

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By DICK SIMPKINS, CHAIRMAN, on February 17, 1993,
at 9:13 a.m.

ROLL CALL

Members Present:

Rep. Dick Simpkins, Chairman (R)
Rep. Wilbur Spring, Vice Chairman (R)
Rep. Ervin Davis, Vice Chairman (D)
Rep. Beverly Barnhart (D)
Rep. Pat Galvin (D)
Rep. Bob Gervais (D)
Rep. Harriet Hayne (R)
Rep. Gary Mason (R)
Rep. Brad Molnar (R)
Rep. Bill Rehbein (R)
Rep. Sheila Rice (D)
Rep. Sam Rose (R)
Rep. Dore Schwinden (D)
Rep. Carolyn Squires (D)
Rep. Jay Stovall (R)
Rep. Norm Wallin (R)

Members Excused: None.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Council
Dorothy Poulsen, Committee Secretary

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

Committee Business Summary:

Hearing: HB 615; HB 625
Executive Action: HB 586 (postponed); Committee Resolution

HEARING ON HB 615

Opening Statement by Sponsor:

REP. DAVID EWER, House District 45, Helena, introduced HB 615
which mandates severance pay, not to exceed 10 weeks, to a state
employee who becomes unemployed because of a reduction in force

occurring during the 1993-1995 biennium and requires the elimination of departmental contract employment prior to a reduction in force. He explained an employee would receive one week of severance pay for each year of service. He stated the issue was one of fairness. He asserted the state benefits from reductions in force; and state employees, like private sector employees, should receive some compensation when their positions are terminated. He maintained state employees work hard and have had few pay increases.

Proponents' Testimony:

Tom Schneider, Montana Public Employees' Association, described three parts of HB 615: (1) severance pay; (2) contract employment; and (3) sunset provision. He stated severance pay was important to employees being laid off. He suggested the impact of losing a job because of poor performance was very different from job termination after good performance. **Mr. Schneider** noted the bill would provide benefits based on years of service, and supported the concept of providing greater benefits to long-term employees. **Mr. Schneider** reported the state has over 6,000 individual contracts for services; he contended state employees should not be laid off when contract employees are receiving three to five times the hourly salary paid regular employees. Finally, he stated the sunset provision was important because it limited the bill to the period of time during which the state is actively reducing staff. He asked the committee to support HB 615.

Terry Minow, Montana Federation of Teachers, Montana Federation of State Employees, stated it was only fair to give severance pay to employees when they lose their jobs. She expressed appreciation for the recognition of years of service in the bill. She asserted administrators used contract employees in order to avoid legislative oversight. She urged support of HB 615 as a fair bill to aid state employees.

Opponents' Testimony:

Mark Cress, Acting Administrator, State Personnel Division, Department of Administration, reported the state has no severance pay for laid-off employees but does provide some preference for re-employment. He said employees who return within a year maintain their benefits and status. He said the department did not oppose the concept of severance pay but did have concerns about HB 615. He stated the prohibition against contract employment was too broad, and asserted it was appropriate and cost effective in some circumstances. He said contract employment was necessary in order for the state to have specialized expertise for state programs, for example, actuarial services for retirement systems. **Mr. Cress** also asserted the bill was expensive and could require more layoffs.

Informational Testimony: None.

Questions From Committee Members and Responses:

REP. ROSE asked REP. EWER how the productivity of state employees compared to the productivity of privately contracted employees.

REP. EWER responded he knew of no studies which compared the two.

REP. MOLNAR asked REP. EWER why he considered it more fair to eliminate private contractors than public employees. REP. EWER responded he represented a high percentage of state employees and considered it important to protect their jobs.

REP. SPRING asked REP. EWER whether he had requested a fiscal note for the bill. REP. EWER responded he assumed a fiscal note would be required; he noted predicting the cost would be difficult because the bill has no impact if no employees are laid off.

REP. WALLIN asked REP. EWER whether retirees would also receive severance pay. REP. EWER responded retirement was different from layoffs because retirement was a voluntary action by the employee. He said retirees would not receive severance pay under the bill.

REP. SCHWINDEN said he shared REP. EWER'S pride and confidence in state employees and asked him what percentage of projected budget cuts affected state employees compared to people affected by program cuts. REP. EWER responded he did not know. REP. SCHWINDEN suggested the largest impact of budget cuts would be on the people of Montana and asked how the impact of cuts could be mitigated. REP. EWER stated the impact could be mitigated only by not making budget cuts and raising taxes instead. REP. SCHWINDEN stated he had asked the question because of his confidence in REP. EWER as a wide-ranging and far-thinking person who might have an answer.

Closing by Sponsor:

REP. EWER stated he represented a large number of state employees and felt compelled to present the bill in fairness to them. He contended state employees were not well paid and did not receive generous benefits. He said the state would benefit from the layoffs and encouraged the committee to give something to terminated employees.

HEARING ON HB 625Opening Statement by Sponsor:

REP. DIANA WYATT, House District 37, Great Falls, introduced HB 625 which allows active members of the public employees' retirement system (PERS) to receive creditable service for certain military service at no cost to the member. She explained the bill would allow four years of military service during the

Korean and Viet Nam conflicts to be qualified as creditable service. She said the bill would provide the same benefit to members of PERS as is already afforded members of the teachers' retirement system (TRS). She said to fund the benefits, employer contribution rates must be raised from 6.70 percent to 6.83 percent as of July 1, 1993.

Proponents' Testimony:

Dick Baumberger, Disabled American Veterans of Montana, supported the bill in order that members of PERS would receive the same benefits as members of TRS. He urged the committee to give good consideration to the bill.

Hal Manson, American Legion, stated strong support of HB 625 because it provided fairness in retirement to state employees.

Opponents' Testimony: None.

Informational Testimony: None.

Questions From Committee Members and Responses:

REP. SIMPKINS asked REP. WYATT why the bill applied only to Korean and Viet Nam veterans and not veterans of World War II. She replied World War II veterans were already covered. REP. SIMPKINS asked REP. WYATT why the bill was not effective until July 1, 1994. She responded that mitigating the fiscal impact of the bill was one consideration; however, she said the actual intent was to provide time to determine the number of people who would qualify under the bill in order that the cost could be calculated.

REP. REHBEIN asked REP. WYATT the reason for not including the Desert Storm and Desert Shield veterans in HB 625. REP. WYATT said she considered the Viet Nam veterans unfairly treated as compared to other veterans.

REP. SIMPKINS asked Linda King, Assistant Administrator, Public Employees' Retirement Division, Department of Administration, whether the 6.83 percent employer contribution would fund the benefit. Ms. King responded the increased contribution rate would pay the present cost to amortize the unfunded liability over 30 years. She said because the number of employees who would qualify is not known, the retirement board may seek an adjustment to the rate at a later time.

REP. MASON asked Ms. King whether the amortization period would be changed by the bill. Ms. King responded the bill would not increase the funding period for the system unless the number of affected employees has been greatly underestimated.

REP. SIMPKINS asked Ms. King whether a fiscal note was being prepared. Ms. King said the division had submitted their

information for the fiscal note; she said they calculated the cost would be \$720,424 in FY 94 and \$738,436 in FY 95. She said the general fund impact was predicted to be \$115,300 in FY 94 and \$118,100 in FY 95.

Closing by Sponsor:

REP. WYATT stated she proposed the legislation to honor the memory of friends who had died in Viet Nam. She asked the committee to please support HB 625.

EXECUTIVE ACTION ON COMMITTEE RESOLUTION

Motion: REP. GERVAIS moved to request a committee resolution asking the U.S. Park Service and Glacier Park Inc. to hire local residents.

Discussion:

REP. REHBEIN asked REP. GERVAIS whether the resolution should include Yellowstone National Park. REP. GERVAIS said he was expecting Big Horn County to request inclusion in the resolution.

REP. MOLNAR asked REP. GERVAIS whether he had proof that Glacier Park Inc. prohibited employees from spending money outside its concessions. REP. GERVAIS said Glacier Park Inc. declared other businesses off-limits to their employees and terminated employees who violated the prohibition.

REP. GALVIN stated he had read that Glacier Park Inc. paid less than two percent of profits to run the concessions in Glacier National Park.

Vote: REQUEST FOR COMMITTEE RESOLUTION. Motion carried unanimously.

EXECUTIVE ACTION ON HB 586

Discussion:

Ms. Heffelfinger reviewed HB 586 which provides that employees under PERS or TRS who participated in Operation Desert Storm or Desert Shield would have their military service qualified as creditable service with the employer paying the total cost. She said under current law the employee can qualify their military service but must pay their own contribution rate.

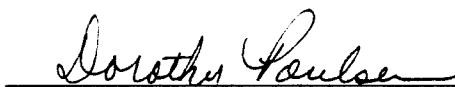
REP. RICE referred to the fiscal note which showed that 34 employees had already paid their contributions. Thus, these employees would receive a refund under HB 586, and their employers would have to pay the employees' contributions.

REP. BARNHART asked whether these employees continued to receive their salaries while serving in Operation Desert Storm or Desert Shield. Committee members were unsure of the answer so action was postponed.

ADJOURNMENT

Adjournment: 10:16 a.m.


DICK SIMPKINS, Chair


DOROTHY POULSEN, Secretary

DS/DP

HOUSE OF REPRESENTATIVES
STATE ADMINISTRATION

COMMITTEE

ROLL CALL

DATE 2/17/93

NAME	PRESENT	ABSENT	EXCUSED
REP. DICK SIMPKINS, CHAIR	✓		
REP. WILBUR SPRING, VICE CHAIR	✓		
REP. ERVIN DAVIS, VICE CHAIR	✓		
REP. BEVERLY BARNHART	✓		
REP. PAT GALVIN	✓		
REP. BOB GERVAIS	✓		
REP. HARRIET HAYNE	✓		
REP. GARY MASON	✓		
REP. BRAD MOLNAR	✓		
REP. BILL REHBEIN	✓		
REP. SHEILA RICE	✓		
REP. SAM ROSE	✓		
REP. DORE SCHWINDEN	✓		
REP. CAROLYN SQUIRES	✓		
REP. JAY STOVALL	✓		
REP. NORM WALLIN	✓		

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

State Administration

COMMITTEE

BILL NO.

HB 625

DATE

2/17/93

SPONSOR(S)

Rep. Wyatt

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
<u>Tom Schneider</u>	<u>THPBA</u>	<u>✓</u>	
<u>Dick Bamberger</u>	<u>DAV</u>	<u>✓</u>	
<u>HAL MANSON</u>	<u>AMERICAN LEGION</u>	<u>✓</u>	

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HOUSE OF REPRESENTATIVES
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State Administration

COMMITTEE

BILL NO.

HB 615

DATE 2/17/93

SPONSOR (S)

Rep. EWER

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