

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

February 18, 1987

The twenty-seventh meeting of the State Administration Committee was called to order by Chairman Jack Haffey at 10:05 a.m. on February 18, 1987 in Room 331 of the State Capitol.

ROLL CALL: All committee members were present.

The hearing was opened on Senate Bill 328.

CONSIDERATION OF SENATE BILL 328: Senator Joe Mazurek, Senate District 23, Helena, is the sponsor of this bill entitled, "AN ACT REQUIRING THE DEPARTMENT OF ADMINISTRATION TO CONTRACT PRINTING OPERATIONS THROUGH MONTANA BUSINESSES; CHANGING RESIDENCE REQUIREMENTS; PROHIBITING THE STATE FROM ENGAGING IN COMMERCIAL PRINTING; AMENDING SECTIONS 18-1-103, 18-7-101, ..., MCA; REPEALING SECTION 18-7-107, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE." He noted last session there was a bill regarding this same issue and this is a revised proposal. The bill deals primarily with the increase in the amount of printing that the state is now doing, the competition the state is giving the private sector and the amount of work the state is doing that formerly went up for bid. The printers are especially concerned with the expansion of the Publishing and Graphics Division and the dramatic impact this has had on the private printing businesses across the state. He noted some state printing shops are in direct competition with private shops. He stated the state argues they can do the work more efficiently but he felt there needed to be a balance between the public and the private sector. This bill would restrict state printing to internal documents except for cases where documents are for public dissemination and these would be put up for bid. It would also prevent government agencies from doing commercial printing of any type. Some states are getting out of the printing business completely he stated. He noted he disagreed with the fiscal note that had been prepared because he felt it reflected a figure that made all state printing sent out for bids which was not the case.

PROPONENTS: Ken Dunham, with the Associated Printers and the Printers Association of Montana, noted this idea was not new. He distributed an old resolution from 1977 which addressed the competition issue. He felt, however, the state has continued to do more and more printing. He stated he felt that sales people have persuaded the state they could save by doing printing in-house which he felt was not true. The printers have never come before the legislature in a united effort as they have done so this session he indicated. He felt that it could be proven that private commercial printing is economically feasible. (EXHIBIT 1)

Riley Johnson, representing the National Federation of Independent Businesses, noted they had balloted their membership and found that 71% of their members felt they were being directly affected

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by state government printing. He felt close consideration needed to be given to the competition factor.

Stan Burgard, from Bozeman Color World Printers, stated he felt the state was absorbing the printing business like a giant sponge. He distributed a fact sheet containing state pricing and the prices of three commercial printers. (EXHIBIT 2) He felt many jobs could have been done more inexpensively by private shops. He noted that the Montana Code Annotated's were done by his shop in 1979 and since then have been done out-of-state and that the "Build Montana" label is also being done out-of-state.

Frank Thomas, Manager of Thomas Printing of Kalispell, felt what the printers were asking for was not unique as it is being done in other states. He distributed an example of South Carolina. (EXHIBIT 3) He noted a few years ago it was common practice to maintain in-house printers but many have now abandoned this idea because they have found it is not cost effective. He maintained his own small shop could produce two to one for the same amount of money the state has invested in equipment. He felt that state printing is costing the taxpayers much more than it should and asked for a return to the efficiency of private printers.

Bill Schneider, with Falcon Press Printing in Helena and Billings, noted that Publishing and Graphics (P & G) was originally created to help monitor and improve the bid letting process and to educate state personnel in the printing process but they have gone beyond this to become a major producer of printing. He then distributed a list of current equipment that state printing has. (EXHIBIT 4) He felt it was the most expensively equipped pre-press shop in Montana. He noted if their company had this type of equipment they would have to run it two shifts in order to make it pay for itself. He also submitted a partial list of state print shops the state maintains in addition to P & G. (EXHIBIT 5) He urged careful consideration of the proposal.

Tim Seery, from Gateway Printing of Missoula, discussed the print-shop located at the University of Montana. He noted U of M. employs 10 union employees and also has a professor who operates a private business from this same shop which generates \$220,000 per year. He stated they have purchased some large pieces of equipment over the past couple of years. He felt the original intent to acquaint journalism students with the printing process had been set aside.

Ted Naugle, with Artcraft Printers in Missoula, noted more and more business has been taken away from private printers in the past ten years. He felt the need for accountability and cost effectiveness has been lost over the years. The U of M system is a challenge to free enterprise he stated. He did not feel the state should continue to subsidize support of governmental printing establishments that cannot prove they can print at a

savings to the taxpayers.

Robert Graff, from Bozeman Artcraft Printers, was very concerned about the private printing industry and did not believe the full impact was really being seen. Wages and printing in private industry are on the decline while state printing continues to escalate. If they were given more state printing business, he felt the state printing workforce could quickly be assimilated into the private workforce. The investment the state has made in equipment could be recaptured by sale of equipment and by not replacing old equipment.

Robert Floren, from Havre Hill County Printing, was concerned the state was spending more on printing than was necessary.

Bill Thibodeau, representing Quik Print of Missoula, felt the testimony showed the private sector is trying very hard to remain competitive by maintaining reasonable prices and efficient operations.

Mike Murray, Action Print of Helena, stated they are experiencing a very difficult time trying to compete with the state.

Rex Watson, of Carpenter Paper of Great Falls, noted the paper vendors were also behind this proposal.

Del Shubring, of Townsend, would like to get on the bid list to do some of the same type of work that P & G does now. He also wondered if the state printing shops competing with the private shops was a judicial matter.

Mike Crosbrey, with Artcraft Printers in Great Falls, noted ten years ago their volume with the state exceed \$500,000 per year and now it is down to \$15,000. He urged consideration.

Bill Correll, Artcraft Printers of Billings, noted their volume with the state ten years ago was between \$200,000 and \$300,000 and is now below \$25,000 per year. He noted the number of major printers in Billings who have gone out of business in the past year. The printers are very concerned about their industry.

Jim Palmer, of The Advertiser in Missoula, stated he favored SB 328 on behalf of the printers in the state.

OPPONENTS: Ellen Feaver, Director of the Department of Administration, agreed it was important to achieve a balance between government and the private sector. She stated most large businesses have their own printshops. She did not feel the state was entirely to blame for the decline of business in the printing industry. She felt there was less work being sent to printers because of the work that can be done now at people's own desks with personal computers. The manner in which printing

is done has also gotten cheaper so less money is being spent for printing.

She noted the provision stating that a contract must be printed by a resident bidder would eliminate over half of the vendors on their bidding list. If a job cannot be done by an in-state printer they would have to make an arrangement with an out-of-state printer to do the work for a Montana firm and this might be costly also. There are many items which simply cannot be done in state such as our highway maps. She wondered how "customary charges" would be figured. She stated the bidding process is very time consuming and arduous. Many studies have been done which prove that in-house printing is economical and efficient. She said if the committee felt it was time to study what the state can print and what should be done by private industry, then it ought to do so. Part of the reason for the high fiscal numbers on the fiscal note was because their office interpreted the proposal to read that the state could do no commercial printing, typesetting or binding. Regarding a cost disclosure, Ms. Feaver noted this would have to be figured beforehand and this in itself is a very time consuming and complicated procedure. She felt the definition of what is a public document should be considered carefully. She stated she felt there was potential in the bill to increase the costs to government but also potential to help the private printers also.

Ray Hoffman, from the Department of Health, distributed two documents referring to federal procurement provisions. He felt this would restrict the state to resident printers which was in opposition to environmental protection laws. The state could lose sizeable federal dollars he felt as they have to certify the procurement system. If something could be done to exclude them then the state could be in compliance. (EXHIBIT 6)

Marilyn Miller, from the Office of Public Instruction, was concerned the services they provide to school districts would be affected. She stated the service they get from P & G is is very efficient and economical. If work had to be put up for bid she felt that it would mean less service to the schools.

Brian Cockhill, from the Montana Historical Society, opposed the bill because he noted all of their work is done by contract and they need several bids to get the best price. He feared the residency requirement would hinder them as they have found in many cases that out-of-state bids have been much cheaper. He felt that their proprietary accounts should be exempted. (EXHIBIT 7)

Dick Johnson, Deputy Director of the Department of Fish, Wildlife and Parks, wondered who would determine what a "customary charge" would be and what exactly "excessively non-competitive" meant. The Department was concerned this might result in higher printing costs if they can only use resident bidders.

John Wilson, Administrator of the Montana Promotion Division within the Department of Commerce, opposed the bill because 95% of their printing is done by contract bids and he noted their last bid was for highway maps and while the person who received the bid was a resident he still sublet the work to be done out-of-state. He was concerned about the residency requirement. He noted the last vacation guide had 9 bidders and none were from in state. He was also concerned about the phrase "excessively non-competitive." He felt the penalty of \$50 was really not very detrimental. The printing disclaimer on the back of promotional materials was not appropriate he stated. If the intent is that printing be done in Montana then it should state this and if Montana is to be given preference then it should be defined clearly.

Al Madison, from the University of Montana printshop, felt all printing should be done in Montana if possible. He noted they do have two operations, a Quik Print and a printshop that sometimes works two shifts. He said the printshop was started to acquaint journalism students with printing and they are still welcome to come to the shop. The main goal is to serve the university. The publication that the professor publishes is an academic publication which has achieved national fame. He thought the bill should exempt public documents and also that there should not be a cost disclaimer.

Bill Schalberg, from the Department of Highways, opposed the definition of commercial printing. The Department has a highly technical process of distribution for plans for highway construction. If they could not control the process he felt it might result in delays in bidding work. He felt documents used for competitive bidding processes should be exempted.

QUESTIONS ON SENATE BILL 328: Senator Haffey stated this has been a very complicated issue in the past and the solution is not easy. Senator Mazurek noted he had tried to address the definition of public documents and what constitutes public printing. Senator Haffey felt the proponents and opponents should try and work out an agreeable solution.

Senator Mazurek stated in CLOSING that he felt businesses are going back to local printers rather than having their own printshops. He felt resident printers should be given consideration.

The hearing was closed on Senate Bill 328.

The hearing was opened on Senate Bill 334.

CONSIDERATION OF SENATE BILL 334: Senator Delwyn Gage, Senate District 5, Cut Bank, was the sponsor of this bill entitled, "AN ACT REDUCING TEMPORARILY THE OFFICE HOURS OF CERTAIN LEGISLATIVE, JUDICIAL, AND EXECUTIVE BRANCH AGENCIES; REDUCING THE SALARIES OF CERTAIN BRANCH AGENCIES; REDUCING THE SALARIES OF CERTAIN ELECTED AND APPOINTED STATE OFFICIALS FOR THE NEXT BIENNIUM; AMENDING SECTIONS 2-16-117, 2-16-405, 13-7-106, AND 15-2-102; MCA; PROVIDING FOR APPLICABILITY; AND PROVIDING AN EFFECTIVE DATE." He noted his bill arose from a concern people have for spending in state government. He felt people were just going to have to realize they are not going to get the service they want from the state unless there are more funds to support it. This bill was an effort to try and cut down on spending, not by cutting people's salaries but by shutting down at noon for half of the year. This would give people additional time off and then if they desired they could get other part-time work. He had tried to make the bill as equitable as possible by including elected officials and did state that those areas where 24-hour supervision is necessary would be excluded. He felt it was a responsible way to a solution to budget problems. It would not affect the school districts or counties and cities.

PROPOSERS: There were none.

OPPOSERS: Ellen Feaver, Director of the Department of Administration, stated she did not feel the employees deserved a 5% reduction because they are hard working people and she wondered how the work would get done if only a portion of the day were worked. Some of the work simply cannot get done now she noted. She said it would affect the retirement and sick leave benefits also.

Tom Schneider, of the Montana Public Employee's Association, felt this was just saying the work was expected to be done but in half the amount of time. He distributed a graph of state employees which showed a decrease in the number of employees and wondered how the work could get done in less hours. (EXHIBIT 8) He felt stress would quickly take its toll and this would be a drastic mistake. To cut any deeper, he felt you would have to go into statute and eliminate programs to decrease the workload.

Terry Minnow, representing the Montana Federation of Teachers and the Montana Federation of State Employees, stated they were in opposition to the bill because it is a type of selective taxation against the employees. They feel the number of hours worked would soon be a non-negotiable item and urged a do not pass.

Eileen Robbins, of the Montana Nurses' Association, stated they opposed the bill because it amounts to a 5% reduction in salary. She felt it might also infringe on the collective bargaining process. (EXHIBIT 9)

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Mark Blake representing the Interdepartmental Coordinating Committee for Women, submitted written testimony in opposition also. (EXHIBIT 10)

QUESTIONS ON SENATE BILL 334: There were none.

Senator Gage stated he felt this was an alternative to cutting salaries and noted that people are going to have to realize if the work cannot get done now then perhaps it is time to start cutting programs. He stated he had written to the governor eight months earlier requesting that the agencies work on prioritizing their programs so that the legislature would have this type of information when they met to determine the budgets. The governor did not respond and he then contacted the LFA's office and they stated they had no information either. He had most recently talked with Terry Cohea and she stated that their office felt that their budget had been prioritized when it was presented. Senator Gage felt the legislature still did not have the guidance they desired. He noted he had tried to avoid this type of action but this was his response to warding off further cuts. He hoped the bill could be preserved so later on it might be offered as an option. Senator Gage then CLOSED on Senate Bill 334.

The hearing was opened on Senate Bill 326.

CONSIDERATION OF SENATE BILL 326: Senator Jack Haffey, Senate District 33, Anaconda, was sponsor of this bill entitled, "AN ACT PROVIDING A COST-OF-LIVING INCREASE IN SERVICE AND DISABILITY RETIREMENT ALLOWANCES AND SURVIVORSHIP ALLOWANCES FOR CERTAIN RETIREMENT MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OR THEIR BENEFICIARIES; AND PROVIDING AN EFFECTIVE DATE." He stated this bill would help those persons who are on retirement systems and can only receive cost-of-living increases if the legislature takes action. He noted there was a slight increase two years ago and this proposal would give a cost-of-living increase for costs since that time. It would amount to about 5½%. A very favorable response had been received after last session from those that this affects. He stated, too, it would not affect the solvency of the system.

PROPOSERS: Leo Barry, representing the Association of Montana Retired Public Employees, stated the 5½% would just keep the benefits even by reflecting the cost-of-living increases and inflation.

Bob Knapp, President of the Association of Montana Retired Public Employees, stated his membership urged full support of SB 326. He noted the employees are now faced with increased medical costs and need the amount that is due them. The association felt the only way they could get assistance was through a COLA increase that could be applied for medical assistance. He then read some letters from retirees who stressed how much they need the increase.

Linda King, from the Public Employee's Retirement System, noted they do not support increased retirement benefits unless there is adequate funding but a cost-of-living adjustment just maintains the real value of a retirement benefit in the face of inflationary increases. She submitted written testimony. (EXHIBIT 11)

OPPONENTS: There were none.

QUESTIONS ON SENATE BILL 326: Senator Hirsch wondered if the retirees might need this more two years later much worse than they do now. Senator Haffey disagreed. He stated two years ago they raised the pension to a place where it at least tried to catch up with inflation and since then costs have increased even more. This group incurs more medical expenses and have higher health insurance costs and they need help. This would increase the unfunded liability of the fund but still does not put it near the danger zone he added. He felt the time was right to allow an increase. Senator Anderson wondered if the retirement fund had enough of a surplus to take care of the unfunded liability and Linda King stated this was not so. The fund has more than they currently owe but later on they will need that surplus she noted. Senator Haffey stated again the fund is healthy and solvent and even if this bill was to pass, it would still be solvent. Pat McKelvey, President of the Board, stated if they felt this would harm the fund they would not be in support of the proposal. Senator Hofman asked what was considered to be a danger zone and was told anything over 40 years was considered a retirement system that had to be watched carefully.

Senator Haffey then CLOSED on Senate Bill 326.

EXECUTIVE ACTION ON SENATE BILL 334: Senator Haffey felt this was a cost cutting bill without cutting people's salaries. Senator Farrell MOVED THAT SENATE BILL 334 BE TABLED. Senator Anderson felt this was what Senator Gage had requested. Senator Harding felt it might be a vehicle that could be used later on if necessary. Senator Farrell then WITHDREW HIS MOTION.

EXECUTIVE MOTION ON SENATE BILL 326: Senator Harding MOVED THAT SENATE BILL 326 DO PASS. Senator Rasmussen seconded the motion. Senator Harding stated she felt it was a good bill as there is a real need for cost-of-living increases and would be very beneficial without costing the state. The motion passed unanimously.

The meeting was adjourned at 12:20 p.m.

cd



SENATOR JACK HAFFEY, Chairman

ROLL CALL

SENATE STATE ADMINISTRATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/18/87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACK HAFNEY	/		
SENATOR WILLIAM FARRELL	X		
SENATOR LES HIRSCH	X		
SENATOR JOHN ANDERSON	X		
SENATOR J. D. LYNCH	X		
SENATOR ETHEL HARDING	X		
SENATOR ELEANOR VAUGHN	X		
SENATOR SAM HOFMAN	X		
SENATOR HUBERT ABRAMS	X		
SENATOR TOM RASMUSSEN	X		

Each day attach to minutes.

DATE

COMMITTEE ON SENATE STATE ADMINISTRATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
FRANK THOMAS	THOMAS PRINTING	328	X	
TED NAUGLE	ARTCRAFT PRINTERS MINNOLA	328	X	
ROBERT FLOREN	High Country Bindery Haver	328	X	
Robert Grant	Artcraft Printers, Inc	328	X	
BILL KRELL	ARTCRAFT PRINTERS OF BILLINGS	328	X	
Michael Cusker	Artcraft Printers of Great Falls	328	X	
STAN BURMAN	Color Works Printers	328	X	
Tom Deering	Gettysburg Printers, Md	328	✓	
Horizon Printing	Gettysburg Printers, Md	328	✓	
Jan Palumbo	The Advertiser-News	328	X	
Bill Anderson	Falcon Press	328	X	
Ken Durbani	Associated Printers & Publishers	328	✓	
LINDA KILG	Public Employees Ret. Div	326	X	
Brian Coakley	Montana Historical Soc.	328		X
Marta Martusala	Falcom Press	228	X	
Rev. Martin	Courier Paper	328	X	
A. P. MADISON	W. M. PRINTING Co	328		X
Del Schneider	Broadwater Printing	328	X	
Tom Schneider	W. M. P. Co	326	X	
Thomas Schneider	W. M. P. Co	334		X
Tom Schneider	MFT	326	X	
Tom Schneider	MFT	328		
Golden Peters	Montana League of Women	334		
Milo Murray	National Print	328	✓	
Paul Peterson	Dept of Health	328		X
Reley Johnson	NFIB	328	X	

EMPHASIS 1
DATE 2-18-87
BILL NO. SB 328

HOUSE JOINT RESOLUTION NO. 58

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA DIRECTING STATE EXECUTIVE DEPARTMENTS TO DIVERT AS MUCH STATE WORK AS POSSIBLE TO THE PRIVATE SECTOR IN ORDER TO AVOID UNWARRANTED GROWTH OF STATE GOVERNMENT.

WHEREAS, the number of state government employees has increased more rapidly than the employment rate in the private sector; and

WHEREAS, in many cases the cost of a project conducted by the state is comparable to or exceeds the amount which the same project would have cost had it been conducted by the private sector; and

WHEREAS, interagency contracting with no consideration given to contracting with private firms perpetuates government growth to the detriment of the private sector; and

WHEREAS, the Legislature does not wish this unbalanced situation to continue.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

(1) that it is the policy of state government to promote the use of private resources wherever it is found that private enterprise can provide the same service and add to the taxable base of the state;

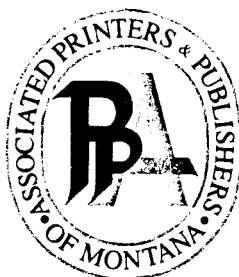
(2) that all state executive departments shall re-examine their departments and cooperate with the economic advisors to the governor to determine those services that should be vested with the private sector in particularly those areas where the state tends to compete with the private sector;

(3) that the Secretary of State shall send a copy of this resolution to the head of each state executive department;

(4) that each department head is directed to follow the intent of this resolution and to that end shall prepare a plan for the adoption of the policy contained herein and submit it to the Legislative Auditor for review by July 1, 1977;

(5) that this resolution is not intended to displace persons currently employed by state government, but to move toward greater use of private resources and to reduce the growth rate of government employment.

Approved March 22, 1977.



FILED
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5B328

Associated Printers & Publishers of Montana
(406) 443-0640

Ken Dunham
Executive Secretary

ADDITIONAL INFORMATION AND CLARIFICATION ON SB 328

There are several issues and questions raised by opponents to SB 328 that need some additional clarification and explanation.

The legislation does not propose to affect any state agency from producing the necessary materials ready to be printed, such as copy that might be produced on a desktop computer.

The arguments against the bill from the Office of Public Instruction appear to be slightly misguided. At no time was an argument raised that by using Publications & Graphics was the printing able to be obtained at less cost than in the private sector. The major argument against the bill from OPI appeared to be "we have always done it this way and don't care to have change." We might suggest that OPI could obtain better service, quality and price by using private printers.

Several proponents based their opposition to the bill on a concern that they would not be able to determine if a bid were excessive and therefore not "usual and customary". There is a wealth of information on printing industry pricing standards and the state itself has many years of previous work on which to base printing prices. This will not require any additional work to the usual bid process and bid analysis that goes on at the present time.

The discussion and concern over what constitutes a "Public Document" and an "Internal Document" can be handled by the agency involved making a simple determination as to whom the document is primarily distributed. If the printed document is primarily distributed to non-government persons, then it is a public document. If it is distributed primarily to government employees (including legislators) then it is an internal document.

The Montana printing industry agrees that legislative printing, highway department bid materials, projects that involve federal funds, and other printed materials that are directed primarily at government employees are internal in nature and may be printed in-house.

COMPARISONS OF SELECTED STATE OF MONTANA PRINTING JOBS

Job	Quantity	State Pricing	COMMERCIAL PRINTERS		
			Printer A	Printer B	Printer C
#1 - Energy Budget	1,500	600.00	449.82	320.71	239.00
#2 - Energy Savings	1,000	340.00	211.40	172.39	145.00
#3 - DNRC Applications Guidelines Book	1,500	2,100.00	1,379.22	1,356.40	1,230.00
#4 - Land Regulation	750	2,287.00	3,368.02	2,314.60	1,850.00
#5 - DNRC Publications List	400	412.00	555.69	456.02	392.00
#6 - EconDevBd Report	750	1,750.00	1,754.18	1,558.00	---

The five example jobs were selected from recent printing jobs performed by Publications & Graphics. They were selected to show a range of job size and complexity - jobs that could be performed by a quick-print shop to jobs that required a larger print shop.

The six jobs were then circulated among three APPM member print shops for quotes on the jobs. The three commercial printers selected did not have the opportunity to see each other's pricing.

The pricing was done in February, 1987.

DATE: 2-18-87
 FILE NO. SB 328

State Begins Closing South Carolina Print Shops

(Editor's note: This article was written by Russell D. Mellette, who represents PICA in the S.C. General Assembly.)

Several large South Carolina state agencies are already voluntarily closing down print shops and will bid out most of their printing jobs to commercial printers.

More are expected to follow their lead in future months as state government implements the recommendations of the S.C. Legislative Committee to Study the Printing Needs of State Government.

The study committee report, adopted by the General Assembly earlier this year, recommends that more than half the state's printing facilities be shut down and the work bid out to the private sector. Implementation of the report will save South Carolina taxpayers up to \$1.4 million per year, legislators concluded.

Three officials of the State Budget and Con-

trol Board gave a progress report of the printing privatization project in a recent meeting with the PICA S.C. Legislative Committee, chaired by PICA board member James E. Doar of Wentworth Printing Company, West Columbia.

Robert Bass, Budget and Control Board reprographics manager, said that overall, state agencies have reacted positively to the changes. Some agency heads are even believed to be phasing out their printing operations. He cautioned that more complete implementation will take longer because of natural resistance to change and the personnel logistics.

Bass said the project to date has concentrated on seven or eight agencies so a track record could be established and the study recommendations implemented in stages to gain maximum acceptance. The report set no timetable for implementation.

The two-year study has produced an unanticipated but positive result in addition to meeting cost effectiveness goals. Government and private sector representatives serving on a temporary Advisory Committee have agreed to add more members, become a continuing body, and address other pro-

blems and conflicts in the printing industry. PICA Board Chairman Bernie Grant of Furlong Printing Company, Charleston, will appoint Advisory Committee members who represent various sizes and types of printing firms throughout the state. The Advisory Committee will meet a minimum of once a quarter in various locations around the state. Grant believes the procedure will assure maximum industry participation.

Larry Huckabee, assistant director, Division of Information Resources Management, said cost effectiveness will continue to be the primary goal, but that changing technology and other areas of conflict can also be addressed by the ongoing group.

Richard Campbell, assistant director, Division of Materials Management, told the group about a new printing manual to be available about Oct. 1. The document, which will include input from the public and private sectors, will become the manual governing all printing contracts under the State Procurement Code, Campbell said.

Doar and the government executives emphasized the improved relationship between the public and private sectors which has been one product of the study.

Where an adversarial and sometimes hostile relationship formerly flourished, an atmosphere of cooperative give and take now produces unified recommendations to the Legislature.

"Before the study committee was formed, each side went to the Legislature separately, with a pretty predictable result of the status quo," one official reflected. "We still have differences and conflicts, but working them out and going to the Legislature in a unified effort has produced tangible results and cost savings," he observed.

At the time of the study, state government had 34 printing facilities spread among its agencies, colleges, and universities and technical education schools. Those operations spent \$7.5 million annually producing 285 million pages of documents, an average of 2.6 cents per page.

The study found that the 16 printing shops judged efficient produce about 212 million pages annually at a cost of 2.2 cents each. The other 18 spent about 3.9 cents per page, producing 72 million pages annually. The panel also found that the inefficient agencies were not generating enough volume to justify the overall cost of the operation, and that the agencies had other needs.

The study panel used as a barometer a U.S. Government Printing Office report that showed federal officials were able to get printing done commercially at an average of two cents per page.

A potential cost savings ranging from \$110,000 to \$1.4 million annually could be realized if the 18 printing facilities judged inefficient were allowed to seek competitive bids. The lowest figure would result even if there were no jobs terminated or existing personnel shifted to other positions, officials said. Natural attrition of state employees would push the figure closer to the highest one, and the largest possible savings could be realized with minimum layoffs and shifting employees to other responsibilities, officials said.

Update

Several S.C. state agencies are closing down their print shops following the recommendations of a state committee. Others are expected to follow, inevitably saving taxpayers as much as \$1.4 million annually. PICA members have been actively involved in the on-going issue, which promotes a harmonious relationship between the public and private sectors, and places more government work in the hands of commercial printers. The full story is on page 2.

2-18-87
JB 328



Chairman of the Board

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Furlong Printing Co.

Foundation President

Thomas W. Reese
The Hickory Printing Group, Inc.

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Report: Bid Out More Work To Printers

More than half the state's printing facilities in South Carolina should be shut down and the work bid out to commercial printers, a recently released report recommends.

The transfer could save S.C. taxpayers up to \$1.4 million a year, concluded the S.C. Joint Legislative Committee to Study the Printing Needs of State Government.

Two S.C. PICA officials who served on an advisory panel to the study group praised the report. Sid Roddey, immediate past chairman of the PICA board and president of Columbia's State Printing, and James E. Doar, PICA board member and vice president of Wentworth Printing of West Columbia, called the report "a management tool to save taxpayers money and to put more state government printing into the private sector."

Roddey and Doar sought advice from commercial printers in shops of all sizes as they worked to help the study committee reach its conclusions and structure its recommendations during a 15-month period.

State government currently has 34 printing facilities spread among its agencies, colleges, and universities and technical education schools. Those operations spend \$7.5 million annually producing 285 million pages of documents, an average of 2.6 cents per page.

The study found that the 16 printing shops judged efficient produce about 212 million pages annually at a cost of 2.2 cents each. The other 18 spent about 3.9 cents per page, producing 72 million pages annually. The panel also found that the inefficient agencies were not generating enough volume to justify the overall cost of the equipment purchased for their in-house printing needs.

The study panel used as a barometer a U.S. Government Printing Office report that showed federal officials were able to get printing done commercially at an average of two cents per page.

A potential cost savings ranging from \$110,000 to \$1.4 million annually could be realized if the 18 printing facilities judged inefficient were allowed to seek competitive bids. The lowest figure would result even if there were no jobs terminated or existing personnel shifted to other positions, officials said. Natural attrition of state employees would push the figure closer to the highest one, and the largest possible savings could be realized with minimum layoffs and shifting employees to other responsibilities, officials said.

The committee was created two years ago with three senators, three House members and three gubernatorial appointees. Those appointed to serve on the study committee by S.C. Gov. Richard Riley were Herb Provence, Provence Printing, Inc., Greenville; Pat Johnston, First Citizens Bank, Columbia; and Robert Bass of the Budget and Control Board's Division of General Services. Also serving were senators John A. Martin, Winnsboro; William W. Doar, Jr., Georgetown; and Elizabeth Johnston Patterson, Spartanburg; and representatives T. Moffatt Burriss, Columbia; Thomas E. Huff, Belevedere; and A. Victor Rawl, Charleston.

The committee set up an advisory panel of state government officials and private industry printing experts to evaluate current printing practices among agencies and institutions.

The primary argument for justifying an in-house facility where inefficient operations were found was "the uniqueness of their requirements cannot be met in a timely manner by the private sector," the panel reported.

But the panel said that if an agency and commercial printer work together to make sure the responsibilities of each are understood, then the problems producing the required materials on time can be overcome.

The committee's recommendations can be accomplished under current statutory authority.

Said Roddey and Doar in a joint statement: "If we in the private sector fail to live up to our responsibilities, the whole cycle could repeat itself again in future years." Both expressed optimism that the "new bond of confidence between the state and the private sector forged over the course of the study will result in implementation of the recommendations of the study committee."

The committee's report is in the hands of the state Budget and Control Board, which will consider it at a future meeting. Documents listing the inefficient printing facilities were not available and the report did not identify them by name.

(This report was based on information from The Associated Press and from Russell D. Mellette and Associates, which represents PICA as legislative agent in the S.C. General Assembly.)

3

2-18-87

SB 328

13-1-21. Application of preferences.

A. For the purposes of this section:

(1) "resident business" means one which is authorized to and is doing business under the laws of this state and:

- (a) which maintains its principal place of business in the state; or
- (b) has five or more employees who are residents of the state; and

(2) "resident manufacturer" means a person who offers materials grown, produced, processed or manufactured wholly in the state.

B. When bids are received only from nonresident businesses and resident businesses, and the lowest responsible bid is from a nonresident business, the contract shall be awarded to the resident business whose bid is nearest to the bid price of the otherwise low nonresident business bidder, if the bid price of the resident bidder is made lower than the bid price of such nonresident business when multiplied by a factor of .95.

C. When bids are received only from nonresident businesses and resident manufacturers, and the lowest responsible bid is from a nonresident business, the contract shall be awarded to the resident manufacturer whose bid is nearest to the bid price of the otherwise low nonresident business bidder, if the bid price of the resident manufacturer is made lower than the bid price of such nonresident business when multiplied by a factor of .95.

D. When bids are received only from resident businesses and resident manufacturers, and the lowest responsible bid is from a resident business, the contract shall be awarded to the resident manufacturer whose bid is nearest to the bid price of the otherwise low resident business bidder, if the bid price of the resident manufacturer is made lower than the bid price of such resident business when multiplied by a factor of .95.

E. When bids are received from resident manufacturers, resident businesses and nonresident businesses, and the lowest responsible bid is from a resident business, the contract shall be awarded to the resident manufacturer whose bid is nearest to the bid price of the otherwise low resident business bidder, if the bid price of the resident manufacturer is made lower than the bid price of such resident business when multiplied by a factor of .95.

F. When bids are received from resident manufacturers, resident businesses and nonresident businesses, and the lowest responsible bid is from a nonresident business, the contract shall be awarded to the resident manufacturer whose bid is nearest to the bid price of the otherwise low nonresident business bidder, if the bid price of the resident manufacturer is evaluated as lower than the bid price of such nonresident business when multiplied by a factor of .95. If there is no resident manufacturer eligible for award under this provision, then the contract shall be awarded to the resident business whose bid is nearest to the bid price of the otherwise low nonresident business bidder, if the bid price of the resident business is made lower than the bid price of such nonresident business when multiplied by a factor of .95.

G. This section shall not apply when the expenditure of federal funds designated for a specific purchase is involved.

(OREGON STATE LAW)

PUBLIC PRINTING
GENERALLY

282.210 Performance within state of public printing, binding and stationery work; stipulation in request for bids and in contracts; exceptions. (1) Except as provided in subsection (2) of this section, all printing, binding and stationery work for the state or any county, city, town, port district, school district, or other political subdivision thereof, shall be performed within the state. All requests for bids and all contracts for such work shall so stipulate.

(2) The work referred to in subsection (1) of this section may be performed outside the state if it is established that:

- (a) The work cannot be performed within the state;
- (b) The lowest price for which such work can be procured within the state exceeds the charge usually and customarily made to private individuals and corporations for work of similar character and quality; or
- (c) All bids for the work, or any part thereof, are excessive and not reasonably competitive.

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EQUIPMENT LIST - PUBLICATIONS & GRAPHICS

DESCRIPTION

COST

416-BIN COLLATOR
 POLAR CUTTER
 CHALL DRILL
 STITCHER
 MINABINDA
 TAC 10 COLLATOR
 22 BIN COLLATOR
 600 6IN COLLATOR
 SHRINK WRAP TUNNEL
 DUPLICATING MACHINE 2675
 PAPER CUTTER
 PAPER DRILL
 SYS. 5-2300 MASTER MAKEP
 SYS. 5-2975 DUPLICATOR
 60 COLLATOR A/M 45 SR.111010
 60 COLLATOR A/M 45 SR.03303
 60 COLLATOR A/M 45 SR.03301
 60 COLLATOR A/M 45 SR.03153
 60 COLLATOR A/M 45 SR.03153
 4250 DUPLICATOR
 60 COLLATOR A/M 45 SR.111009
 60 COLLATOR AM/45 SR.091003
 60 COLLATOR AM/45 SR.101006
 4250 DUPLICATOR 279555
 60 COLLATOR A/M 45 SR.131015
 60 COLLATOR A/M 45 SR.111007
 INTERFACE SR5 SR.401509
 INTERFACE CAP. SR.1100555
 60 COLLATOR A/M 45 SR.131016
 ACME INTERLAKE 102 STAPLER
 ACME INTERLAKE 102 STAPLER
 XEROX 1075 C55104220
 MULTITURBO FEED 845116
 INTER-LAKE STITCHER
 XEROX 9500

SECRETARIAL DESK
 TYPEWRITER
 CAMERA
 PLATE MAKEP
 STRIPPING TABLE
 DESLENERLARGER
 PROCESSOR NUARC
 CAMERALOGE MD-480
 AUTOMATIC PROCESSOR-MODEL 65

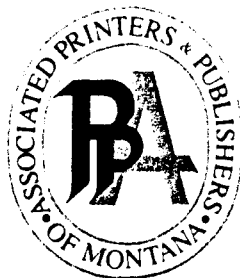
DUPLICATING MACHINE 2650
 MASTER IMAGER 2300
 3-M PLATEMAKER
 1250 N-MULTILITH
 DAVIDSON 702
 DAVIDSON ROLL CONVERTER
 DAMPER/WASHER LATERAL FILE
 2 DRAWER LATERAL FILE
 PROFESSIONAL DESK
 4 DRAWER FILE
 V-50 VERTICAL LETTERPRESS
 PALLET JACK S/NO12880
 MODEL 2975 DUPLICATOR
 MODEL 2975 DUPLICATOR
 SKID PLATE
 CONDITIONER
 CONDITIONER
 DESK
 LIGHT TABLE
 2 DRAWER LATERAL FILE
 2 DRAWER LATERAL FILE
 IBM COMPOSER
 WOODEN DESK
 MCS 8400 PRINTOUT
 QUADEX Q-5000 SYSTEM
 APSMICRO 5 PHOTO TYPESETTER
 PROCESSOR
 SURGE PROTECTOR
 COMPUTER WORKSTATION
 COMPUTER WORKSTATION

6,600
 10,300
 19,000
 11,825
 11,825
 30,000
 6,100
 6,936
 180
 325
 285
 3,300
 3,400
 15,000
 15,000
 1,833
 1,833
 325
 500
 180
 180
 1,800
 250
 23,702
 51,825
 87,878
 8,908
 1,729
 838

1. Stahl Floor Model Folder, Model B19 4/4
2. Bourg BC-15 Collator
3. Muligraphic 2400 Master Imager

\$21,890.00
 6,535.00
 15,680.00

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 2-18-89
 SB 328



5
2-18-87
SB 328

Associated Printers & Publishers of Montana
(406) 443-0640

Ken Dunham
Executive Secretary

**STATE OF MONTANA PRINT SHOPS
IN ADDITION TO
PUBLICATIONS & GRAPHICS**

(Agency)

- Fish, Wildlife & Parks
- Department of Highways
- Montana State Prison
- Department of Justice
- Department of Labor & Industry
- Department of Military Affairs
- University of Montana
- Montana State University
- Eastern Montana College
- Western Montana College
- Northern Montana College
- Montana Tech

(List compiled for APPM by Department
of Administration)

Environmental Protection Agency

6
2-18-87
513 328

§ 33.240

(1) Financial resources, technical qualifications, experience, organization and facilities adequate to carry out the project, or a demonstrated ability to obtain these;

(2) Resources to meet the completion schedule contained in the subagreement;

(3) A satisfactory performance record for completion of subagreements;

(4) Accounting and auditing procedures adequate to control property, funds and assets, as required in this part and 40 CFR Part 30; and

(5) Demonstrated compliance or willingness to comply with the civil rights, equal employment opportunity, labor law and other statutory requirements under 40 CFR Part 30.

(b) The recipient shall not make awards to contractors who have been suspended, debarred, or voluntarily excluded under 40 CFR Part 32 nor shall it permit any portion of the work required by the subagreement to be performed at any facility listed on the EPA List of Violating Facilities (see 40 CFR Part 15).

§ 33.225 Violations.

The recipient shall refer violations of law to the local, State or Federal authority with jurisdiction over the matter (see 40 CFR 30.610).

[48 FR 12926, Mar. 28, 1983; 48 FR 30364, July 1, 1983]

§ 33.230 Competition.

(a) The recipient shall conduct all procurement transactions in a manner that provides maximum open and free competition.

(b) Procurement practices shall not unduly restrict or eliminate competition. Examples of practices considered to be unduly restrictive include:

(1) Noncompetitive practices between firms;

(2) Organizational conflicts of interest;

(3) Unnecessary experience and bonding requirements;

(4) State or local laws, ordinances, regulations or procedures which give local or in-State bidders or proposers preference over other bidders or proposers in evaluating bids or proposals; or

(5) Placing unreasonable requirements on firms in order for them to qualify to do business.

(c) The recipient may use a prequalification list(s) of persons, firms or products if it:

(1) Updates its prequalified list(s) at least every six months;

(2) Reviews and acts on each request for prequalification made more than 30 days before the closing date for receipt of proposals or bid opening; and

(3) Gives adequate public notice of its prequalification procedure in accordance with the public notice procedures in § 33.410 or § 33.510.

(d) A recipient may not use a prequalified list(s) of persons or firms if the procedure unnecessarily restricts competition. However, this restriction does not apply to § 33.525 "Optional selection procedure for negotiation and award of subagreements for architectural and engineering services."

EDITORIAL NOTE: For a class deviation document affecting § 33.230(b) (1) and (2), see 50 FR 24876, June 13, 1985.

§ 33.235 Profit.

(a) Recipients must assure that only fair and reasonable profits are paid to contractors awarded subagreements under EPA assistance agreements.

(b) The recipient shall negotiate profit as a separate element of price for each subagreement in which there is no price competition, or where price is based on cost analysis.

(c) Where the recipient receives two or more bids, profit included in a formally advertised, competitively bid, fixed price subagreement shall be considered reasonable.

(d) Off-the-shelf or catalog supplies are exempt from this section.

§ 33.240 Small, minority, women's, and labor surplus area businesses.

(a) It is EPA policy to award a fair share of subagreements to small, minority, and women's businesses. The recipient must take affirmative steps to assure that small, minority, and women's businesses are used when possible as sources of supplies, construction and services. Affirmative steps shall include the following:

18-7-205. Penalty for false affidavit or overcharge. Any person or any corporation or any firm or any quasi-corporation who shall violate any provision of this part or swear falsely hereunder or charge or attempt to charge the state of Montana in excess of the prices and rates herein fixed or in any manner circumvent or attempt to circumvent this part or aid or abet any other person, firm, corporation, or quasi-corporation in offense against this part shall be guilty of a misdemeanor and shall on conviction for the first offense be fined not more than \$100 or be imprisoned in the county jail for not more than 3 months or both such fine and imprisonment, in the discretion of the court, and shall on conviction for each subsequent offense be fined not more than \$300 or be imprisoned in the county jail for not more than 6 months or both such fine and imprisonment in the discretion of the court.

History: En. Sec. 5, Ch. 157, L. 1921; re-en. Sec. 280, R.C.M. 1921; re-en. Sec. 280, R.C.M. 1935; R.C.M. 1947, 82-1153.

Cross-References
Classification of offenses, 45-1-201.

Misdemeanor defined, 45-2-101.
False swearing, 45-7-202.

Part 3 Control of State Printing

Part Cross-References
Publishing policy committee, 2-15-1017.

18-7-301. Short title. This part may be cited as the "State Printing Control Act".
History: En. Sec. 1, Ch. 646, L. 1979.

18-7-302. Definitions. As used in this part, the following definitions apply:

(1) The term "public document" includes any publication of a state agency meant for dissemination to the public, but does not include educational materials published by a unit of the university system or the superintendent of public instruction, reports of the legislative auditor, travel promotion materials, standard forms, bid specifications, opinions of the attorney general, opinions of the supreme court, session laws, the administrative rules of Montana, Montana code annotated, regular periodical publications sold to the general public solely through subscription and newsstand sale, or a publication specifically exempted by the publishing policy committee when inclusion of that publication under this part is not considered in the best interests of the state.

(2) The term "agency" as used herein includes each state office, department, board, commission, council, committee, unit of the university system, or other entity or instrumentality of the executive branch, office of the legislative branch, or office of the judicial branch of state government.

(3) The term "department" as used herein means the department of administration provided for in Title 2, chapter 15, part 10.

(4) The term "committee" means the publishing policy committee created in 2-15-1017.

History: En. Sec. 2, Ch. 646, L. 1979.

18-7-303. Duties of committee.

The committee shall:

(1) adopt standards for the efficient and economical publication of public documents;

(2) review proposals for publishing of all public documents prior to publication to determine:

(a) that the publication is necessary; and

(b) that the publication meets the standards of efficient and economical publication; and

(3) prepare a report for submission to each legislature detailing the savings to state government resulting from this part.

History: En. Sec. 3, Ch. 646, L. 1979.

18-7-304. Department to prepare standards. The department may prepare recommended standards for state printing of public documents.

History: En. Sec. 4, Ch. 646, L. 1979.

18-7-305. Printed matter prohibitions. No agency of state government may use public funds to print or cause to be printed any public document except with approval of the committee.

History: En. Sec. 5, Ch. 646, L. 1979.

Cross-References

Power to contract for printing, 18-7-101.

18-7-306. Public disclosure of costs. All public documents caused to be printed by any agency of state government shall contain the following statement, with required information inserted, to be printed on the exterior cover of the publication: "... copies of this public document were published at an estimated cost of \$... per copy, for a total cost of \$..., which includes \$... for printing and \$... for distribution." This statement shall be printed in the same size type as the body copy of the document and shall be set in a box composed of a 1-point rule. If the committee determines that the cost of publication cannot be reasonably estimated at the time of publication, the publications shall contain the following statement on the exterior cover in lieu of the statement concerning estimated cost: "This document printed at state expense. Information on the cost of publication can be obtained by writing department of administration, Helena, Montana."

History: En. Sec. 6, Ch. 646, L. 1979.

Cross-References

Right to know, Art. II, sec. 9, Mont. Const.

Testimony on S.B. 328
Brian Cockhill
February 18, 1987

7
2-18-87
SB 328

Mr. Chairman and Members of the Committee:

I am Brian Cockhill representing the Montana Historical Society for Bob Archibald who had to be out of town this morning.

The Society must oppose Senate Bill 328 in its present form. We appreciate what the bill contemplates doing but it would work a hardship on our proprietary funds. Specifically, the residency requirement in new Section 1 for awarding bids is non-competitive. With our proprietary funded programs we are expected by the legislature to support the activity with generated revenue. This includes our magazine, our press and our merchandising program. Allowing out-of-state firms to compete for printing of our magazine and books assures the best possible price. This keeps costs down, assures more sales and provides the products to the public at a lower price.

One example will suffice as an illustration of our problem. In soliciting bids for the recent book Traveler's Companion to Montana History the lowest in-state bid was \$17,157. The successful out-of-state bid was \$11,255. This is a savings of \$5,902 or 34%. If we are to run a successful business within state government we cannot be expected to sustain these higher prices.

We would ask that the bill be amended to exempt proprietary funded printing contracts from accepting only the resident bid but rather allow such contracts to be awarded to the lowest bidder regardless of residency. We believe that this is in the Society's and the State's best interests.

Thank you

COMPARISON OF FULL-TIME EQUIVALENT (FTE) POSITIONS BY AGENCY

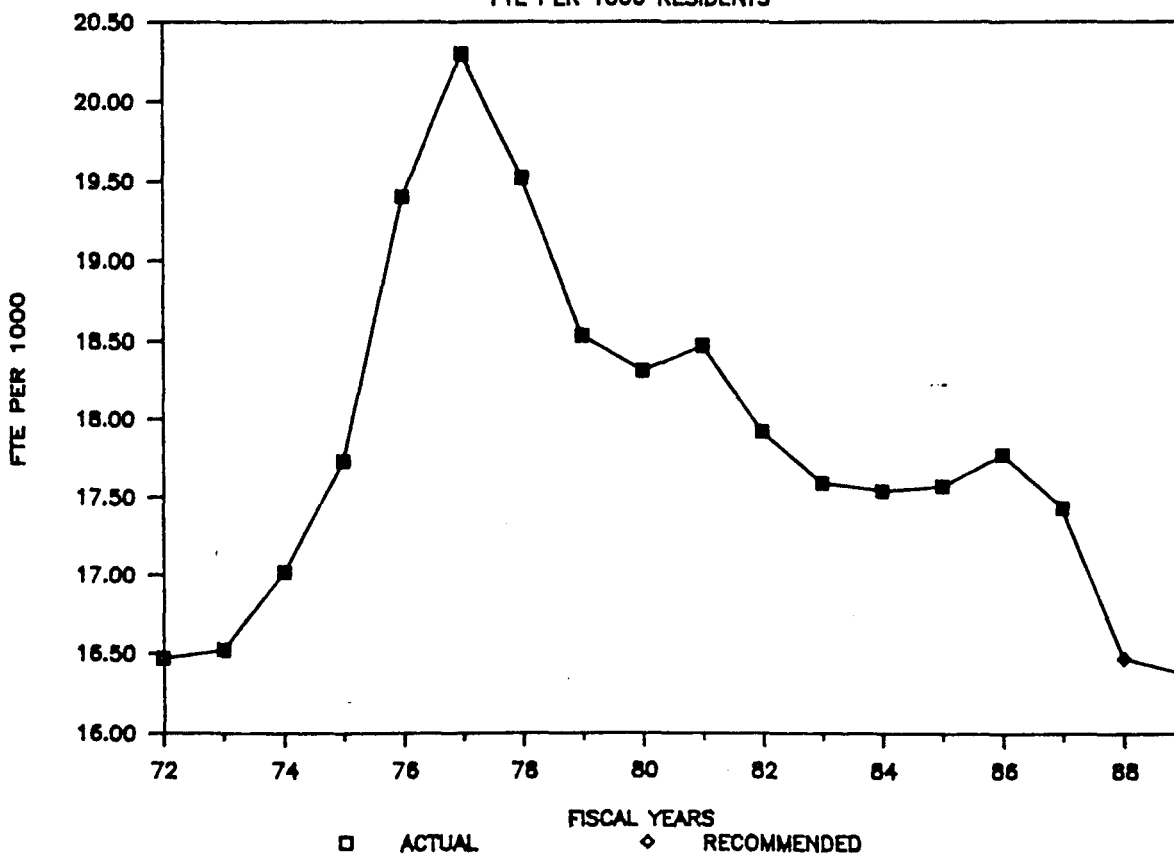
The recommended level of FTE for state government is the lowest since 1975. A total 950 FTE have been eliminated as compared to the FY87 authorized level. The decline in FTE is even more dramatic when the new services that have been added in the past few years are considered. The recommended budget includes 87.5 probation officers that have been counted as county employees in the past. An additional 35 FTE are added due to the passage of the lottery initiative. Staffing the new forensics building at Warm Springs adds an additional 15 FTE in FY88 and a total of 30 FTE in FY89. Without these new services the number of FTEs in state government would decline by 1100.

Over the past few legislative sessions state government has accepted the responsibility for services formerly outside of state government. Assumption of the Vo-Tech system in FY82 added 246 FTE to the state's payroll even though the level of service remained the same. Assumption of county welfare in the 12 "assumed counties" has added staff to SRS since 1983. Additional housing at the State Prison required the addition of 79 prison guards.

Despite these additions, the total number of state FTE has declined and the number of FTE per capita has declined significantly. The following graph depicts the number of state employees per 1000 residents. By FY89 the number of per capita state employees will be at the lowest point in 18 years.

COMMITTEE ON GOVERNMENT OPERATIONS
SUBCOMMITTEE ON BUDGET
BUDGET NO. 8
DATE 2-18-87
BILL NO. SB 334

STATE OF MONTANA EMPLOYEES FTE PER 1000 RESIDENTS



(This sheet to be used by those testifying on a bill.)

NAME: Eileen Robbins DATE: 2/18/87

ADDRESS: 531 Spencer

PHONE: 442-6710

9
2-18-87
SB 334

REPRESENTING WHOM? Montana Nurses' Assoc

APPEARING ON WHICH PROPOSAL: SB 334

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? X

COMMENT:

Montana Nurses Assoc opposes this bill which would reduce certain state employee wages by approx. 50%. Although most of the public ^{employed} registered nurses work in exempted facilities (institutions, counties), MNA does represent RNs in the ^{state} department of health who would be affected. Employees are working harder today and other legislative action has imposed a wage freeze it is suggesting a loss in the current # of holidays. ^{state} employees can't afford this cut. The loss of work time ^{proposed} is not good for employees and it is not good for the state.

I urge a DO NOT PASS recommendation. E. Robbins, R.N.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

This bill ^{also} infringes on the collective bargaining process.

My name is Mary Blake and I represent the Interdepartmental Coordinating Committee for Women (ICCW), a committee formed by the Governor to identify policies and procedures in state government which directly or indirectly result in discrimination against women employees. The ICCW has been closely following issues raised during this session regarding pay for state employees. We are concerned that the impacts of a continued state pay freeze in addition to SB 334 which proposes to reduce state hours, will most adversely impact the families wholly or partially supported by state government women generally employed at lower pay levels.

COMMITTEE NO. 10
 DATE 2-18-89
 BILL NO. SB 334

The majority of women in state government are employed in the lower grade classes. Of the lower graded positions 93% are currently held by women. The average net salary of women in classes 6 to 10 is \$8,184.00. The effect of SB 334 will be to reduce the annual gross wage for state employees by 5 percent without providing relief from those costs associated with employment like transportation and childcare.

ICCW recognizes that there is a need to cut the costs of operating state government and we recognize that salaries represent a significant portion of the cost of providing services. We feel that the legislature recognizes in turn that most employees are willing to make substantial sacrifices to ensure that quality services are offered to the public consistently. This fact has been documented in that most state services have been maintained despite the decrease in the overall number of state employees. We hope that consideration will be given to the fact that relief, not additional pressure must be applied to those employees, primarily women and many of them heads of households, in lower grade classes that in the face of rising state taxes and inflation will feel a substantial financial burden during the biennium. They cannot reasonably be asked to assume the burden of an additional 5 percent pay cut.

TESTIMONY ON SB 326

11
2-18-87
SB 326

Presented by:
Linda King, Assistant Administrator
Public Employees' Retirement Division

The Public Employees' Retirement Board does not support increased retirement benefits unless there is funding for these benefits in the bill granting the benefit increase. A cost-of-living adjustment is not designed to be an actual increase in retirement benefits; rather it is an effort to maintain the "real" value of retirement benefits in the face of inflationary changes since the benefits began.

The Board recognizes that the authority for granting this cost-of-living adjustment resides totally with the Legislature and wishes to advise you of the following facts to assist you in making an informed decision on the request before you today.

SB 326 proposes to increase the retirement payments to all PERS members (and their beneficiaries) who were retired before July 1, 1986 by 5 1/2%. There are three possible methods for funding such a proposal:

- (1) The Legislature could elect to make a lump-sum contribution to the retirement system on July 1, 1987 in the amount of \$16,924,000;
- (2) The adjustment could be funded over a 40-year period by an increase in the employer contribution rate of .134%, raising the required rate from 6.417% of salaries to 6.551%; or
- (3) The Legislature could opt to "fund" this adjustment by increasing the period required to amortize the unfunded liabilities of this retirement system. Without increased employer contributions, the system's actuary calculates that this benefit will cause the amortization period to increase another 2.19 years (from 28.24 years to 30.43 years). In the next biennium, no additional employer contributions will be required; however, \$4,013,040 more will be paid without an increase in contributions to the retirement system.

The last cost-of-living adjustment granted by the Legislature became effective July 1, 1985. During the period July 1, 1985 through December 31, 1986, the Consumer Price Index (CPI) for urban workers has gone up 2.57%.

The Public Employees' Retirement Board is neither endorsing nor opposing the funding method or the amount of adjustment proposed in SB 326. The foregoing testimony has been presented in an effort to help this committee constructively consider this proposal. I would be pleased to answer any further questions the committee may have.

STANDING COMMITTEE REPORT

FEBRUARY 13 19 37

MR. PRESIDENT

We, your committee on **SENATE STATE ADMINISTRATION**

having had under consideration **SENATE BILL** No. **326**

first reading copy (white)
color

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

Respectfully report as follows: That **SENATE BILL** No. **326**

~~DO PASS~~

XXXXXX
~~DO NOT PASS~~

SENATOR JACK HAFHEY