

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
52nd LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **CHAIR JAN BROWN**, on January 15, 1991, at 9:00 a.m.

**ROLL CALL**

**Members Present:**

Jan Brown, Chair (D)  
Vicki Cocchiarella, Vice-Chair (D)  
Beverly Barnhart (D)  
Gary Beck (D)  
Ernest Bergsagel (R)  
Fred "Fritz" Daily (D)  
Ervin Davis (D)  
Jane DeBruycker (D)  
Roger DeBruycker (R)  
Gary Feland (R)  
Gary Forrester (D)  
Patrick Galvin (D)  
Harriet Hayne (R)  
Betty Lou Kasten (R)  
John Phillips (R)  
Richard Simpkins (R)  
Jim Southworth (D)  
Wilbur Spring (R)  
Carolyn Squires (D)

**Staff Present:** Sheri Heffelfinger, Legislative Council, and Judy Burggraft, Committee Secretary.

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Announcements/Discussion:** Caucuses are being held at 10:30 a.m.. Executive session on HB 16, HB 38 and HB 45 will be held on Wednesday, January 23.

**HEARING ON HB 38**

**Presentation and Opening Statement by Sponsor:**

**REP. EDWARD GRADY**, House District 47, Canyon Creek, introduced HB 38, which is an act to revise the statutes relating to assistance by the State Auditor in collection of delinquent accounts owed to state agencies and to amend Sects. 17-4-103 and 17-4-106, MCA. It is an addition to the bad debt program which **REP. GRADY** carried last session transferring the collection to the Auditor's office. He introduced **Debbie Van Vliet**, Administrator of Fiscal Management and Control, Auditor's Office, to explain the bill.

Proponents' Testimony:

Ms. Van Vliet presented written testimony. EXHIBIT 1

Opponents' Testimony:

Bob Mullen, Deputy Director, Department of Labor and Industry, stated he did not want to be classified as an opponent to the bill as they are not unappreciative of the efforts made by the Auditor's office in bad debts collection. The Department's concern is that according to their agreement with the U.S. Department of Labor under Title 3 of the Social Security Act, through which they receive their unemployment insurance funds, the Department is not allowed to receive less than 100 percent of the amount owed to the Department. Mr. Mullen said he would like to see the bill amended so a collection fee could be assessed in those cases concerning the Department of Labor and Industry allowing them to retain 100 percent of what is owed. If the Department collects less than 100 percent, the federal government may find the Department out of conformity with the federal guidelines and assess a penalty against employers in the state.

Questions From Committee Members:

REP. BETTY LOU KASTEN asked Ms. Van Vliet to respond to Mr. Mullen's testimony. Ms. Van Vliet requested Mr. Ken Rudio, Bureau Chief, Auditor's Office, to respond. Mr. Rudio said that about two sessions ago a Labor and Industry Law was passed to add the collection costs. He said, "I think the concerns have been taken care of. At one time they (the Department of Labor and Industry) wanted to use our service as a collection service so we could send their debts to private collection agencies. A bill was passed allowing the collection costs to be added." REP. KASTEN asked Mr. Mullen to respond to Mr. Rudio. Mr. Mullen said, "Mr. Rudio is correct. Title 39-51-3207, I believe is the statute Mr. Rudio is referring to. As long as the Department will be treated in this manner so a collection fee can be assessed against the collectible debt, then I don't feel there will be any problem."

REP. RICHARD SIMPKINS asked Mr. Mullen if he felt the bill had to be amended to say that the provisions of 39-51-3207 have to be protected to safeguard the agreement with the federal government. Mr. Mullen said the people in the Department's Unemployment Insurance Division feel as though the language as it exists in the proposed bill could create some problems with the federal government. REP. SIMPKINS requested Sheri Heffelfinger to clarify the bill. CHAIR BROWN said Ms. Heffelfinger would clarify the bill and work with REP. SIMPKINS and the Department before executive action.

**Closing by Sponsor:**

REP. GRADY suggested the issue raised by the Department of Labor and Industry be studied.

**HEARING ON HB 52****Presentation and Opening Statement by Sponsor:**

REP. JERRY NISBET, House District 35, Great Falls and Black Eagle, introduced HB 52, which is an act to clarify a provision of the Teachers' Retirement System (TRS) related to election to purchase additional service, payment of claims, and eligibility for disability allowance and to amend Sects. 19-4-412, 19-4-501, and 19-4-901, MCA. He carried the bill at the request of the Teachers' Retirement Board. The bill will delete the statutory requirements which require two signatures on all TRS administrative claims. This is no longer necessary or practical under the state budget accounting system (SBAS) on-line edit and entry system under Sect. 2 in the bill. It will allow individuals transferring TRS membership credit to purchase one year of additional service for each 5 years of membership service, in Sect. 1 of the bill. It also allows an inactive member, who has been continuously disabled from the time they ceased to be an active member, to apply for benefits.

**Proponents' Testimony:**

David Senn, Executive Secretary, TRS, said the bill is primarily a housekeeping measure. The TRS was established in 1937. For many years they wrote all their own checks and processed their paperwork internally. The State Auditor's Office writes warrants for the state on a state-wide-budgeting system (SBAS) and they are handled electronically. Requiring two signatures is antiquated and no longer required as you cannot sign a display screen on a terminal. There are checks and balances within the electronic accounting system to provide security. Last session legislation was supported to allow TRS to purchase one year of additional service for each five years of membership service. Membership service is defined as that service you contribute to TRS as a member, not the service that you contributed or transferred over from the Public Employees Retirement System (PERS). Members have always been able to transfer service between the two retirement systems. The bill will clarify that the credits in PERS will be able to be used in determining the purchase of one year of additional service for each five years of membership service. The individual pays the full cost of purchasing this additional service. There is no cost to the TRS. He said, "Under the present act . . . an active member may apply for disability benefits. An individual under a leave of absence soon becomes an inactive member by our definition. . . . One of

which may be that he is disabled." Districts have insurance policies that will continue their salary up to 60 percent of salary if they are disabled. The disabled individual does not want to lose the district's health insurance, which provides them with a means to get back into the classroom and back to work by applying for teacher's retirement benefits. They cannot apply if they are an active member that has become inactive by staying on the disability policy or leave of absence without pay. The bill would provide disability benefits to those disabled while an active member.

Opponents' Testimony: None

Questions From Committee Members:

REP. RICHARD SIMPKINS asked Mr. Senn if they would be entitled to double purchase. Mr. Senn said no.

REP. ROGER DEBRUYCKER asked why the word "creditable" was struck from the language of the bill. Mr. Senn said it "goes back to the definition of what is creditable service and membership service." When the TRS was working with the Legislative Council in the drafting of the bill, they wanted to say each five years of service. They did not want confusion of creditable service versus membership service. TRS wanted this clarified so individuals could purchase the maximum number of years of service based on their total service on which they have contributed.

Closing by Sponsor:

REP. NISBET chose to not close.

#### EXECUTIVE ACTION ON HB 52

Motion: REP. ERVIN DAVIS moved HB 52 DO PASS.

Recommendation and Vote: The motion CARRIED unanimously.

#### HEARING ON HB 80

Presentation and Opening Statement by Sponsor:

REP. JERRY NISBET, House District 35, Great Falls and Black Eagle, introduced HB 80, which would allow a member of the Teachers' Retirement System (TRS) to purchase credit for earned compensation for full-time service despite a loss in compensation, pay, or salary due to a temporary absence and amending Sect. 19-4-101, MCA. The loss of salary has an impact on a person's retirement. Currently, there is no provision in the law to buy lost salary. The present law provides for buying

back lost time such as leave, service in other states, military time and other types of lost time. If a person wants to buy lost salary, two provisions would apply. The lost time purchased would be limited to the salary that would have been received, except for the temporary absence. He distributed an amendment EXHIBIT 2 that would require the contribution to be paid at no cost to the TRS since this inadvertently had been left out of the bill.

### Proponents' Testimony:

Phil Campbell, representing the Montana Education Association (MEA), said it is a simple bill that allows people to purchase salary due to a temporary absence. They have discovered that people would be out of work for illness, or for attending board meetings, or for various other reasons and they would lose their salary. Since the last three years of earned salary are averaged for retirement benefits, some people are coming "up short." It is MEA's belief that those individuals should be able to "make that up." The individual would be limited to purchase just the salary they would have received had they been on the job. "I was hoping when we first looked at this bill that it would be relatively inexpensive; the employee would pay both their share and the employer's share which would be about 15 percent. The bill says 5.7 percent, . . . which is (5.7 percent) X (years of service in the system). For 25 years it would be (5.7) X (salary) X (25 years of service). It is not cheap, but the option is there to allow individuals in the retirement mode to not be penalized . . .," he said. There are no fiscal implications to the General Fund Budget or to TRS.

Dave Senn, Administrator Teacher's Retirement Division (TRD), said TRD will support the bill if the amendments were adopted which would provide for the full funding and would have no impact on the TRS. He said, "Keep in mind, there are only two variables in calculating benefits, years of service and salary. If either one is deficient, the lifetime monthly benefit will be smaller than it would have otherwise been."

Terry Minow, representing the Montana Federation of Teachers, stated they supported HB 80 as it provides for the needed change in TRS, and it won't cost the state anything. It makes the system better for teachers.

### Opponents' Testimony:

Jess Long, representing the School Administrators of Montana, said "We are only in opposition to this bill because the amendment is not attached. If the amendment is attached, we would probably switch to the other side. As it stands now, we would have to be in opposition." Mr. Long said "It is apparent it is a bill to cover the work stoppage situation in Great Falls as much as any one thing. . . . The contribution has to come from the employee, not the employer."

Questions From Committee Members:

REP. PHILLIPS asked Mr. Senn to explain the difference between 5.7 percent and the normal contribution of 7 plus percent. Mr. Senn said the contribution for employees in the TRS is 7.044 percent; the employer contributes 7.459 percent, combined that is roughly 14.5 percent. The bill has a 5.7 percent per year service. If an individual had 20 years of service, he would pay about \$1,400 for each \$1 thousand of salary. The \$1 thousand of salary with 20 years of service would increase his benefits over \$9 a month with a return of investment of about 8 percent (assumed) as calculated by the system's actuary for full funding.

REP. KASTEN said there are no provisions in the bill that define absences. She asked if any absence could be purchased under the system. Mr. Senn said yes.

REP. ERNEST BERGSAGEL asked if the payment must be a lump sum payment or if there were provisions for monthly payments. Mr. Senn replied, "The bill is silent to that effect. The Teacher's Retirement Policies allow members to either make a lump sum payment or to pay for it any time prior to retirement."

Closing by Sponsor:

REP. NISBET asked for the Committee's support of the bill with the amendment.

EXECUTIVE ACTION ON HB 80


Motion: REP. SOUTHWORTH moved HB 80 DO PASS.


Amendments, Discussion, and Votes: REP. SOUTHWORTH moved HB 80 DO PASS AS AMENDED.

Recommendation and Vote: The motion CARRIED unanimously

ADJOURNMENT

Adjournment: 10:08 a.m.

  
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JAN BROWN, Chair

  
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JUDY BURGGRAFF, Secretary

JB/jb

**HOUSE OF REPRESENTATIVES**  
**STATE ADMINISTRATION COMMITTEE**

ROLL CALL

DATE 1/15/91

NAME	PRESENT	ABSENT	EXCUSED
REP. JAN BROWN, CHAIR	✓		
REP. VICKI COCCHIARELLA, VICE-CHAIR	✓		
REP. BEVERLY BARNHART	✓		
REP. GARY BECK	✓		
REP. ERNEST BERGSAGEL	✓		
REP. FRED "FRITZ" DAILY	✓		
REP. ERVIN DAVIS	✓		
REP. JANE DEBRUYCKER	✓		
REP. ROGER DEBRUYCKER	✓		
REP. GARY FELAND	✓		
REP. GARY FORRESTER	✓		
REP. PATRICK GALVIN	✓		
REP. HARRIET HAYNE	✓		
REP. BETTY LOU KASTEN	✓		
REP. JOHN PHILLIPS	✓		
REP. RICHARD SIMPKINS	✓		
REP. JIM SOUTHWORTH	✓		
REP. WILBUR SPRING	✓		
REP. CAROLYN SQUIRES	✓		

HOUSE STANDING COMMITTEE REPORT

January 15, 1991

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that House Bill 52 (first reading copy -- white) do pass .

Signed: Jan Brown  
Jan Brown, Chairman



HOUSE STANDING COMMITTEE REPORT

January 15, 1991

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that House Bill 80 (first reading copy -- white) do pass as amended .

Signed: Jan Brown  
Jan Brown, Chairman

And, that such amendments read:

1. Page 1.

Following: line 10

Insert: "NEW SECTION. Section 1. Purchase of salary credit. (1)

A member may apply for credit for earned compensation that was not paid to the member and not reported to the system because of a temporary absence of the member.

(2) To qualify salary under this section, a contribution must be paid in an amount equal to 5.7% of the salary not reported to the system multiplied by the total years of creditable service."

Renumber: subsequent sections

2. Page 4, lines 18 and 19.

Following: "required"

Strike: "for" on line 18 through "service" on line 19

Insert: "by [section 1]"

3. Page 6.

Following: line 25

Insert: "NEW SECTION. Section 1. {standard} Codification instruction. [Section 1] is intended to be codified as an integral part of Title 19, chapter 4, part 4, and the provisions of Title 19, chapter 4, part 4, apply to [section 1]."

CLERICAL

H Bill No. 80

Date: 1/15/90

Time: 3: p.m.

(Legislative Council Staff)

State Admin. S / (H) Standing Committee

(Chairman) *John Bloom*

S / H Committee of the Whole (Sponsor)

In accordance with the Rules of the Montana Legislature, the following clerical errors may be corrected:

3. Insert: " NEW SECTION. Section ① 3. 1

An objection to these corrections may be registered by the Secretary of the Senate, the Chief Clerk of the House, or the sponsor by filing the objection in writing within 24 hours after receipt of this notice.

TESTIMONY H.B. 38  
State Auditor's Office  
Debbie Van Vliet (444-5438)  
January 15, 1991

Thank You, Representative Grady.

Madam Chairman, members of the committee, for the record, my name is Debbie Van Vliet. I am the Administrator of the Fiscal Management and Control Division in the State Auditor's Office.

I would like to begin my remarks with a brief description of the Bad Debt Program. The Bad Debt Program was moved from the Department of Revenue in January of 1990 to the State Auditor's Office. Representative Grady also carried that piece of legislation. The program provides a debt collection service for all state agencies and the university system. The service consists of an internal collections program, offset program and referral of state accounts to private collection agencies for a further collection effort. The section also provides a write-off service for all state receivables.

The main objective of HB 38 is to change the funding mechanism of the program from general fund to an internal service fund. An internal service fund accounts for the financing of goods or services provided by one department to other departments of state government on a cost-reimbursed basis. Since the Bad Debt Program's sole purpose is to collect debts for other state agencies, the internal service fund structure would apply to this program. The passage of this bill also provides the benefit of a general fund savings of \$170,000 over the next biennium. The program would be wholly financed through a service fee charged per collection. This service fee would not need to be added to agency budgets as the service is primarily used by agencies as a last attempt to collect receivables before writing them off of the Statewide Budget and Accounting System. The collection cost would be subtracted from the debt if collected and the balance would be returned to the agency.

Another advantage of converting to an internal service fund is a more equitable way of distributing the cost of collecting bad debts. Currently, the program is totally funded by general tax dollars. However, in FY 1990 the program collected \$182,000 for the child support program, \$30,000 for federal financed student loans, \$46,000 for the Employment Security Department and \$220,000 for the Workers' Compensation. These programs are partially funded through federal or other funding sources. This means that the general fund appropriation for the bad debt program provides support to collect federal and other revenue sources.

The percentage charge will be based on projected budgeted expenses needed to operate the program. If excess revenue is generated from the service fee in FY92 the surplus will be carried over to the FY93 budget and the percentage will be recalculated for that year.

In conclusion, the proposed legislation would accomplish two objectives for the State of Montana:

1. The change in funding would more equitably distribute the costs of collecting bad debts to all funding sources including federal. Those who use the program, including the agencies who are federally funded, thus pay for the costs of their bad debt collection.

2. The change would save the general fund an estimated \$170,000 over the next biennium.

The State Auditor urges this committee to give HB 38 a "do pass" recommendation.

I would like to thank the committee for the opportunity to speak and I will try to answer any questions you might have. Ken Rudio who is the Bureau Chief of the Bad Debt Program is also here to help answer any questions you might have.

(556)

EXHIBIT 2  
DATE 1-15-91  
HB 80

Amendment to House Bill 80

1) Page 4, Line 18 and 19, Following; "required" strike through "service" insert; by [ section 2 ]

2) New Section Section 2. Purchase of Salary Credit. (1) A member may apply for credit for earned compensation which was not paid to the member and not reported to the system due to a temporary absence of the member.

(2) To qualify salary under this section a contribution must be paid in an amount equal to 5.7% of the salary not reported to the system multiplied by the total years of creditable service.

VISITORS' REGISTER

State Administration COMMITTEE

BILL NO. H.B. 38

DATE 1-15-91

SPONSOR Rep. Grady

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Siddie VanBlif</i>		✓	
KEN RUDIN		✓	
<i>Bob Mullen</i>	<i>Dept. Labor &amp; Industry</i>		
<i>Bill Lannan</i>	<i>Mont G S L Program</i>	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

State Administration COMMITTEE

BILL NO. HB 52

DATE 1-15-91

SPONSOR Rep Nishek

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
David Sonn	Helena TRS	✓	
ARLENE HANNAWALT	Montana STUDENT LOANS	✓	
BILL LANNAN	"	✓	
MARK BRYSON	"	✓	
Terry Moww	MFT	✓	
John Maloy	"	✓	
Teresa Pearson	"	✓	

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.