(b) The county commissioners of each county shall, within 30 days after the election or appointment to fill a vacancy for any cause in the office of county attorney or within 30 days after the appointment of a deputy county attorney authorized by 7-4-2703, certify the election or appointment to the state auditor, who shall thereafter draw warrants for such salary in the same manner as for state officers. In case of a vacancy, the county commissioners shall immediately notify the state auditor, and the auditor shall compute the salary due on the basis of the notification.

(3) The board has jurisdiction and power, under such limitations and restrictions as are prescribed by law, to fix the compensation of all county officers not otherwise fixed by law and to provide for the payment of the same.

(4) After June 30, 1986, the compensation of an elected officer may not be more than 95% of the amount it was on June 30, 1986.

Section 6. Section 7-4-2503, MCA, is amended to read:

*7-4-2503. Salary schedule for certain county officers. (1) The salary paid to the county treasurer, county clerk and recorder, clerk of the district court, county assessor, county superintendent of schools, and county sheriff; the county surveyor in counties where county surveyors receive salaries as provided in 7-4-2812; and the county auditor in all counties wherein such office is authorized, for the fiscal year beginning July 1, 1981, is computed by adding the annual base salary of:

(a) \$14,000 for the counties of the first through fifth class to the population increment of \$10 for each 100 persons or major fraction thereof included in the county's population as determined by the 1980 federal decennial census; or

(b) \$12,000 for counties of the sixth and seventh class to the population increment of \$20 per 100 persons or major fraction thereof in the county's population as determined by the 1980 federal decennial census.

(2) The salary computed under subsection (1) for an elected official referred to in subsection (1) may not be higher than 95% of the amount it was on June 30, 1986.

~~(2)~~ (3) (a) An elected county superintendent of schools shall receive, in addition to the salary based upon subsections subsections (1) and (3), the sum of \$400 per year, except that an elected county superintendent of schools who holds a master of arts degree or a master's degree in education, with an endorsement in school administration, from a unit of the Montana university system or an equivalent institution may, at the discretion of the county commissioners, receive, in addition to the salary based upon subsection subsections (1) and (2), up to \$2,000 per year.

(b) The county sheriff shall receive, in addition to the salary based upon subsection subsections (1) and (2), the sum of \$2,000 per year.

~~(3)~~ (4) (a) In each county with a population in excess of 30,000, the county attorney shall be a full-time official under 7-4-2704, and his salary for the fiscal year beginning July 1, 1981, shall be \$35,500. In counties with a population less than 30,000, the county attorney who is a part-time official for a county of the first, second, or third class is entitled to receive an annual salary equal to 60% of the annual salary of a full-time county attorney. A county attorney who is a part-time official for a county of the fourth, fifth, sixth, or seventh class is entitled

to receive an annual salary equal to 50% of the annual salary of a full-time county attorney.

(h) In those counties where the office of the county attorney has been established as a full-time position pursuant to 7-4-2706, the salary of the county attorney for the fiscal year beginning July 1, 1981, shall be \$34,500.

(c) Beginning on July 1, 1982, and on July 1 of each succeeding year, each appointed county attorney shall be entitled to an increase in salary calculated by adding to his annual salary on July 1, 1981, an increment of 70% of the last previous calendar year's consumer price index for all urban consumers, U.S. department of labor, bureau of labor statistics, or other index that the bureau of business and economic research of the university of Montana may in the future recognize as the successor to that index. The cost-of-living increment for the fiscal year beginning July 1, 1983, and for each subsequent fiscal year shall be added to all cost-of-living increments granted for previous years.

(d) (i) After completing 4 years of service as deputy county attorney, each deputy county attorney is entitled to an increase in salary of \$1,000 on the anniversary date of his employment as deputy county attorney. After completing 5 years of service as deputy county attorney, each deputy county attorney is entitled to an additional increase in salary of \$1,500 on the anniversary date of his employment. After completing 6 years of service as deputy county attorney and for each year of service thereafter up to completion of the 11th year of service, each deputy county attorney is entitled to an additional annual increase in salary of \$500.

(ii) The years of service as a deputy county attorney accumulated prior to July 1, 1985, must be included in the calculation of the longevity increase.

(4) (5) For each 10th year after the fiscal year beginning July 1, 1981, the latest federal decennial census statistics shall be the basis for computation of population increments under this section. During the intervening 9 years, the computation of population increments applicable on July 1 of each year shall be based on the last calendar year's annual estimates of counties' populations compiled by the federal-state cooperative program for estimates of the university of Montana bureau of business and economic research and the U.S. bureau of the census or other estimate that the bureau of business and economic research may certify.

Section 7. Section 7-4-2504, MCA, is amended to read:

"7-4-2504. Salaries to be fixed by resolution --
cost-of-living increments. (1) The county governing body shall by resolution, on or before July 1, 1982, and on or before July 1 of each year thereafter adjust and uniformly fix the salaries of the

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an appointed county treasurer, county clerk, county assessor, county school superintendent, county sheriff, and the clerk of the district court, the county auditor (if there is one), and the county surveyor (if he receives a salary) for cost-of-living increase by adding to the annual salary computed under 7-4-2503 an increment calculated by applying to the annual salary established by 7-4-2503(1) plus previous cost-of-living increments, 70% of the last previous calendar year's consumer price index for all urban consumers, U.S. department of labor, bureau of labor statistics, or other index that the bureau of business and economic research of the university of Montana may in the future recognize as the successor to that index. The cost-of-living increment for the fiscal year beginning July 1, 1983, and for each subsequent fiscal year shall be added to all cost-of-living increments granted for previous years.

(2) If the application of 7-4-2503 does not qualify a an appointed county official for a salary increase of at least 7% on July 1, 1981, his salary on that date shall be increased by an amount sufficient to provide him total salary equal to 7% more than during the previous year.

(3) The county governing body shall by resolution, prior to July 1 of each year, establish the salary of the coroner. After June 30, 1986, the salary of an elected coroner may not be higher than 95% of the amount it was on June 30, 1986. The salary must be in effect upon the first day of each ensuing fiscal year.

Section 8. Section 7-4-2505, MCA, is amended to read:

"7-4-2505. Amount of compensation for deputies and assistants.

(1) Subject to subsection (2), the boards of county commissioners in the several counties in the state shall have the power to fix the compensation allowed any deputy or assistant of the following officers:

- (a) clerk and recorder;
- (b) clerk of the district court;
- (c) treasurer;
- (d) assessor;
- (e) county attorney;
- (f) auditor.

(2) (a) The salary of a deputy or an assistant listed in subsection (1), other than a deputy county attorney, may not be more than 90% of the salary of the officer under whom such deputy or assistant is serving. The salary of a deputy county attorney, including longevity payments provided in 7-4-2503(3)(4)(c), may not exceed the salary of the county attorney under whom he is serving.

(b) Where any deputy or assistant is employed for a period of less than 1 year, the compensation of such deputy or assistant

shall be for the time so employed, provided the rate of such compensation shall not be in excess of the rates now provided by law for similar deputies and assistants except as provided herein.

(c) Deputy assessors' salaries shall be the same as paid the deputy clerk and recorder."

Reamend: subsequent sections

16. Page 3, line 22.

Strike: "\$24,890"

Insert: "\$26,277"

17. Page 4, line 17.

Strike: "\$25,536"

Insert: "\$26,954"

18. Page 4, line 19.

Strike: "\$24,872"

Insert: "\$26,253"

19. Page 5, line 2.

Following: "executive"

Insert: "and legislative"

20. Page 5, line 4.

Following: "executive"

Insert: "and legislative"

21. Page 5, line 5.

Strike: "90%"

Insert: "95%"

22. Page 5, line 9.

Strike: "and"

23. Page 5, line 10.

Following: "full-time"

Insert: "executive branch"

24. Page 5, line 12.

Following: "MCA"

Insert: ", except university system faculty and administrators; and

(4) legislative agency directors appointed under 5-11-111, 5-11-205, 5-13-302, 5-15-201, and 5-1-321"

25. Page 5.

Following: line 12

Insert: "NEW SECTION. Section 12. Saving clause. This act does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before the effective date of this act."

NEW SECTION. Section 13. Applicability. The amendment to 3-10-207(1), MCA, by section 2 of this act does not apply to a justice of the peace in office on the effective date of this act and does not apply to or void a salary increase granted after June 30, 1986, if section 2 of this act takes effect after June 30, 1986, and after the salary increase. Article VII, section 7(1), of the Montana constitution provides that the salaries of justices and judges "shall not be diminished during terms of office".

Repealer: subsequent section

26. Page 5, line 14.

Strike: "2"

Insert: "3"