

Conference Committee on SB 226

Committee Members:

Senator Halligan, Chairman
Senator Harp
Senator Yellowtail

Representative Driscoll
Representative O'Keefe
Representative Rice

The meeting was called to order by Senator Halligan, Chairman. Senator Harp presented proposed Department of Revenue amendments to the bill (Exhibit #1).

Judy Rippingale, DOR, explained the amendments do three things:

1. Establish an income limit of \$30,000 per taxpayer with a \$2 for \$1 phase out of the \$3600 exemption above \$30,000.
2. There is an appropriation provision for payment of the 2% from agency budgets for teachers and local government employees.
3. The 2.5% "make whole" provision is dropped to 2%.

Senator Harp asked Ms. Rippingale if the intention is to utilize special earmarked accounts as much as possible in order to alleviate the offset provision of the \$7 million.

Ms. Rippingale said that is correct.

Senator Harp asked what the total general fund savings would be if these provisions are enacted.

Ms. Rippingale said those figures would be provided as soon as possible.

Senator Harp said it is his understanding that local governments and teachers will not utilize the special earmarked accounts.

Ms. Rippingale confirmed his assessment.

Senator Harp said that the difference between 2% and 2.5% would amount to \$1.4 million. For the biennium the 2% would equal \$5.6 million and 2.5% was \$7.07 million.

Rep. Driscoll said if the exemption is \$3600 and the cap is \$30,000, the real phaseout is \$31,800. He asked how much money the bill would bring in.

Senator Harp said the figure is not available right now.

Rep. Driscoll asked Ms. Rippingale what the total collections

would be.

Ms. Rippingale replied before the 2% cost to keep state employees whole, the income would be \$30.03 million. The cost of keeping the state employees whole is \$5.65 million. Therefore, the net total would be \$24.38 million. If the cost of shifting to non-general fund would be half of the \$5.65 million, the total would be in the neighborhood of \$26 million.

Senator Harp said he recognizes the problem of keeping state employees whole but he hoped there could be a cap on the top. A cap would present some degree of fairness. The long term effect of the offset in the next decade is of real concern as it appears to be creating a real drain on the state treasury. The argument says the retirement income will offset the entitlement program, however, he said it is a tough decision.

Rep. O'Keefe said the amendment which would have state agencies picking up the 2% for teachers and local government employees would, according to his calculations, result in a cut of .75% in personal services across the board in those agencies.

Ms. Rippingale said it would result in a cut in personal service budgets, but she did not have the figures at this time.

Rep. Driscoll asked what percent of the employees are held harmless under Senator Harp's amendments.

Ms. Rippingale said she did not know for these amendments.

Senator Harp said under the \$10,000 exemption and the \$35,000 cap the percentage was 71%.

Rep. Driscoll asked Ms. Rippingale to run those figures for a \$10,000 exemption and a \$30,000 cap for everyone with no offset.

Senator Harp said at either 2% or 2.5% the upper income people are not whole.

Senator Halligan said if the offset percentage is left in the bill, he would submit amendments which would allow retirement boards the authority to set up a reimbursement schedule which would be as close to the dollar amount which has been paid in as possible. They would keep everyone whole by the adjusting the percentages for the income level and thereby maintain the revenue neutrality without additional dollars.

Rep. O'Keefe said his HB 900 had brackets in it to do that very thing. The retirement boards wanted the brackets taken out because the 2% or 2.5% would keep the employees whole rather than the adjusted figures across the board.

Leo Berry said the O'Keefe bill had brackets which tried to keep

people as whole as possible by giving the upper level retirees a greater percentage than the lower level. Legally, there is no problem with that approach, although it could be challenged. The boards wanted the bracketing out because the system was just too complicated to explain to the membership.

The committee reviewed the figures they wanted from DOR for the next meeting.

Senator Halligan said the next meeting of the conference committee would be Tuesday, April 23, at 4:00 p.m. in Room 413.



Jill Rohyans, Secretary

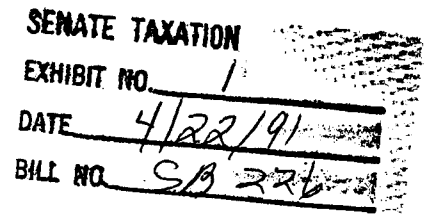


Senator Halligan, Chairman

Amendments to Senate Bill 226

Reference Bill

Prepared by the Department of Revenue
April 19, 1991



1. Title, line 12.

Following: "SYSTEMS;"

Insert: "PROVIDING THAT THE AMOUNT OF THE EXEMPTION SHALL
BE REDUCED BY \$2 FOR EVERY \$1 OF MONTANA ADJUSTED GROSS
INCOME RECEIVED BY THE TAXPAYER IN EXCESS OF \$30,000;

2. Title, line 16.

Following: "PAYMENTS"

Insert: "TO THE OFFICE OF PUBLIC INSTRUCTION FOR THE
PAYMENTS REQUIRED BY [THIS ACT] TO BE MADE TO THOSE
INDIVIDUALS RECEIVING BENEFITS BASED UPON PRIOR
MEMBERSHIP IN THE STATE TEACHERS' RETIREMENT SYSTEM,
EXCEPT THOSE INDIVIDUALS RECEIVING BENEFITS BASED UPON
PRIOR SERVICE WITH ANY UNIT OF THE MONTANA UNIVERSITY
SYSTEM, AND TO THE DEPARTMENT OF ADMINISTRATION FOR THE
PAYMENTS REQUIRED BY [THIS ACT] TO BE MADE TO THOSE
INDIVIDUALS RECEIVING BENEFITS FROM THE STATEWIDE POLICE
RETIREMENT PLAN, THE LOCALLY FUNDED POLICE RETIREMENT
BOARDS AND FROM FIRE DEPARTMENT RELIEF ASSOCIATIONS;

3. Page 8, line 25.

Following: "(c)"

Insert: "(i)"

4. Page 9. line 6

Following: "\$3,600"

Insert: ", except as provided in [(2)(c)(ii)],"

5. Page 9, line 7.

Following: "15-30-101"

Strike: ";"

Insert: ". Each married person filing jointly, receiving pension or annuity income, may exclude up to \$3,600 of income, except as provided in (2)(c)(ii)(B)."

6. Page 9.

Following: line 7

Insert: "(ii)(A) Every taxpayer filing singly, head of household, or married filing separately, must reduce the total amount of the exclusion provided in (2)(c)(i) by \$2 for every \$1 of Montana adjusted gross income in excess of \$30,000 as shown on the taxpayer's return or taxpayers' return.

(B) In the case of taxpayers filing married filing jointly, if either both filers are receiving qualifying pension income or if only one filer is receiving

qualifying pension income the total amount of both filers combined exclusion provided in [2(c)(i)] must be reduced by \$2 for every \$1 of Montana adjusted gross income in excess of \$30,000 as shown on their joint return.

7. Page 17.

Following: line 25

Insert: "NEW SECTION. Section 4. Retirement adjustment.

(1) On or before May 1 of each year the public employees' retirement board must bill the department of administration for an amount equal to 2% of the total benefits paid by the public employees' retirement board, including those benefits paid by the statewide police retirement plan, the locally funded police retirement boards, from fire department relief associations, and for those benefits paid to former members of the teachers retirement system receiving benefits based upon former service with any unit of the Montana university system for distribution to members of retirement systems as provided in [section 6].

(2) The department of administration may than charge to each agency of state government that agency's pro rata share of the total amount billed by the board. The agency's pro rata share is based upon the amount of benefits received by that agency's former employees to the total amount of benefits paid.

(3) In distributing the amount billed by the board, the department of administration shall consult with the board to determine the amounts necessary for uniform payments to members. The amount of benefits must be certified to the department of administration no later than April 1 of each year. For the purpose of this section, the board shall collect information and certify the amount of benefits paid pursuant to Title 19, chapters 10 and 11, and to former members of the teachers' retirement system receiving benefits based upon former service with any unit of the Montana university system. Not later than February 15 of each year, the boards of trustees of local police retirement funds, the boards of trustees of local fire department relief associations, provided in 19-11-104, shall submit reports on benefit payments containing information requested by the board.

(4) The department of administration may make appropriate rules to implement this section.

NEW SECTION. SECTION 5. Statutory appropriation.

There is statutorily appropriated, as provided in 17-7-502, from the general fund to the department of administration 2% of the total amount of benefits paid to the members of the statewide police retirement plan, locally funded police retirement boards and of fire

department relief associations as provided in [section
_].

Renumber: subsequent sections

8. Page 18, line 4

Following: "THE"

Strike: "GENERAL FUND to the public employees' retirement board and the teachers' retirement board the amounts provided in subsection (2) for distribution to members of retirement systems as provided in [section 4 5]."

Insert: "state special revenue fund, state equalization aid account to the office of public instruction the amount provided in subsection 2 for distribution to members of retirement systems as provided in [section]."

9. Page 18,

Following: line 7

Strike: subsection (2) in its entirety.

Insert: "(2) On or before May 1 of each year the teachers retirement board must bill the office of public instruction 2% of the total benefits administered and paid by the board to those former members of the system, except those benefits paid to former members of the teachers' retirement system benefits based upon service

with any unit of the Montana university system. Upon receipt of the statement the superintendent of public instruction must pay the amount billed from the statutory appropriation provided in [subsection (1)].

(3) In distributing the amount billed by the board, the superintendent of public instruction shall consult with the board to determine the amounts necessary for uniform payments to members. The amount of benefits must be certified to the office of public instruction no later than April 1 of each year.

10. Page 21, line 1.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000, as provided in [section 2 (2)(c)]"

11. Page 21, line 17.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

12. Page 22, line 9.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana

Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

13. Page 22, line 19.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

14. Page 23, line 10.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

15. Page 24, line 1.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

16. Page 24, line 14.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

17. Page 24, line 25.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

18. Page 25, line 10.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000, as provided in [section 2 (2)(c)]"

19. Page 25, line 19.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000, as provided in [section 2 (2)(c)]"

20. Page 26, line 2.

Following: "\$3,600"

Insert: ", reduced by \$2 for every \$1 of Montana Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

21. Page 26, line 12

Following: "\$3,600"

Insert: "reduced by \$2 for every \$1 of Montana

Adjusted Gross Income earned in excess of \$30,000 as provided in [section 2 (2)(c)]"

22. Page 27, line 22.

Strike: "[section 3]"

Insert: "[sections 4 and 5]"

23. Page 29, line 3.

Following: "Sections"

Strike: "4 and 5"

Insert: 4, 5 and 6

24. Page 29, line 5.

Following: "sections"

Strike: "4 and 5"

Insert: 4, 5 and 6

Amendments to Senate Bill No. 226
Reference Reading Copy

Requested by Senator Halligan
For the Free Conference Committee

Prepared by Jeff Martin
April 22, 1991

1. Page 3, line 2.
Following: "BECAUSE"
Insert: "it allows"

2. Page 3, line 4.
Strike: "MUST"
Insert: "to"
Strike: "A"

3. Page 3, lines 4 and 5.
Strike: "TO PROVIDE" on line 4 through "ALL" on line 5
Insert: "adjustments that may vary according to annual benefits
received by"

4. Page 18, line 14.
Strike: "uniform"

5. Page 20, line 6.
Strike: "that is"
Insert: "as"

6. Page 20, line 7.
Following: "benefits."
Insert: "The percentage adjustment may vary in accordance with
annual benefits."

The minutes from the April 23, 1991 meeting were not transcribed.