MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By REP. FRANCIS BARDANOUVE, on March 12, 1991, at 8:00 A.M.

ROLL CALL

Members Present:

Francis Bardanouve, Chairman (D)
Ray Peck, Vice-Chairman (D)
Dorothy Bradley (D)
John Cobb (R)
Dorothy Cody (D)
Mary Ellen Connelly (D)
Ed Grady (R)
Larry Grinde (R)
John Johnson (D)
Mike Kadas (D)
Berv Kimberley (D)
Wm. "Red" Menahan (D)
Jerry Nisbet (D)
Mary Lou Peterson (R)
Joe Quilici (D)
Chuck Swysgood (R)
Bob Thoft (R)
Tom Zook (R)

Staff Present: Terry Cohea, Legislative Fiscal Analyst
Sylvia Kinsey, Committee Secretary

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

EXHIBITS 1 AND 2 were handed out.

HEARING ON HB 933

Money to Increase Salaries of Direct Care Workers in DD Programs

Presentation and Opening Statement by Sponsor: **REP. JERRY DRISCOLL, HD 92, Billings,** said HB 933 appropriates money to Social and Rehabilitation Services for salary increases for direct service providers. A sheet was passed out showing their wages compared to state. **EXHIBIT 3.** This Bill would bring them up to last year's pay plan.

Proponents' Testimony: **Chris Volinkaty, Lobbyist for 46 Private Non-Profit Providers and Consumers,** people who serve the

Developmentally Disabled in the community based program. She reviewed the salary study which was done before last session by the Arthur Young Consulting Firm. **EXHIBIT 4.** They compared exact job descriptions of people working in communities with the same job descriptions for state employees. This study revealed people in private non-profit corporations were making 46% less than their counterparts in state institutions. Last session this Bill was presented to the Human Services Subcommittee which granted 1/4 of what was needed. The 5% rate increase for the next two years is essential for this program.

Kevin Richardson, Missoula, employee in group home for Big Bear Resources defined job descriptions and concerns of direct service staff.

Sylvia Danforth, Miles City, Director of a community based program providing services to individuals with Developmental Disabilities in Eastern Montana, said passage of this Bill is critically important in continuing services that meet the needs of those individuals. Low salaries deter qualified individuals from applying for these staff positions yet the requirements demand a high degree of skill.

Tape 1:A;214

REP. JERRY NISBET, HD 35, Great Falls, asked to be listed as a proponent of HB 933.

<u>**Opponents' Testimony:**</u> **None**

<u>**Questions From Committee Members**</u>: **REP. MENAHAN** referred to the private non-profit corporations' salaries and asked **Ms. Volinkaty** why they did not put their bids in to include the same wages for staff as state employees when the program started. **Ms. Volinkaty** said it was their eagerness to provide service in a community based setting. **REP. MENAHAN** asked if it was eagerness to get the program started and take advantage of the work pool. **Ms. Volinkaty** said every year they have been in asking the Legislature to address this problem. **REP. MENAHAN** said if the bid had been put in at decent wages these people would not have been at a disadvantage the last fifteen years. He asked if the salaries of the Directors could be provided. **REP. BARDANOUVE** asked **Ms. Volinkaty** if she was involved when they started this program. She said in 1975 she was a direct care person but did not help to bid the contract.

REP. CODY asked if the employees get any benefits. **Ms. Volinkaty** said there are 46 Non-profit Corporations and most agencies get health insurance. Forty-six per cent of the agencies have some retirement plans but only 24% of the agencies have a retirement plan that does not take the contribution from the employee's salary. **REP. CODY** asked if there are any figures on the turnover rate. **REP. DRISCOLL** said the study shows it's six times as high as state government. **REP. CODY** asked about some Corporations' plans to expand with more openings for the 1,000 people waiting for service even though the Corporations are "just hanging on". **Ms. Volinkaty** said over the last fifteen years they have come in with new bids that are closer. They will have to provide services for those 1,000 people and unless something is done it will be difficult to bid expansion.

REP. JOHNSON said in the Subcommittee an increase of 5% was recommended for DD providers and for residential child care providers and wondered if this is an addition. **Ms. Volinkaty** said this does not include residential child care. **REP. JOHNSON** asked if mental health workers are in the same position and said there are three categories of providers but they are only addressing one in this Bill.

REP. BARDANOUVE said he couldn't remember the Legislature ever saying anybody had to come in at a substandard wage.

Closing by Sponsor: **REP. DRISCOLL** said the pressure was put on by the Legislature because of Boulder. These people bid to get people out of Boulder. The rate of turnover is 6 to 1 as the staff becomes burned out.

BOB MARKS, Director, Department of Administration, spoke to the Committee about retirement Bills. **EXHIBIT 5.** There are nine different public retirement systems each with different benefit levels of funding sources. It's difficult to develop a comprehensive understanding of the "patchwork quilt" they call public retirement. As a state, we are not doing a very good job of coordinating and developing public retirement policy. The benefit enhancements need to be looked at in conjunction with each other. **REP. BARDANOUVE** said **Director Marks** brought out one point which is rarely mentioned. Millions of Americans live on Social Security alone. Employees of Montana have full Social Security except for the Highway Patrol and have a retirement system. It is difficult to meet some of the Bills when the money is not available. There is one myth that has been perpetuated by all the supporters of retirement systems is that the insurance premiums are designed for the retirement systems. That is not true. In 1959 there was a hassle on whether the insurance companies should pay corporation licenses or how they should be assessed. There is a law that says the premium assessments are made on insurance companies in lieu of all corporation licenses. The premiums on insurance policies are not designed for retirement systems.

Children from The Children's Agenda passed out cookies and juice to the Committee. **EXHIBIT 6.**

REP. GRINDE asked **Director Marks** about a study done on retirement in 1973 and if it was completed. **Mr. Marks** referred the question to **REP. BARDANOUVE.** **REP. GRINDE** asked if nothing has been done to look at retirement plan consolidation for all state employees since that time and **Mr. Marks** said not that he was aware of. **REP. BARDANOUVE** said it was his dream to have a unified system.

REP. MENAHAN said the reason is there has been different contributions, different periods of work time and qualifications for retirement. Most of the systems needed some help but basically they were financially good. **REP. BARDANOUVE** said if people had been willing they could have resolved many of the issues.

HEARING ON HB 77

Increase Automobile Insurance Premium Tax to Increase Highway Patrol Pension

Presentation and Opening Statement by Sponsor: **REP. QUILICI, HD 71, Butte** said HB 77 takes a percent of the Automobile Insurance Premium Tax, 2% to 2 1/2 %, for Highway Patrol pensions. The Montana Highway Patrol is one of the few organizations in the state that does not receive Social Security. When an average patrol officer retires after 20 years he/she will receive slightly over $800 a month, which is not enough.

REP. BARDANOUVE clarified why the Highway Patrol does not have Social Security. A few years ago, by referendum, the Highway Patrol chose not to go with Social Security.

Proponents' Testimony: **Bill Yeager, Association of Montana Highway Patrolmen, Helena** read from Fact Sheet, **EXHIBIT 7.**

Tom Schneider, representing Montana Public Employees Association said he started with the Teachers' Retirement System in 1956. There is no relevance between HB 711 and HB 77. HB 77 does not affect any person currently retired in the Highway Patrol Retirement System but HB 711 does. In 1955 state employees voted for Social Security coverage. By Federal Law, Highway Patrol, Police and Firemen were excluded from that vote. Highway Patrolmen could only go into it now by a vote.

Questions From Committee Members: **REP. CODY** said the Highway Patrol did not join Social Security, by choice, but is there a possibility they can be placed under Social Security now. **REP. BARDANOUVE** said yes.

REP. THOFT asked what average age the Highway Patrolmen go to work. **Sgt. Allen Young,** involved in training for the Highway Patrol in Helena, said the average age for the new class is 33 years old. Older people are applying for the Patrol. The retirement goal for most law enforcement officers is 20 years.

REP. GRINDE asked when they opted not to go on Social Security was there any compensation given to the Highway Patrolmen? **Mr. Schneider** said no. It was a referendum of those people eligible to vote by Federal Law.

REP. KADAS asked what the criteria is for retirement, twenty years and age 50 or just twenty years. **REP. QUILICI** said twenty years and age 50.

REP. BARDANOUVE asked on what basis Montana cannot put the Highway Patrol on Social Security. **Mr. Schneider** said the way the Social Security Act was drafted and continues to be in effect under Federal Law, it requires a Referendum of people who are going to be covered. It has to be by petition and Referendum vote of the people. The reason these people were segregated was because of a Section that said "anyone who had a retirement benefit which differed from the normal employee was excluded by Law from voting in the Referendum".

REP. SWYSGOOD asked if HB 595 affects the Highway Patrol pension and **Mr. Yeager** said no, it affects municipal police.

<u>Closing by Sponsor</u>: **REP. QUILICI** asked the Committee to evaluate the retirement Bills and especially HB 77.

<u>HEARING ON HB 520</u>

<u>Increase Per Diem and Lodging Expenses for State Employees</u>

<u>Presentation and Opening Statement by Sponsor</u>: **REP. COCCHIARELLA, HD 59, Missoula,** said the numbers seen in the Bill that were amended came from the numbers Montana Higher Education Student Association pays for meals when their employees travel. She asked the Committee to consider giving state employees more for meals when asked to travel on state business.
<u>Proponents' Testimony</u>: **Tom Schneider, representing Montana Public Employees Association,** said lodging or per diem has not been changed in this State since 1981. **EXHIBIT 8.**

Henry Gehl, General Manager, Park Inn, Lewistown, MT. said he cannot afford to rent a room for $24 as his cost now exceeds $31. He asked approval of HB 520.

Rod Sundsted, Director, OBPP, said the amended amounts raise the cost of lodging about $450,000, of which $100,000 is General Fund. On the per diem side it would be almost $870,000 of which about $200,000 is General Fund. In essence, they would be asking state agencies to absorb almost 30% of their meals. This is more than can be reasonably expected for them to reduce their travel when the two elements of this Bill are combined.

<u>Questions From Committee Members</u>: **REP. GRINDE** asked if the $30 lodging is still in this. **REP. COCCHIARELLA** said yes, on Page 1, Line 25. **REP. GRINDE** asked of the two, lodging or meals, which would be the most important for state employees, and **REP.COCCHIARELLA** said the meal part of it would be the most important.

REP. CODY asked **Mr. Sundsted** if he was opposed to this legislation. He said he would support the lodging part and would be willing to look at the meal part and thought the amounts in this Bill were too high as it is currently amended for agencies to absorb in their budgets.

Closing by Sponsor: **REP. COCCHIARELLA** closed.

HEARING ON HB 830

Revising supplemental benefit calculation for the police retirement system

Presentation and Opening Statement by Sponsor: **REP. JOHN PHILLIPS, HD 33, Great Falls** said not only do they get all the disparities between systems but get disparities within the system. Retirement in the police system is based on active duty salaries but 375 employees lag by one year. This Bill treats everybody the same within the system.

Informational Testimony: **REP. BARDANOUVE** said from now on the pension will be based on a higher retirement pay than in prior years. **REP. PHILLIPS** said it would only be changed if current active employment goes up.

Closing by Sponsor: **REP. PHILLIPS** closed.

HEARING ON HB 727

Reducing age requirement for eligibility under PERS

Presentation and Opening Statement by Sponsor: **REP. DIANA WYATT, HD 37, Great Falls** said this Bill allows members of PERS to retire after 25 years of service regardless of age. This legislation brings PERS into line with TERS on early retirement. Similar legislation to change TERS was passed in 1983, with one difference. The legislation for 25 year retirement in TERS was funded under an equal split in increased contributions between employers and employees. HB 727 only increases the employers' contribution, **EXHIBIT 9.** Proposed amendment is offered for consideration, **EXHIBIT 10.**

Proponents' Testimony: **Terry Minow, Montana Federation of State Employees** gave six reasons for changing the Law. It would make the system more consistent with other state retirement systems. It would allow a few people at the top of the salary schedules to retire, creating vacancy savings in some agencies, creating advancement opportunities for other employees and creating job vacancies to be filled or left vacant depending on the needs of the Agencies. It would make the PERS system more attractive to employees deciding whether or not to apply to or remain with state employment. It would allow employees to retire who feel they have to bide their time until they have put in 30 years. Long-time state employees who lose their jobs as a result of privatization, closure or retrenchment would have another option. It is the right thing to do.

Brian McCullough, PERS member testified from **EXHIBITS 12 and 13.**

Opponents' Testimony: **Larry Nachtsheim, Administrator, Public Employees' Retirement Division, Department of Administration** testified from **EXHIBIT 11.**

Chuck Stearns, City of Missoula, EXHIBIT 20.

Questions From Committee Members: **REP. CODY** asked **Mr. Nachtsheim** if he has had a chance to see the Amendments and if so would he be satisfied that there should be 36.5 years in 1984 to 21.76 years in 1990 of unfunded liability. **Mr. Nachtsheim** said public employees oppose this Bill and will continue to do so for several reasons. This does not make the PERS equal to the Teachers, it makes it better. The reason for the change is that the number is higher this year than in 1984. The formula in PERS was changed in 1989 to grant the public employees half pay after 28 years. The employees in the Teacher's Retirement System get half pay after 30 years.

REP. BARDANOUVE told **Mr. McCullough** he gets no support from him by tinkering with the pay up/pay in of PERS then raising the liability. The reason the Budget Office recommended the introduction was a way of balancing the budget and this cannot be done with the retirement system.

REP. CODY asked **Ms. Minow** about her statement "people at the top of salary schedule would be allowed to retire" but isn't it true these are also the most difficult positions to replace. **Ms. Minow** said when she referred to the top of the salary schedule she meant people who have been employed for many years and have longevity. Regarding the recruitment problem, there is a large turnover rate in the areas where they have trouble replacing people.
REP. BARDANOUVE said **Ms. Minow** testified the retirement systems are not the best. She said great improvement is needed in all the retirement systems.

Closing by Sponsor: **REP. WYATT** said HB 727 deserves support.

HEARING ON HB 595

Removing 50 years of age as an eligibility requirement for police retirement

Presentation and Opening Statement by Sponsor: **REP. BILL STRIZICH, HD 41, Great Falls** said this is a retirement benefit Bill for municipal peace officers. The Montana Police Protective Association (MPPA) recommended this Bill to provide long term benefits to 400 officers who are employed in law enforcement in 17 communities across the state. The average compensation, statewide, is $24,000 a year. The officers are subjected to high physical and emotional stress and because of this there is a large turnover. This Bill will correct an unfair distribution of retirement benefits which currently exists in their system. At the present time the average officer is 37 years old and began work at age 27. The source of funding for the General Fund share in the retirement system is a special premium tax on motor vehicle property and casualty insurance policies. Originally the tax was designed as an earmarked tax when it was initially set up.

<u>Proponents' Testimony</u>: **Tom Schneider, representing Montana Public Employees Association and the Billings and Missoula Police Chapters** said there is a problem in the present law and that is a major reason the Bill is before the Committee. The Attorney General has ruled in the last two years that under the Police Retirement System, passed in 1975, any officer hired after that date has to work until he is 50 years old. The intent was that once they completed 20 years of service they could quit and wait until age 50 to draw benefits but the Attorney General has ruled that is not what the law says. With the present law a police officer who has 27 years of service, is age 47 and quits loses every benefit. They have to work until age 50. The law has to be changed to protect the benefits of these people.

<u>Opponents' Testimony</u>: **Linda King, Asst. Admin., Public Employees' Retirement Division** said the Board is on record as opposing this Bill because the benefit begins after 20 years of service regardless of age. The Board is in support of another Bill that has been introduced which would allow vesting. **EXHIBIT 14.**

<u>Questions From Committee Members</u>: **REP. CODY** referred to the funding source and asked if a special premium tax is earmarked for police retirement. **REP. STRIZICH** said at one time it was earmarked but changed in 1975. In 1965 the entire earmarked appropriation was reviewed and the money started to revert to the General Fund.

REP. BARDANOUVE said in 1959, after discussions with the insurance companies on how they would pay on profits of their earning, they agreed this would be their contribution to the General Fund of Montana in lieu of taxes. This premium does not belong to the retirement system of Montana but goes to the General Fund of Montana.

REP. MENAHAN said at that time the police only contributed 3% on their portion of the contribution and then doubled it to 6% and it is 7% now. During 1975 they increased their pension contributions for benefits and soundness of their plan. It was increased at the time the law was passed to keep them financially sound and their actuarial numbers correct but the money was put in the General Fund and they had to increase their contributions.

REP. QUILICI said in Section 2 the members' contributions are being raised so it appears everybody is participating.

__Closing by Sponsor__: **REP. STRIZICH** closed by saying he would like to get everybody treated equitably under their retirement system.

__HEARING ON HB 155__

__Revise salary of county attorney__

__Presentation and Opening Statement by Sponsor__: **REP. BILL STRIZICH, HD 41, Great Falls** said this is the County Attorney salary Bill which has not had a statutory salary increase for 10 years. At that time they agreed to appoint 7% of consumer price index increase per year. What has resulted from that is that their salary has grown to approximately $46,000. During that time, according to the Bureau of Business Research at the University of Montana, a cost of living increase would have brought them up to $58,000. They are at a reduction of 32% of where they should be. What they are asking in the Bill is to increase the County Attorneys' salaries to above $50,000 a year. Amendments will give a funding source that has been used before. There is an assessment, a $5 surcharge to the existing $10 surcharge, on misdemeanors, **EXHIBIT 15.**

__Proponents' Testimony__: **Rick Later, Sheriff, Beaverhead County,** representing Montana Sheriffs' and Peace Officers' Association and asked for support.

Janice Frankino Doggett, representing Montana School Boards Association said not only do the County Attorneys deal with criminal issues but also civil issues. They represent school districts within the state and do an excellent job. The complexity and the number of cases have increased and will continue which supports the revision of salary, **EXHIBITS 16 and 17.**

__Questions From Committee Members__: **REP. SWYSGOOD** referred to the Amendment and asked for an explanation of the $5 surcharge. **REP. STRIZICH** said currently it is on convictions. Part of the collection on the fine includes a $10 surcharge and what is proposed is to add another $5 surcharge which would generate a surplus.

REP. CODY said **REP. PECK** carried a Bill with a surcharge for an increase for the County Attorneys' salaries in 1985. How much was that increase? **REP. STRIZICH** said that was for the Deputies' salaries

__Closing by Sponsor__: **REP. STRIZICH** closed.

__HEARING ON HB 415__

__Adopt pay schedules for teachers at Mountain View and Pine Hills schools__

__Presentation and Opening Statement by Sponsor__: **REP. JESSICA**

STICKNEY, HD 26, Miles City said every year the Committee is faced with a Bill to fund the state professional teachers. This Bill would put them on a scale which is equitable and logical and which would be in place for future years.

Proponents' Testimony: **Tom Bilodeau, Research Director, MEA** passed out **EXHIBITS 18 AND 19. Jim Haubein** said in comparing the schedule to the appropriation of the Bill and the fiscal note it appears to be the total cost of salaries in the Bill rather than the difference. **Mr. Bilodeau** said in Section 2 of the Bill there is reference of $1,300,000 which would be the total salary cost of the proposal. That is not the additional amount but is the entire Biennial cost of salary schedule plus the 10% adjustment for health and benefits. They are not proposing $1,300,000 in additional money but actually $183,000 over the Biennium.

Steve Johnson, Chief of State Labor Relations Bureau and Chief Labor Negotiator said teachers working in state government are paid on a separate pay matrix and since 1980 these employees have received pay increases totalling about 18% while other state employees over that same period of time have received about 9%. In addition to the compensation that's listed in the Matrix for teachers, state teachers receive additional compensation as a result of litigation that depends on individual annual and sick leave accrual rates. This Bill would compensate those teachers.

Questions From Committee Members: **REP. KIMBERLEY** asked if there are any inexperienced teachers hired at Pine Hills or Mountain View? **Mr. Bilodeau** said yes because there is a substantial turnover in Pine Hills. Teachers are coming in at entry level Steps as well as teachers with Master's Degrees who have 15 or more years' experience. Their proposal would not give them full credit for their years of experience.

Closing by Sponsor: **REP. STICKNEY** closed.

HEARING ON HB 609

Bill providing salary increase for State Tax Appeal Board

Presentation and Opening Statement by Sponsor: **REP. BOB REAM, HD, Missoula** said the Bill provides a salary increase for State Tax Appeal Board as the caseload has increased steadily over the years. Their salaries are set statutorily so it's not tied into any pay plan. It has been difficult for the Governor to appoint people to the Board because of lack of salary and because members come in from other areas of the state so there are additional expenses.

Proponents' Testimony: **John McNaught, Chairman, State Tax Appeal Board** said in recent months the Supreme Court has upheld the following decisions: The Beneficial Use Tax on Coalstrip 4; Steer, Inc.,a tax exemption issue; Kaiser Cement, an additional tax assessment; W.R. Grace Co, an additional tax assessment; and

Dept. of Revenue, HB 3. In the past six weeks in Lewis and Clark District Court the judges upheld the UPS vs. Dept. of Revenue decision, also the Norwest Bank vs. Dept. of Revenue decision. The Board's work is burdensome and time consuming and asked for the Committee's consideration for recommended salary increases.

Questions From Committee Members: **REP. SWYSGOOD** asked how many members serve on this Board. **Mr. McNaught** said there are three Board members.

Closing by Sponsor: **REP. REAM** said this Board has been very effective and the 4 1/2% of the cases that have gone on to Court is an indication that they have a hard working group and do deserve an increase in pay, he asked for the Committee's consideration.

HEARING ON HB 760

Equalize disability retirement in unified firefighters' system

Presentation and Opening Statement by Sponsor: **REP. BERV KIMBERLEY, HD 90, Billings** said this Bill pertains to disability retirement for firefighters. They put their lives in jeopardy on a daily basis but there few who are disabled. The firefighters who are hired before July 1, 1981 receive benefits equal to 1/2 of their regular monthly salary and for those hired after that date benefits were calculated by averaging their monthly salary over the last three years. The Bill seeks to equalize and provide benefits accordingly. It was originally intended that the pension fund could absorb this small amount but the Pension Administration amended the Bill and presented a fiscal note that the firefighters don't agree with because of the projected number of firefighters that are anticipated to be disabled over the coming years.

Proponents' Testimony: **Tim Bergstrom, Montana State Firemens' Association** will be available to provide any information requested.

Closing by Sponsor: **REP. KIMBERLEY** said this Bill is not asking anymore for the retirement fund just asking they equalize it.

HEARING ON HB 936

Transfer of unused sick leave credits to retirement

Presentation and Opening Statement by Sponsor: **REP. JIM RICE, HD 43, Helena** said this is not a retirement Bill but a sick leave Bill. As introduced this Bill would allow state and local employees in the retirement system to use 100% of their accumulated sick leave at the time of their retirement. Now they can use 25%. The State Administration Committee did amend the Bill but **REP. RICE** is bringing a different amendment to help the Committee understand the Bill and enable them to use the fiscal note that accompanied it. Instead of raising it from 25% to 100% would raise it from 25% to 50% to cut down on cost and make it a broad-based approach. **EXHIBITS 21 and 22.**

__Proponents' Testimony__: **Tom Schneider, MPEA,** said there are a group of people in the state who feel they are not being treated equally and they are the people being penalized. Two years ago a Bill was passed that allows those people to buy credit and get out of the penalty. To buy the credit they have to pay the total cost of both employer and employee, and this is costing as much as $7,000 or $8,000 each year of credit they buy. The attempt of this Bill is to reduce the overuse of sick leave and at the same time allow people to buy retirement credit to get out of the penalty. There is a legal question of whether one group of people should be treated differently from another. For the same cost it is now being amended to provide everybody the option to buy additional credit but only allow a 50% payout. The fiscal note will be cut by 2/3. They are applying this to people who are retiring, not those who quit.

__Questions From Committee Members__: **REP. PECK** had a contact in the Flathead Valley with over 30 years' service and this discriminates against him. He asked why the limit was placed on it. **REP. RICE** said that got into the Bill when it was amended in the State Administration Committee. As originally designed the Bill was directed at giving the ability of employees who fell in that 25 to 29 year range the opportunity to use 100% of their sick leave. The reason it was limited to that group is because that is the only group in all government that is penalized at the rate of 6% per year for retiring early. They had to have a rational basis for allowing only that particular group to have this benefit. Meeting with employee groups since then the consensus is it would be more fair to open it up to everybody. That raises the cost tremendously but only raises it from 25% to 50%.

__Closing by Sponsor__: **REP. RICE** closed.

__ADJOURNMENT__

Adjournment: 10:48 A.M.

Francis Bardanouve

FRANCIS BARDANOUVE, Chair

Sylvia Kinsey

SYLVIA KINSEY, Secretary

FB/SK

HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE

ROLL CALL **DATE** 5-12-91

NAME	**PRESENT**	**ABSENT**	**EXCUSED**
REP. FRANCIS BARDANOUVE, CHAIRMAN	✓		
REP. RAY PECK, VICE-CHAIRMAN	✓		
REP. DOROTHY BRADLEY	✓		
REP. JOHN COBB	✓		
REP. DOROTHY CODY	✓		
REP. MARY ELLEN CONNELLY	✓		
REP. ED GRADY	✓		
REP. LARRY GRINDE	✓		
REP. JOHN JOHNSON	✓		
REP. MIKE KADAS			
REP. BERV KIMBERLEY	✓		
REP. WM. "RED" MENAHAN	✓		
REP. JERRY NISBET	✓		
REP. MARY LOU PETERSON	✓		
REP. JOE QUILICI	✓		
REP. CHUCK SWYSGOOD	✓		
REP. BOB THOFT	✓		
REP. TOM ZOOK	✓		

(1)

Commissioners
Russell J. Ritter, Mayor
Margaret A. Crennen
Tom Huddleston
Mike Murray
Blake J. Wordal

William J. Verwolf
City Manager

EXHIBIT 1
DATE 3/12-91
HB 936

City-County
Administration Building
316 North Park
Helena, MT 59623

Phone: 406/442-9920

GUARDIAN OF THE GULCH

City of Helena

March 11, 1991

Representative Francis Bardanouve, Chairman
House Appropriations Committee
House of Representatives
State Capitol
Helena, MT 59620

Dear Representative Bardanouve:

The Helena City Commission would like to express their opposition to House Bill 936. The Commission has several concerns.

1) Obviously, it would increase the City's costs. Our rough calculations show that, at a minimum, our additional costs through June 30, 1992 would be $10,660. If the bill is amended to allow those with greater than 30 years service to participate as well, our additional liability would be at least $45,144.

2) If this provision is made for PERS employees, police officers and firefighters may follow. If so, our additional liability would increase tremendously.

3) This is a benefit that would be available to only a select few--not all City employees.

4) This bill will encourage employees to come to work when they are sick. Sick employees will not only perform less efficiently, but will also expose others to the ailment.

5) This bill, as currently written, encourages employees to retire at 30 years. At 30 years employees could buy up to an additional 5 years (for a total of 35) for benefit purposes with their accumulated sick leave accounts. At 31 years, they would be precluded from using their account and get only 31 years benefit or have to buy additional years service with their "own money."

Please consider these points and do not pass House Bill 936.

Sincerely,

Shelly Laine

Shelly Laine, Director
Administrative Services

EXHIBIT 2
DATE 3-12-91
HB 727 & 936

TO: House Appropriations Committee Members

The employees of the Department of Livestock, would hope that the committee supports the passage of HB727 and HB936. We believe these to be important changes to the Public Employees Retirement System.

Thank you for your consideration and we would hope that the committee would vote, do pass on these two important bills.

EXHIBIT 3 (3)
DATE 3-12-91
HB 933

1990 DEVELOPMENTAL DISABILITIES SERVICE SYSTEM COMMUNITY .VS. STATE HOURLY AND YEARLY WAGES

POSITIONS	GRADE COMPARED	COMMUNITY WAGE PER HOUR	COMMUNITY WAGE YEARLY	STATE WAGE PER HOUR	STATE WAGE YEARLY	DIFFERENCE (STATE - COMMUNITY)
Habilitation Aide I	7	$4.70	$ 9776.00	$6.63	$13785.00	$1.93
Habilitation Aide II	8	$5.20	$10816.00	$7.05	$14674.00	$1.85
Habilitation Services Tech I	9	$5.70	$11856.00	$7.53	$15662.00	$1.83
Habilitation Services Tech II	10	$6.65	$13832.00	$8.05	$16743.00	$1.40
Vocational Specialist	12	$7.85	$16328.00	$9.25	$19233.00	$1.40
Habilitation Specialist	13	$8.50	$17680.00	$9.94	$20669.00	$1.44
Family Trainer	13	$9.60	$19968.00	$9.94	$20669.00	$0.34

e4b4

EXHIBIT 7
DATE 3-12-91
HB 933

SALARY STATUS
DIRECT-SERVICE STAFF
DEVELOPMENTAL DISABILITIES

In 1988 a comprehensive study comparing salaries paid to direct service employees of private, non-profit corporations providing services to the developmentally disabled, to state staff with similar job responsibilities was conducted by the Arthur Young Human Resources Consulting Group. Seven job classifications were developed that cross referenced to the state pay plan.

The primary result of this extensive and comprehensive study revealed that community based employees earned 46% less than state institutional staff for the same job duties.

The 1989 Legislature approved a direct service salary increase that enabled community based services to close 25% of the gap that existed. Increases granted to state employees in the 1989-1990 pay plan has erroded some of the effort of the last session. If the proposed pay plan is adopted during the 1991 session the gap will widen farther.
After a long and difficult committee process, this money was distributed to the forty-six private non-profit corporations of the state. Minimums were established for each of the seven categories and providers were required to pay each direct service employee no less than the state wide minimum. As a result, salary minimums were equalized across the state and direct service employees were granted increases.

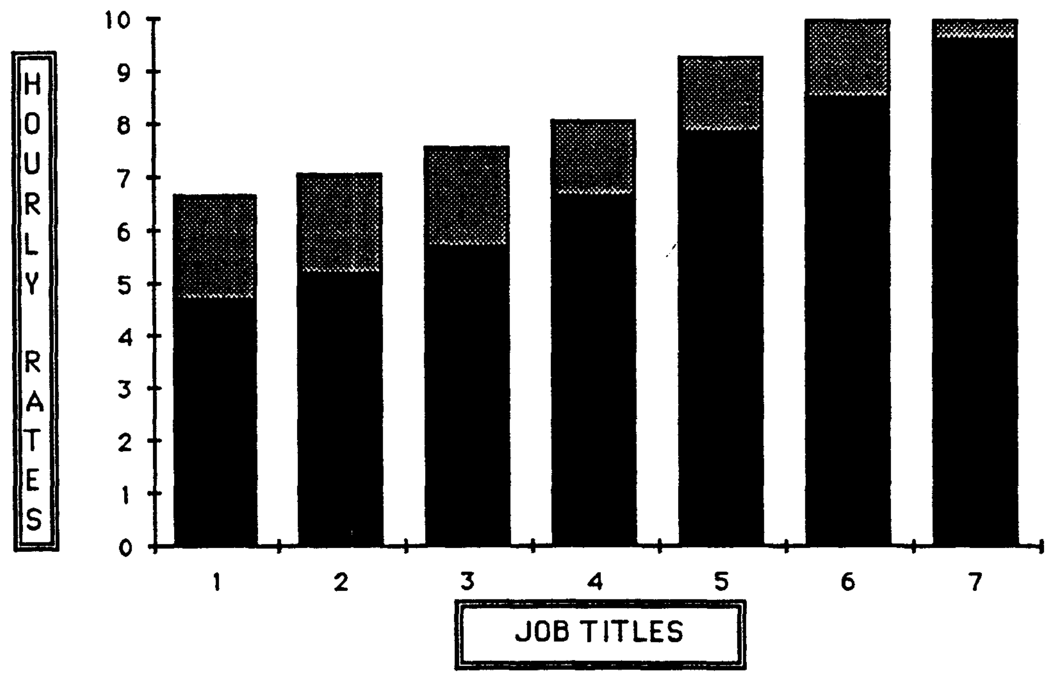
Montana Community based service providers and direct service workers are asking the 1991 Legislature to continue the effort to increase direct service salaries to parity with state employees.

The following figures represent the amount of funds needed to raise salaries in community based services to parity with state employees:

	Total	XIX	GF
FY92	3,307,571	987,556	2,320,015
FY93	3,513,579	1,046,068	2,467,511

Ex. 4
3-12-91
HB 933

1990 SALARY RATES COMMUNITY SERVICES AND STATE OF MONTANA



DATA POINT KEY

1990 STATE OF MONTANA AVERAGE

1990 COMMUNITY SALARIES

JOB TITLE KEY

1 - HSA I/GRADE 7
2 - HSA II/GRADE 8
3 - HST I/GRADE 9
4 - HST II/GRADE 10
5 - VOC. SPEC./GRADE 12
6 - HAB. SPEC./GRADE 13
7 - FAMILY TRNR./GRADE 13

Ex. 4
3-12-91
HB 933

1990 DEVELOPMENTAL DISABILITIES SERVICE SYSTEM COMMUNITY .VS. STATE HOURLY AND YEARLY WAGES

POSITIONS	GRADE COMPARED	COMMUNITY WAGE PER HOUR	COMMUNITY WAGE YEARLY	STATE WAGE PER HOUR	STATE WAGE YEARLY	DIFFERENCE (STATE - COMMUNITY)
Habilitation Aide I	7	$4.70	$ 9776.00	$6.63	$13785.00	$1.93
Habilitation Aide II	8	$5.20	$10816.00	$7.05	$14674.00	$1.85
Habilitation Services Tech I	9	$5.70	$11856.00	$7.53	$15662.00	$1.83
Habilitation Services Tech II	10	$6.65	$13832.00	$8.05	$16743.00	$1.40
Vocational Specialist	12	$7.85	$16328.00	$9.25	$19233.00	$1.40
Habilitation Specialist	13	$8.50	$17680.00	$9.94	$20669.00	$1.44
Family Trainer	13	$9.60	$19968.00	$9.94	$20669.00	$0.34

EXHIBIT 5 (5)
DATE 3-12-91
HB 933

Comparison of Retirement Proposals

Bill No.	Retirement System	Total Membership Active	Total Membership Retired	Members Affected by Bill Active	Members Affected by Bill Retired	Fiscal Impact for Biennium State Gen. Fund	Fiscal Impact for Biennium Other	Fiscal Impact for Biennium Local
HB 77	Hwy Patrol	205	182	100%	0%	$1,284,744	-0-	-0-
HB 595	Mun. Police	450	422	66%	0%	207,015	-0-	$ 207,015
HB 727	PERS	34,335	10,086	1%	0%	4,206,035	4,206,033	6,892,632
HB 760	Firefighters	452	384	.6%	0%	64,295	-0-	-0-
HB 830	Mun. Police	450	422	0%	49%	203,159	-0-	-0-
HB 936	PERS	34,335	10,086	2%	0%	948,650	1,267,822	1,701,166
			Total Costs for Biennium			$6,913,898	$5,473,855	$8,800,813

24b 6

EXHIBIT 6
DATE 3-12-91
HB 933

1991
CHILDREN'S AGENDA

ENDORSING ORGANIZATIONS

American Lung Association of Montana
American Association of University Women, Montana Division
Butte-Silver Bow Health Department
Department of Family Services Foundation Service Chapter of Montana Public Employees Association
Developmental Education Assistance Program (DEAP)
Family Outreach, Inc.
Family Support Services Advisory Council
Florence Crittenton Home
Foster Adoptive Circle Encouraging Teamwork (FACET)
Great Falls City-County Health Department
Healthy Mothers, Healthy Babies The Montana Coalition
Helena Ministerial Association
Hi-Line Home Programs
League of Women Voters of Montana
March of Dimes Birth Defects Foundation, Montana Big Sky Chapter
Montana Academy of General Dentistry
Montana Children's Trust Fund
Montana Perinatal Association
Montana Association of County Agricultural Agents
Montana Association of Extension 4-H Agents
Montana Council for Families
Montana 4-H Youth Programs Cooperative Extension Service
Montana Alliance for Better Child Care
Montana Section, American College of Obstetricians and Gynecologists
Montana Education Association
Montana Post Adoption Center
Montana Family Planning Council
Montana Residential Child Care Association
Montana Nurse Practitioners Special Interest Group
Montana University Affiliated Programs
Montana Chapter of American Academy of Pediatrics
Montana Council for Maternal & Child Health
Montana Nurses' Association
Montana Hunger Coalition
Montana Congress of Parents and Teachers (PTA)
Montana Dietetic Association
Montana Public Health Association
Montana Youth in Crisis Coalition
Montana Dental Association
Nurses Association of American College of Obstetrics and Gynecology
Shodair Children's Hospital
Special Training For Exceptional People (STEP)
The Montana Interagency Adoption Council
Western Montana Comprehensive Developmental Center (CDC)
Yellowstone City-County Health Department
Yellowstone Valley Chapter Healthy Mothers, Healthy Babies Coalition
Young Families Program, Inc.

LEGISLATIVE UPDATE

Ex. 6
3-12-91
HB 933

1991 CHILDREN'S AGENDA
Status as of March 11, 1991

Bill No.	Description and Status
Health:	
HB 876	To continue and to expand the MIAMI Project. The Bill was introduced by Rep. Wyatt and passed through the House Committee on Human Services and Aging. It will be heard in the House Appropriations Committee on March 19.
HB 696	To continue funding for the Montana Medical Genetics Program. The bill was introduced by Rep. Jim Rice and passed through the House Comm. on Human Services and Aging. The bill has been referred to the House Appropriations Committee.
SB 371	To require insurance companies to cover Well Child Care. The bill was introduced by Sen. Jacobson and passed the Senate on February 26. The bill was heard on March 8 with the House Comm. on Human Services and Aging and is still in committee.
HB 376	To contribute general fund dollars for the state's Immunization Program. The bill was introduced by Rep. Messmore and has been referred to the House Appropriations Committee. That committee will hear the bill on March 19.
SB 259	To provide Professional Nursing Consultants within the Department of Health and Environmental Sciences. The bill was introduced by Sen. Eve Franklin and passed the Senate on February 11. The bill will be heard by the House Committee on Human Services and Aging on March 12.
HB 2	To provide general fund monies for the state Family Planning Services. This is part of the general appropriations for DHES and will be heard by the House Appropriations Committee from March 13 to 15.
HB 369	To provide funding for a Public Health Education Specialist within the Department of Health and Human Services. The bill was introduced by Rep. Toole. The bill has been referred to the House Appropriations Committee and will be heard on March 19.
HB 728	To provide for Accessibility to Food Programs and Nutrition Services. The bill was introduced by Rep. Ream and was heard by the House Committee on Human Services & Aging on March 6. The bill was passed by the committee as amended.

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3-12-91
HB 933

1991 CHILDREN'S AGENDA
Status as of March 11, 1991

Bill No.	Description and Status
Mental Health/Social Service:	
HB 950	To adopt the Montana Family Policy Act. The bill was introduced by Rep. Brooke and was heard by the House Committee on Human Services and Aging on March 6. The committee has not yet reported.
HB 2	To provide increased Staffing for the Department of Family Services. This is part of the general appropriations for the department and will be heard by the House Appropriations Committee on March 13 to 15.
HB 366	To provide Child Protection Services on Montana's Indian Reservations. The bill was introduced by Rep. Russell and was passed by the House Committee on Human Services and Aging. The bill has been referred to the House Appropriations Committee and will be heard on March 18.
HB 2	To provide Part H Early Intervention to children with developmental disabilities. This is part of the general appropriations for the Department of Social and Rehabilitation Services and will be heard in the House Appropriations Committee on March 13 to 15.
HB 2	To continue funding the Big Brothers/Big Sisters Program. This is part of the general appropriations for the Department of Family Services and will be heard by the House Appropriations Committee on March 13 to 15.
HB 371	To provide funding for Family Based Services. The bill was introduced by Sen. Menahan and has been referred to the House Appropriations Committee. The committee will hear the bill on March 18.
HB 299	To Assure Permanent Homes for Children who have been placed in foster care. The bill was introduced by Rep. Sheila Rice and has been referred to the House Appropriations Committee. The committee will hear the bill on March 18.
HB 981	To develop In-State Resources for Chronically Mentally Ill Children and Youth. The bill was introduced by Rep. Russell and has been referred to the House Committee on Human Services and Aging. No hearing has been scheduled as yet.

Ex. 6
3-12-91
HB 933

1991 CHILDREN'S AGENDA
Status as of March 11, 1991

Bill No.	Description and Status
Education:	
HB 642	To Redefine Day Care and Preschool. The bill was introduced by Rep. Cocchiarella. The bill passed through the House and was transmitted to the Senate on February 26. It has been referred to the Senate Public Health Committee. A hearing has not yet been scheduled.
SB 84	To Prohibit Corporal Punishment in the Schools. The bill was introduced by Sen.Jacobson and passed through the Senate. The bill has been referred to the House Education Committee and will be heard by that committee on March 14.
SB 369	To Control the Sale of Tobacco Products to Minors. The bill was introduced by Sen. Jacobson. The Senate Public Health Committee heard the bill on February 20. No committee report as yet.

(1)

EXHIBIT 7
DATE 3-12-91
HB 77

FACT SHEET FOR HOUSE BILL 77

BACKGROUND

* House Bill 77 seeks to increase the retirement for the 203 officers of the Montana Highway Patrol from the current 2% to 2 1/2% (2 1/2% x Years of Service x Final Average Salary).

* Most local law enforcement officers in Montana now receive retirements based upon 2 1/2%.

* Montana Highway Patrol officers are not covered by Social Security. Patrol officers could now be covered by Social Security, if the Legislature should chose to do so, at a cost to the state of $405,594 (average per officer per year: $1998). The state's contribution would be 7.65%.

* Section 19-6-401, MCA, Provides that the state will annually contribute an amount equal to 26.75% of salaries paid, with 16.57% of that amount from the General Fund and 10.18% from a portion of the fees from Driver's License and Duplicate Driver's Licenses.

* Raising the retirement to 2 1/2% per year would cost an estimated $628,237 in FY92 and $656,507 in FY93.

* Patrol officers now pay 7.59% toward their retirement, compared to 7.50% for most local police officers.

FUNDING SOURCE

* House Bill 77 seeks to fund the one-half percent increase in Montana Highway Patrol retirement from revenues collected by the Motor Vehicle Property and Casualty Insurance Premium Tax Fund. This is an appropriate source, since the Montana Highway Patrol takes enforcement action through citations and written warnings that force compliance with the state law requiring vehicle insurance (last year, 15,359 such actions were issued).

* This fund is now used to pay a portion of the retirement for police officers in the state's first and second class cities.

* The Motor Vehicle Property and Casualty Insurance Premium Tax Fund generated:
  FY89 = $6,426,744 (estimated from the 1988 calendar year)
  FY90 = $6,594,004 (estimated from the 1989 calendar year)

* Disbursements from the fund to police retirements amounted to:
  FY89 = $1,508,107
  FY90 = $1,553,232

* Amounts available to the state general fund each year after disbursements were made:
  FY89 = $4,918,667
  FY90 = $5,040,772

FAIRNESS

* The Montana Highway Patrol seeks to retain officers as long as possible beyond the first twenty years of service. Because patrol retirement does not pay them enough to live on, officers presently must consider retiring soon after eligibility in order to work 40 quarters at a job covered by Social Security.

* Nearly half of all motor vehicle accidents are investigated by the Montana Highway Patrol, In 1989 the Patrol investigated 8,276, while other law enforcement agencies handled 9,389.

* The Montana Highway Patrol has assisted the vehicle insurance industry by providing detailed accident reports when requested. For the past two years, such requests have averaged 2,151 annually.

* Montana Highway Patrol officers in 1990 devoted 27,946 regular time hours and 4,101 overtime hours to investigate vehicle accidents.

MONTANA PUBLIC EMPLOYEES ASSOCIATION

1426 Cedar Street • P.O. Box 5600
Helena, Montana 59604
Telephone (406) 442-4600
Toll Free 1-800-221-3468

EXHIBIT 8
DATE 3-12-91
HB 520

HOUSE BILL 520

LODGING AND PER DIEM RATES HAVE NOT BEEN INCREASED SINCE 1981. THINK ABOUT WHAT THE EFFECT OF THAT STATEMENT IS. If the legislature had only increased each one by 25 cents each year this problem wouldn't exist. Can we wait another two years to deal with this problem. HOW?

Raising these rates does not require a budget increase. It may require a reduction in agency travel and a better look at how the dollars are being spent but passage of HB 520 does not increase the budgets unless the legislature decides to do so. What it does do is decrease the amount of dollars that employees are now taking out of their own pockets.

You can further reduce the costs by only allowing for half of the increase during the first year. That decision is up to you but something has to be done! If we sound like we're placing ourselves at the mercy of the COURT that is exactly what we are doing. WE NEED YOUR HELP! Twelve years is long enough.

THANK YOU for somehow dealing with this problem. Please pass HB 520 with some increase in Lodging and Per Diem.

Eastern Region
P.O. Box 20404
Billings, MT 59104
(406) 256-5915

Western Region
P.O. Box 4874
Missoula, MT 59806
(406) 251-2304

MPEA

(9)

EXHIBIT 9
DATE 3-12-91
HB 727

HOUSE BILL 727

ISSUES REGARDING THE ACCURACY OF FISCAL NOTE INFORMATION PROVIDED

* SB149 introduced in the '87 session would have provided the same retirement benefits as this bill. However, the fiscal note for SB149 stated that the required contribution rate increase was 1.00%. The fiscal note for HB727 states that it will require an increase of 1.52%.

  Question: Why has the estimated required contribution rate increase gone up more than 50%?

* HB727 as amended removes the provision to allow retirement after 20-24 years with reduced benefits.

  Question: With this reduced benefit why isn't the required increase in the contribution rate less than 1.00%?

* The fiscal note for HB727 states that it will cost state government an additional $400,000 per year to fund associated lump-sum payouts for those retiring under this bill. Historically, retirement payouts (currently about 700 per year) have not been separately funded. Agencies have been required to fund them out of vacancy savings!

  Question: Why should payouts applicable to those retiring under this bill (only 10% of the number currently retiring) be any different?

OPTION TO CONSIDER

Amendment 2

* Pass HB727 without increasing the contribution rate.
  Reason: The adequacy of the fund appears to be sufficient to absorb the realistic impact of this bill.

  REFERENCE:
  A. The Governor's Executive Budget for FYs 1988 & 1989 proposed reducing the PERS contribution rate for both employers and employees from 6% to 5% each, a total reduction of 2%, due to the soundness of the fund!
  B. Based on actuarial reports provided by Hendrickson, Miller & Associates, Inc., the actuarial soundness of the fund has decreased from 36.5 years in 1984 to 21.76 years in 1990. This shows a dramatic increase in the fund's financial ability to service benefit payments.

10

EXHIBIT 10
DATE 3-12-91
HB 727

Amendment to House Bill No. 727
Second Reading Copy

1. Title, lines 9 and 10.
Following: "AGE;" on line 9
Strike: remainder of line 9 through "CHANGE;" on line 10

2. Page 1, line 23.
Following: "June 30,"
Strike: "1991."
Insert: "1992."

3. Page 1, line 23.
Following: "to"
Strike: remainder of line 23 through "8.19%" on line 1, page 2
Insert: "6.55% on July 1, 1992, and to 6.70%"

(10)

EXHIBIT 11
DATE 3-12-91
HB 727

TESTIMONY ON HB 727

Larry Nachtsheim, Administrator
Public Employees' Retirement Division
Department of Administration

House Bill 727 proposes to reduce the eligibility requirements for normal service retirement from 30 years of service, regardless of age, to 25 years of service without an actuarial reduction in benefits.

It will not provide "half-pay" at 25 years of service.

Funding for these provisions will be provided by increasing employer contributions to the system from the state and its political subdivisions. The increased contribution of 1.49% of salaries is expected to be $7.37 Million in FY 92 and $7.7 Million in FY 93, with continuing increases in future years.

The Department of Administration opposes this bill.

This is essentially the same bill vetoed by Governor Schwinden in 1987 because it was inequitable. The only change is that increased contributions will be paid by employers rather than by employees.

As we all know, amounts budgeted for personal services are divided between salaries and benefits. Any increase in the cost of benefits directly decreases what is available to be expended on salaries.

At an annual cost equal to a 1.49% increase in salaries for all members, an estimated 2/3 of 1% of the active PERS membership may retire each year with increased benefits. It could create a potential eligibility for earlier and increased retirement benefits for up to 46% of the current membership at some point in the future, depending on whether or not those people continue working for the state on a full-time basis with no breaks in service and depending on whether or not they actually retire earlier than age 60. However, 54% of the PERS membership would never have these options available to them. And, realistically speaking, most of those who could potentially take advantage of earlier retirement will not.

If this bill is enacted, over $7 Million each year, which could have been used to fund salary increases for all members, will be used to fund earlier and increased retirement benefits which less than half the members will ever have a possibility of receiving.

If the same 1.49% were instead granted as a salary increase each year to all PERS members, then 100% of the membership will see both immediate increases in their take-home pay plus increases benefits at the time they retire because their Final Average Salary will increase as their actual salaries increase. Putting this funding into immediate salary increases will also increase lump-sum payouts of sick and annual leave for all terminating members.

HB 727 is not a good retirement proposal.

EX. 11
3-12-91
HB 727

If enacted, the proposal will run contrary to the purposes of the Public Employees Retirement System as stated in 19-3-102, MCA. It will provide an economic incentive for the most qualified members of PERS to leave state and local government service in order to move to private sector employment or employment in another state. No one in their late 40's to mid-50's can actually retire on the 45% of salary provided to a member who retires with 25 years of service. However, well qualified employees can "bank" their retirement benefits and use the expertise they have acquired in 25 years of public service in Montana to gain comparable full-time employment (in either the private sector or another state) and begin working toward a second retirement.

The last time this proposal was discussed (during the 1987 Legislature), it was argued that the Teacher's Retirement System had normal retirement after 25 years of service and, therefore, so should PERS. It is worth noting that the average teacher retires with over 26 years of service. The majority of their retirees can and do use this provision. However, the average PERS member retires with only 18 years of service at age 60. The average PERS member will never reach 25 years of service, yet still receives a "full" retirement benefit.

If HB 727 is enacted, it will create a higher level of benefits in PERS than is available in TRS, both in terms of a higher formula and earlier retirement eligibility.

The important differences between TRS and PERS membership were recognized during the last Legislature when two PERS proposals were introduced by one of the employee organizations. The two proposals, supported by the Public Employees' Retirement Board, were:

1) A 14% increase in the PERS retirement formula (granting 1/56 of FAS per year of service instead of the 1/60 of FAS per year of service). This resulted in an increased retirement benefit for <u>all</u> members who retired on or after May 1, 1989. Funding for the benefit enhancement was shared by both employers and employees.

2) The right to purchase 1 years of additional service for each 5 years of PERS membership service, up to a maximum of 5 years, to every PERS member employed before July 1, 1989. Any person with 25 years who wants to retire can purchase 5 years and retire as if they had 30 years of service in the system -- with no actuarial reduction.

These two enhancements are important because they provide a benefit increase to all retiring members. Those retiring with 5 years, 10 years, 20 years, 30 or 35 years receive an increase because of the first enhancement.

The second enhancement which allowed persons to purchase 1 additional year of service for each 5 years of membership service was important because, while it allowed members to retire earlier

EX. 11
3-12-91
HB 727

with increased retirement benefits, only the member who uses this enhancement pays for it. Under this provision, PERS members who do not use this benefit are not required to pay for it.

Finally, this proposal will negatively affect the state's (and all other local government employers') group health insurance plans. For every individual who retires early and exercises their right to continue on their former employer's group plan, a new member will be added to the public work force and to the group plan. There will be two individuals, and probably their families, who will participate in the benefits of the plan. With health costs rising at a rate of 12 to 20% per year, much higher than the national inflation rate, earlier retirement creates greater numbers of persons covered by, and therefore greater usage, of group health benefits.

The Department of Administration opposes HB 727 because:

1) It is not good retirement policy for a retirement system whose average retiree has only 18 years of service at age 60.

2) It uses scarce funding for personal services which could otherwise be used to increase the salaries of all members to instead fund a windfall benefit for approximately 91 state and local employees each year who will leave state service to start a second career.

3) It distorts the parity between the PERS and the TRS.

4) It will result in additional unfunded liabilities to the PERS.

5) It will increase costs to already overburdened group health plans for public employees.

The Department of Administration solicits your opposition to HB 727.

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EXHIBIT 12
DATE 3-12-91
HB 727

To: Mr: Chairman and members of the Full House Appropriations Committee

From: Brian McCullough *Brian McCullough*

Date: March 12, 1991

HB 727 TESTIMONY

I. History

- The Fiscal note for HB 727 reflects initial cost for the first biennium it is implemented. There will be a balloon of activity which causes the cost to be higher then normal(Estimate is increase of about 1.5% of wages paid in as contributions)

- Fiscal note for SB 149 for this same benefit in the 1987 session was an increase of 1.0% of wages paid.

- The HB 727 fiscal note also includes a cost for lump sum payments in the amount of over $400,000 for each year of the next biennium. It is true that this is a cost, but it is also true that these costs have always been absorbed by the agencies. Therefore, it is not appropriate to include it as part of the cost of this bill.

- In the FY 88/89 Executive budget book it was proposed to decrease the employer and employee contribution rates from 6% of wages paid to 5% of wages paid. This is a proposed reduction in contributions of two percent of wages paid.

- The PERS unfunded past service liability has dropped from 36.5 years in 1984 to 21.76 years in 1990. This is a decrease of over 40% in the unfunded liability over a 6 year period.

- Pension plans that are considered to be sound have an unfunded past service liability of 30 years or less although the standard was 40 years or less. PERS has an unfunded liability of 21.76 years in 1990.

- According to the 1990 Actuarial study by Hendrickson, Miller and Associates, the decrease in the unfunded past service liability from 24.96 years to 21.76 was due to the change in accounting procedures to base asset value on market value rather then book value.

- My assumption is that the decrease from 36.5 years to 24.96 years or 11 years is due primarily to contributions simply being at a rate higher then is necessary to maintain a sound pension system.

II. Fairness with the Teachers Retirement System(TRS)

- This will allow PERS members to have the same capability to retire after 25 years as members of the Teachers Retirement System.

III. Assist Morale of Employees.

- Due to the earlier retirement of some employees it will provide an opportunity for other employees to advance that should ripple throughout the state agencies.

IV. Amendment to HB 727

- Propose an amendment to this bill that adjusts the rates back to rates in law prior to this bill being submitted.

- This amendment reduces the cost impact of this bill to zero.

- We request that the Legislative Auditor review the impact of this bill and report back to the legislature in 1993 as to the need for any adjustment to the PERS rates as a result of this legislation.

In summary I feel this bill can:

1. Be absorbed in the current PERS rate structure and that the cost of this bill will be reduced in future years due to the balloon of activity that will occur following the first biennium this bill is passed.

2. Contribute to the fairness between PERS and TRS.

3. Help the moral of many PERS members.

(13)

EXHIBIT 13
DATE 3-12-91
HB 727

HOUSE BILL 727

ISSUES REGARDING THE ACCURACY OF FISCAL NOTE INFORMATION PROVIDED

* SB149 introduced in the '87 session would have provided the same retirement benefits as this bill. However, the fiscal note for SB149 stated that the required contribution rate increase was 1.00%. The fiscal note for HB727 states that it will require an increase of 1.52%.

  Question: Why has the estimated required contribution rate increase gone up more than 50%?

* HB727 as amended removes the provision to allow retirement after 20-24 years with reduced benefits.

  Question: With this reduced benefit why isn't the required increase in the contribution rate less than 1.00%?

* The fiscal note for HB727 states that it will cost state government an additional $400,000 per year to fund associated lump-sum payouts for those retiring under this bill. Historically, retirement payouts (currently about 700 per year) have not been separately funded. Agencies have been required to fund them out of vacancy savings!

  Question: Why should payouts applicable to those retiring under this bill (only 20% of the number currently retiring) be any different?

OPTION TO CONSIDER

* Pass HB727 without increasing the contribution rate.
  Reason: The adequacy of the fund appears to be sufficient to absorb the realistic impact of this bill.

  REFERENCE:
  A. The Governor's Executive Budget for FYs 1988 & 1989 proposed reducing the PERS contribution rate for both employers and employees from 6% to 5% each, a total reduction of 2%, due to the soundness of the fund!
  B. Based on actuarial reports provided by Hendrickson, Miller & Associates, Inc., the actuarial soundness of the fund has decreased from 36.5 years in 1984 to 21.76 years in 1990. This shows a dramatic increase in the fund's financial ability to service benefit payments.

Exhibit # 13
3/12/91 HB 727

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB149, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act reducing the number of years that a member of the Public Employees' Retirement System must serve before becoming eligible for service retirement benefits regardless of his age; increasing employee contributions to fund this change; amending Sections 19-3-701, 19-3-901, 19-3-902, and 19-3-906, MCA; and providing an effective date.

ASSUMPTIONS:

1. Salaries for FY88 and FY89 are based upon the November 1986 payroll reports received by the Public Employees' Retirement Division for PERS-covered employees. No increase in salaries is assumed for the next biennium.
2. An additional 582 PERS members could retire under the 25-year retirement provision of this proposal during the next biennium; an additional 819 PERS members could retire under the 20-year retirement provision of this proposal during the next biennium. Assuming that the percentage of PERS employees who will use this provision is the same as experienced by the Teachers' Retirement System when a similar provision was enacted, 22 PERS members (2.7%) will retire during the biennium under the 20 year early retirement provision and 108 PERS members (18.6%) will retire under the 25 year provision of this proposal during the next biennium.
3. The additional cost as a percentage of covered salaries to amortize the cost of this benefit enhancement over 40 years would be 1.00% of total PERS salaries if borne by the employees.
4. Assume 30% of state positions are funded through the General Fund and 70% are non-general fund.
5. Assume PERS members affected by this proposal will retire December 31st of each year of the biennium, with effective retirement dates of January 1. Therefore, 25% of salary impact will occur in FY88 and 75% of salary impact will occur in FY89. Since liabilities are considered "paid" when accrued, the impact of lump-sum payouts will be split 50% in FY88 and 50% in FY89.
6. It is assumed that 100% of the positions so terminated will eventually be refilled and that agencies will obtain budget increases to cover any increased expenditures resulting from this bill in the next biennium. If no additional funding is available, agencies must absorb any costs by leaving positions vacant or reallocating present budget authorities. If agencies do not have sufficient budget authority to refill positions immediately, salary savings will be less than shown in this fiscal note.
7. Of the refilled positions, 60% are refilled at a lower salary level (87% of previous salary); 13% are filled at a higher salary level (104% of retiree's salary); and 27% are refilled at the same level as the retiree. (Based on a 1986 study of state and university retirements over a six-month period ending 12/31/85 conducted by the Public Employees' Retirement Division.)
8. Assume increased contribution rates will be paid by PERS employees for 40 years.

David L Hunter DATE 1/23/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE 1/24/87

RICHARD MANNING, PRIMARY SPONSOR

Fiscal Note for SB149, as introduced.

SB 149

(2)

Fiscal Note Request, SB 149, as introduced.
Form BD-15
Page 2

Exhibit # 13
3/12/91 HB 727

FISCAL IMPACT:
*Impact on governmental agencies.

	FY88	FY89
State	($208,826)	($142,278)
University System	(39,498)	(28,102)
Local Governments	(211,618)	(143,401)
Total	($459,942)	($313,781)

These figures take into account the estimated savings on hiring new people at a lower step. (See Assumption #7) The above costs are due to termination payouts, i.e. vacation and sick leave.

The general fund impact is estimated at 30% of the costs for State and the University System.
FY88 = $74,497 FY89 = $51,114

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:
With lump-sum payouts, local government expenditures are expected to INCREASE by:
$211,618 in FY88 $143,401 in FY89

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:
Will provide increased retirement benefits for approximately 5.4% of PERS membership. Will allow those members to retire 1 to 5 years earlier than under current law. This will result in a modest salary savings over the salaries of the retiring public employees, which will be offset by the early payout of lump-sum payments of vacation and sick leave.

All PERS-covered employees will pay increased (up from 6% to 7%) contribution rates for the next 40 years in order to fund this benefit.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:
None noted.

SB 149

Exhibit # 13
3/12/91 HB 727

THE STATE OF MONTANA

Governor's Executive Budget

FISCAL YEARS 1988-1989

TED SCHWINDEN, GOVERNOR

Exhibit # 13
3/12/91 HB 727

ADJUSTMENTS TO FISCAL YEAR 1986 BASE BUDGETS:

Several adjustments to the FY86 base budget were made in all agencies to arrive at a recommended budget for the 1989 biennium. The adjustments are discussed below:

Pay Plan

The Governor's recommendation to the June Special Session was that state employees' pay had to be frozen, or an equivalent number of positions had to be eliminated to reduce the ongoing costs of personal services. OBPP analysts were instructed to remove personal service costs at least equal to the pay increases in FY87 from the agencies' base budgets. Some positive base adjustments were allowed in the Department of Institutions where direct care staff would otherwise have been removed.

Across-the-Board 5% Cuts

The June Special Session generally accepted the Governor's recommendation to reduce agency FY87 budgets by 5%. OBPP reduced agency budgets by 60% of the across-the-board cut applied by the June Special Session. FY86 budgets had already been reduced by 2% due to the January 1986 Executive Order. By reducing that base budget by an additional 3% (60% of 5%), most agencies' FY86 expenditures and FY87 appropriations should reflect the same level of services. The decision was made to tie the reduction to the action of the June Special Session to more accurately reflect the legislature's intent with regard to which programs should be reduced.

Other Adjustments

Base adjustments to remove one-time expenditures and accruals were made in addition to the pay plan and 5% adjustments, just as in other bienniums. Positive adjustments were reviewed on a case-by-case basis.

Inflation

Inflation was not applied to agency budgets as a general rule. The following exceptions were allowed in all budgets.

	Increase from FY86-FY88	Increase from FY86-FY89
Data Processing	-3.5%	-7%
Food and Medical	14%	25%
Communications	12%	19%
Gasoline	($0.936) 1%	($0.968) 4%
Electricity		
MPC	20%	38%
MDU	9%	11%
Natural Gas		
MPC	2%	5%
MDU	-4%	0%

Data Processing Rates

The Information Services Division (ISD) of the Department of Administration proposed a major restructuring of rates that resulted in a net savings to user agencies. For the first time a "negative inflation" rate was used for data processing services. There were agencies whose budgets were adversly affected by the restructuring of the rates. ISD provided a list of recommended base adjustments for those agencies to OBPP and to the LFA. The positive base adjustments are included in the Governor's recommendation.

Vacancy Savings

A uniform 4% vacancy savings rate was applied to all personal service costs in all agencies regardless of size. As long as agencies retain some flexibility for program transfers, the 4% vacancy savings should not cause problems. There are two exceptions to the 4% policy. University system faculty were exempted. Prison guards had a 1.68% vacancy savings applied. That amount was based on the actual historical savings due to hiring new prison guards at a lower step when turnover occurs.

Workers' Compensation Rates

Agency budgets were prepared based on projected rates and experience modification factors recommended by the Division of Workers' Compensation in August. The division changed rates for all class codes effective January 1, 1986, and will need a significant additional rate increase July 1, 1987, if the legislature does not reform the laws relating to workers' compensation. Budgets have a 12% increase built into workers' compensation rates for July 1, 1987, and an additional 12% as of July 1, 1988. Rates will need to be be adjusted based on the action of the legislature. The Department of Institutions is most significantly affected because its personal service costs are largely general fund and its rates are high compared with the rest of state government due to inherent danger of the work.

PERS Rates

The Governor's proposal includes a reduction of both employers' and employees' contributions to PERS. The recommendation is to establish a 5% rate for the biennium for both contributions. The savings nearly offsets the increased costs resulting from the Workers' Compensation rate increase in January. Unfortunately, the costs and savings do not match agency by agency. If the legislature adopts the Governor's proposal for PERS, benefits rates will have to be adjusted for all agencies. *

Department of Administration Rent

Budgets for agencies within the capitol complex pay "rent" to the Department of Administration. This charge pays for custodial contracts, mechanical contracts and utilities, as well as the staff who are responsible for the physical plant. The charge allows the state to collect monies from non-general fund sources for its share of the costs of "rent." The Governor's Budget recommends a rate of $3.02 per square foot in FY88 and $3.15 per square foot in FY89.

Exhibit # 13
3/12/91 HB 727

PUBLIC EMPLOYEES'

RETIREMENT SYSTEM

ACTUARIAL VALUATION

AS OF

JULY 1, 1986

Hendrickson & Associates

SECTION II

ANALYSIS OF VALUATION

RESULTS OF VALUATION

The actuarial valuation as of July 1, 1986 has determined that the percentage of each member's salary required to fund the benefits as they accrue in the future is 9.557%. The regular contribution rate of 12.417% allows 2.860% to be applied to the amortization of the unfunded past service liability. This percentage is sufficient to amortize the unfunded past service liability over a period of 28.24 years.

The period over which the statutory contribution rate will amortize the unfunded liability has decreased from 36.5 years in 1984 to 28.24 years in 1986. Two factors contributed to the reduction:

1. The assumption of future cost-of-living increases was modified for a select period of five years. As a result, the number of years required to fund the unfunded liability was substantially reduced.

2. If the cost-of-living assumption had not changed, the funding period would have been expected to decrease 2 years. It in fact decreased 2.47 years; the additional .47 years was the result of actual experience of the system being more favorable than had been projected.

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.

Exhibit # 13
3/12/91 HB 727

Public Employees'

Retirement System

Actuarial Valuation

as of

July 1, 1990

Hendrickson, Miller

& Associates, Inc.

Section II

Analysis of Valuation

Results of Valuation

An actuarial valuation has been conducted as of July 1, 1990 for the Public Employees' Retirement System. This valuation has determined that the percent of each member's compensation required to fund the benefits as they accrue in the future is 10.22%. The aggregate contribution rate of 13.33% allows 3.11% of compensation to be applied toward the unfunded past service liability. This amount is sufficient to amortize the unfunded past service liability over a period of 21.76 years. The required funding period has decreased from 24.96 years in 1988.

A schedule has been prepared which will amortize the liabilities as of July 1, 1984, July 1, 1986, and July 1, 1988 over the remaining periods of 34 years, 36 years, and 38 years, respectively. The system had an actuarial gain -$34,340,529 as of July 1, 1990, which will be amortized over a 40-year period. The total contribution rate required to meet this schedule is 12.42% of compensation. This is an increase over the 1988 rate of 11.65%. These rates are illustrated on Schedule 4.

Valuation of Assets

The improvement in the actuarial position of the Public Employees' Retirement System was due largely to the handling of the market value gain in assets. Prior to 1988, assets were based upon the cost value. In order to better recognize the actual financial position of the funds, the valuation now recognizes market value gain. To smooth the year to year fluctuations, each year's gain or loss is recognized over a six year period. This means that 1/6 of the gain or loss is recognized the first year, with an additional 1/6 recognized each year thereafter, until the full amount is recognized after six years. The table below illustrates this valuation:

Market Value as of 6/30/90	$946,552,849	
Cost Value as of 6/30/90	$840,999,902	
1990 Market Gain	5,856,083	x 1/6
1989 Market Gain	33,944,568	x 1/3
1988 Market Gain	-12,702,728	x 1/2
1987 Market Gain	-10,208,747	x 2/3
1986 Market Gain	52,838,361	x 5/6
Prior Market Gain	35,825,410	

Adjusted Market Value	$919,990,954	

4

EXHIBIT ___
DATE 3-12-91
HB 727

TESTIMONY ON HB 595

Presented by: Linda King, Asst. Admin., Public Employees' Retirement Division

On behalf of the Public Employees' Retirement Board, I appear today in opposition to HB 595, which would eliminate age 50 as a requirement for drawing a retirement benefit from the MPORS.

While the Board absolutely agrees that a member of the MPORS should be able to terminate employment as a police officer prior to attaining age 50, the monthly benefit payment should not begin being paid prior to age 50. There is another bill which proposes amendments to MPORS so that a member who terminates employment as a police officer with at least 10 years of qualified service in the MPORS is eligible to begin drawing a benefit upon reaching age 50. The Board has supported that bill.

The Board opposes this piece of legislation because it would create inequity between the hazardous duty retirement systems in Montana. Currently, all of the systems which cover members of hazardous duty professions -- Game Wardens, Sheriffs, Highway Patrol Officers, Firefighters, and Police Officers -- require members to attain both a certain period of service (no less than 20) and a certain age (no less than 50) prior to actually receiving full service retirement benefits.

The only exceptions to this rule were "grandfather" clauses which were included to cover members of other retirement systems when they were first brought into the new statewide systems. When the various hazardous duty profession systems were first enacted, all new members of the systems were required to **both** serve a period of service **and** reach a minimum age prior to retirement benefits being paid. These provisions responded to recommendations of the 1973 interim legislative study on the state's retirement systems.

To completely change a specific state policy which allows payment of retirement benefits only after a certain minimum age will affect not only the Municipal Police Officers' Retirement System, but the other four statewide hazardous duty retirement systems as well -- and at no small cost to employers and the state.

While the fiscal note for this proposed legislation shows only the impact to the state and local government employers during each year of the next biennium for removing the age requirements for drawing a retirement benefit from the MPORS, the Retirement Board feels certain that the actual impact of this legislation will include the even higher costs associated with removing the age requirements from the other hazardous duty occupation retirement systems. If you pass this bill, you will have 4 more bills presented to the next Legislature to do the same thing for the other systems.

The Public Employees' Retirement Board urges your most careful consideration of the real long-term effects of this proposal prior to taking action on this bill.

(15)

EXHIBIT 15
DATE 3-12-91
HB 155

Amendments to House Bill No. 155
Second Reading Copy

Requested by Rep. Strizich
For the Committee on Appropriations

Prepared by Susan Fox
March 11, 1991

1. Title, line 11.
Following: "ATTORNEY;"
Insert: "INCREASING THE MONETARY CHARGE FOR A MISDEMEANOR CONVICTION;"

2. Title, line 12.
Following: "7-4-2504,"
Strike: "AND"
Following: "7-4-2505,"
Insert: "AND 46-18-236,"

3. Page 10, line 23.
Following: line 22
Insert: "**Section 5.** Section 46-18-236, MCA, is amended to read:

"**46-18-236. Imposition of charge upon conviction or forfeiture -- administration.** (1) Except as provided in subsection (2), there must be imposed by all courts of original jurisdiction on a defendant upon his conviction for any conduct made criminal by state statute or upon forfeiture of bond or bail a charge that is in addition to other taxable court costs, fees, or fines, as follows:

(a) ~~$10~~ <u>$15</u> for each misdemeanor charge; and

(b) the greater of $20 or 10% of the fine levied for each felony charge.

(2) If a convicting court determines under 46-18-231 and 46-18-232 that the defendant is not able to pay the fine and costs or that he is unable to pay within a reasonable time, the court must waive payment of the charge imposed by this section.

(3) The charge imposed by this section is not a fine and must be imposed in addition to any fine and may not be used in determining the jurisdiction of any court.

(4) When the payment of a fine is to be made in installments over a period of time, the charge imposed by this section must be collected from the first payment made and each subsequent payment as necessary if the first payment is not sufficient to cover the charge.

(5) The charges collected under subsection (1), except those collected by a justice's court, must be deposited with the appropriate local government finance officer or treasurer. If a city municipal court or city or town court is the court of original jurisdiction, the charges collected under subsection (1) must be deposited with the city or town finance officer or treasurer. If a district court is the court of original jurisdiction, the charges collected under subsection (1) must be deposited with the county finance officer or treasurer. If the

Ex 15
3-12-91
HB 155

court of original jurisdiction is a court within a consolidated city-county government within the meaning of Title 7, chapter 3, the charges collected under subsection (1) must be deposited with the finance officer or treasurer of the consolidated government.

(6) (a) A city or town finance officer or treasurer may retain the charges collected under subsection (1) by a city municipal court or a city or town court and may use that money for the payment of salaries of the city or town attorney and his deputies.

(b) Each county finance officer or treasurer may retain the charges collected under subsection (1) by district courts for crimes committed or alleged to have been committed within that county. The county finance officer or treasurer shall use the money for the payment of salaries of its deputy county attorneys and for the payment of other salaries in the office of the county attorney, and any funds not needed for such salaries may be used for the payment of any other county salaries."

Renumber: subsequent section

(16)

EXHIBIT 16
DATE 3-12-91
HB 155

City County Building
P.O. Box 1724
316 North Park
Helena, Montana 59624
Telephone 406/447-8304

LEWIS AND CLARK COUNTY

Board of County Commissioners

March 11, 1991

House of Representatives
Appropriations Committee
The Honorable Francis Bardanouve, Chairman

Dear Representative Bardanouve and Committee Members:

We wish to take this opportunity to support House Bill 155, granting salary increases for Montana's county attorneys. Our support for this legislation is due to our opinion that the position of county attorney is one of the most critical positions in county government. Because of its importance, we feel strongly that the position needs to be adequately funded in order to attract the most competent candidates.

In making your decision as to whether to support this legislation, we hope that you will review the Montana Bar Association's study of average incomes of Montana attorneys. Remember as you review the following salaries that this study was made in 1985 - *six years ago.* Despite the age of the study, it shows that the average annual salary for a Montana attorney with five years of experience was $46,200. With ten years experience the average salary increased to $59,600 and with fifteen years experience (what we understand to be the norm for Montana's county attorneys) is $70,000.

We hope you agree that it is time to increase the salaries of Montana's county attorneys. Thank you for your consideration of this letter.

Sincerely,

David E. Fuller, Chairman | Linda Stoll-Anderson, Member | Blake J. Wordal, Member

EXHIBIT 11
DATE 3/12-91
HB 155
One South Montana Ave.
Helena, Montana 59601
Telephone: 406/442-2180
FAX 406/442-2194
Robert L. Anderson, Executive Director
MSBA
MONTANA SCHOOL BOARDS ASSOCIATION

Testimony before the
Appropriations Committee

HB 155

March 12, 1991

The Montana School Boards Association supports HB 155. County Attorneys are required to give legal advise and representation to school districts. School law is a complex specialty. To adequately represent districts, County Attorneys must invest significant time and effort to become familiar with this area of law. In addition, the number of cases involving school districts has increased and will continue to increase. The complexity of the issues involved in these cases has also escalated.

The present and ever increasing burdens upon the time of County Attorneys in the area of school law justifies this salary increase. It is important for school districts to have experienced and consistent representation. This can only be accomplished through adequate wages which motivate qualified and competent attorneys to secure and remain in employment as county attorneys.

Please support HB 155.

mea
Montana Education Association
1232 East Sixth Avenue • Helena, Montana 59601 • 406-442-4250

EXHIBIT 18
DATE 3-12-91
HB 415

HB415 (STICKNEY & RICE)
BEFORE THE HOUSE EDUCATION COMMITTEE -- FEB 6, 1991

COMMENTS FROM THE PINE HILLS & MOUNTAIN VIEW EDUCATION ASSOCIATIONS

REGARDING NECESSARY IMPROVEMENTS FOR STATE TEACHER SALARIES

State employed teachers at the Pine Hills and Mountain View Schools provide a vital and necessary educational service for Montana. The student populations served by us often require special educational services and present uniquely difficult and occasionally dangerous discipline problems. If these students are not assured of an experienced, quality teaching workforce, they will be denied an opportunity to develop to their fullest potential and Montana losses potential economic resources while increasing our risk of incurring life-long social service and/or criminal justice costs. Bringing the pay level of state employed teachers up to the comparable market rate is one of a number of very important changes that can reduce staff turnover and maintain a quality workforce in the state schools.

As described to the Committee on State Employee Compensation by the MEA on May 10, average Montana public school teacher salaries stood within 5% of the average national teacher salary as recently as 1983. By 1990, the average Montana public school teacher salary slipped to 20% behind the average market rate paid to public school teachers nationwide. <u>Even worse, the average FY90 salary paid to state employed teachers at the Pine Hills and Mountain View Schools ($20,988) was 17% behind the Montana public school teacher average salary ($25,081), or approximately 33% behind the 1990 average national public school teacher salary ($32,574)</u>.

As the Legislature discusses options to remedy the inequities and inadequacies of the statutory pay schedule for state employed teachers at the Pine Hills and Mountain View Schools, the Education Association draws your attention to the following comments and requests that serious consideration be given to the Association's proposed pay remedy for state employed teachers. (See: HB415 - Rep's Stickney & Rice.)

1) The two primary factors leading to the unfavorable salary status of state employed teachers have been the relative insufficiency of state schedule pay rate increases since the mid-1980s compared to rate increases afforded public school teachers nationwide or in Montana, and the state's allowance of only three annual experience step advancements since FY84. Except for single or occasionally two step freezes negotiated by a handful of Montana public school teacher units in FY87 or FY88 (two dozen annual contract schedules out of a statewide group of more than 300 salary schedules during the period), step freezes are virtually

Ex. 18
3-12-91
HB 415

unheard of among the teaching profession. Even when they do occur, they typically result in a single step loss -- not the four step loss imposed by the state during the last seven years.

2) The 1990 three step advance provided all state employed teachers failed to fully adjust long-term teacher salaries commensurate to their experience and service to the state, while in some cases advanced a few teachers beyond their actual teaching experience and/or state employment level. The present inequities of teacher placement on the schedules undermines morale and the efficacy of schedule itself. Proper placement in relation to actual experience is a major objective that is necessary if the state schedules are to be considered (or evaluated) comparable to scheduled salaries paid to public school teachers.

3) The current state schedule provides a decreasing incremental value for step and lane advancements for additional experience or training. This pattern departs from the norm among Montana public school teacher salary schedule structures and diminishes both the economic incentive to obtain longevity or advanced training and an employee's career earnings.

The relatively depressed level of scheduled salary on the state schedules (note the preceding comparisons to the Montana "composite" or average public school teacher schedule), the uncertainty of rate increases needed to even minimally meet inflation or maintain comparability, unavailability of experience step advancements and the inconsistencies of step placement relative to actual experience, as well as the decreasing incremental structure of the state schedule, contribute to the high rate of turnover among state employed teachers, undermine staff morale and diminish the prospects for maintaining a consistent and successful educational program.

The PHEA and MVEA believe that HB415 addresses the serious problems now existing in the state teacher salary matrix. It resolves current and future of external "pay comparability" and internal equity by addressing the recognized existing problems of current pay level and schedule structure, appropriate employee step placement, future step advancements and market rate pay adjustments. Moreover, it addresses these issues in a manner that will not require recurring (biennial) attention of the Legislature and additional special legislation.

We hope that your Committee adopts a "do pass" recommendation for HB415. Thank-you for your consideration.

Shirley Kapitzke, President-PHEA

Toni Tyson, President-MVEA

mea
Montana Education Association
1232 East Sixth Avenue • Helena, Montana 59601 • 406-442-4250

EXHIBIT 19
DATE 3-12-91
HB 415

HB415 (STICKNEY & RICE)
BEFORE THE HOUSE APPROPRIATIONS CMTE -- MARCH 12, 1991

MONTANA TEACHER SALARIES:
PUBLIC SCHOOL & STATE SCHOOL DATA COMPARED TO THE NATION

By: Tom Bilodeau, MEA Research Director

As recently as 1983, Montana's average public school teacher salary was within $1,000 (or 5%) of the national average teacher salary and Montana's average salary ranked 25th among the states.

Since the mid-1980s, however, the salaries paid to Montana's teachers have failed to match average salary gains made by teachers nationally. This is true at both the "beginning" and "average" salary level. Even worse, Montana teacher salary increases since the mid-1980s have failed to keep pace with the rate of inflation. In constant dollar purchasing power, Montana's teachers are paid less today than in 1986! Montana's projected 1990-91 average teacher salary ($26,210) is now more than $6,500 behind (nearly 20% less than) the national average and will rank us at about 41st in the nation.

As disturbing as the statewide data on teacher salaries is, the situation for teachers employed by the State of Montana at the Pines Hills and Mountain View Schools is worse. Their 1990-91 average salary will be slightly more than $22,000 -- i.e. $4,000 less (-18%) than Montana's public school average teacher salary and more than $10,000 behind (-33%) the national average.

As will be documented toward the end of the attached materials, Montana's statutory teacher salary schedule is among the very worst in existence anywhere in the state. Under this salary schedule, State-employed beginning teachers in FY91 are being paid $1,333 less (-7.9%) than the average Montana public school base salary. This "scheduled" salary loss grows worse (to as much as -16%) as employees progress in state as compared to public school employment. (If state salaries were not improved for FY92, the scheduled FY91 "pay penalty" will, based on projected public school salary settlements, grow 5% more severe in FY92 -- i.e. the -7.9% base salary deficit will become a -13% deficit.)

The "scheduled" loss, however, understates the real-life "pay penalty" to which state-employed teachers are subjected because it fails to account for the impact of state imposed experience step-freezes. <u>If the step-freezes are factored into pay-level comparisons, the annual "pay penalty" experienced by a state-employed teacher compared to a Montana public school teacher often approaches or exceeds 20% of salary per year; it amounts to a "career-earnings pay penalty" over the term of twenty-five years state service of more than -$122,000</u>!

HB415 addresses the serious compensation deficiencies experienced by state-employed teachers. Specifically, HB415:

tracks the conceptual discussions of the Committee on State Employee Compensation by targeting state-employed teacher salaries to 90 to 95% of the "market rate;"

for teachers in Montana, the "comparable market rate" is readily discernable based on currently available data -- locally it would be the salary levels of Helena (for Mtn View) and Miles City (for Pine Hills) public school teachers, while on a statewide basis it would be the statewide "composite schedule;"

under HB415, in both FY92 & FY93, the adopted Mtn View schedule would be that of the Helena public school system for FY91 (similarly, Pine Hills' FY92 and FY93 schedules would be that of Miles City for FY91) -- the one or two year lag would result in a 5% to 10% lag in state-employed teacher salaries;

in order to correct currently existing placement irregularities on the state schedules, teacher's would in FY92 be placed on the correct step of the new schedule to reflect their actual years of experience with the state but -- as a transition to the new schedules and placements -- no teacher would be placed beyond step 13;

future annual experience step-increments would -- as is the norm for public school teachers in Montana -- be mandated for all state teachers; and

on a biennial basis, the Helena and Miles City salary schedules in place for the school year during which the Legislature meets (i.e. odd FY's) would become the Mtn View and Pine Hills' schedules respectively, for the subsequent biennium.

Over the biennium, MEA has the total additional HB415 cost of the schedules, proper placement, steps and salary-driven benefits, as compared to current costs, should be no more than $183,000 (+16.23%). An appropriation reflecting this additionally required funding to the Department of Family Services is included within the $1,310,334 indicated by Section 2 of HB415.

<u>HB415 directly and successfully addresses the issues of external market-rate comparability and internal salary equity, while also providing a self-adjusting successor salary schedule mechanism which both provides for and regulates state-employed teacher salaries in the future. HB415 is a long-overdue remedy to a problem that demands fixing. MEA urges your support for this legislation.</u>

Exhibit # 19
3-12-91 HB 415

HB415 (STICKNEY & RICE)
MOUNTAIN VIEW & PINE HILLS SCHOOLS - STATE OF MONTANA
COSTING OF MVEA-PHEA 9 MONTH SALARY SCHEDULE PROPOSAL
JANUARY - 1990

Current FY91 Schedule & FTE Placement Costs:

	FTE	Costs: Schedule Only	Costs: Schedule & Benefits*
Mountain View School	11.0	$216,122	$237,734
Pine Hills School	15.4	$296,370	$326,007
FY91 Total:	26.4	$512,492	$563,741

Proposed FY92 Schedule & Adjusted FTE Placement Costs:

	FTE	Costs: Schedule Only $	Schedule Only New $	Schedule Only % Chge	Schedule & Benefits*
Mountain View School	11.0	$260,908	$44,786	+20.72%	$286,999
Pine Hills School	15.4	$325,942	$29,572	+ 9.98%	$358,536
FY92 Proposed Total:	26.4	$586,850	$74,358	+14.51%	$645,535

Proposed FY93 Step Increment Costs (Compared to FY92 Proposed):

	FTE	Costs: Schedule Only $	Schedule Only New $	Schedule Only % Chge	Schedule & Benefits*
Mountain View School	11.0	$269,193	$8,285	+ 3.18%	$296,112
Pine Hills School	15.4	$335,170	$9,228	+ 2.83%	$368,687
FY93 Proposed Total:	26.4	$604,363	$17,513	+ 2.98%	$664,799

Total HB415 Biennial Cost:	$1,191,213			$1,310,334
New $ + Benefits Cost Compared to FY91 (x2):		$166,229	+16.22%	$182,852

* "Schedule & Benefits"="Schedule Only"+10% (does not include insurance)

Exhibit # 19
3-12-91 HB 415

MEA — AVERAGE US AND MONTANA TEACHER SALARIES SINCE 1980 — 01/31/91

(ADJUSTED FOR INFLATION: 1980 BASE)

YEAR	CURRENT $ US AVG $	CURRENT $ MT AVG $	CONSTANT $ (1980*) US US AVG $	-ANNUAL CHGE- US $	-ANNUAL CHGE- US %	CONSTANT $ (1980*) MT MT AVG $	ANNUAL CHANGE DATA MT $ CHANGE	MT % CHANGE	RATIO MT/US	DOL DIF MT-US
1979-80	$15,970	$14,537	$15,970	--- BASE ---		$14,537	--- BASE ---		91.03%	--BASE--
1980-81	$17,644	$15,967	$15,994	$24	0.15%	$14,474	($63)	-0.43%	90.50%	($1,433)
1981-82	$19,274	$17,770	$16,458	$464	2.90%	$15,173	$699	4.83%	92.19%	($1,520)
1982-83	$20,695	$19,702	$17,120	$662	4.02%	$16,299	$1,126	7.42%	95.20%	($1,285)
1983-84	$21,921	$20,690	$17,396	$276	1.61%	$16,409	$110	0.67%	94.33%	($821)
1984-85	$23,593	$21,705	$18,072	$676	3.89%	$16,621	$212	1.29%	91.97%	($987)
1985-86	$25,186	$22,482	$18,942	$870	4.81%	$16,901	$280	1.68%	89.23%	($1,451)
1986-87	$26,566	$23,206	$19,270	$328	1.73%	$16,833	($68)	-0.40%	87.35%	($2,041)
1987-88	$28,029	$23,798	$19,518	$248	1.29%	$16,575	($258)	-1.53%	84.92%	($2,437)
1988-89	$29,648	$24,421	$19,649	$115	0.59%	$16,227	($348)	-2.10%	82.65%	($2,943)
1989-90	$31,166	$25,081	$19,647	$194	0.99%	$15,886	($341)	-2.10%	80.12%	($3,406)
1990-91*	$32,724	$26,210	$19,451	($196)	-1.00%	$15,648	($238)	-1.50%	80.45%	($3,761)
AVG ANNUAL CHANGE				$333	1.91%		$101	0.71%		
TOTAL CHANGE				$3,457	21.61%		$1,174	8.11%	-10.58%	($22,085)

SOURCE: OPI,MEA,NEA & US DEPT OF LABOR-BLS.

* PROJECTED DATA FOR 1990-91.

AVERAGE TEACHER SALARIES (IN 1980 $)

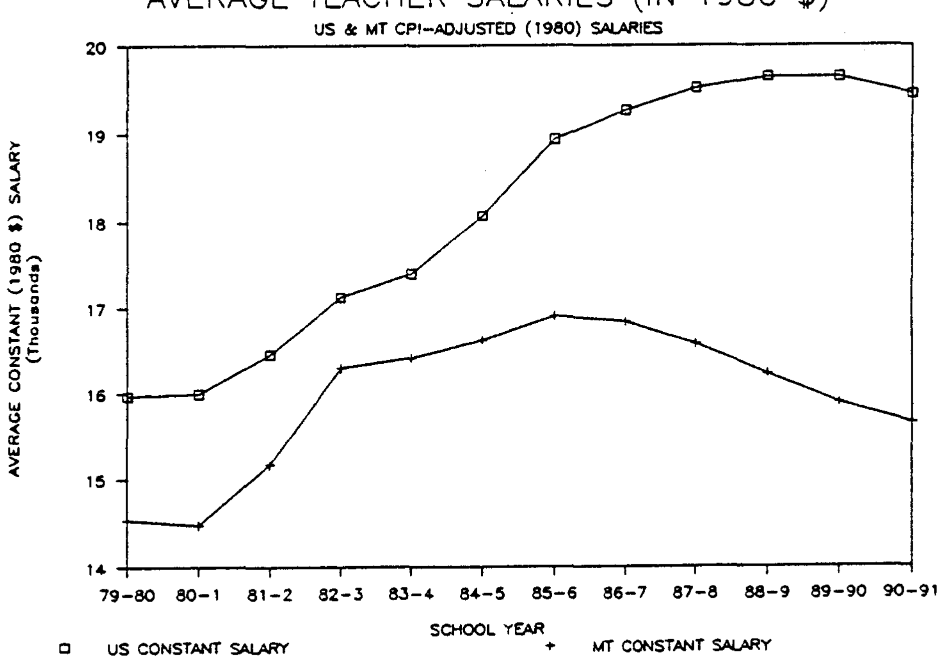

Exhibit #19
3-12-91 HB 415

STATEWIDE 1990/91

MONTANA
PINE HILLS/ MOUNTAIN VIEW SCHOOL (STATE)
EFFECTIVE 7/90

STEP	BA 1	BA+15 2	BA+30 3	BA+45 4	MA 5	MA+15 6
1	15,451	15,933	16,427	16,668	16,910	17,404
2	16,017	16,554	17,092	17,361	17,631	18,168
3	16,583	17,176	17,757	18,056	18,352	19,833
4	17,151	17,801	18,422	18,749	19,074	...
5	17,715	18,422	19,087	19,441	19,796	20,463
6	18,283	19,047	19,755	20,136	20,518	21,228
7	18,846	19,667	20,418	20,829	21,239	21,990
8	19,414	20,291	21,086	21,524	21,963	22,754
9	19,980	20,913	21,751	22,217	22,685	23,533
10	20,546	21,537	22,416	22,910	23,417	24,338
11	21,113	22,139	23,082	23,622	24,174	25,138
12	...	...	...	...	...	...
13	...	...	...	...	...	...

COMPOSITE SCHEDULE QUARTER HOURS

	BA	BA+15	BA+30	BA+45	MA	MA+15
NO.	136	136	136	90	131	81
1	16,784	17,346	17,921	18,436	18,732	19,602
2	17,412	18,030	18,646	19,155	19,523	20,443
3	18,049	18,713	19,371	19,912	20,329	21,295
4	18,702	19,425	20,132	20,704	21,147	22,188
5	19,359	20,152	20,899	21,502	21,972	23,083
6	20,006	20,848	21,645	22,281	22,802	23,982
7	20,633	21,536	22,376	23,048	23,611	24,884
8	21,244	22,215	23,104	23,810	24,401	25,740
9	21,829	22,903	23,831	24,559	25,190	26,603
10	22,350	23,557	24,548	25,306	25,971	27,463
11	22,814	24,160	25,245	26,052	26,733	28,321
12	23,040	24,678	25,908	26,775	27,497	29,180
13	23,163	24,987	26,490	27,445	28,229	30,026
14	23,236	25,212	26,849	28,058	28,907	30,826
15	23,266	25,196	27,058	28,483	29,508	31,587
16	23,298	25,229	27,158	28,777	29,993	32,197

CHANGES IN AMOUNT OF SALARY SCHEDULES
FOR SCHOOL DIST.PINE HILLS/MOUNTAIN VIEW SCHOOL (STATE)
AND SCHOOL DIST.COMPOSITE
(COMPUTATION WAS MADE ON THE SAME STEP LEVEL OF TWO SCHEDULES.)

STEP	BA	BA+15	BA+30	BA+45	MA	MA+15
1	-1,333	-1,413	-1,494	-1,768	-1,822	-2,198
2	-1,395	-1,476	-1,554	-1,794	-1,892	-2,275
3	-1,466	-1,537	-1,614	-1,856	-1,977	-1,462
4	-1,551	-1,624	-1,710	-1,955	-2,073	-2,491
5	-1,644	-1,730	-1,812	-2,061	-2,176	-2,620
6	-1,723	-1,801	-1,890	-2,145	-2,284	-2,754
7	-1,787	-1,869	-1,958	-2,219	-2,372	-2,894
8	-1,830	-1,924	-2,018	-2,286	-2,438	-2,986
9	-1,849	-1,990	-2,080	-2,342	-2,505	-3,070
10	-1,804	-2,020	-2,132	-2,396	-2,554	-3,125
11	-1,701	-2,021	-2,163	-2,430	-2,559	-3,183
12	-1,927	-2,539	-2,826	-3,153	-3,320	-4,042
13	-2,050	-2,848	-3,408	-3,823	-4,055	-4,888

PERCENT CHANGES OF SALARY SCHEDULES
FOR SCHOOL DIST.PINE HILLS/ MOUNTAIN VIEW SCHOOL (STATE)
AND SCHOOL DIST.COMPOSITE
(COMPUTATION WAS MADE ON THE SAME STEP LEVEL OF TWO SCHEDULES.)

STEP	BA	BA+15	BA+30	BA+45	MA	MA+15
1	-7.9	-8.1	-8.3	-9.6	-9.7	-11.2
2	-8.0	-8.2	-8.3	-9.4	-9.7	-11.1
3	-8.1	-8.2	-8.3	-9.3	-9.7	-6.9
4	-8.3	-8.4	-8.5	-9.4	-9.8	-11.2
5	-8.5	-8.6	-8.7	-9.6	-9.9	-11.4
6	-8.6	-8.6	-8.7	-9.6	-10.0	-11.5
7	-8.7	-8.7	-8.8	-9.6	-10.0	-11.6
8	-8.6	-8.7	-8.7	-9.6	-10.0	-11.6
9	-8.5	-8.7	-8.7	-9.5	-9.9	-11.5
10	-8.1	-8.6	-8.7	-9.5	-9.8	-11.4
11	-7.5	-8.4	-8.6	-9.3	-9.6	-11.2
12	-8.4	-10.3	-10.9	-11.8	-12.1	-13.9
13	-8.9	-11.4	-12.9	-13.9	-14.4	-16.3

RANK OF CLASSROOM TEACHERS SALARY SCHEDULE FOR
PINE HILLS/MOUNTAIN VIEW SCHOOL (STATE)
AS COMPARED WITH 136 SCHOOL DISTRICTS , ACTUAL SALARIES, QUARTER HOURS

STP/LN	BA		BA+15		BA+30		BA+45		MA		MA+15	
	RK	NO	RK	NO	RK	NO	RK	NO	RK	NO	RK	NO
1	133	137	134	137	134	137	89	91	129	131	79	81
2	134	137	134	137	134	137	89	91	131	132	80	81
3	134	137	134	137	135	137	89	91	130	132	77	81
4	134	137	134	137	133	137	89	91	130	132	81	82
5	134	137	133	137	133	137	88	91	129	132	81	82
6	131	135	132	136	132	136	88	91	128	131	81	82
7	130	134	131	135	131	135	88	91	128	131	81	82
8	128	132	131	135	130	135	87	90	125	130	81	81
9	121	124	130	135	129	135	85	90	124	130	81	81
10	108	111	125	130	128	134	85	90	124	129	80	81
11	97	99	114	119	124	129	84	89	119	126	80	81
12	49	50	100	102	120	123	84	86	120	123	80	80
13	28	28	60	61	108	109	79	81	117	119	79	79

MEA EARNINGS PENALTY OF STATE EMPLOYMENT 02/05/91

FY91 STATE (11/13 STEP) AND MONTANA COMPOSITE (16 STEP) SCHEDULES
25 YR/4 YR PER LANE CAREER EARNINGS - ASSUMING HIRE IN FY80
ADJUSTED FOR STATE FY84-FY91 STEP FREEZES

			STATE FY91 SCHEDULE			MT FY91 COMPOSITE SCHEDULE			RATIO:
FY	#YR	LANE	STEP	SALARY	TOTAL $	STEP	SALARY	TOTAL $	STATE/MT $
FY80	1	BA	1	15,451	15,451	1	16,784	16,784	92.06%
FY81	2	"	2	16,071	31,522	2	17,412	34,196	92.30%
FY82	3	"	3	16,583	48,105	3	18,049	52,245	91.88%
FY83	4	"	4	17,151	65,256	4	18,702	70,947	91.71%
FY84	5	BA+15	4 *	17,801	83,057	5	20,152	91,099	88.33%
FY85	6	"	4 *	17,801	100,858	6	20,848	111,947	85.38%
FY86	7	"	4 *	17,801	118,659	7	21,536	133,483	82.66%
FY87	8	"	4 *	17,801	136,460	8	22,215	155,698	80.13%
FY88	9	BA+30	4 *	18,422	154,882	9	23,831	179,529	77.30%
FY89	10	"	4 *	18,422	173,304	10	24,548	204,077	75.04%
FY90	11	"	7 (+3)	20,418	193,722	11	25,245	229,322	80.88%
FY91	12	"	7 *	20,418	214,140	12	25,908	255,230	78.81%
FY92	13	BA+45	8	21,524	235,664	13	27,445	282,675	78.43%
FY93	14	"	9	22,217	257,881	14	28,058	310,733	79.18%
FY94	15	"	10	22,910	280,791	15	28,483	339,216	80.43%
FY95	16	"	11	23,622	304,413	16	28,777	367,993	82.09%
FY96	17	MA	(12)	24,174	328,587	--	29,993	397,986	80.60%
FY97	18	"	(13)	24,174	352,761		29,993	427,979	80.60%
FY98	19	"	--	24,174	376,935		29,993	457,972	80.60%
FY99	20	"		24,174	401,109		29,993	487,965	80.60%
FY00	21	MA+15		25,138	426,247		32,197	520,162	78.08%
FY01	22	"		25,138	451,385		32,197	552,359	78.08%
FY02	23	"		25,138	476,523		32,197	584,556	78.08%
FY03	24	"		25,138	501,661		32,197	616,753	78.08%
FY04	25	"		25,138	526,799		32,197	648,950	78.08%

SOURCE: MEA & STATE OF MONTANA FILES. * INDICATES STEP FREEZE OCCURING.

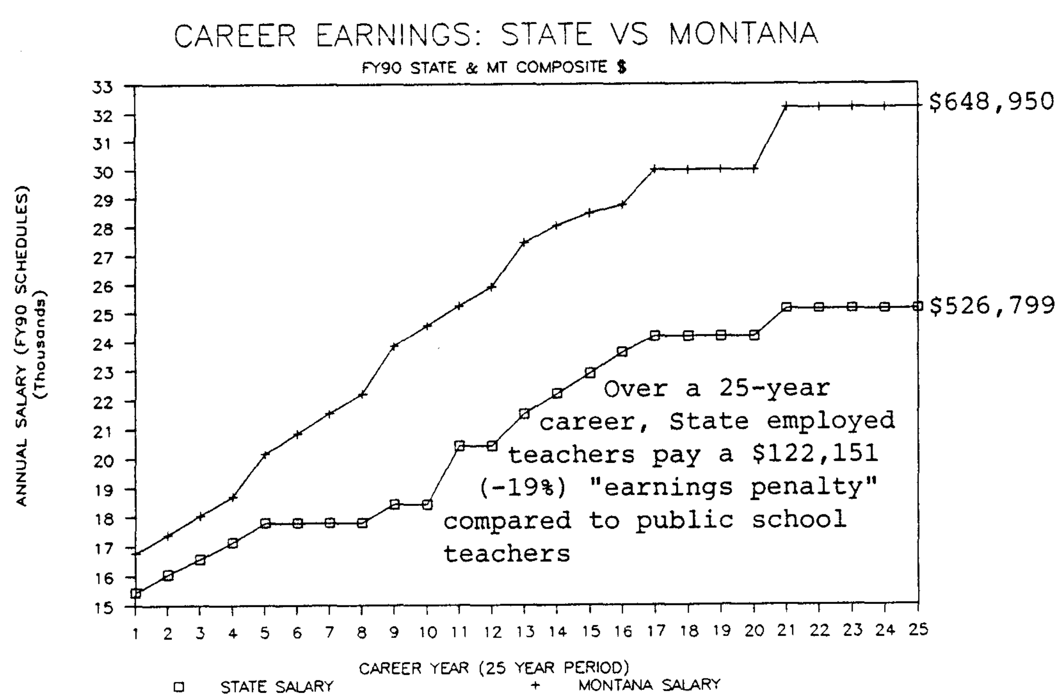

Exhibit #19
3-12-91 HB 415

HB 415 FY92 AND FY93

PINE HILLS AND MOUNTAIN VIEW SCHEDULES

MONTANA
MILES CITY DIST #1
EFFECTIVE 7/90

FOR PINE HILLS

STEP	BA 1	BA+15 2	BA+30 3	BA+45 4	MA 5	MA+15 6
1	17,160	17,160	17,640	17,920	18,200	18,780
2	...	17,790	18,410	18,730	19,040	19,670
3	17,820	18,510	19,190	19,540	19,880	20,560
4	18,480	19,240	19,960	20,340	20,720	21,450
5	19,140	19,970	20,740	21,150	21,570	22,340
6	19,800	20,690	21,520	21,960	22,410	23,230
7	20,460	21,420	22,290	22,770	23,250	24,120
8	21,120	22,140	23,070	23,580	24,090	25,010
9	21,780	22,870	23,840	24,390	24,930	25,900
10	22,440	23,600	24,620	25,200	25,770	26,800
11	23,100	24,320	25,390	26,000	26,610	27,690
12	...	25,050	26,170	26,810	27,460	28,580
13 (FY92 Placement Limit)	...	...	26,940	27,620	28,300	29,470
14	...	...	27,720	28,430	29,140	30,360
15	...	...	28,500	29,240	29,980	31,250
16	...	...	...	30,050	30,820	32,140
17	...	...	...	30,860	31,660	33,030
18	...	...	...	31,660	32,500	33,920

ATTAINMENT LEVEL 3.75*

MONTANA
HELENA DIST #1
EFFECTIVE 7/90

FOR MOUNTAIN VIEW

STEP	BA 1	BA+15 2	BA+30 3	BA+45 4	MA 5	MA+15 6	MA+30 7
1	17,120	17,700	18,300	18,860	19,460	20,070	20,650
2	17,810	18,460	19,110	19,760	20,410	21,060	21,690
3	18,490	19,210	19,910	20,630	21,330	22,050	22,740
4	19,170	19,960	20,720	21,500	22,260	23,040	23,780
5	19,860	20,720	21,520	22,380	23,180	24,040	24,820
6	20,540	21,470	22,320	23,250	24,110	25,030	25,870
7	21,230	22,220	23,130	24,120	25,030	26,020	26,910
8	21,910	22,980	23,930	25,000	25,950	27,020	27,960
9	22,600	23,730	24,740	25,870	26,880	28,010	29,000
10	23,280	24,480	25,540	26,740	27,800	29,000	30,050
11	23,970	25,240	26,350	27,620	28,730	29,990	31,090
12	...	25,990	27,150	28,490	29,650	30,990	32,130
13 (FY92 Placement Limit)	...	...	27,960	29,360	30,580	31,980	33,180
14	...	...	...	30,230	31,500	32,970	34,220
15	...	...	...	...	32,430	33,970	35,270
16	...	...	...	...	33,350	34,960	36,310
17	...	...	...	...	34,270	35,950	37,360

ATTAINMENT LEVEL 4*,CAREER INCREMENTS BEGIN. 17 YRS

10

MISSOULA

FINANCE/CITY CLERK OFFICE

435 RYMAN ST. • MISSOULA, MT 59802-4297 • (406) 523-4700
FAX (406) 728-6690

FINANCE AND DEBT MANAGEMENT
BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT
GRANT ADMINISTRATION

EXHIBIT 20
DATE 3-12-91
HB 727

CITY OF MISSOULA
CHUCK STEARNS TESTIMONY ON HOUSE BILL 727
March 12, 1991

The City of Missoula opposes HB727, a bill to allow earlier retirement for public employees and funding the cost of such retirements by only increasing employer contributions, on the grounds of cost, equity, and unfunded mandates. With I-105 in place, local governments can hardly afford new mandates or permanent increases in existing mandates. The Drake Amendment, Section 1-2-112 (copy attached) was enacted by the Legislature to prevent imposing unfunded mandates on local governments. We feel that these two sections of existing law present ample reason for not imposing the additional costs of HB727 on local governments.

HB727 would cost the City of Missoula, based on the FY91 budget, an additional $42,913, or an increase of 23.7% over our existing P.E.R.S. general fund contribution. This increase is extremely dramatic, even though it is essentially a one time increase and cost. We recognize that after the increase for 1991 on line 22 of page 1, the other increases maintain the existing incremental increases that already exist in law. Nonetheless, this cost is a large impact and one that has no funding.

Beyond the cost, the issue of equity arises and whether only public employers should bear the cost for increasing early retirement. It was two years ago that HB234, sponsored by Gary Spaeth, set up a structure whereby employer and employee contribution rates would become equal beginning July 1, 1991. HB234 was signed by 42 members of the 1989 Legislature as co-sponsors. Now, HB727 would break the equity that appeared to be so logical and widely supported in HB234 only two years ago.

For the reasons of additional costs without concurrent funding and the loss of equity and partnership between public employers and employees, the City of Missoula strongly encourages the House Appropriations Committee to oppose HB727 as written.

(21)

EXHIBIT 21
DATE 3-12-91
HB 936

Amendments to House Bill No. 936
Third Reading Copy

Requested by Representative Jim Rice

Prepared by Sheri S. Heffelfinger
March 11, 1991

1. Title, line 6.
Following: "IN"
Strike: "THE PUBLIC EMPLOYEES'"
Insert: "A"

2. Title, line 7.
Following: "SYSTEM"
Insert: "PROVIDED FOR UNDER TITLE 19, MCA,"

3. Page 3, lines 6 through 8.
Following: "~~19-3-902~~" on line 6
Strike: remainder of line 6 through "<u>SERVICE</u>" on line 8
Insert: "who is eligible for retirement under the provisions of Title 19"

4. Page 3, line 10.
Strike: "<u>100%</u>"
Insert: "50%"

5. Page 3, line 11.
Following: "<u>his</u>"
Strike: "<u>public employees'</u>"

hb093603.ash

(22)

Fiscal Impact HB 936 with proposed amendment

Expenditures:	FY 92 Current Law	FY 92 Proposed Law	FY 92 Difference	FY 93 Current Law	FY 93 Proposed Law	FY 93 Difference
Personal Services	729,452	1,458,904	729,452	762,082	1,524,164	762,082
Funding:						
General Fund	313,664	627,328	313,664	327,695	655,390	327,69
State Special	189,658	379,316	189,658	198,141	396,282	198,141
Federal Special	158,291	316,582	158,291	165,372	330,744	165,37
Proprietary Fund	65,651	131,302	65,651	68,588	137,176	68,58
Other	2,188	4,376	2,188	2,286	4,572	2,28
TOTAL	729,452	1,458,904	729,452	762,082	1,524,164	762,08
P.E.R.D:						
Operating Cost	0	8,000	8,000	0	0	(
Funding						
Expendable Trust	0	8,000	8,000	0	0	(
General Fund Impact			(313,664)			(327,69

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES

The proposed legislation applies to all local governments and non-teaching, school district employees. Cost per retired employee would likely be similar to those projected for state government. The average salary of retirees from local governments are 83% of the average salary for state government retirees. The estimated cost for retirement of 380 local government employees would be $605,445 in FY 92 and $632,528 in FY 93.

EXHIBIT 22
DATE 3-12-91
HB 936

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Appropriations COMMITTEE BILL NO. ____________

DATE 3/12/91 SPONSOR(S) ____________

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
P.O. Box 755 Choteau MT Vincent T Manley	Choteau Activities	533		X
Karen Haynes	Choteau Activities	533		X
Bill Steele	Retired Police Off	274 830		X
Tim Shanks	Mt Police Protective Assn	595		X
Tim Shanks	MT Police Protective Assn	830		X
Mel McCarver	" " " "	595		X
Pete Hartman	Helena Police	595		X
Tom Schneider	MPEA	595 530 936 727		X
Mark Cole	Mt Police Retired	830		X
Wally Casarotto	" " Assoc.	595		X
Jerry Williams	" " "	595		X
Don Davis	" " "	595		X
Chuck Stearns	City of Missoula	727	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Appropriations COMMITTEE BILL NO. ____________

DATE 3/12/91 SPONSOR(S) ____________

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Bryan McCullough	SER	HB727		✓
Henry W Gehl Lewistown MT	[illegible]	HB328		
John Jimhanger	STAB	HB609		✓
James Sveinson	SELF	HB930		✓
James Sveinson	SELF	HB727		✓
Cris Volinkaty	DD Lobbyist	HB933		✓
Sylvia Danforth	DD Provider	HB933		✓
Robbie G. Ford	AFSCME	HB595		✓
Larry Huber	MT. Police Protective Ass	595		X
Tim Barkell	Anaconda Police	595		✓
Edward J Flies	Mont State Council of Proffesional Fire Fighters	760		✓
Terry Minow	MFSE	727		✓
Chuck Stearns	City of Missoula	936	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Appropriations COMMITTEE BILL NO. ____________

DATE 3/12/91 SPONSOR(S) ____________

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
[illegible]	[illegible]	595		✓
Bill Yaeger	Assn of MT Highway Patrolmen	HB77		X
Tim Bergstrom	MT. St. Firemens Assoc	HB760		X

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.