

**MINUTES OF THE MEETING  
STATE ADMINISTRATION COMMITTEE  
50TH LEGISLATIVE SESSION  
HOUSE OF REPRESENTATIVES**

March 12, 1987

The meeting of the State Administration Committee was called to order by Chairman Sales on March 12, 1987 in Room 437 of the State Capitol at 9:00 a.m.

**ROLL CALL:** Rep. Moore was excused. All other committee members were present.

**CONSIDERATION OF SENATE BILL NO. 287:** Senator Gage, Senate District # 5 and sponsor of the bill, stated that currently the Reapportionment Commission determines the number of districts and read a portion of the Constitution:

. . . there will be no less than 40 nor more than 50 districts in the senate, no less than 80, no more than 100 districts in the house.

This bill states that the legislature shall determine the number of districts and if no decision is made, the number of districts defaults to the same number of districts in the prior session.

**PROPONENTS:** Jo Brunner, Grange Association, and Carol Mosher, Montana Stockgrowers and Montana Cattle Women, supported the bill.

**OPPONENTS:** None.

**DISCUSSION OF SENATE BILL NO. 287:** Rep. Cody asked who selects the five individuals from the public. Lois Menzies stated that the Constitution provides that:

The majority and minority leaders of each house each shall designate one commissioner. Within 20 days after their designation, the four commissioners shall select a fifth member, who shall serve as chairman. If the four members fail to select a fifth member within the time prescribed, a majority of the supreme court shall select the 5th member.

**CONSIDERATION OF SENATE BILL NO. 326:** Senator Haffey, Senate District # 33 and sponsor of the bill, stated that the bill calls for a 5.5% increase in the monthly service or disability retirement allowance for persons in the Public Employees Retirement System (PERS). Approximately 8,000 retired public employees receive an average retirement payment of \$360 per month. The bill would increase the retiree's payment by \$2 per month. Two years ago, the Legislature passed a bill containing a formula to increase payments for people with lower monthly income a larger percentage. This bill provides for an across-the-board 5.5% increase based on the consumer price index increase from 1985 through 1986. The consumer price index is only a fair proxy for a retired person's cost of living as their consumption is more heavily weighted toward health insurance and medical costs. Funding will come from increasing the unfunded liability very modestly, from 28 to approximately 31 years, and is well below the level that is determined insolvent.

**PROPONENTS:** Leo Berry, Association of Montana Retired Public Employees (AMRPE), stated the bill was designed to try and keep the retired public employees from falling further behind and distributed (Exhibit #1). In the past seven years inflation has risen over 50%; medical costs have gone up 138%; basic phone services have increased 227%; insurance costs for a Medicare eligible person over 65 have increased 181%, and 129% for persons under 61; and energy costs have gone up 96% while retirement benefits have only increased 24%.

Bob Knapp, AMRPE, stated that retirees are faced with rapidly rising health and prescription costs. Insurance plans do not pay all the costs. Interim study recommendations have been set aside because of financial problems. This type of issue gets caught up in dollars and cents, but there is a human side.

Tom Schneider, Montana Public Employees Association (MPEA), stated that continually rising costs for health insurance is incurred by retirees. The federal government will continue to shift costs for medicare and medicaid to the primary carriers so the state has to raise the cost of insurance to the retirees. The state does not contribute for the retiree.

Clint Harrington, MPEA, supported the bill and urged that no amendments be made. In 1985, 7,399 people received a 9.59% increase, but 164 people were completely left out because a ceiling was placed on retirees earning \$1,000.

Phil Paul, AMRPE, stated his open heart surgery cost \$8,000 in excess of insurance payments. Fortunately he was able to pay it, but many others don't have money for such emergencies.

OPPONENTS: None.

DISCUSSION OF SENATE BILL NO. 326: Rep. Roth asked if the bill excluded anyone. Sen. Haffey replied it covers people who retire before July 1, 1986.

Rep. Cody asked about the fiscal note. Leo Berry replied it translates into an extra two years of unfunded liability. Linda King replied that when an actuary costs a benefit increase, it is computed as a percentage of salary to be paid over a 40-year period. Because a contribution increase is not provided the unfunded liability increase is calculated to be 2.19 years. The actuary states a present value of a cost for over 40 years and then states how much the unfunded liability will increase if it is not funded.

Rep. Jenkins asked how many years the unfunded liability increased when the bill was passed in 1985. Leo Berry replied it increased from 36 to 40 years. Rep. Jenkins asked how long the unfunded liability is now. Linda King replied it is 28 years. The largest reason for the decrease in the unfunded liability is that a 5-year expected salaries plan was adopted estimating a 4% growth to approximate the change in the economy. This decreased the unfunded liabilities to 28 years. Employee contributions never apply to reducing the unfunded liabilities, only the employer contribution. Two sets of costs are involved: 1) normal costs to pay for benefits as they accrue in the future; and 2) unfunded liabilities, which are costs that have accrued at some point in the past.

Rep. O'Connell asked whether the retirement funds are invested. Linda King replied yes, and more money was received last year from investments than both the employee and employer contributions. Sen. Haffey closed discussion on Senate Bill No. 326.

CONSIDERATION OF SENATE JOINT RESOLUTION NO. 11: Sen. Beck, Senate District # 24 and sponsor of the resolution, stated that the purpose of the resolution is to honor Richard C. Wallace by naming the administration building at the prison after him. Richard Wallace began his employment at Montana State Prison in 1963 as a correctional officer, became the vehicle maintenance

man at the center for the next 20 years, and was killed on December 30, 1985 in an explosion at the prison. In 1986 he posthumously became the first recipient of the correctional officer and employee of the year award from the Montana Correction Association and was nominated for the correctional officer of the year by the American Association of Correctional Officers. This recognition is endorsed from the prison employees, his family, the Montana State Prison, and Department of Institutions.

**PROPOSERS:** Curt Chisholm, Department of Institutions, and Tom Schneider, MPEA, supported the resolution.

**OPPOSERS:** None.

**DISCUSSION OF SENATE JOINT RESOLUTION NO. 11:** Sen. Beck closed discussion of Senate Joint Resolution No. 11 by asking that the committee concur in the resolution and stated that Rep. Campbell will carry the bill.

**DISPOSITION OF SENATE JOINT RESOLUTION NO. 11:** Rep. Jenkins moved the resolution **BE CONCURRED IN**, seconded by Rep. Campbell. The motion passed (16-1) with Rep. Whalen voting no.

**DISPOSITION OF SENATE BILL NO. 287:** Rep. Campbell moved that the bill **BE CONCURRED IN**, seconded by Rep. Cody. The motion passed unanimously (17-0). Rep. Jenkins will carry the bill.

**DISPOSITION OF SENATE BILL NO. 326:** Rep. O'Connell moved the bill **BE CONCURRED IN**, seconded by Rep. Cody. The motion passed (17-1). Rep. Peterson will carry the bill.

**DISPOSITION OF SENATE BILL NO. 260:** Suggested amendments were distributed (Exhibit # 2). Rep. Fritz moved the bill **BE AMENDED** to include the amendments in Exhibit #2, seconded by Rep. Nelson. The motion passed unanimously (18-0).

State Administration Committee  
March 12, 1987  
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Rep. DeMars moved the bill BE CONCURRED IN AS AMENDED, seconded by Rep. Sales. The motion passed unanimously (18-0). Rep. Fritz will carry the bill.

ADJOURNMENT: There being no further business to come before the committee, the meeting adjourned at 10:10 a.m.

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Walter R. Sales, Chairman

7103b/C:JEANNE\WP:jj

DAILY ROLL CALL

State Administration COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 3-12-87

NAME	PRESENT	ABSENT	EXCUSED
Walt Sales	✓		
John Phillips	✓		
Bud Campbell	✓		
Dorothy Cody	✓		
Duane Compton	✓		
Gene DeMars	✓		
Harry Fritz	✓		
Harriet Hayne	✓		
Gay Holliday	✓		
Loren Jenkins	✓		
Janet Moore		✓	
Richard Nelson	✓		
Helen O'Connell	✓		
Mary Lou Peterson	✓	<del>+</del>	
Paul Pistoria	✓		
Rande Roth	✓		
Tonia Stratford	✓		
Timothy Whalen	✓		

# STANDING COMMITTEE REPORT

March 12

19 37

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 287

do pass

do not pass

be concurred in

be not concurred in

as amended

statement of intent attached

Walter R. Sales

Chairman

REAPPORTIONMENT TO BE BASED ON NUMBER OF LEGISLATORS DECIDED BY LEGISLATURE

REP. JENKINS TO CARRY THE BILL

*JMS*  
third

blue

reading copy ( )

color

# STANDING COMMITTEE REPORT

March 12

19 57

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 326

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Walter R. Sales

Chairman

**PROVIDING COST-OF-LIVING INCREASE TO CERTAIN PERS RETIREES**

**REP. PETERSON TO CARRY THE BILL**

*WRS*  
third reading copy ( blue )  
color



# STANDING COMMITTEE REPORT

March 12

1937

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SJR 11

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

WALTER R. SAGES

Chairman

RESOLUTION NAMING THE PRISON ADMINISTRATION BUILDING FOR RICHARD C. WALLACE

REP. CAMPBELL TO CARRY THE BILL

*MS*

third

blue

reading copy ( )

color

# STANDING COMMITTEE REPORT

March 12

19 67

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 150

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

WALTER R. SALES

Chairman

## GENERALLY REVISE ELECTION LAWS:

1. Page 3, line 18.

Following: ".."

Insert: "(1)"

2. Page 5, line 21.

Strike: "(1)"

Insert: "(a)"

3. Page 5, line 25.

Strike: "(2)"

Insert: "(b)"

4. Page 5.

Following: line 25

Insert: "(2) If an individual fails to file the declaration as required under subsection (1)(a), he may not assume the position for which he was elected."

70714/C:HEAVEN/WP:jj

RVP. FRITZ WILL CARRY THE BILL

third reading copy ( blue )  
color

ROLL CALL VOTE

State Administration

COMMITTEE

DATE 3-12-87

BILL NO. SB 326

NUMBER \_\_\_\_\_

NAME	AYE	NAY
Walt Sales		✓
John Phillips	✓	
Bud Campbell	✓	
Dorothy Cody	✓	
Duane Compton	✓	
Gene DeMars	✓	
Harry Fritz	✓	
Harriet Hayne	✓	
Gay Holliday	✓	
Loren Jenkins	✓	
Janet Moore	✓	
Richard Nelson	✓	
Helen O'Connell	✓	
Mary Lou Peterson	✓	
Paul Pistoria	✓	
Rande Roth	✓	
Tonia Stratford	✓	
Timothy Whalen	✓	

TALLY

17    1

*Hanne Johns*  
Secretary

\_\_\_\_\_  
Chairman

MOTION: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#1  
3-12-87  
SB 326

SB 326

Association of Montana Retired Public Employees

SB 326 is critical to the well being of the approximately 8,000 retired public employees. Cost of living increases are particularly critical to our elderly, those on fixed incomes or retirement benefits. We would like to demonstrate the impacts of the rising costs of living just over the past seven years, from 1979 to 1986. During that time the C.P.I. (Consumer Price Index) rose over 50%, but a few examples paint a more vivid picture:

MEDICAL COSTS:

1979 hospital room -- \$96.00  
1986 hospital room -- \$229.00  
increase of \$133.00 or 138%

BASIC PHONE:

1979 -- \$5.54  
1986 -- \$18.17  
increase of \$12.63 or 227%

INSURANCE COSTS--WITHOUT DENTAL

a) Retiree and spouse--Medicare eligible  
1979 -- \$43.20  
1986 --\$121.80  
increase of \$78.60 or 181%

b) Retiree and spouse--under 65  
1979 -- \$65.99  
1986 -- \$151.40  
increase of \$85.41 or 129%

ENERGY:

a) electricity/kilowatt hour  
1979 -- 2.7 cents  
1986 -- 5.3 cents  
increase of 2.6 cents or 96%

b) natural gas  
1979 -- \$3.04/mcf  
1986 -- \$3.36/mcf  
increase of .32 mcf or 10.5%

Since 1979 the average public retiree has received increased benefits of 24% and receives \$361.00 per month.

It is obvious with an overall inflation increase of 50% since 1979, that the total loss of buying power for retirees is far greater than those still working. For example, prescription drugs generating increase in cost at a rate of 10% per year. However, comparison of the most commonly used prescription drugs by the elderly shows that they increased 24% from 1985 and 1986. Eyeglass costs increase at the approximate rate of 5% per year.

PROPOSED AMENDMENTS TO SENATE BILL NO. 260 (third reading--blue):

1. Page 5, line 18.

Following: "."

Insert: "(1)"

2. Page 5, line 21.

Strike: "(1)"

Insert: "(a)"

3. Page 5, line 25.

Strike: "(2)"

Insert: "(b)"

4. Page 5.

Following: line 25

Insert: "(2) If an individual fails to file the declaration as required under subsection (1)(a), he may not assume the position for which he was elected."

amdsb260.wp

#2

3-12-87

SB 260



VISITORS' REGISTER

STATE ADMINISTRATION

COMMITTEE

BILL NO. SB 326

DATE March 12, 1987

SPONSOR SENATOR HAFLEY

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
BOB KNAPP	ASSOC MT. RETIRED PUBLIC Emg	✓	
Jim Sahinen	" " " " "	✓	
W. J. Ernst	" " " " "	✓	
G. H. Hansen	" " " " "	✓	
Tom Schudis	MPETH	✓	
Les BERRY	Ass of Mt Ret Pub Em	✓	
Edna May O'Brien	AMRPE		
Howard V. Bellas <sup>BOZEMAN, MT.</sup>	AMRPE	✓	
Rudolf E. Walczak	"		
Margaret Ward	"	✓	
Harold C. Treadway Soc	"	✓	
Phil Paul	"	✓	
Clint Harrington	"	✓	
Bob Low	"	✓	
Ben Green	"	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

