

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

February 20, 1987

The twenty-ninth meeting of the State Administration Committee was called to order by Senator Jack Haffey on February 20, 1987 in Room 331 of the State Capitol at 10:05 a.m.

ROLL CALL: All committee members were present.

The hearing was opened on House Bill 485.

CONSIDERATION OF HOUSE BILL 485: Representative Bob Thoft, House District 63, Ravalli, was sponsor for this bill entitled, "AN ACT INCREASING THE MAXIMUM PENSION THAT MAY BE PAID TO A SURVIVING SPOUSE OR CHILDREN OF CERTAIN DECEASED VOLUNTEER FIRE-FIGHTERS; AMENDING SECTION 19-11-605, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." This bill only deals with firemen in the third class towns and cities and changes the language to include surviving spouse or children so they may have the same pension as the firemen would have he stated. It would not involve state funds.

PROPOSERS: Lyle Nagel, President of the State Volunteer Firefighters, noted there was a monetary limit they could receive and by stating a limit they cannot exceed what the firemen would have received, it would benefit the surviving spouse and children. He urged a do pass.

Henry Lohr, with the Montana State Volunteer Firefighters, also urged support for passage of the measure.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 485: There were none.

Rep. Thoft then CLOSED on House bill 485.

EXECUTIVE ACTION ON HOUSE BILL 485: Senator Lynch MOVED THAT HOUSE BILL 485 BE CONCURRED IN. Senator Harding seconded the motion. The motion carried unanimously. Senator Stimatz will carry the bill on the Senate floor.

The hearing was opened on Senate Bill 365.

CONSIDERATION OF SENATE BILL 365: Senator Joe Mazurek, Senate District 23, Helena, was sponsor for this bill entitled, "AN ACT INCREASING THE PERCENTAGE OF SALARY USED TO CALCULATE A MEMBER'S SERVICE RETIREMENT ALLOWANCE AFTER 15 YEARS OF SERVICE IN THE MONTANA JUDGES' RETIREMENT SYSTEM; INCREASING CERTAIN DISTRICT COURT FILING FEES TO FUND THE INCREASED RETIREMENT BENEFIT; AMENDING SECTIONS 19-5-404, 19-5-502, AND 25-1-201, MCA; AND PROVIDING AN EFFECTIVE DATE." This bill was introduced at the request of

the Supreme Court Justices. He stated this would be an incentive bill for the District Court Judges of the state. Sen. Mazurek noted there had been a bill to increase the judges' salaries earlier this session which was recently tabled in the House. The judges now are receiving the lowest salaries in the nation but it was felt it was not feasible to raise their salaries at this time. He felt this bill might encourage and reward judges to remain on the bench beyond 15 years. He noted their present retirement is based on 3 1/3% per year of the judges final salary for the first 15 years of service and thereafter it decreases to 1%. This proposal would raise this reduction from 1% to 2%. It would be funded by a \$3 fee on filing complaints and answers in the district courts. It would raise the amount of their retirement to about \$983 per year. Presently they receive \$491 per year for benefits accrued beyond their first 15 years. South Dakota has the same type of system he noted. The judges would still be the lowest paid but it might serve as some incentive to keeping the younger judges on the bench a little longer. He then distributed a list of comparisons of judges' retirement plans from other states. (EXHIBIT 1)

PROPONENTS: Jean Turnage, Chief Justice of the Supreme Court, agreed with Senator Mazurek. He noted currently there are many younger judges who do not remain on the bench after their fifteen years because they cannot draw any benefits until age 65 anyway so they leave the bench to return to private practice and much better earnings. It might serve as a small incentive to keep them on the bench. He noted there is no cost to the state to fund this because the litigants are the ones who pay the court fees. He noted he personally would not be affected by this bill.

Pat Melby, representing the State Bar of Montana, stated the Bar is concerned with the crisis that is looming presently with our justices. He noted the low salaries in comparison to other states but realized this was not the time to raise the salaries. He felt this might help keep some of the judges on the bench a little longer.

OPPONENTS: Linda King, from the Public Employees' Retirement System, opposed the bill because it would not fund the benefit enhancement as it proposes it will do. She stated that currently the money they receive from court fees nowhere approaches the 31% it is supposed to. For the past three years there has been a shortfall in the moneys they have received. By the end of this fiscal year she felt the shortfall would be about \$180,000. She noted PERS cannot anticipate the number of filings they will receive but she felt this bill would cost an additional \$78,642 per year to fund the benefit enhancement. She felt PERS must first fund what has already been promised before adding another enhancement. PERS currently has an unfunded liability of \$5,061,998 which would take 50 years to pay off at the current rate they are receiving funds. This was 10 years beyond what they consider safe. (EXHIBIT 2)

QUESTIONS ON SENATE BILL 365: Senator Lynch asked Senator Mazurek to respond to Ms. King's testimony. Senator Mazurek stated he was surprised as he had a letter from the actuary which stated that the judges' retirement system is funded on an actuarially sound basis. He referenced a report he had which had been prepared by Hendriksen and Associates. (EXHIBIT 3) If there are funding problems, Senator Mazurek stated he was not aware of them. Senator Haffey asked Senator Mazurek if this \$3 fee would fund the increased reduction. He then presented a draft of a fiscal note which Jim Oppedahl had provided to the budget office. He felt the \$3 increase would produce \$92,000 and the actual amount needed would be only about \$78,000. (EXHIBIT 4) Senator Haffey then asked Ms. King if she was advising the committee there were problems with funding before this particular proposal. She stated this was accurate. Senator Haffey asked if the financial report from Hendriksen & Associates referred to the same areas Ms. King was concerned about. Senator Mazurek stated he felt it addressed the whole judges' retirement system. Senator Hofman asked about the shortfall. Ms. King stated any moneys they receive from the district courts will go first towards paying off the shortfall and may not be enough for the new benefit this measure refers to. She noted a system is actuarially sound if you can calculate how many years it will take to fund the unfunded liability. Presently the judges' system is 50 years. Senator Harding asked if PERS's problem was above and beyond what this bill addresses. Ms. King noted again what money they do receive will go first towards paying what is already owed them. She felt the money simply was not there and PERS was very concerned about this retirement system. Senator Haffey asked if PERS had taken any steps towards remedying this shortfall and she stated Mr. Nachtsheim had talked with the justices about his concern. The bill to raise the salaries would have helped she noted. Ms. King also noted a small technical change that should be made to the bill to change it from 31% to 34.8%. Senator Lynch asked Senator Mazurek and Justice Turnage if they had objections to changing the fee from \$3 to \$5. They had no objections. Ms. King suggested a fiscal note be prepared which would show just how much of an increase is necessary to take care of the shortfall plus what this measure proposes. Senator Farrell wondered how much it would take to get the plan down to a 40 year payoff period. Ms. King noted they are very worried about the plan and did not wish to see something done that would harm it further. Chief Justice Turnage could not see the necessity for all the fear that had been expressed. Senator Lynch stated that raising the fee to \$5 would help the system.

Senator Mazurek then CLOSED on Senate Bill 365.

The hearing was opened on House Bill 427.

CONSIDERATION OF HOUSE BILL 427: Representative John Vincent, House District 80, Bozeman, was sponsor for this bill entitled, "AN ACT PERMITTING A VESTED MEMBER TO QUALIFY EMPLOYMENT SERVICE WITH THE MONTANA COOPERATIVE EXTENSION SERVICE UNDER THE TEACHERS' RETIREMENT SYSTEM; AMENDING SECTIONS 19-4-401 AND 19-4-405; MCA; AND PROVIDING AN EFFECTIVE DATE." This bill would allow two people he knew of in the state to buy in to the teachers' retirement system. They would pay for both the employee and the employer's share for the years they wished to purchase. He noted that presently new employees of the extension service are automatically on the system and this would just allow those who had been in service before this went into effect to be able to buy back some time also. He felt the committee should even consider letting them buy back up to ten years of time. He noted there was no opposition to this proposal in the House hearing.

PROPONENTS: Carl Wambolt, a member of the MSU faculty since 1950, noted he is one of only a few who have had their responsibilities change without a change in their title. He stated that presently he spends half his time on instruction and half of his time at the Ag Experiment Station. Prior to this he spent all of his time as an extension educator. He had been told he could purchase his time in the Teachers' Retirement System and then later was informed they did not have the authority statutorily. He felt this was an injustice as the new hirees are automatically on the system. He noted Greg Carlson, from MSU, would lose 7 years and he would lose 5 years of service as the bill is presently written.

David Senn, representing the Teachers' Retirement Board, felt the amount of time bought back should remain at five years as is the standard practice for such procedures. They supported the bill as written.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL 427: There were none.

Rep. Vincent then CLOSED on House Bill 427.

The hearing was opened on House Bill 484.

CONSIDERATION OF HOUSE BILL 484: Representative Hal Harper, House District 44, Helena, was the sponsor of this bill entitled, "AN ACT GENERALLY REVISING PROVISIONS CONCERNING THE SHERIFFS' RETIREMENT SYSTEM; EXCLUDING CERTAIN RETIRED SHERIFFS FROM MEMBERSHIP IN THE SYSTEM; PROVIDING A REDUCTION IN THE RETIREMENT ALLOWANCE RECEIVED BY THESE SHERIFFS; REVISING THE METHOD FOR CALCULATING AN OPTIONAL DEATH BENEFIT UNDER THE SYSTEM; AMENDING SECTIONS 19-7-301 AND 19-7-604, MCA; AND PROVIDING AN EFFECTIVE DATE." He noted this was a housekeeping bill which would allow a sheriff to have the flexibility, when he needs to hire additional help, to rehire a retired sheriff without putting them back on the retirement system.

It would also equalize death benefits with early retirement provisions the same way PERS does.

PROPONENTS: Tom Harrison, with the Sheriffs' and Peace Officers' Association, noted it is really just a housekeeping bill and they do support the proposal.

Linda King, with the Public Employees' Retirement Division, stated they do support the proposal.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL 484: There were none.

Rep. Harper then CLOSED on House Bill 484.

The hearing was opened on House Bill 469.

CONSIDERATION OF HOUSE BILL 469: Representative Nancy Keenan, House District 66, Anaconda, was sponsor for this bill entitled, "AN ACT TO ELIMINATE THE STATUTORY REQUIREMENTS FOR THE QUALIFICATIONS OF THE SUPERINTENDENT OF THE MONTANA STATE HOSPITAL; REPEALING SECTION 53-6-302, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." She noted this bill would eliminate the statutory requirements that the superintendent must be a physician in Montana. She noted this has greatly restricted recruitment and would provide a broader pool of candidates to choose from. Their job qualifications would still have to be job-related she added.

Curt Chisholm, from the Department of Institutions, supported the bill. He felt that administratively they are now tied to statutory qualifications which works against them whenever they hire superintendents. He noted we now have an individual who is very interested in the position but does not meet the statutory requirements. Under JCAH requirements for a chief executive for hospital administration it states they may substitute experience also and the Department would like the flexibility to be able to do so. (EXHIBIT 5)

Laurie Ekanger, from the Personnel Division, supported the proposal also. She noted the Department is at a great disadvantage when competing with other states but that a highly qualified person would still fill the position.

Colleen Norris, Director of the Mental Disabilities Board of Directors, stated they also support the JCAH standards. She also spoke on behalf of the Mental Health Association and noted they supported this proposal on their legislative platform. (EXHIBIT 6)

Steve Waldron, Executive Director of the Montana Council of Mental

Senate State Administration
February 20, 1987
Page Six

Health Centers, noted they have a very special relationship with the hospital and feel this would not cause any problems in the quality of the administration of the hospital. He noted the current acting director is doing an excellent job and should be considered for the position.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL 469: There were none.

Rep. Keenan then CLOSED on House Bill 469.

The hearing was opened on Senate Bill 376.

CONSIDERATION OF SENATE BILL 376: Senator Greg Jergeson, Senate District 8, Chinook, was sponsor for this bill entitled, "AN ACT REGULATING MOTOR VEHICLE LIABILITY INSURANCE FOR GOVERNMENTAL ENTITIES BY LIMITING THE USE OF DRIVING RECORDS OF EMPLOYEES TO MATTERS OCCURRING WITHIN THE COURSE OF SUCH EMPLOYMENT." He noted a couple of individuals in his county had been picked up on DUI's on their own personal time. The insurance rates for the county were then raised \$2,000 each. The county was able to transfer one employee to a non-driving job but it was not possible for the other employee. He noted they had never abused alcohol on county time and they felt as long as their work records were fine that they should not be penalized for something that happened to them off the job.

PROPOSERS: Orin Odell, County Commissioner from Blaine County, felt the records for driving on their personal time should not be reflected on their working records. He stated he had talked with Gordon Morris and MACO and they were also in support of the measure.

OPPONENTS: There were none.

QUESTIONS ON SENATE BILL 376: Senator Harding asked if the insurance rate would be figured on their on-the-job record and Senator Jergeson noted this was correct. It would be one way for the counties to have some control over insurance costs he added.

The hearing was then CLOSED on Senate Bill 376.

The hearing was opened on Senate Bill 357.

CONSIDERATION OF SENATE BILL 357: Senator Haffey acted as spokesperson for the committee's bill entitled, "AN ACT REQUIRING THAT ELECTION MATERIALS TOO SMALL TO INCLUDE DISCLAIMERS BE FILED WITH THE COMMISSIONER OF POLITICAL PRACTICES PRIOR TO PUBLIC DISTRIBUTION; PROVIDING FOR NOTIFICATION OF INADVERTENT DISCLAIMER OMISSION AND COMPLIANCE WITH ELECTION MATERIAL PROCEDURES WITHIN 5 DAYS OF INITIAL PUBLIC DISTRIBUTION; AND AMENDING SECTION 13-35-225, MCA." This bill had been a cooperative effort between the

Executive Directors of the Republican and Democratic Central Committees and with Common Cause along with the Office of Political Practices which would assure timely notification of the names of persons who finance political advertisements and if that information was omitted or the document was too small to have such information it would also cover these materials.

PROPONENTS: Dolores Colburg, Commissioner of Political Practices, stated the agreement was unanimous in drafting this proposal. Presently there is no time frame in statute nor does it provide for election materials too small for the disclosure. She did note that the words "to be printed" should be removed from the language so that one would not think that only commercially printed materials came under this provision.

Kim Wilson, Common Cause, stated it was a bipartisan effort which closes a loophole which now occurs and was in support.

Margaret Davis, with the League of Women Voters, stated they were also in support. (EXHIBIT 7)

OPPONENTS: There were none.

QUESTIONS ON SENATE BILL 357: There were none.

Senator Haffey then CLOSED on Senate Bill 357.

EXECUTIVE ACTION ON SENATE BILL 357: Senator Lynch MOVED TO AMEND THE WORDING "TO BE PRINTED" FROM THE LANGUAGE. Senator Harding seconded the motion. The motion carried. Senator Lynch MOVED THAT SENATE BILL 357 DO PASS AS AMENDED. The motion carried unanimously.

EXECUTIVE ACTION ON SENATE BILL 376: Senator Harding MOVED THAT SENATE BILL 376 DO PASS. Senator Lynch seconded the motion. Senator Hofman asked if this might create a problem with the insurance industry and was told they did not feel that it would. The motion carried unanimously.

EXECUTIVE ACTION ON HOUSE BILL 484: Senator Harding MOVED TO CONCUR IN HOUSE BILL 484. Senator Lynch seconded the motion. The motion carried unanimously. Senator Rasmussen will carry the bill on the Senate floor.

EXECUTIVE ACTION ON HOUSE BILL 469: Senator Lynch MOVED THAT HOUSE BILL 469 BE CONCURRED IN. Senator Harding seconded the motion. The motion carried unanimously.

EXECUTIVE ACTION ON HOUSE BILL 427: Senator Lynch MOVED TO CHANGE THE 5-YEARS TO TEN YEARS because he felt this was only fair. He felt it would have little affect on the Teachers' Retirement fund anyway. Senator Hirsch felt it should stay at five years as is standard practice. Senator Haffey noted they had also mentioned grandfathering. Senator Rasmussen spoke

Senate State Administration
February 20, 1987
Page Eight

against the motion also. He felt if the sponsors were willing to accept the five years then we keep it at the five years. Senator Anderson noted the proponents had suggested keeping it at five years also. On a vote, the motion failed.

Senator Lynch then MOVED THAT HOUSE BILL 427 BE CONCURRED IN. Senator Hofman seconded the motion. The motion carried. Senator Lynch will carry the bill on the Senate floor.

EXECUTIVE ACTION ON SENATE BILL 334: In actions taken on February 19, 1987 there had been a DO PASS motion which had failed 7-3. Senator Lynch then MOVED TO TABLE SENATE BILL 334. Senator Vaughn seconded the motion. The motion passed unanimously.

EXECUTIVE ACTION ON SENATE BILL 365: Senator Haffey noted there was no official fiscal note on this proposal. He added he could understand what Linda King and PERS was concerned about but did not feel this bill would cause greater problems and it might even help a little. Senator Lynch felt it was an opportune time to start helping the system. Senator Hirsch felt it might help but you might be limiting your options next time to remedy the problems. Senator Harding noted Ms. King had stated that whatever funds were brought in would go first towards the short-fall and perhaps this would not be funded even if it was raised to \$5. Senator Haffey noted this would still be an improvement to the system. Senator Lynch MOVED TO CHANGE THE FEE TO \$5 INSTEAD OF \$3 as it is written in the bill. Senator Hofman seconded the motion. Senator Hirsch still felt this did not address the problems and was limiting the options. Senator Lynch felt by not passing the bill the fund might go even deeper into the hole and this might just help out a little. The motion carried with Senator Hirsch voting "no."

There was a brief discussion of changing the language to 34.8% as Linda King had mentioned but upon checking into the codes it was found it does state 31% so the committee felt this should stay the same. Senator Lynch then MOVED THAT SENATE BILL 365 DO PASS AS AMENDED. Senator Harding seconded the motion. The motion carried with Senator Hirsch voting "no."

EXECUTIVE ACTION ON SENATE BILL 328: Senator Haffey noted that a lot of work had gone into the proposed amendments to this measure. (EXHIBIT 8) Eddy McClure, Legislative Researcher, noted there was still dissension. Some of the constitutional problems had been addressed but there were some areas just too complex to be addressed by an amendment. Unless prohibited by federal law an in-state printer would be awarded a contract if his bid was not 10% higher than a non-resident bidder. A provision had been added which would not allow any commercial printing by the state. A definition of public documents and what was meant by printing had been amended into the bill. They were unable to clarify exemptions for the Highway Department or the University of Montana.

Eddye McClure noted if any more exemptions were included it would be the same situation that exists presently. The Department of Institutions would not be able to do any commercial printing either. Everytime a solution was arrived at another problem would come up she added. Ellen Feaver had submitted a letter stating her objections to the committee for this proposal. (EXHIBIT 9)

Senator Rasmussen felt it was a very important bill and urged careful consideration. Ellen Feaver felt providing a 10% preference to a single group while providing a 3% preference to other industries was not a fair and equitable situation. She was concerned if you needed 100 or more copies of anything even such items as an agenda it would have to put out for bid and felt this might be very costly for the state. The Department of Highways and the Department of Institutions would both be very affected by the measure she felt. Senator Haffey asked if the amendments would make the bill a more workable arrangement and could be administered and Ms. Feaver stated she had tried as best she could to make it a bill that she could administer but had really not had sufficient time to review it thoroughly. Ken Dunham noted the printers did not really want to do agendas or working documents of an agency. Don Brieby of Publishing and Graphics still felt there were problems and noted that all school districts, counties and cities were still excluded which he felt was not the intent of the bill. He still had problems with the definition of a public document. Curt Chisholm was uncertain how it would affect the Department of Institutions but added everytime they are told to put the prisoners to work they are told they are competing with private industry. Senator Vaughn was concerned about the 10% and 3% preferences. Senator Rasmussen then MOVED THAT THE 10% PREFERENCE BE REDUCED TO 3%. Senator Anderson seconded the motion. The motion carried unanimously. Senator Rasmussen then MOVED TO ADOPT THE AMENDMENTS WITH THE 3% AMENDMENT INCLUDED. Senator Hofman seconded the motion. Senator Hofman was concerned about the prison industry not having work to do. Senator Rasmussen felt it was unfair competition for them to be competing against the private sector. Curt Chisholm noted they do about \$80,000 per year of business presently. Senator Anderson wondered how this might affect the U. of M. printshop. Eddye McClure stated they had said it might close them down. Ellen Feaver noted the key ~~was~~ ^{is} the definition of a public document. Senator Haffey suggested the amendments be adopted and the bill receive a do not pass. If an agreement could be reached between all the parties concerned, then it could be changed on the Senate floor. On a vote to pass the amendments, the motion carried. The vote was unanimous.

Senator Hofman then MOVED THAT SENATE BILL 328 AS AMENDED DO NOT PASS. Senator Abrams seconded the motion. Senator Harding then made a SUBSTITUTE MOTION THAT SENATE BILL 328 DO PASS. Senator Rasmussen seconded the motion. Senator Hofman was still concerned

Senate State Administration
February 20, 1987
Page Ten

about the prison and the complexity of the bill. On a roll call vote, the motion failed 7-3 with Senators Anderson, Harding and Rasmussen voting "yes." On a vote of Senator Hofman's MOTION THAT SENATE BILL 328 DO NOT PASS AS AMENDED the motion carried 7-3 with Senators Rasmussen, Anderson and Harding voting "no." The motion carried.

The meeting was adjourned at 11:40 a.m.

cd



SENATOR JACK HAFFEY, Chairman

ROLL CALLSENATE STATE ADMINISTRATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/20/87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACK HAFHEY	X		
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 FEBRUARY 20, 1987

COMMITTEE ON SENATE STATE ADMINISTRATION

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

ADDITIONAL RETIREMENT PLANS

STATE	JUDGE'S CONTRIBUTION	BENEFIT FORMULA	MAXIMUM RETIREMENT BENEFIT	MAXIMUM RETIREMENT	AGE AND SERVICE REQUIREMENTS	SUPREME COURT	DISTRICT COURT
Alaska	0% if appointed before 6/1/78, 7% after 6/1/78	5% per year of service	75% of current salary	70	Age 60 or may commence at 55 if 20 years service	85,728 to 97,728	77,104 to 90,828
Arizona	7%	3 1/3% of monthly pay at time of retirement, times each year of service through 20 years, 2% for each year after 20 years	80% of salary at time of retirement	70	Minimum 65 with 20 years service	75,000	70,000
Colorado	8%	2.5% of final average salary for each year up to 20, 1% of FAS for each year from 20 to 40	70% of final average salary for 40 years of service	72	Varies with service, between 55 and 60 with 20 years service, between 60 and 65 with 20 years service, 65 and over with 5 years service for regular retirement	63,000	54,000
Idaho	6%	4% per year for first 10 years, 2.5% thereafter, times current salary of office, times years of service up to 25	N/A	70	65 years with 4 years service/ any age after 20 years	59,750	56,000
Kansas	6%	4% of last monthly salary times years of service up to 10 years, 3.33% of last monthly salary for years past 10	65% of last monthly salary	70	No minimum length of service, may retire 65 or 62 with actuarially reduced benefits	64,268	55,872
Montana	6 1/3% if elected or appointed after July '83	3.33% of final salary times first 15 years, plus 1% for each additional year	N/A	70	Minimum age 18 65 with 5 years service	50,452	49,178
Nevada	0%	N/A	2/3 of final salary	None	Minimum age of 60	73,500	67,000

STATE OF ARIZONA

EMERGENCY NO. 1

DATE 2-20-87

BILL NO. SB 365

STATE	JUDGE'S CONTRIBUTION	BUDGET FORMULA*	MAXIMUM RETIREMENT BENEFIT	MANDATORY RETIREMENT	AGE AND SERVICE REQUIREMENTS	SUPREME COURT	SALARY DISTRICT COURT
New Mexico	5.58 (if elected before '81); 3.58 (elected after '81)	N/A	75% of last year's salary	None	Electd prior to 1981: age 60 with 10 years of service entitled to full benefits. Electd after 1981: age 60 with 15 years of service, full benefits	60,375	54,350
North Dakota	14	3% of final average salary times first 10 years' service, 7% times second 10 years, 1% per year past 20	N/A	None	Normal retirement age is 65, early retirement possible at age 55 with 10 years of service.	59,140	55,519
South Dakota	8% increasing 1/8 of 1% every July 1 until 10%	50% of average final salary times ratio of years served to 15, not to exceed 15/15, plus 2% times years in excess of 15	N/A	70	Normal retirement age is 65 but can retire with reduced benefits at age 55.	56,975	53,210
Utah	2% (covers cost-of-living increases for retired judges)	3.25% of final average salary times years of service 10 to 20, plus 1% times years over 20	75% of final average salary	70 (trial court) 72 (supreme court)	Normal retirement age is 65 with minimum of 10 years service; can retire at age 55 with 20 years service but retirement actuarially reduced.	58,000	54,000
Washington	7.5%	3.5% of final salary times years service, 3% thereafter	75% of final average salary	75	Normal retirement age is 60 with 15 years service	66,000	60,000
Wyoming	0%	N/A	50% of current salary	70	Normal retirement age is 65 with 15 years service	63,500	61,000
Federal	0% may contribute 4.5% for optional survivor annuity plan)	N/A	100% of salary of office from which retired	None		104,100	78,700

*Each state uses terms in its benefit formula such as "final average salary" or "average final compensation." The method by which this figure is computed varies for each individual state.

Source: Adapted from Timothy Pyre and Thomas F. Sammons, *Judicial Retirement Plans*, American Judicature Society (Chicago, IL:June 1984); Survey of Judicial Salaries, National Center for State Courts (Williamsburg, VA:November, 1986)

TESTIMONY ON SB 365

2
2-20-87
SB 365

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

On behalf of the Public Employees' Retirement Board, I am appearing before you today in opposition to SB 365, a bill increasing the retirement benefits accruing to members of the Judges' Retirement System. The Board opposes this bill because it does not provide funding for the proposed benefit enhancements.

The last actuarial valuation of the Judges' Retirement System showed that the current unfunded liabilities of this retirement system were \$5,061,998 on July 1, 1986. The period required to fund this liability with the current contribution rate structure is calculated to be 49.61 years. Unfortunately, district court fees, which provide the largest statutory funding source for this retirement system, have not been adequate to provide the current statutory funding of 31% of salaries into this system. In FY 85, this source had a shortfall of \$26,287; in FY 86 the shortfall was \$77,037; and in FY 87 we expect this source to be over \$76,000 short of providing the necessary funds to adequately sustain this retirement system. This means, by July 1 of this year, district court fees deposited to this system will be \$180,000 in arrears of what is currently required by statute.

This bill proposes to increase retirement benefits for members of the Judges' Retirement System by an additional 1% of salary for each year of service beyond 15 years. Currently, judges receive half pay after 15 years of service and accrue an additional 1% of pay after that, so at 30 years of service they would receive 65% of the salary currently paid to the position from which they retired -- so there is an automatic cost-of-living adjustment built into this system. This bill proposes to increase these benefits so that someone retiring with 30 years of service would receive 80% of the salary currently paid to the position from which they retired -- which in most cases would be more than their current take-home pay since taxes, Social Security and Judges' Retirement contributions are not deducted from retirement benefits.

The cost of this major benefit enhancement is an additional 3.8% of active members' salaries per year and it is proposed in this bill that it will come from an additional \$3.00 fee tacked onto the district court filing fees. I have no idea how many district court filings these three fees represent; however, I do know that it would take 60,000 filings at an additional \$3.00 just to catch this funding source up to date as of July 1 of this year.

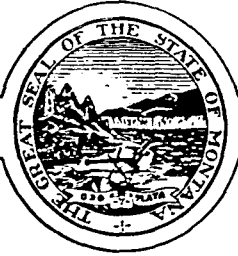
This benefit enhancement will cost an additional \$78,642 per year in the next biennium if district and supreme court justices do not receive a salary increase; it will obviously cost more if the legislation providing a raise in their salaries is passed. In order to provide current benefits, pay the current amount in arrears and pay for the increase proposed here, the 68% of district court filing fees plus the additional \$3.00 must bring in \$900,193 in FY 88 and then continue to bring in at least \$720,193 in future years. Since current fees lag about \$77,000/year behind what is needed, this \$3.00 must bring in an additional \$250,000 in FY 88 and at least \$156,000 each year thereafter. Do you expect that there will be over 83,000 such filings next year?

Finally, there is an error in this bill on page 2, line 5. In order to at least statutorily provide for payment of the increased costs of this proposed benefit enhancement, 31% (at the end of this line) must be changed to 34.8%. Without this change, sufficient funds will not ever be deposited into the retirement system even if district court fees are substantially increased.

In conclusion, the Public Employees' Retirement Board would definitely support legislation which would seek to provide adequate funding of the current benefits promised to members of the Judges' Retirement System. The increase in filing fees provided in this bill would help the current shortfall in funding provided by this current funding source. However, the Board does not believe this increase is sufficient to meet the current retirement obligations of the system, let alone the benefit enhancement proposed here which will cost an additional 3.8% of salaries. We ask that you give strong consideration to the increase in funding but that you do not increase benefits further beyond the payment ability of the retirement system.

*Judges
Retirement*

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION



TED SCHWINDEN, GOVERNOR

(406) 444-3154

STATE OF MONTANA

SENATE CHIEF CLERK
HELENA, MONTANA 59620-0131

1712 9TH AVENUE

EXHIBIT NO. 3
DATE 2-20-87
BILL NO. SB 365

December 31, 1986

RECEIVED

JAN 2 1987

MONTANA SUPREME COURT

Honorable Jean Turnage
Chief Justice
Montana Supreme Court
Justice/State Library Building
Helena, MT 59620

Re: 1986 Actuarial Valuation

Dear Chief Justice Turnage:

I am pleased to send you a copy of the most recent actuarial valuation of the Montana Judges' Retirement System. The valuation shows a major improvement in the funding of this system.

For budgetary reasons, we are not making a general mailing of this year's actuarial valuations for any of the systems. However, if you feel it would be useful to distribute this report to any or all of the justices and judges, please advise me.

Also, as we previously discussed, there is an agency proposal on request, to remove the 70 year provision in the judges' system, to bring it into compliance with recent federal enactments.

My best wishes to you for a prosperous New Year.

Respectfully,

Lawrence P. Nachtsheim
Lawrence P. Nachtsheim
Administrator

LPN/lo

JUDGES'
RETIREMENT SYSTEM

ACTUARIAL VALUATION

AS OF

JULY 1, 1986

Power Book

TABLE OF CONTENTS

3
2-20-87
SB 365

	Page
<u>SECTION I</u>	
Introduction	1
Actuarial Certification	1
<u>SECTION II</u>	
Analysis of Valuation	2
<u>SECTION III</u>	
Schedule 1 - Normal Cost Allocation	4
Schedule 2 - Present Value of Benefits	5
Schedule 3 - Liability Allocation and Statutory Funding	6
Schedule 4 - Unfunded Liability Amortization Schedule	7
Schedule 5 - Comparison of Valuations	8
Schedule 6 -	
Table 1 - Number of Active Members	9
Table 2 - Average Salaries of Active Members	10
Table 3 - Annual Salaries of Active Members	11
Table 4 - Summary of Retirees	12
Table 5 - Summary of Disabled	13
Table 6 - Summary of Survivors	14
<u>SECTION IV</u>	
Actuarial Funding Method and Assumptions	15
<u>SECTION V</u>	
Summary of Benefit Provisions	18

SECTION I

INTRODUCTION

An actuarial valuation of the Judges' Retirement System of the State of Montana has been completed as of July 1, 1986. This valuation was authorized by the Public Employees' Retirement Board under Section 19-5-201, MCA. The purpose of the valuation was to determine the financial position of the fund, the normal cost, and the unfunded accrued liability based upon present and prospective assets and liabilities of the system as of July 1, 1986.

Section II presents an analysis of the results of the actuarial valuation. The numerical findings and membership data supporting this analysis are shown in Section III.

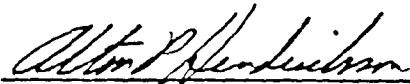
In conducting the actuarial valuation, certain assumptions were made as to the future experience of the system. A summary and discussion of each of the assumptions is contained in Section IV.

The valuation is based upon the Judges' Retirement Act and incorporates all amendments as of July 1, 1986. A summary of the major provisions of the Act is contained in Section V.

ACTUARIAL CERTIFICATION

The results of the actuarial valuation shown in this report are based upon information provided by the Public Employees' Retirement Division regarding plan participants, plan assets and other matters. The values have been calculated on the basis of actuarial assumptions which, in my opinion, are appropriate for purposes of this valuation.

This valuation has been prepared in accordance with generally accepted actuarial principles and practices and, to the best of my knowledge, fairly reflects the actuarial position of the Judges' Retirement System as of July 1, 1986.



Alton P. Hendrickson
Member, American Academy
of Actuaries

SECTION II

ANALYSIS OF VALUATION

3
2-20-87
SB 365

RESULTS OF VALUATION

The actuarial valuation as of July 1, 1986 has determined that the percentage of each judge's salary required to fund the benefits as they accrue in the future is 36.97%. An additional percentage of 9.41% is required to amortize the the unfunded past service liability over a scheduled 40-year period. The total recommended contribution rate is 46.38%.

The recommended rate of 46.38% represents a decrease of 3.14% over the 1984 recommended rate of 49.52%. This decrease resulted from:

1. The cost-of-living assumption was modified to reflect a lower rate for a 5-year period. This change resulted in a decrease in the required funding rate of 1.28%.
2. The experience of the system was more favorable than had been anticipated. The favorable experience was attributable to several factors including a small average salary increase and no increase in the number of benefit recipients. The result of the favorable experience was a decrease in the required funding rate of 1.86%.

ACTUARIAL MODIFICATIONS

The actuarial assumptions have been 8% for investment earnings and 6.5% for cost-of-living increases. These rates were based upon the projected average experience of the system during the lifetime of each member. The spread between these two rates of 1.5% has been the historical average over an extended period. To better reflect the anticipated cost-of-living adjustments in the near future, a select rate of 4% was assumed for each of the next 5 years. The ultimate rate after the 5-year period will continue at 6.5%.

The result of the change in the cost-of-living assumption was a reduction in the liability for active members, and a similar reduction in the present value of projected future salaries. The unfunded liability decreased disproportionately which resulted in a reduction in the required funding period.

A change has also been made in the method of funding the unfunded past service liability. An amortization schedule has been established which will amortize the liability as of July 1, 1984 over a 40-year period. Any actuarial gain or loss from this schedule is amortized over a 40-year period from the date of the occurrence. This approach is illustrated in Schedule 4.

The new amortization schedule will allow new liabilities determined from each valuation to be funded over a 40-year period. The funding period for past liabilities will decrease 2 years in each future biennial valuation.

49,178
SUMMARY OF DATA

The number of active members increased from 41 to 42; however, because 3 people were placed on vested inactive status, 4 new judges were added to the system. The average salary increased 4.8% from 47,023 in 1984 to 49,274 in 1986. The annual payroll based on members as of July 1, 1986 is \$2,069,519.

The number of members receiving benefits remained constant at 20. There was a slight increase of 3.6% in the average annual benefit which is now \$20,423. Based upon benefits paid on July 1, 1986, the annual benefits provided are \$408,454.

The assets had a substantial growth of 40% from \$5,549,146 in 1984 to \$7,769,510 in 1986.

The total contribution rate for funding the Judges' Retirement System was assumed to be 44.61% of each judge's salary. This rate is comprised of 6% from the state, 31% from district court fees, and 6% from each judge hired prior to July 1, 1983 and 7% from each judge hired on or after July 1, 1983. This rate is a weighted rate which is based upon the expected future contributions of active members who are currently employed as well as future members. This rate will gradually increase in future years until reaching an ultimate rate of 45%.

The district court fees were insufficient in 1985 and 1986 to provide the full 31% of salaries. Our valuation assumed that the full 31% will be available in future years.

CONCLUSION

The applicable contribution rate of 44.61% is sufficient to amortize the unfunded liability over 49.61 years. Because of favorable experience and a change in the cost-of-living assumption, the system is in a much stronger financial position than was reflected in the 1984 valuation. The new process of identifying biennial liability changes and funding each of these over a 40-year period will provide better identification of the system's funding progress and future funding needs. The Judges' Retirement System is funded on an actuarially sound basis.

SECTION III

SCHEDULE 1

3
2-20-87
5B 365

NORMAL COST ALLOCATION

(1) Normal Cost Contribution Rate:

(a) Retirement	23.944%
(b) Death	4.073
(c) Disability	8.950

(d) Total Rate	36.967%

(2) Present Value of Future Salaries
Of Current Members

\$15,472,774

(4) Present Value of Future Normal Costs
For Current Members (1(f) * (2))

\$ 5,719,820

SCHEDULE 2

PRESENT VALUE OF BENEFITS

(1) Present Value of Benefits - Inactive Members

(a) Retirement	\$ 3,920,771
(b) Death	241,957
(c) Disability	953,287
(d) Vested	<u>1,135,406</u>
(e) Total Inactive	\$ 6,251,421

(2) Present Value of Benefits - Active Members

(a) Retirement	\$ 8,995,520
(b) Death	1,056,670
(c) Disability	<u>2,247,717</u>
(d) Total Active	<u>\$12,299,907</u>

(3) Total Liabilities	\$18,551,328
-----------------------	--------------

SCHEDULE 3

3
2-20-87
SB 365

LIABILITY ALLOCATION AND STATUTORY FUNDING

(1) Unfunded Past Service Liability

(a) Present Value of Benefits	\$18,551,328
(b) Present Value of Future Normal Costs	5,719,820
(c) Fund Assets	<u>7,769,510</u>
(d) Unfunded Liability (a)-(b)-(c)	\$ 5,061,998

(2) Contribution Rates Amortized over 49.61 Years

(a) Present Value of Salaries During Next 49.61 Years	\$66,256,514
(b) Unfunded Contribution Rate $1(d)/2(a)$	7.640%
(c) Normal Cost Rate (Schedule 1)	<u>36.967</u>
(d) Statutory Funding Rate	44.607%

SCHEDULE 4

UNFUNDED LIABILITY AMORTIZATION SCHEDULE

(1) Unfunded Past Service Liability Account		
(a)	1984 Liability Account as of 7/1/84	\$ 6,366,475
(b)	Interest Charge on Liability Account	1,059,381
(c)	Contributions during Biennium Allocated to Unfunded Liability	64,064
(d)	Interest Credit on Contributions	5,089
		<hr/>
(e)	1984 Liability Account as of 7/1/86	\$ 7,356,703
(2) Actuarial Gain/Loss		
(a)	Actual Unfunded Liability (Schedule 3)	\$ 5,061,998
(b)	1984 Liability Account as of 7/1/86	7,356,703
		<hr/>
(c)	1986 Liability Account as of 7/1/86	-\$ 2,294,705
(3) Required Contribution Rate		
(a)	Normal Cost Rate (Schedule 1)	36.967%
(b)	Rate to Fund 1984 Liability Account Over 38 Year Period	13.453
(c)	Rate to Fund 1986 Liability Account Over 40 Year Period	-4.039
		<hr/>
(d)	Total Contribution Rate	46.381%

SCHEDULE 5

3
2-20-81
SB 365

COMPARISON OF VALUATIONS

	<u>1984</u>	<u>1986</u>
Liability for Future Service	\$9,328,378	\$5,719,820
Unfunded Liability	\$6,366,475	\$5,061,998
Assets	\$5,549,146	\$7,769,510
Normal Cost Rate	38.73%	36.97%
Unfunded Liability Rate	10.79%	9.41%
Total Recommended Rate	49.52%	46.38%
Annual Payroll	\$1,927,961	\$2,069,519
Annual Benefits	\$ 394,224	\$ 408,454
Number of Active Members	41	42
Number of Retired Members	17	16
Number of Disabled Members	3	3
Number of Survivor Benefits	0	1
Number of Vested Deferred	2	5

[Handwritten signature]

SCHEDULE 6

TABLE 1

NUMBER OF ACTIVE MEMBERS

COMPLETED YEARS OF SERVICE	UNDER 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	OVER 65	TOTAL
0-4					5	2	1	2	6	1	17
5-9					3	2	1	3	1	4	14
10-14									1	1	2
15-19								2	1	2	5
20-24							1		1		2
25-29									1	1	2
30-34											
35-39											
40-UP											
TOTAL					8	4	3	7	11	9	42

TABLE 2

AVERAGE SALARIES OF ACTIVE MEMBERS

3
2:20-87
SB 365

COMPLETED YEARS OF SERVICE	UNDER 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	OVER 65	TOTAL
0-4					49092	49092	49093	49092	493 05	49093	491 67
5-9					49093	49728	49093	49093	49093	49728	493 65
10-14									49093	49093	49093
15-19								49093	49093	49093	49093
20-24							49093		49093		49093
25-29									50363	50363	50363
30-34											
35-39											
40-UP											
TOTAL					49092	49410	49093	49093	493 24	49516	49274

TABLE 3
ANNUAL SALARIES OF ACTIVE MEMBERS
IN THOUSANDS

COMPLETED YEARS OF SERVICE	UNDER 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	OVER 65	TOTAL
0-4					245	98	49	98	296	49	835
5-9					147	99	49	147	49	199	690
10-14									49	49	98
15-19								98	49	98	245
20-24							49		49		98
25-29									50	50	100
30-34											
35-39											
40-UP											
TOTAL					392	197	147	343	542	445	2066

3
2-20-87
SB 365

TABLE 4
SUMMARY OF RETIREES

NUMBER OF MEMBERS								
AGE GROUP								
UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
1	0	0	4	5	5	1	0	16

TOTAL MONTHLY BENEFIT								
AGE GROUP								
UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
2172	0	0	8129	8293	7433	771	0	26798

AVERAGE MONTHLY BENEFIT								
AGE GROUP								
UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
2172	0	0	2032	1659	1487	771	0	1675

TABLE 5
SUMMARY OF DISABLED

NUMBER OF MEMBERS

AGE GROUP

UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
0	0	0	1	2	0	0	0	3

TOTAL MONTHLY BENEFIT

AGE GROUP

UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
0	0	0	1680	4736	0	0	0	6416

AVERAGE MONTHLY BENEFIT

AGE GROUP

UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
0	0	0	1680	2368	0	0	0	2139

3
 2-20-87
 SB 365

TABLE 6
SUMMARY OF SURVIVORS

NUMBER OF MEMBERS								
AGE GROUP								
UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
1	0	0	0	0	0	0	0	1

TOTAL MONTHLY BENEFIT								
AGE GROUP								
UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
824	0	0	0	0	0	0	0	824

AVERAGE MONTHLY BENEFIT								
AGE GROUP								
UNDER 55	55-59	60-64	65-69	70-74	75-79	80-84	OVER 84	TOTAL
824	0	0	0	0	0	0	0	824

SECTION IV

ACTUARIAL FUNDING METHOD AND ASSUMPTIONS

The true cost of the Judges' Retirement System will be determined by its future experience. In determining the financial requirement of the fund, certain assumptions were made as to the expected future experience. This section summarizes the funding method applied as well as the basic assumptions used.

Any variations in the actual experience of the fund from those assumed in this valuation may cause changes in the projected future costs of the fund. It is therefore necessary that the actuarial assumptions be reviewed from time to time with adjustments as experience warrants. It is also important that regular valuations be performed to determine the financial effect of variations between the actual and assumed experience.

The assumptions shown below were based upon the past experience of the fund together with the projections as to future experience.

FUNDING METHOD

The method of funding employed is commonly referred to as the entry age normal cost method. This method establishes a normal cost of each fund as well as an unfunded accrued liability. The normal cost is the level percentage of total salaries required to fund the benefits, assuming this percentage has been contributed since each member's entry into the fund.

The unfunded accrued liability represents the excess of the present value of total liabilities over the present assets of the fund and the present value of expected future contributions for the normal cost.

In order to maintain the fund on an actuarially sound basis, the rate of contribution should be such as to meet the normal cost in addition to making progress towards the amortization of the unfunded liability.

3
2-20-89
56365

ACTUARIAL ASSUMPTIONS

Mortality Rates

The mortality rates are based upon the 1971 Group Annuity Mortality Table set back one year.

<u>Age</u>	<u>Deaths</u> <u>Per 100,000</u>
25	59
30	76
35	105
40	151
45	257
50	474
55	781
60	1,192
65	1,919
70	3,244
75	5,122
80	7,969
85	12,112

Disability Rates

The disability rates are based upon the rates published by the Railroad Retirement Board.

<u>Age</u>	<u>Disabilities per 100,000</u> <u>Active Members</u>
25	30
30	30
35	40
40	90
45	190
50	340
55	620
60	1,822
65	3,150

Salary Scale

The salary increases are based upon the projected experience of the system with an underlying cost-of-living assumption of 4% per year for the 5-year period beginning July 1, 1986, and 6.5% per year thereafter, and with a longevity and meritorious service increase of .75% per year.

Investment Earnings

A rate of 8% per annum was assumed for future investment earnings.

3
2-20-87
SB 365

SECTION V

SUMMARY OF BENEFITS AND CONTRIBUTIONS

Effective Date - July 1, 1967

Member Contributions - 6% of salary for each judge employed prior to July 1, 1983 and 7% of salary for each judge employed on or after July 1, 1983.

State Contributions - 6% of active judges' salaries.

Court Fees - 31% of salaries from district court fees plus one-fourth of the supreme court fees.

Retirement Benefit - Minimum service: 5 years
Minimum age: 65
Mandatory Retirement: 70

Normal form: Life annuity with a death benefit equal to the present value of the retirement allowance at the date of retirement less retirement benefits paid to date (full cash refund annuity).

Benefit: 3 1/3% of the current monthly salary for the office retired from for each of the first 15 years of service, plus 1% per year of such monthly salary for each year of service in excess of 15 years.

Disability Benefit - Service disability: Greater of 50% of monthly salary and accrued retirement benefit.

Nonservice disability: Actuarial equivalent of the accrued retirement benefit, or accrued retirement benefit if over age 60.

Death Benefit - Service death: Accrued retirement benefit.

Nonservice death: Actuarial equivalent of the accrued retirement benefit.

Termination Benefit -

Prior to completion of 5 years of service, return of accumulated contributions without interest. After 5 years but less than 12 years of service, either return of accumulated contributions with interest or the actuarial equivalent of the accrued retirement benefit.

Judges employed prior to July 1, 1983 are entitled to the accrued retirement benefit if service is involuntarily terminated after 12 or more years of service.

In compliance with a written request, there is hereby submitted a Fiscal Note for SB365, Version: Introduced

Yes - This is the face of the amendment. I have reviewed it and I believe it is a good amendment. I have discussed it with the chief of the judicial system and the members of the judicial system.

Assumptions:

- 1) It takes 3.8% additional contributions of total annual judicial payroll to fund the proposed changes. (Hendrickson and Associates letter to Larry Nachtsheim dated January 7, 1987).
- 2) The annual payroll for FY 1986 was \$2,069,519. This remains constant.
- 3) In CY 1985, there were 19,549 commencements of an action, 6,112 appearances, and 5,229 final judgements that are estimated to have resulted in fees. (Statewide Judicial Information System)

Fiscal Impact:

The proposed fees increases will cover the added costs of the proposed legislation.

Annual Revenue Required
to Fund Proposed Legislation

\$73,641

Additional Revenue Generated
From Additional Fees

\$92,670

BUDGET DIRECTOR
Office of Budget and Program Planning

DATE

PRIMARY SPONSOR

DATE

Fiscal Note for

2-20-87
58365
4

Hendrickson & Associates

INC ACTUARIAL CONSULTANTS

P.O. Box 823 • Power Block • Suite 604 • 6th & Last Chance Gulch • Helena, Montana 59624 • Telephone 406/442-5222

January 7, 1987

RECEIVED

JAN 8 1987

Lawrence P. Nachtsheim
Administrator
Public Employees Retirement Division
1712 9th Avenue
Helena, MT 59620

RETIREMENT DIVISION

Re: Judges' Retirement System

Dear Larry:

You have requested an actuarial valuation to determine the cost of providing additional credit for employment service in excess of 15 years. Presently, judges receive 1% of final average salary for each year in excess of 15 years. It has been requested that this percentage be increased to 1 2/3% after 15 years or 2% after 15 years.

The actuarial valuation has determined that the additional contribution to provide 1 2/3% of salary for each year after 15 years would be 2.54% of each member's salary. The additional contribution for 2% of salary for each year after 15 years would be 3.80%.

We have also conducted a valuation to determine the cost if the maximum benefit under these proposals is limited to 60% of salary, but in no event less than the present formula. Under this condition, the cost of providing 1 2/3% of salary after 15 years is .72% of each member's salary. Similarly, the cost for providing 2% of salary after 15 years is .96%.

The additional contributions shown above would be sufficient to amortize the unfunded liability over a 40-year period. The valuations were based on the data and actuarial assumptions stated in the latest actuarial valuation.

Sincerely,

Alton P. Hendrickson, ASA

mg

Alton P. Hendrickson January 28, 1987.
Senator Fitzgerald -
I talked to Alton Hendrickson about how to calculate the percentages contained in this letter. It is done using the total annual payroll for member judges contained on page 8 of Hendrickson's actuarial valuation dated July 1, 1986. The payroll he indicated for 1986 was \$2,069,519. I have indicated above the amount necessary to fund each percentage. Please let me know if I can be of further help.

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

NAME: WRT CHISOLM DATE: 2/20/87

ADDRESS: _____

PHONE: _____

REPRESENTING WHOM? DEPT OF INSTITUTIONS

APPEARING ON WHICH PROPOSAL: HB 469

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

COMMENT: _____

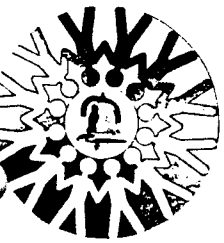
SENATE STATE ROOM.

_____ 5 _____

DATE 2-20-87

BILL NO. HB 469

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



LEGISLATIVE PLATFORM

Mental Health Association of Montana

1986 and 1987

Adopted by
Board of
Directors
9-26-86

The Mental Health Association of Montana is a statewide broad-based volunteer organization working to bring about the prevention of mental illness, promotion of mental health and improved services for individuals who are mentally ill. We recognize the state of the economy is unpredictable, but as advocates for quality mental health care and the rights of those in need, the Association supports the following in 1986 and 1987.

SENATE STATE ADMIN.
EXHIBIT NO. 6

DATE 2-20-87

BILL NO. AB 469

FUNDING ISSUES:

1. We support adequate funding for comprehensive treatment in addition to direct care at state-run residential facilities.
2. In times of economic difficulties, we demand at least the same buying power rather than the same funding level in order to meet inflation. We see a move toward "warehousing" patients and away from efforts toward quality care and treatment with a goal of returning persons to a supportive community setting.
3. We encourage increased funding for the Mental Disabilities Board of Visitors to insure its ability to perform thorough and timely site reviews as required by state law.
4. It is essential that there be funding to allow the expansion of services for emotionally disturbed children and youth in order to achieve a continuum of care.
5. We support the funding for appropriate residential services for mentally ill persons of all ages and encourage the state to look at alternative type group homes.
6. We recommend that additional funding be available so that, like Montana State Hospital, community mental health centers will be able to not only meet the requirements of law but provide additional opportunities for employment of clients.
7. We encourage an increase in taxes in order to preserve the existing programs that help the mentally ill.

JUDICIAL ISSUES:

1. MENTAL COMMITMENT ACT: The MHAM supports the continuation of the effort embodied in HB376 (1986 Legislative Session) to make it possible by law to provide treatment to mentally ill persons who are not committable under the present commitment law but are in need of treatment and unable to make a rational decision to seek such, providing protections for the person's civil rights in a new law are comparable to the current law.
2. WEEKLY MEDICATION REVIEW: The MHAM opposes changing the law requiring the weekly review of medications. We feel a change to "at least monthly" reviews would weaken the medication review requirement and leave consumers of mental health services at risk. We would recommend instead that treatment teams do monthly reviews of medications along with their comprehensive review of treatment plans.

3. DUTY TO WARN: We support the concept of limiting the liability of licensed and/or certified professional persons in a situation when a client has made a serious threat of physical violence on the condition that any proposed legislation contain appropriate and sufficient protection for the client and the licensed and/or certified professional person alike.
4. PSYCHOLOGIST DEFINITION: We support the substitution of the title "Psychological Associate" for use with employees in state institutions who are currently titled psychologists but are non-licensed.
5. CONSUMER MEMBERSHIP ON BOARDS: We are supportive of any legislation that gives mentally ill consumers and family members more direct and active voices on boards that deal with mental health issues and that receive significant amounts of public funds.


SERVICE ISSUES:

1. HEALTH MAINTENANCE ORGANIZATIONS: The MHAM supports the HMO concept providing that each HMO is:
 - A. Integrated into the total health delivery system.
 - B. Able and willing to serve the community as a whole.
 - C. Open to and guided by the needs of the community of consumers and providers for a comprehensive mental health system.
 - D. Able and willing to provide adequate mental health services to a broad spectrum of the community, where feasible by contract with a community mental health center or other comprehensive community mental health service provider.
2. MANDATED INSURANCE:
 - A. We support increased benefit coverage in mandated insurance up to levels applicable to physical illness.
 - B. We encourage elimination of the interdisciplinary team requirement for reimbursement by third parties.

CHILDREN AND YOUTH ISSUES:

We support adequate and appropriate treatment of all emotionally disturbed children and youth and are watching all related issues.

MISCELLANEOUS ISSUES:

- 
1. SUPERINTENDENT OF MONTANA STATE HOSPITAL: We support deleting the statutory requirements for hiring of the superintendent at Montana State Hospital.
 2. CERTIFICATE OF NEED: We support the enactment of workable certificate of need process, which is more responsive to mental health needs.

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

NAME: Margaret Stairs DATE: 20 Feb 87

ADDRESS: 816 Florence Helena Mt 59607

PHONE: 443-3487

REPRESENTING WHOM? League of Women Voters NIT

APPEARING ON WHICH PROPOSAL: SB 357

DO YOU: SUPPORT? X AMEND? X OPPOSE?

COMMENT:

SENATE STATE ADMIN

VERSION NO. 7

2-20-87

FILE NO. SB 357

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

HOUSE BILL NO. 8
ENACTED 2-20-87
DATE
BILL NO. SB 328

PROPOSED AMENDMENTS

Senate Bill 328

1. Title, line 4.

Following: ": AN ACT"

Strike: "REQUIRING THE DEPARTMENT OF ADMINISTRATION TO CONTRACT
PRINTING OPERATIONS THROUGH MONTANA BUSINESSES; CHANGING
RESIDENCE REQUIREMENTS"

Insert: "INCREASING THE RESIDENT PREFERENCE FOR PRINTING
CONTRACTS FROM 3 PERCENT TO 10 PERCENT"

2. Title, lines 8 and 9.

Following: "18-1-103,"

Insert: "18-4-221,"

Following: "18-7-105,"

Strike: "and"

Following: "18-7-302,"

Insert: "and 53-1-301,"

3. Page 1, lines 17 and 18.

Following: "awarded"

Strike: "to a resident business"

4. Page 1, line 21.

Following: "in-state"

Strike: "--exception" through "noncompetitive." on page 2,
line 5.

Insert: "Unless prohibited by federal law, an in-state printing
contract must be awarded to any bidder who is a resident, as
defined in 18-1-103, and whose bid is not more than 10%
higher than that of the lowest nonresident bidder."

5. Page 2, following line 25.

Insert: "(3) Domestic corporations organized under the laws of
the state of Montana are prima facie eligible to bid as
residents, but this qualification may be set aside and a
successful bid disallowed where it is shown to the
satisfaction of the board, commission, officer, or
individual charged with the responsibility for the execution
of such contract that said corporation is a wholly owned
subsidiary of a foreign corporation or that said corporation
was formed for the purpose of circumventing the provisions
relating to residence."

6. Page 3, line 1.

Strike: "(3)" and "Any"

Insert: "(4) Notwithstanding the foregoing, any"

7. Page 4, lines 10 through 12.

Following: line 9

Strike: "commercial"

Following: "printing"

Strike: "7"

Insert: "that is paid for all or in part by nongovernment funds.

Such printing includes but is not limited to"

8. Page 6, line 21.

Following: "materials"

Strike: "intended for internal"

Insert: "primarily distributed to"

Following: "government"

Strike: "use"

Insert: "agencies or employees"

Following: line 21

Insert: "(2) 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 are exempt from public disclosure of costs established in 18-7-306.

(3) The term "printing" as used herein includes those services described in 18-4-123."

Renumber: subsequent subsections

9. Page 7, line 8.

Following: line 7

Insert: "Section 8. Section 18-4-221, MCA, is amended to read:

"18-4-221. General procurement authority and duties of department--rules. (1) Except as otherwise provided in this chapter, the department shall adopt rules, consistent with this chapter, governing the procurement and disposal of any and all supplies and services to be procured by the state. The department shall consider and decide matters of policy within the provisions of this chapter. The department may audit and monitor the implementation of its rules and the requirements of this chapter.

(2) Except as otherwise specifically provided by law, the Department shall, in accordance with its rules:

(a) procure or supervise the procurement of all supplies and services needed by the state; and

(b) sell, trade, or otherwise dispose of surplus supplies belonging to the state.

(3) Except as provided in [section 2], nothing SB 328
contained herein shall preclude the state from doing its own
printing on its own printing facilities.

Section 9. Section 53-1-301, MCA, is amended to read:

"53-1-301. Permitted institutional industries, powers of department, and incentive pay to inmates. (1) Except as provided in 18-1-103 and 18-7-302, or subsection (3), the department may:

(a) establish industries in institutions which will result in the production or manufacture of such products and the rendering of such services as may be needed by any department or agency of the state or any political subdivision thereof, by any agency of the federal government, by any other states or their political subdivisions, or by nonprofit organizations and that will assist in the rehabilitation of residents in institutions;

(b) contract with private industry for the sale of goods or components manufactured or produced in shops under its jurisdiction;

(c) print catalogs describing goods manufactured or produced by institutions and distribute the catalogs;

(d) fix the sale price for goods produced or manufactured at institutions. Prices shall not exceed prices existing in the open market for goods of comparable quality.

(e) require institutions to purchase needed goods from other institutions;

(f) provide for the repair and maintenance of property and equipment of institutions by residents of institutions;

(g) provide for construction projects up to the aggregate sum of \$25,000 per project, by residents of institutions; provided, however, said construction work is not covered by a collective bargaining agreement;

(h) provide for the repair and maintenance at an institution of furniture and equipment of any state agency;

(i) provide for the manufacture at an institution of motor vehicle license plates and other related articles;

(j) with the approval of the department, sell manufactured or agricultural products and livestock on the open market;

(k) provide for the manufacture at an institution of highway, road, and street marking signs for the use of the state or any of its political subdivisions, except when the manufacture of the signs is in violation of a collective bargaining contract;

(l) pay an inmate or resident of an institution from receipts from the sale of products produced or manufactured or services rendered in a program in which he is working.

(2) (a) Payment for the performance of work may be based on the following criteria:

- (i) knowledge and skill;
 - (ii) attitude toward authority;
 - (iii) physical effort;
 - (iv) responsibility for equipment and materials;
 - (v) regard for safety of others.
- (b) The maximum rate of pay shall be determined by the appropriation established for each program.

(3) Except as provided in subsection (4), furniture made in the prison may be purchased by state agencies in accordance with the procurement provisions under Title 18, chapter 4. All other prison-made furniture may be sold only through licensed wholesale or retail furniture outlets or through export firms for sale to international markets.

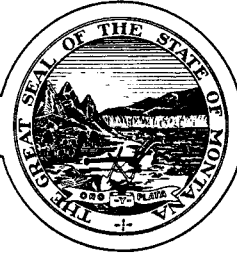
(4) Any state institution, facility, or program operated by the department may purchase prison-made furniture without complying with the procurement provisions under Title 18, chapter 4."

Renumber: subsequent sections

7050f/L:JEA\WP:jj

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE

DATE 2-20-87
FILE NO. 9
JUL 10



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2032

HELENA, MONTANA 59620

February 19, 1987

Senator Jack Haffey, Chairman
Senate State Administration Committee
Montana State Senate
Capitol Station
Helena, MT 59620

Re: SB 328

Dear Senator Haffey:

I worked with the printers on amendments to Senate Bill 328. The amendments have clarified most of the language of the bill. However, I remain opposed to the bill. Determinations concerning which documents are intended for public distribution and which are for internal use are, and will always be, subject to contention and confusion.

Cost containment has always been the first priority in trying to determine which work is done internally versus externally. The commercial sector continues to enjoy 66% of the state printing market, a percentage that has remained constant over the last five years.

As we read it, with the revised bill, the Fiscal Note does not change substantially. In fact, the only change concerns the preference issue. The Fiscal Note was prepared assuming an absolute preference for Montana vendors which would cost an additional \$193,622 per year. The amendment changed that preference to 10%. The fiscal impact is, therefore, lessened by \$189,842 when applied to FY 86 purchases.

I submit to you that a 10% preference for printers and a 3% preference for all other vendors will not seem fair to other vendors. A 10% printer preference exposes taxpayers to substantial potential cost in other areas.

The additional costs to procure more printing externally would remain. We presently buy approximately 1000 printing jobs from the commercial

sector each year. This bill would increase that number to nearly 8000, and potentially more if the University of Montana Print Shop is closed by this bill. It would not be possible to increase the workload that dramatically and incur no additional costs. The bill should be expected to increase the State's costs in additional labor and operating expenses by at least \$400,000. The fiscal impact of our staff doing work internally is a "wash", so these costs cannot be offset against the added costs.

The price the State should expect to pay for printing purchased from the commercial sector that is now done internally will also rise. As demonstrated in a study of our operations commissioned by the Legislative Finance Committee in 1982, the Publications and Graphics Division does produce printing much more cheaply than private industry. Based on this study and supporting documentation provided by the National Association of Printers and Lithographers, we estimate that the cost of this printing will increase by 15%, an additional expense of \$157,000.

A lot of figures concerning the cost of printing have been thrown about over the years and, because of the complex nature of printing, numbers are easily supported by both sides. However, one accurate and undeniable statistic has come about during this biennium. The total cost of the Montana Code Annotated, the Session Laws, and the Legislative Journals decreased by \$122,380 last year. This is due solely to the fact that these documents are now being typeset internally as opposed to commercially. The cost to do the typesetting outside in 1984 was \$6.42 per page. Last year, the Publications & Graphics Division and the Legislative Council accomplished the identical work for \$2.20 per page. This bill would require that this savings be rejected and this production be returned to the private sector. Not only do we lose these savings, we lose the potential savings on all the other documents that might benefit from this process.

I urge you to vote not to pass this bill. The program we have maintained for five years is a sound one. The operation of an internal print shop is not the cause of the industry's financial problems. A subsidy of this small portion of Montana's economy will do very little good.

Sincerely,



Ellen Feaver
Director

STANDING COMMITTEE REPORT

FEBRUARY 20

87

19.....

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on.....

having had under consideration..... **HOUSE BILL** No. **485**

third reading copy (blue)
color

INCREASE MAXIMUM PENSION PAID TO SURVIVORS OF VOLUNTEER FIREFIGHTERS
Thoft (Stimatz)

HOUSE BILL

485

Respectfully report as follows: That..... No.....

BE CONCURRED IN

~~XXXXXX~~

~~XXXXXX~~

.....
SENATOR JACK HAFPEY

Chairman.

STANDING COMMITTEE REPORT

FEBRUARY 20

19 87

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on.....

having had under consideration.....SENATE BILL..... No. 357.....

first reading copy (white)
color

REQUIRE ELECTION MATERIAL FILED BEFORE PUBLICATION; 5-DAY COMPLIANCE
RULE Haffey

SENATE BILL

357

Respectfully report as follows: That..... No.....

be amended as follows:

1. Page 2, line 10.
Following: "required"
Strike: "to be printed"

AND AS AMENDED

DO PASS

~~XXXXXX~~
DO NOT PASS

Senator Jack Haffey

Chairman.

STANDING COMMITTEE REPORT

FEBRUARY 20

87

..... 19.....

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on.....

SENATE BILL 376

having had under consideration..... No.....

first reading copy (**white**)
color

USE ONLY ON-JOB DRIVING RECORDS FOR GOVERNMENTAL ENTITY CAR LIABILITY INSUR.
Jergeson

SENATE BILL 376

Respectfully report as follows: That..... No.....

~~DO PASS~~

~~XXXXXXXXXX~~
~~DO NOT PASS~~

.....
SENATOR JACK HAFLEY

Chairman.

STANDING COMMITTEE REPORT

FEBRUARY 20

87

19.....

MR. PRESIDENT

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

having had under consideration..... **HOUSE BILL** No. **484**

third reading copy (**blue**)
color

GENERALLY REVISING PROVISIONS OF SHERIFFS' RETIREMENT SYSTEM
Harper
(Rasmussen)

Respectfully report as follows: That..... **HOUSE BILL** No. **484**

BE CONCURRED IN

~~XXXXXX~~

~~DO NOT PASS~~

~~XXXXXXXXXX~~

~~DO NOT PASS~~

.....
SENATOR JACK HAPPEY

Chairman.

STANDING COMMITTEE REPORT

FEBRUARY 20

87

19.....

MR. PRESIDENT

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

having had under consideration..... **HOUSE BILL** No. **469**

third reading copy (blue)
color

ELIMINATE QUALIFICATIONS FOR THE SUPERINTENDENT OF THE MT STATE HOSPITAL
Keenan (Haffey) *

Respectfully report as follows: That..... **HOUSE BILL** No. **469**

BE CONCURRED IN

~~XXXX~~
DO PASS

~~XXXXXXXXXX~~
DO NOT PASS

.....
SENATOR JACK HAFLEY

Chairman.

STANDING COMMITTEE REPORT

FEBRUARY 20 87
..... 19.....

MR. PRESIDENT

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

having had under consideration..... **HOUSE BILL** No. **427**

third reading copy (blue)
color

ALLOW SERVICE WITH COOP. EXT. SERVICE TO QUALIFY IN TEACHERS' RETIREMENT
Vincent (Lynch)

HOUSE BILL **427**

Respectfully report as follows: That..... No.....

BE CONCURRED IN

XXXXXX
DO NOT PASS

XXXXXXXXXX
DO NOT PASS

.....
SENATOR JACK HAFPEY

Chairman.

STANDING COMMITTEE REPORT

FEBRUARY 20

87

19.....

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on

SENATE BILL

365

having had under consideration..... No.....

first

white

reading copy ()

color

INCREASE SALARY PERCENTAGE USE TO CALCULATE JUDGES' PENSIONS AFTER 15 YEARS
Mazurek

SENATE BILL

365

Respectfully report as follows: That..... No.....

be amended as follows:

1. Page 2, line 9.
Following: "fees of"
Strike: "\$3"
Insert: "\$5"
2. Page 2, line 21.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"
3. Page 2, line 25.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"
4. Page 3, line 2.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"
5. Page 4, line 20.
Following: "fees of"
Strike: "\$3"
Insert: "\$5"

XXXXX

XXXXXXXXXX

Continued

SENATOR JACK HAFEEY

Chairman.

6. Page 5, line 3.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"
7. Page 5, line 7.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"
8. Page 5, line 9.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"
9. Page 7, line 1.
Following: "fee of"
Strike: "\$3"
Insert: "\$5"

AND AS AMENDED
DO PASS

ROLL CALL VOTE

STATE ADMINISTRATION

SENATE COMMITTEE

Date 2/20/87

SENATE BILL

Bill No. 328

Time 11:40 a.m.

NAME	YES	NO
SENATOR JACK HAFLEY		X
SENATOR WILLIAM FARRELL		X
SENATOR LES HIRSCH		X
SENATOR JOHN ANDERSON	X	
SENATOR ETHEL HARDING	X	
SENATOR ELEANOR VAUGHN		X
SENATOR SAM HOFMAN		X
SENATOR HUBERT ABRAMS		X
SENATOR TOM RASMUSSEN	X	
SENATOR J. D. LYNCH		X

Carol Duval

Secretary

Senator Jack Haffey

Chairman

Motion: SENATOR HARDING'S MOTION SENATE BILL 328 AS AMENDED DO PASS.

STANDING COMMITTEE REPORT

FEBRUARY 20

19 87

MR. PRESIDENT

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

having had under consideration **SENATE BILL** No. **328**

first reading copy (**white**)
color

**REQUIRE DEPT. OF ADMINISTRATION TO CONTRACT PRINTING THROUGH MT.
BUSINESSES Mazurek**

Respectfully report as follows: That **SENATE BILL** No. **328**

be amended as follows:

ADOPTED AMENDMENTS

Senate Bill 328

1. Title, line 4.

Following: "; "AN ACT"

Strike: "REQUIRING THE DEPARTMENT OF ADMINISTRATION TO CONTRACT
PRINTING OPERATIONS THROUGH MONTANA BUSINESSES; CHANGING
RESIDENCE REQUIREMENTS;"

2. Title, lines 8 and 9.

Following: "18-1-103,"

Insert: "18-4-221,"

Following: "18-7-105,"

Strike: "AND"

Following: "18-7-302,"

Insert: "AND 53-1-301,"

~~XXXXXXX~~
DO PASS

~~XXXXXXX~~
DO NOT PASS

(continued)

SENATOR JACK HAPPEY

Chairman.

3. Page 1, lines 17 and 18.

Following: "awarded"

Strike: "to a resident business"

4. Page 1, line 21.

Following: "in-state"

Strike: "--exception"

5. Page 1, line 21 through line 5, page 2.

Strike: "(1)" on page 1, line 21 through "noncompetitive." on page 2, line 5.

Insert: "Unless prohibited by federal law, an in-state printing contract must be awarded to any bidder who is a resident, as defined in 18-1-103, and whose bid is not more than 3% higher than that of the lowest nonresident bidder."

6. Page 2, following line 25.

Insert: "(3) Domestic corporations organized under the laws of the state of Montana are prima facie eligible to bid as residents, but this qualification may be set aside and a successful bid disallowed where it is shown to the satisfaction of the board, commission, officer, or individual charged with the responsibility for the execution of such contract that said corporation is a wholly-owned subsidiary of a foreign corporation or that said corporation was formed for the purpose of circumventing the provisions relating to residence."

7. Page 3, line 1.

Strike: "(3)" and "Any"

Insert: "(4) Notwithstanding the foregoing, any"

8. Page 4, lines 10 through 12.

Strike: "commercial"

Following: "printing"

Strike: "1"

Insert: "that is paid for all or in part by nongovernment funds. Such printing includes but is not limited to"

9. Page 6, line 21.

Following: "materials"

Strike: "intended for internal"

Insert: "primarily distributed to"

Following: "government"

Strike: "use"

Insert: "agencies or employees"

Following: line 21

Insert: "(2) 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 are exempt from public disclosure of costs established in 18-7-306.

(3) The term "printing" as used herein includes those services described in 18-4-123."

Renumber: subsequent subsections

10. Page 7, line 8.

Following: line 7

Insert: "Section 8. Section 18-4-221, MCA, is amended to read:

"18-4-221. General procurement authority and duties of department--rules. (1) Except as otherwise provided in this chapter, the department shall adopt rules, consistent with this chapter, governing the procurement and disposal of any and all supplies and services to be procured by the state. The department shall consider and decide matters of policy within the provisions of this chapter. The department may audit and monitor the implementation of its rules and the requirements of this chapter.

(2) Except as otherwise specifically provided by law, the Department shall, in accordance with its rules:

(a) procure or supervise the procurement of all supplies and services needed by the state; and

(b) sell, trade, or otherwise dispose of surplus supplies belonging to the state.

(3) Except as provided in 18-7-101 and 18-7-302, nothing contained herein shall preclude the state from doing its own printing on its own printing facilities.

Section 9. Section 53-1-301, MCA, is amended to read:

"53-1-301. Permitted institutional industries, powers of department, and incentive pay to inmates. (1) Except as provided in 18-1-103 and 18-7-302, or subsection (3), the department may:

(a) establish industries in institutions which will result in the production or manufacture of such products and the rendering of such services as may be needed by any department or agency of the state or any political subdivision thereof, by any agency of the federal government, by any other states or their political subdivisions, or by nonprofit organizations and that will assist in the rehabilitation of residents in institutions;

(b) contract with private industry for the sale of goods or components manufactured or produced in shops under its jurisdiction;

(c) print catalogs describing goods manufactured or produced by institutions and distribute the catalogs;

(d) fix the sale price for goods produced or manufactured at institutions. Prices shall not exceed prices existing in the open market for goods of comparable quality.

(e) require institutions to purchase needed goods from other institutions;

(f) provide for the repair and maintenance of property and equipment of institutions by residents of institutions;

(g) provide for construction projects up to the aggregate sum of \$25,000 per project, by residents of institutions; provided, however, said construction work is not covered by a collective bargaining agreement;

(h) provide for the repair and maintenance at an institution of furniture and equipment of any state agency;

(i) provide for the manufacture at an institution of motor vehicle license plates and other related articles;

(j) with the approval of the department, sell manufactured or agricultural products and livestock on the open market;

(k) provide for the manufacture at an institution of highway, road, and street marking signs for the use of the state or any of its political subdivisions, except when the

manufacture of the signs is in violation of a collective bargaining contract;

(1) pay an inmate or resident of an institution from receipts from the sale of products produced or manufactured or services rendered in a program in which he is working.

(2) (a) Payment for the performance of work may be based on the following criteria:

(i) knowledge and skill;

(ii) attitude toward authority;

(iii) physical effort;

(iv) responsibility for equipment and materials;

(v) regard for safety of others.

(b) The maximum rate of pay shall be determined by the appropriation established for each program.

(3) Except as provided in subsection (4), furniture made in the prison may be purchased by state agencies in accordance with the procurement provisions under Title 18, chapter 4. All other prison-made furniture may be sold only through licensed wholesale or retail furniture outlets or through export firms for sale to international markets.

(4) Any state institution, facility, or program operated by the department may purchase prison-made furniture without complying with the procurement provisions under Title 18, chapter 4."

Renumber: subsequent sections

7050f/L:JEA\WP:jj

CLERICAL

Date: 2/23

5 Bill 328

Time: 7:10 P

In accordance with Joint Rule 3-7(b) the following clerical errors may be corrected:

Sen. St. Adin Rep of 2/20

6 insert sp. "wholly owned"

10 in sec. 8 (3) strike: "Nothing"

insert: "Except as provided ..."

Page 7 line 19 strike: "7"
insert: "9"

(to reflect inclusion of 2
new sections by #10 - per Edlye M 2/23)

Jack Hattey
Sponsor Sen. Hattey

DS

Secretary of Senate
or
Chief Clerk

Legislative Council

CLERICAL

Date: 2/23

5 Bill 328

Time: 7:10 P

In accordance with Joint Rule 3-7(b) the following clerical errors may be corrected:

Sen. St. Adin Rep of 2/20

6 insert sp. "wholly owned"

10 in sec. 8 (3) strike: "Nothing"

insert: "Except as provided ..."

Page 7 line 19 strike: "7"

insert: "9"

(to reflect inclusion of 2
new sections by #10 - per Edye M 2/23)

Jack Halley
Sponsor Sen. Halley

Secretary of Senate
or
Chief Clerk

Legislative Council

DS