

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION**

Call to Order: By Chairperson Eleanor Vaughn, on February 12, 1991, at 10 A.M. in room 331.

ROLL CALL

Members Present:

Eleanor Vaughn, Chairman (D)
Bob Pipinich, Vice Chairman (D)
John Jr. Anderson (R)
Chet Blaylock (D)
James Burnett (R)
Bill Farrell (R)
Harry Fritz (D)
Bob Hockett (D)
Jack Rea (D)

Members Excused: Senator Bernie Swift

Staff Present: David Niss (Legislative Council).

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

Announcements/Discussion: None

HEARING ON HOUSE BILL 373

Presentation and Opening Statement by Sponsor:

Representative Mark O'Keefe, House District 45, Helena and Unionville, said that House Bill 373 was requested by the Public Employees' Retirement Board. It standardizes the refund process for terminating members of all the different retirement systems. Some of the systems give interest and others do not and the Board feels they should all get interest on their money if they leave the system.

Proponents' Testimony:

Linda King, Assistant Administrator of the Public Employees' Retirement Division supports House Bill 373 because it will result in equitable treatment of all members of the 7 contributory retirement systems administered by the Board. She gave written testimony. (Exhibit 1)

Opponents' Testimony:

None

Questions From Committee Members:

Senator Hockett asked if the interest was on both the state's contribution and the employee's contribution? Linda King answered that the interest would just be on the employee's contribution. The state's contribution goes into a pool.

Senator Rea asked about page 4, line 1 is it optional or shall? Linda King said the reason they left that language in this bill because there is another bill in legislature this year that allows members to vest and leave their funds on deposit. Codification problems arise if there are 2 or 3 pieces of legislation passed that overlap.

Rea asked how this bill addressed all the different systems and the different rules. Linda King said each section of the bill addresses a different retirement group.

David Niss asked about the term "account" on page 4, lines 4 and 5. Linda King explained that the only account that a member has is his contributions and interest. Employer contributions are never ever credited to that account. They are a pooled resource for payment of all benefits in the system. A member when he retires receives a benefit based on his years of service and his final average salary. It is not restricted to his payment and employer payment of contributions and interest.

Senator Vaughn asked if this makes all the retirement systems in agreement. Linda King responded they will all receive interest on their deposits.

Closing by Sponsor:

Representative O'Keefe said it is important to remember that federal laws mandates some of these changes. He asked Senator Blaylock to carry House Bill 373 to the Senate floor.

EXECUTIVE ACTION ON HOUSE BILL 373**Motion:**

Senator Pipinich moved that we DO CONCUR IN HOUSE BILL 373.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

The VOTE was UNANIMOUS in favor of House bill 373. Senator Blaylock will carry it.

SPECIAL EXECUTIVE ACTION

Senate Resolution 3 has been before the Senate as a whole for a period of 3 days for their perusal. During that time there has been not been one who objected to the Appointments as outlined in the Resolution.

Senator Farrell moved that we DO PASS SENATE RESOLUTION 3. The VOTE was UNANIMOUS in favor of SR 3. Motion carried.

EXECUTIVE ACTION ON HOUSE BILL 231**Discussion:**

Attorney Niss had written the amendments suggested by the committee during the hearing on House Bill 231 and he gave each a copy and explained each amendment. (Exhibit 2)

Senator Hockett asked if we are expanding the list? Senator Vaughn said we are giving the legislators a choice of asking for copies. There are certain reports that must be made, and they will continue to be made to them. The others could be requested by reading the list and asking.

Senator Farrell said we all get all these reports and they want to know how many of us want them, read them and save them. The reports will still be made to the legislative council. This may save printing, mailing, etc.

Amendments, Discussion, and Votes:

Senator Pipinich moved that we accept the AMENDMENTS to House Bill 231 outlined in Exhibit 2. The VOTE was UNANIMOUS in favor of those amendments.

Then Senator Fritz asked about some quotation marks in the amendments and they will be corrected.

Attorney Niss handed out another set of amendments that covers this same problem with new legislation of this session of the legislature. He called this a clearing house process and this amendment will cover the new legislation. (Exhibit 3)

Senator Pipinich moved that we accept the AMENDMENTS to House Bill 231 as outlined in Exhibit 3.

Senator Blaylock said most of the reports are presently in the pipeline. David Niss responded that new legislation will require reports. Senator Farrell thinks they will go on the clearing list for a person to choose.

The VOTE was UNANIMOUS in favor of the amendments in Exhibit 3.

Senator Pipinich moved that we DO CONCUR IN HOUSE BILL 231 AS AMENDED. The VOTE was UNANIMOUS in favor of the bill as amended. Senator Fritz will carry HB 231 to the Senate floor.

DISCUSSION ON SENATE BILL 264

Senator Hockett asked about the fiscal note on Senate Bill 264. Each has a copy before them.

Senator Pipinich wants more time because he is presently against the bill. Senator Fritz said it effects 500 people in the ORS at the University System and 15,000 people in the TRS. It is going to have a big effect on the unfunded liability in the retirement. The TRS would not be getting at this time \$700,000. All the other teachers don't like the special treatment of those few teachers.

Senator Hockett has a problem with the fairness issue because we are singling out a group and allowing them to opt out. If everyone has that option, including the K-12 people, it would bankrupt the system. This is a politician's dream because you give them benefits and delay the impact on that for many years. The unfunded liability will stretch out much longer than any other we have in the state. Recruitment will be easier, but it will make them more mobile. When I found a good faculty, I wanted to keep him. Over 90% of the new hires will probably go into this and accelerate the problem. He's opposed to the bill.

Senator Anderson asked what will the unfunded liability do to the K-12 people? Extend the unfunded liability 6 more years. The ORS is part of the law. This bill can be turned down or accepted and it won't end that option.

Senator Farrell helped this bill when it went through. The Universities were having trouble recruiting teachers and he carried it on the floor and it was a difficult bill to put through. Mr. Krause's final statement when they closed the hearing was that about 80% of new hires would go with the new system and about 240 people might change over to the new system. Today there is 523 people in the system and 90% of the new hires taking it. The University System knew there would be a problem with the unfunded liability and they would take care of it themselves is what they said. Senator Farrell has worked to make the retirement systems uniform and bring the unfunded liabilities down. He's a strong supporter of the University System and supported this program and they made commitments when they asked for this legislation and they have an obligation.

Senator Fritz said that one legislature can't bind another. This doesn't destroy the bed rock of the TRS. There are other solutions that we might consider. They are passing general fund money through the university budget to the teachers' retirement system. He suggested a lump sum payment.

We'll delay this until tomorrow. Senator Pipinich asked why the University want's out all of a sudden. Senator Fritz said it is a good program.

EXECUTIVE ACTION TO DRAFT COMMITTEE BILL

Dennis Casey asked this committee to sponsor a bill so that local governments could buy state lands. (Exhibit 4)

Chairperson Vaughn said several counties are wanting to buy state lands for refuse sites. Presently, local governments cannot purchase state lands. This committee bill will allow that.

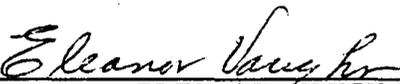
Senator Rea said his area has a school section that isn't good land and Three Forks wants to buy it. This school section is adjacent to a existing landfill and there is a landowner in Harlowtown that has some productive land and he wants to trade the state. A hugh corporation out of Chicago wants to get this school section and trade for the land in Harlowtown. Three Forks doesn't need another landfill. They want to make a regional landfill. If they gain access it will be a problem because it is on the headwaters of the Missouri River, and up a State Park road where they would be hauling garbage from southwest Montana.

Recommendation and Vote:

Senator Rea MOVED that we draft a committee bill to allow local governments to purchase state lands. The VOTE was UNANIMOUS in favor of this motion. Attorney Niss will write the bill for the committee. (Exhibit 4).

ADJOURNMENT

Adjournment At: 11:10 A.M.


ELEANOR VAUGHN, Chairman


DOLORES HARRIS, Secretary

EV/dh

ROLL CALL

STATE ADMINISTRATION COMMITTEE

DATE 2-12-91

52 LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR ELEANOR VAUGHN	X		
SENATOR BOB PIPINICH	X		
SENATOR JOHN ANDERSON	X		
SENATOR CHET BLAYLOCK	X		
SENATOR JAMES BURNETT	X		
SENATOR "BILL" FARRELL	X		
SENATOR HARRY FRITZ	X		
SENATOR BOB HOCKETT	X		
SENATOR JACK "DOC" REA	X		
SENATOR BERNIE SWIFT			<i>excused</i>

Each day attach to minutes.

TESTIMONY

HB 373

PUBLIC EMPLOYEES' RETIREMENT BOARD

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

On behalf of the Public Employees' Retirement Board, I am here today to request your favorable consideration of a piece of legislation which will result in the equitable treatment of all members of 7 contributory retirement systems administered by the Board.

As the bill's sponsor has told you, most retirement systems members have the option of either retaining or ending their retirement system membership when terminating employment with a covered employer. And, when they do opt to withdraw their contributions, they receive both their contributions and the accumulated interest on their account. However, there are in the statutes some exceptions to the "rule."

In some cases members are absolutely required to terminate their membership in the retirement system and withdraw their tax deferred contributions. At the same time, the federal government has established penalties for withdrawing tax-deferred contributions (and interest) from retirement systems prior to eligibility for retirement. In these cases, state statutes are at odds with federal laws enacted to make people save for retirement.

In some even worse cases, members do not even receive the interest on their account when they are forced to take their refund. In some of these instances, the interest is withheld if the person is terminated "for cause" while in other cases they lose their interest simply because they have not been members for at least 10 years. In other retirement systems, members working any amount of time have the option of taking a refund any time after termination from covered employment and receive the interest on their refunds no matter what the reason for their termination.

While the statutes require the Board to provide equitable benefits to retirement system members, there is currently no equity involved in terminating from the various retirement systems. It is only a matter of time before some person who believes they have been injured by these laws takes their challenge to the courts and we may not have a very strong defense.

On behalf of the Public Employees' Retirement Board, I urge your favorable consideration of this bill to rectify the inequities in current law.

Amendments to House Bill No. 231
Third Reading Copy

Requested by Sen. Fritz
For the Committee on State Administration

Prepared by David S. Niss
February 10, 1991

1. Page 2, line 16.

Following: "report,"

Insert: "including the number of legislators requesting copies of
the report pursuant to subsection (7),"

2. Page 3.

Following: line 11

Insert: "(7) The executive director shall, as soon as possible
following a general election, mail to each holdover senator,
senator-elect and representative-elect a list of the titles
of the reports, along with the abstracts prepared pursuant
to subsection (2)(b), available from the legislative
council. The list must include a form on which each member
or member-elect receiving the list may indicate the report
of reports that the member or member-elect would like to
receive."

(8) The executive director or the legislative council
shall make copies of reports requested pursuant to
subsection (7) available to those members or members-elect
by either requiring that copies be mailed pursuant to
subsection (3) or by delivering copies of the reports
during the first week of the legislative session.

Renumber: subsequent subsections

Amendments to House Bill No. 231
Third Reading Copy

Requested by Sen. Blaylock
For the Committee on State Administration

Prepared by David S. Niss
February 10, 1991

SENATE STATE ADMIN.
EXHIBIT NO. 3
DATE 2-12-91
BILL NO. HB231

1. Title, line 17.

Following: "MCA"

Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 1, line 22.

Following: "means"

Insert: ":"

(a)"

3. Page 1, line 23.

Following: "(8)"

Insert: "; and

(b) unless otherwise provided by law, any other report
required by law to be given to or filed with the legislature"

4. Page 73.

Following: LINE 11

Insert: "NEW SECTION. Section 1. {standard} Effective date. [

This act] is effective upon passage and approval..

EXHIBIT NO. 4

SENATE STATE ADMIN.

DATE 2-12-91

POST NO. B

BILL NO. Committee bill

2-12-91

ALL NO. _____

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CLARIFY THE LAW REGARDING SALE OF STATE LANDS TO UNITS OF LOCAL GOVERNMENT; AMENDING SECTION 77-3-206, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 77-2-306, MCA, is amended to read:

77-2-306. Who may purchase. (1) State lands shall be sold only to citizens of the United States ~~or to~~ persons who have declared their intentions to become citizens ~~or to~~ corporations organized under the laws of this state, or cities, towns, counties, or other units of local government of this state. No person shall be qualified to purchase state land who has not reached the age of 18 years. As far as possible to determine, the lands shall be sold only to actual settlers or to persons who will improve the same and not to persons who are likely to hold such lands for speculative purposes intending to resell the same at a higher price without having added anything to their value.

(2) State lands may be sold to any sovereign state of the United States or to any board of trustees or public corporation or agency of such state created by such state as an agency or political subdivision thereof. Said lands may be purchased in the quantities set forth in 77-2-307 for use by such state, board of trustees, public corporation, agency, or political subdivision for educational or scientific purposes.

(3) State lands located wholly within the exterior boundaries of the tribal government's reservation as recognized by the federal government may be sold to a tribal government as defined in 18-11-102. No sale involving land in excess of the acreage limitations in 77-2-307 may be made under this section without first consulting with the board of county commissioners of the county or counties in which the lands to be sold are located.

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
February 12, 1991

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 231 (third reading copy -- blue), respectfully report that House Bill No. 231 be amended and as so amended be concurred in:

1. Title, line 17.

Following: "HCA"

Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 1, line 22.

Following: "means"

Insert: ":

(a)"

3. Page 1, line 23.

Following: "(8)"

Insert: "; and

(b) unless otherwise provided by law, any other report required by law to be given to or filed with the legislature"

4. Page 2, line 16.

Following: "report,"

Insert: "including the number of legislators requesting copies of the report pursuant to subsection (7),"

5. Page 3.

Following: line 11

Insert: "(7) The executive director shall, as soon as possible following a general election, mail to each holdover senator, senator-elect and representative-elect a list of the titles of the reports, along with the abstracts prepared pursuant to subsection (2)(b), available from the legislative council. The list must include a form on which each member or member-elect receiving the list may indicate the report or reports that the member or member-elect would like to receive."

(8) The executive director or the legislative council shall make copies of reports requested pursuant to subsection (7) available to those members or members-elect by either requiring that copies be mailed pursuant to subsection (3) or by delivering copies of the reports during the first week of the legislative session."

Renumber: subsequent subsections

6. Page 73.

Following: LINE 11

Insert: "NEW SECTION. Section 65. (standard) Effective date. [This act] is effective upon passage and approval.

Signed: *Eleanor Vaughn*
Eleanor Vaughn, Chairman

AV 2-12-91

Amd. Coord.

SP 2-12 8:10
Sec. of Senate

