

## **MINUTES**

### **MONTANA SENATE 54th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON FINANCE & CLAIMS**

**Call to Order:** By **SENATOR GARY AKLESTAD, Chairman**, on Wednesday,  
March 22, 1995, at 8:00 a.m., Room 108.

#### **ROLL CALL**

##### **Members Present:**

Sen. Gary C. Aklestad, Chairman (R)  
Sen. Thomas F. Keating, Vice Chairman (R)  
Sen. Thomas A. "Tom" Beck (R)  
Sen. James H. "Jim" Burnett (R)  
Sen. Loren Jenkins (R)  
Sen. Ethel M. Harding (R)  
Sen. Arnie A. Mohl (R)  
Sen. Charles "Chuck" Swysgood (R)  
Sen. Daryl Toews (R)  
Sen. Larry J. Tveit (R)  
Sen. B.F. "Chris" Christiaens (D)  
Sen. Eve Franklin (D)  
Sen. Judy H. Jacobson (D)  
Sen. Greg Jergeson (D)  
Sen. John "J.D." Lynch (D)  
Sen. Mignon Waterman (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Clayton Schenck, Legislative Fiscal Analyst  
Lynn Staley, Committee Secretary

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

##### **Committee Business Summary:**

Hearing: HB 17, HB 19, HB 279  
Executive Action: HB 9

#### **HEARING ON HOUSE BILL 17**

##### **Opening Statement by Sponsor:**

**REPRESENTATIVE WILLIAM WISEMAN**, House District 41, Great Falls, sponsor, indicated that HB 17 is a result of consolidating three pay bills for purposes of considering them at one time. He noted that according to a magazine article, the Governor of Montana is

the lowest paid Governor in the United States. Montana also had the record of paying the least amount for the top 50 elected officials.

**REPRESENTATIVE WISEMAN** described the various sections of HB 17 and presented to the committee a document relative to the bill. **EXHIBIT 1.**

**Proponents' Testimony:**

**SENATOR BRUCE CRIPPEN, Senate District 10, Billings,** sponsor of SB 266 which is now combined with HB 17 indicated his support for the pay bills being combined for better continuity for state employees. He said that the legislature over the years tried to find a way to have a fair formula for the judicial branch so they wouldn't have to constantly come back with pay bills, but still have it in a manner that the legislature can adjust it if necessary. Even with the increases, he said that Montana would still be at the lower end of the comparative scale.

**Chief Justice Jean Turnage, Montana Supreme Court,** testified in support of HB 17, particularly as it pertains to judicial salaries. He remarked that the bill is a fair and equitable method of approaching judicial salaries. He concluded that unlike other public employees, Montana judges are prohibited by the Constitution from having outside earned income, as well as a requirement that they be 65 years of age before drawing retirement.

**Lois Menzies, Director, Department of Administration,** speaking on behalf of Governor Racicot, presented testimony in support of HB 17. **EXHIBIT 2**

**Mark Cress, Administrator, State Personnel Division,** presented written testimony in support of HB 17. **EXHIBIT 3**

**Terry Minow, representing the Montana Federation of Teachers and the Montana Federation of State Employees,** urged the committee's support of HB 17.

**Judge Tom McKittrick, Eighth Judicial District, Great Falls,** testified in support of House Bill 17 as it was amended from SB 266 dealing with judges' salaries.

**Steve Johnson, Chief of the Labor and Employee Relations Bureau, Department of Administration,** presented written testimony in support of HB 17. **EXHIBIT 4**

**Beth Baker, representing the Attorney General,** testifying in support of HB 17, said they are losing trained highway patrol officers to county and city police departments because they can make more money, and she added that the State's computer program is proving to be a training ground for the private sector as there is approximately a 55 percent turnover. She concluded that

with the proposed pay increase, the pay scale will be closer to market and she urged support of HB 17.

**Jerome Anderson, representing 2500 members of the Montana Bar Association,** strongly urged support of HB 17.

**Jim Tutwiler, Montana Chamber of Commerce,** testified in support of HB 17.

**Melissa Case, representing Hotel and Restaurant Employees Union,** urged support of HB 17.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

**SENATOR JACOBSON** noted her concern that we are paying for the formula this biennium with vacancy savings, etc. Because vacancy savings cannot continue forever, she asked **REPRESENTATIVE WISEMAN** if he had anticipated what it would cost in the next biennium and how it would be funded.

**REPRESENTATIVE WISEMAN** said while not anticipating the future, he would hope there would be cuts in government and FTE reduction in the future in order to pay the remaining FTE's.

**SENATOR JACOBSON** voiced concern that the costs this biennium are \$35 million, and that will increase in the next biennium. She questioned that the tax base would keep up with that, particularly when the tax base is being cut in this biennium.

**REPRESENTATIVE WISEMAN** said there are about 12,000 people that work for the Governor, and he thought that could be cut by at least 1,000 people, saving approximately \$40 million which could help pay for the future.

**SENATOR JACOBSON** asked **Dave Lewis** how it would be paid for in the next biennium.

**Dave Lewis** said they cut 300 positions from the budget that the Governor presented to the legislature. Currently the legislature has cut in excess of 200 more than that, so they will be down about 500 positions from the level they were when the budget was started which is an ongoing savings. Those positions being gone will pay for the pay raise in the next biennium.

**SENATOR KEATING** asked **Lois Menzies** with regard to payroll taxes and expenses if the \$35 million is just the gross wage for the personnel. **Ms. Menzies** said that was the amount to cover the increase.

In questioning from **SENATOR KEATING** if it covered Workers' Compensation premiums, **Ms. Menzies** said it did.

In response to a question from **SENATOR KEATING** whether Workers' Compensation is bought from the State Fund, **Ms. Menzies** said it was.

When asked by **SENATOR KEATING** what the total premium was, **Ms. Menzies** said she would make that information available for **SENATOR KEATING**. She said they have reviewed this during the interim to see if they could purchase it in a more cost effective manner and added that they are working with Workers' Compensation relative to this.

**SENATOR LYNCH** made a comment that someone is always worrying that they are the last on a list relative to wages and he voiced concern with where we were going to stop.

**SENATOR BECK** stated his desire to get the pay raise to market value.

When questioned by **SENATOR MOHL** how private industry compares with the rest of the nation, **Mark Cress** said when comparing per capita income of Montana to other states, Montana ranks in the 40-44th range. Montana is similar in overall per capita income to our four contiguous neighbors. The 1991 survey included the 11th ranked state of Washington, but in HB 17 Washington was excluded.

**SENATOR AKLESTAD** questioned if true value of benefits comparing the private sector to the public sector was taken into account when it was analyzed.

**Mr. Cress** said those numbers are basically wages only, but they do look at the benefits for the same employers and compare those benefit packages to state benefit packages. It is difficult to look at total compensation because benefits differ so much. He said in looking at employers with over 100 employees in Montana, the state benefit packages are fairly comparable.

Closing by Sponsor:

In closing, **REPRESENTATIVE WISEMAN** said this is the Governor's top priority. He said Montana government is the largest industry in the state and in order to get a first rate administration, it cannot be done with a last rate salary.

HEARING ON HOUSE BILL 19

Opening Statement by Sponsor:

**REPRESENTATIVE ERNEST BERGSAGEL**, House District 95, Malta, sponsor, said HB 19 will reallocate monies from the Highway Department into the Long Range Planning committee to pay for the

building program proposed by the Governor, as well as to put money into long term maintenance for the state of Montana.

**Proponents' Testimony:**

None.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

In questioning from **SENATOR SWYSGOOD** whether the money being transferred from the Highway account was a permanent transfer that was ongoing and whether the amount was \$10 million over the biennium, **REPRESENTATIVE BERGSAGEL** said that was correct.

**SENATOR SWYSGOOD** questioned what the Highway Department used the money for.

**Mr. Lewis** said when it was set up in 1983, the intention was to have a ten year program of accelerated construction of state roads. Twelve percent of the coal tax was dedicated to the Highway Department for that period of time. As of last June 30, with the change in the fuel tax program, there is a fund balance in the Highway Department from \$60 to \$70 million that is projected to go into construction over the next few years. At the end of the original 10 year period, the Governor thought it was appropriate to look at the next highest priority program, which was deferred maintenance. That is the reason for the recommendation to divert the 12 percent for the next period of time.

When asked by **SENATOR SWYSGOOD** what was done with the money from 1993 to the present time, **Mr. Lewis** said it continued to be put into the RTF program.

**SENATOR SWYSGOOD** questioned if taking \$10 million away from the Highway Department could create the possibility of a gas tax increase in the future in order that the department could keep the construction program going on a timely basis.

**Mr. Lewis** said after they proposed taking the coal tax to use on buildings, a projection was made. Based on revenue estimates and projected spending, they would have been good until 2006 without looking at a coal tax. The House has decided they would like to take seven and a half million a year out of the gas tax amount and give it to counties. That and the \$5 million a year proposed for buildings would have an adverse impact on that fund and would move the date of the next potential gas tax increase up.

**SENATOR SWYSGOOD** questioned **Mr. Lewis** if he was indicating that without HB 294 giving \$15 million to the counties, their

projections say that revenues flowing into the Highway accounts were enough that there would not have been the potential for a gas tax increase until the year 2006. **Mr. Lewis** said that was correct.

When questioned by **SENATOR MOHL** whether the Justice Department would be funded from the general fund rather than Highway funds, **Mr. Lewis** said that was correct. In this budget they proposed to fund the motor vehicle registration from the general fund instead of the Highway fund, which was approximately \$2.8 million this biennium. The subcommittee chose to leave that on the Highway gas tax which is a difference from the original projection.

**SENATOR MOHL** asked if there was \$14.9 million in 1995, \$14.7-\$14.9 in 1996, \$15.1-\$15.2 through 1998 of the Justice Department that was supposed to be coming out that is now taken out of the highway fund.

**Mr. Lewis** said that was the Highway Patrol budget. They have proposed in their budget to do motor vehicles in this biennium and switch the Highway Patrol in the next biennium. The intention of the Governor was that it should be put on as a general fund expenditure.

**SENATOR MOHL** questioned if the approximately \$2 million was still being funded and if there were other bills stating that it would be funded through the general fund.

**Mr. Lewis** said that would be taken care of in HB 2; it currently is on the gas tax in HB 2.

**SENATOR MOHL** commented that there would most likely be a gas tax increase by 1999 in order to match the federal funding.

**Mr. Lewis** said the offset of that is that additional people were granted to the Highway Department to increase compliance with the dyed fuel program. They believe there is still more money in that program which would pick revenues up. Over the next two years, possible increased revenues will have to be looked at and what happens to the federal highway program, as well as what the situation will be in the next biennium to take the Highway Patrol off the budget before they can conclude what the projections would be.

**SENATOR WATERMAN** asked **REPRESENTATIVE BERGSAGEL** to explain the contingency fund transfer on page 5, and questioned why \$5 million is being transferred to the general fund rather than using it to pay off bonds or do maintenance.

**REPRESENTATIVE BERGSAGEL** said he would like to use the \$5.2 million for maintenance, but they are not geared up for it.

In questioning from **SENATOR WATERMAN** why it couldn't be transferred into the Long Range Building account to be used in

the next biennium, **REPRESENTATIVE BERGSAGEL** said if that was the committee's desire, the general fund would be \$5.2 million short.

**SENATOR WATERMAN** suggested it might lower the amount available to trigger the tax refund.

When asked by **SENATOR LYNCH** if HB 19 had to pass for all the pieces of the budget to come together, **REPRESENTATIVE BERGSAGEL** said that was correct. Without HB 19, other bills would have to be tabled as there would not be any money.

In questioning from **SENATOR KEATING** whether the money would be to pay bonds, **REPRESENTATIVE BERGSAGEL** said approximately \$2.9 million of the \$10 million is going to pay bonds, with the balance used for building maintenance.

**SENATOR KEATING** questioned if there was any money for renovating the capitol.

**REPRESENTATIVE BERGSAGEL** said there is \$12.4 million of bonded monies for capitol restoration, but without HB 19, that would not happen.

**SENATOR JENKINS** questioned if they put \$5.2 million into general fund that it would not be available in the Long Range program.

**REPRESENTATIVE BERGSAGEL** said the total allocation is \$10 million, or \$5 million each year. They will use approximately \$2.5 million of the \$10 million for bonding for maintenance for the state of Montana. The first \$5.2 million will stay in Long Range, and approximately \$1.5 will be used for actual maintenance. The last half of the biennium monies will be put into general fund.

**SENATOR JENKINS** questioned why it wasn't used in Long Range Building rather than being put in the general fund.

**REPRESENTATIVE BERGSAGEL** said he did not think Architecture and Engineering (A&E) had the staff to monitor that type of a program and do all the work associated with it. He would prefer waiting until next biennium when there would be approximately \$6 million for maintenance with the rest being dedicated to debt service.

When questioned by **SENATOR JENKINS** if part of it could be used for the debt service rather than putting it in general fund, **REPRESENTATIVE BERGSAGEL** said they are using part of the money for debt service. He hoped there would not be an increased debt service associated with this particular bonding program.

**SENATOR SWYSGOOD** voiced concern regarding why only \$5 million was taken from the Highway account.

**Mr. Lewis** said the way the bill was set up, they would take \$5.2 million a year and put it into the Long Range Building account

and use the money as needed to pay the new bonds that were issued. Assuming the building program is approved by this legislature, those bonds will be issued over the next biennium. In the first biennium they assumed there would be \$10 million transferred in, depending on when the bonds are issued, for debt service; any excess would flow to the general fund. HB 19 is part of the revenue that builds the fund balance.

**SENATOR SWYSGOOD** questioned if after all the bonds are let for the projects, the \$10 million would be needed ongoing to retire the debt for the life of the bonds.

**Mr. Lewis** said there has been discussion of shortening up the bonds to 15 years.

**SENATOR JENKINS** questioned asked what would happen to the severance tax if there was a drop in coal orders.

**Mr. Lewis** said there is a problem with the rail car tax bill, and he heard there may be some small coal spot contracts moved to Wyoming. However, the contracts he has heard about are not very large and wouldn't be a major impact as far as total production, but there is always risk as far as revenue estimates.

{Tape: 1; Side: 2; Approx. Counter: ; Comments: .}

**SENATOR JERGESON** commented that for several sessions maintenance and repair on buildings has been deferred in order to balance the budget and avoid tax increases. Now the legislature has to try to recover some of what they have failed to do for several sessions and come up with the money this session. Early in the session a potential source of funding, the one time budget surplus, got away. He concluded that as a result of the change in the incidence of the diesel tax and having the fourth highest gas and diesel taxes in the country, we now recognize there is a surplus in the transportation department.

**REPRESENTATIVE BERGSAGEL** said essentially that was correct, adding that as long as we are not willing to put general fund into deferred maintenance there is no big difference; tax dollars are still tax dollars, wherever they come from. There is a \$300 million maintenance problem in the state and we are addressing it with \$4.2 million in cigarette tax money. That is all that has been dedicated towards the infrastructure. He hoped that the \$10 million taken out of the Highway Department would be put into long term maintenance. He indicated that he is asking to have the debt service shortened to reduce the interest in order to expand the amount put into maintenance.



**SENATOR JERGESON** commented that **REPRESENTATIVE BERGSAGEL** has been doing a good job, but there were a lot of other people that were not doing a good job.

**SENATOR WATERMAN** asked if there was a way to use the \$5 million to retire some of the bonds earlier or relieve A & E by hiring some private architects and engineers.

**REPRESENTATIVE BERGSAGEL** said if the committee chose to accept the building program, they would have to look at contracting or hiring additional staff. That would have to be done at the end of the legislative session, depending on the decisions made in the Senate.

When asked by **SENATOR WATERMAN** if the \$5 million could be used to retire some of the bonds or for maintenance, **REPRESENTATIVE BERGSAGEL** said it could be used for maintenance, but he did not know about using it to retire the bonds.

**Closing by Sponsor:**

**REPRESENTATIVE BERGSAGEL**, in closing, said HB 19 is an important piece of legislation. If the committee chooses to table the bill, the program would have to be cut. He concluded that this is the best chance for doing some significant maintenance in the state of Montana.

**HEARING ON HOUSE BILL 279**

**Opening Statement by Sponsor:**

**REPRESENTATIVE KARL OHS**, House District 33, Harrison, sponsor, said HB 279 creates additional bonding authority for the Renewable Resource Development private loan program. The purpose of the program is to provide financial assistance for private water development and rehabilitation projects. In 1983 there was \$5 million in bond authority in the program which increased to \$10 million in 1985. The House Appropriations Committee amended HB 279 so it would not have to be back every session.

**Proponents' Testimony:**

**Ray Beck**, Department of Natural Resources and Conservation (DNRC), testifying in support of HB 279, said they administer the Renewable Resource Development private loan program which provides assistance for private water development and rehabilitation projects. Any private entity can apply for the funds, but preference is given to projects that would be used for the private family farm. To date they have made 107 loans, 100 being for irrigation systems. Funding for the program is obtained by general obligation bonds issued by the state. The proceeds from these loans are then loaned to the borrower. The loan rate is based on the bond rate, and he added there is no

subsidy for the loans. They have had 13 loans for a total of \$1.1 million that have defaulted. To date all but one of these has been assumed, paid off or written off, and the loss that has affected this program has been approximately \$245,000. He said changes have been made since the 1980's, one being that the new loan officer has 15 years' experience. Another change is that the security requirements would require one and a half times the amount of the loan, and to date there have been no defaults on loans.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

When asked by **SENATOR KEATING** regarding the \$245,000 bad loan, **Mr. Beck** said currently the loan program receives a portion of the coal tax to support it, and he would assume the \$245,000 would come from the security that is backed by the coal tax. He explained that the debt service is backed by a part of the expendable side of the coal tax. Because of some administrative procedures, they have paid off some of the high interest loans that were obtained in the 1980's. Currently there is about \$1 million more in assets than in liabilities.

**SENATOR KEATING** asked if coal tax money would be put into that fund in order to cover the loss.

**Mr. Beck** said that happened with the loss they had, but currently there is enough money in assets that it will not be a problem. With the change in procedures, they hope to keep the defaults to a minimum.

When questioned by **SENATOR KEATING** where the \$1 million came from, **Mr. Beck** said it came through prepayment of bonds. They have additional revenues coming in from the borrowers and there is less debt service on the bonds. It was a combination of paying off the high priced bonds that were made in the 1980's.

When asked by **SENATOR KEATING** if they were making money on the program, **John Tubbs, Bureau Chief, Resource Development Bureau**, said it is actually assets exceeding liability. As the borrowers pay it off, they will exceed the costs of the program. Once the payments are covered, any excess is put in the renewable resource state special revenue account to provide approximately \$900,000 of revenue in the upcoming biennium. That will be put into the same account as the RIT revenues.

**SENATOR KEATING** voiced concern that the fiscal note shows no fiscal impact to the state, and he questioned how many FTE's were operating the program.

**Mr. Tubbs** said there is one loan officer who administers the program as well as the range land program, so it would figure .6 FTE for him and another tenth for administrative support for a total of 3/4 FTE.

In questioning from **SENATOR KEATING** as to how the FTE and the administrative services were paid for, **Mr. Tubbs** said that was part of the Conservation Resource Development Division appropriation.

**SENATOR SWYSGOOD** questioned the quarterly sweeping of the debt service and asked if the money is then put into a state special revenue account.

**Mr. Tubbs** said although he was not sure that it was quarterly, it is as soon as the payments exceed the debt service. It is part of the revenues in that account that fund a number of appropriations.

**SENATOR SWYSGOOD** questioned if the entities that were funded from that use this money.

**Mr. Tubbs** said currently it is \$919,000.

When asked by **SENATOR SWYSGOOD** if that was reflected in the current budget, **Mr. Tubbs** stated that it was.

Regarding coal tax money that gets into the bond program and is spent, **SENATOR KEATING** questioned if it is returned to the trust fund.

**Mr. Tubbs** said it is not the trust fund side of the tax; it is the spending side; 50 percent of the proceeds that are allocated for spendables. Approximately .92 percent is deposited into the debt service for a cushion. That represents approximately \$800,000 so all the coal tax does now is go through the debt service account and gets swept into the state special revenue. In addition, there is about \$119,000 of excess loan payments because of the debt return.

**Closing by Sponsor:**

**REPRESENTATIVE OHS** said he has watched the successful programs work in his community. He urged the committee's support of a good program.

**EXECUTIVE ACTION ON HOUSE BILL 9**

**Motion:** **SENATOR SWYSGOOD** offered an amendment to HB 9, page 7, line 5, which would amend the Beaverhead Development Corp. Road Agent's Trail to \$8,000.

**Discussion:** SENATOR SWYSGOOD explained it was the trail that ran from Bannack to Virginia City that Henry Plummer and his gang travelled and that they want to redefine the trail for tourists.

SENATOR HARDING asked Arlyn Fishbaugh to comment on the project.

ARLYN FISHBAUGH, Director of the Montana Arts Council, explained that the recommendation is from the Citizens Advisory Committee, not the Montana Arts Council. The recommendations from the Cultural and Aesthetics Projects Advisory Committee questioned if it was appropriate to develop the infrastructure as an entrepreneurial effort based on ghost towns. She said statements were made but not documented, and there were no letters from Bannack or Virginia City. There appears to be a conflict between Bannack and this group concerning management. While this application claims it is a planning effort, the committee understood that signs have already been developed for the trail. For those reasons, the committee recommended no funding for this project and suggested that the group coordinate with Bannack and Virginia City to perhaps pursue tourism funding for the effort. She noted that Ms. Blade and Ms. Swingley spoke specifically to the SNA recommendation. They questioned the "ghost town" in the first sentence. They stated that they did not realize letters from Bannack or Virginia City would be required or beneficial and cited that they did not have a lot of experience in writing grants. They stated there was no conflict between Bannack and Virginia City and noted that they are not part of the Bannack State Park. The Long Range Planning subcommittee voted to fund this grant at zero, but they wanted the Arts Council to tell the applicants that the Long Range Planning Subcommittee liked the project very much; they thought tourism dollars would be a more appropriate source of funding for the project.

SENATOR HARDING said the committee thought this was a good project, but they did not feel they were together on what they were doing.

SENATOR SWYSGOOD said he did not know of a conflict on the project and added that they have been trying to find a way to develop this trail for the last eight years. He said it is a connecting route between Bannack and Virginia City and he was not aware of Bannack expressing any dismay over the enhancement of the trail. It is separate from Bannack because Bannack is a state park and they don't get involved in this type of thing. He concluded that the Beaverhead Development Corporation would administer the funds and he felt sure it would be done properly and according to the guidelines of the grant.

SENATOR JENKINS commented that it appeared a professional grant writer would have a better chance of getting funds than an amateur grant writer.

**Ms. Fishbaugh** said the Citizens Advisory Committee is very aware of the volunteer nature of many of the organizations and takes that into account. They give more flexibility to rural applications written by volunteer organizations. While professional grant writers know the rules, the CNA committee has ultimate integrity in the way the applications are viewed.

In questioning from **SENATOR AKLESTAD** whether this was the project involving a dispute with landowners concerning right of way, etc., **SENATOR SWYSGOOD** said there is some private land but most of it is BLM and forest service. He did not see a problem with the private landowners as they have been supportive of the project.

**Vote:** **SENATOR SWYSGOOD'S** amendment motion to HB 9 **CARRIED** on a roll call vote.

**Motion:** **SENATOR LYNCH** moved to amend HB 9, page 4, line 7, which would raise the amount from \$3,000 to \$7,000 for the Copper Village Museum and Arts Center.

**SENATOR HARDING** asked **Ms. Fishbaugh** to explain the committee's action in cutting the request.

**Ms. Fishbaugh** said Copper Village requested \$23,000 for supportive internal organizational development work. The CNA committee was concerned that the organization was spending a lot of time in this area and the request for \$23,000 seemed high. The committee questioned if they were taking advantage of other leadership development training; however, noting the growth and value of this organization, the CNA committee recommended partial funding of \$7,800.

**SENATOR CHRISTIAENS** said the committee took into consideration the amount of time and what this grant would be used for, which would be adding staff positions and training of the board and executive director in fund raising skills. The committee felt they had that ability within the community, and that is the reason the amount was reduced.

**Vote:** **SENATOR LYNCH'S** amendment motion **CARRIED** on a roll call vote.


**Motion:** **SENATOR FRANKLIN** MOVED HOUSE BILL 9 AS AMENDED BE CONCURRED IN.


**CHAIRMAN AKLESTAD** indicated that the vote on HB 9 would be left open for today so all committee members could vote.

**Vote:** Motion **CARRIED** on a roll call vote. **SENATOR HARDING** will carry the bill.

ADJOURNMENT

Adjournment: 10:00 a.m.

  
\_\_\_\_\_  
GARY AKLESTAD, Chairman

  
\_\_\_\_\_  
LYNN STALEY, Secretary

GA/ljs

MONTANA SENATE  
1995 LEGISLATURE  
FINANCE AND CLAIMS COMMITTEE

ROLL CALL

DATE

3/22/95

NAME	PRESENT	ABSENT	EXCUSED
SWYSGOOD, CHUCK	✓		
BURNETT, JIM	✓		
MOHL, ARNIE	✓		
JERGESON, GREG	✓		
FRANKLIN, EVE	✓		
TVEIT, LARRY	✓		
JENKINS, LOREN	✓		
JACOBSON, JUDY	✓		
LYNCH, J.D.	✓		
HARDING, ETHEL	✓		
TOEWS, DARYL	✓		
CHRISTIAENS, B.F. "CHRIS"	✓		
WATERMAN, MIGNON	✓		
KEATING, TOM - VICE CHAIRMAN	✓		
BECK, TOM	✓		
AKLESTAD, GARY - CHAIRMAN	✓		

SEN:1995

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SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 22, 1995

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration HB 9 (third reading copy -- blue), respectfully report that HB 9 be amended as follows and as so amended be concurred in.

Signed: \_\_\_\_\_

  
Senator Gary Aklestad, Chair

That such amendments read:

1. Page 4, line 7.

Strike: "3,000"

Insert: "7,000"

2. Page 7, following line 5.

Insert: "Beaverhead Development Corp. Road Agent's Trail  
8,000"

-END-



Amd. Coord.

Sec. of Senate



Senator Carrying Bill

661323SC.SRF



MONTANA SENATE  
1995 LEGISLATURE  
FINANCE AND CLAIMS COMMITTEE  
ROLL CALL VOTE

DATE 3/22/95 BILL NO. HB 9 NUMBER \_\_\_\_\_

MOTION: Senator Swysgood Amendment  
motion, page 7, line 5 - road agents  
trail. Motion carried

NAME	AYE	NO
SWYSGOOD, CHUCK	✓	
BURNETT, JIM		✓
MOHL, ARNIE	✓	
JERGESON, GREG	✓	
FRANKLIN, EVE	✓	
TVEIT, LARRY		
JENKINS, LOREN	✓	
JACOBSON, JUDY	✓	
LYNCH, J.D.	✓	
HARDING, ETHEL		✓
TOEWS, DARYL		
CHRISTIAENS, B.F. "CHRIS"		
WATERMAN, MIGNON		✓
KEATING, TOM - VICE CHAIRMAN	✓	
BECK, TOM	✓	
AKLESTAD, GARY - CHAIRMAN		✓

MONTANA SENATE  
1995 LEGISLATURE  
FINANCE AND CLAIMS COMMITTEE  
ROLL CALL VOTE

DATE 3/22/95 BILL NO. HB 9 NUMBER \_\_\_\_\_

MOTION: Senator Lynch amendment  
motion, page 4, line 7 - Copper Village  
Museum - Arts Center. Motion carried

NAME	AYE	NO
SWYSGOOD, CHUCK	✓	
BURNETT, JIM		✓
MOHL, ARNIE	✓	
JERGESON, GREG	✓	
FRANKLIN, EVE	✓	
TVEIT, LARRY		
JENKINS, LOREN	✓	
JACOBSON, JUDY	✓	
LYNCH, J.D.	✓	
HARDING, ETHEL		✓
TOEWS, DARYL		
CHRISTIAENS, B.F. "CHRIS"		✓
WATERMAN, MIGNON		✓
KEATING, TOM - VICE CHAIRMAN		✓
BECK, TOM	✓	
AKLESTAD, GARY - CHAIRMAN		✓

MONTANA SENATE  
1995 LEGISLATURE  
FINANCE AND CLAIMS COMMITTEE  
ROLL CALL VOTE

DATE 3/22/95 BILL NO. HB 9 NUMBER \_\_\_\_\_

MOTION: Senator Franklin moved HB 9  
As Amended Be Concurred In.  
Motion carried

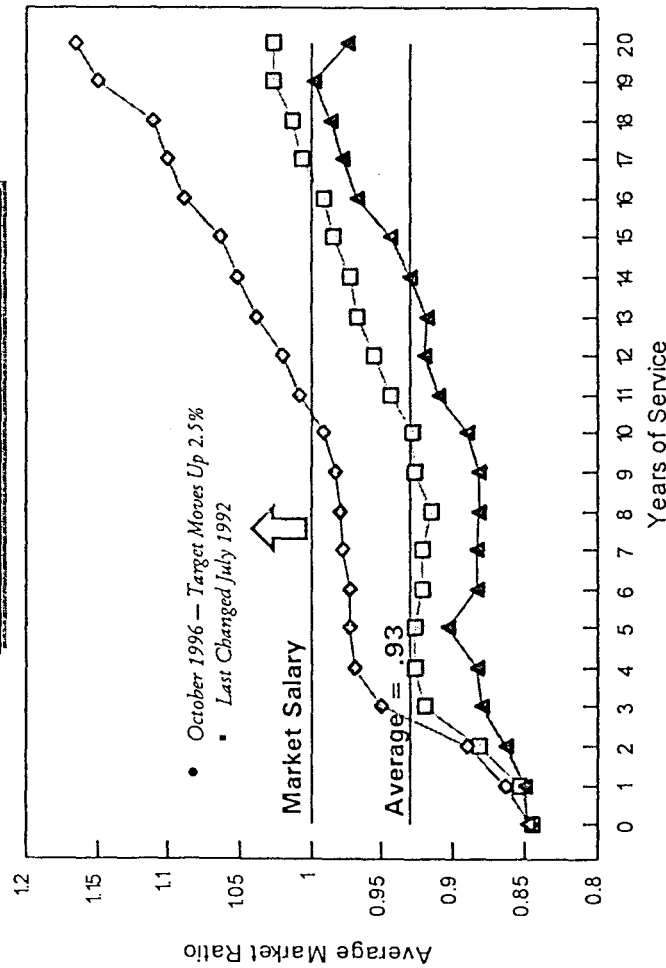
NAME	AYE	NO
SWYSGOOD, CHUCK	✓	
BURNETT, JIM		✓
MOHL, ARNIE	✓	
JERGESON, GREG	✓	
FRANKLIN, EVE	✓	
TVEIT, LARRY		
JENKINS, LOREN	✓	
JACOBSON, JUDY	✓	
LYNCH, J.D.	✓	
HARDING, ETHEL	✓	
TOEWS, DARYL		
CHRISTIAENS, B.F. "CHRIS"	✓	
WATERMAN, MIGNON	✓	
KEATING, TOM - VICE CHAIRMAN		✓
BECK, TOM		✓
AKLESTAD, GARY - CHAIRMAN		✓

# House Bill 17 - Executive Pay Plan

## Progression Increases

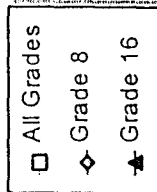
- Employees Below Target Market Ratio
  - Largest Increases Between 4 and 10 years Seniority
  - October 95 — Move Toward Target
  - Average Increase — 2.2%
  - Maximum Increase — 5%
  - October 96 — Move Toward Target Again
  - Average Increase — 1.4%
  - Maximum Increase — 6%

## AVERAGE MARKET RATIO COMPARED TO YEARS OF SERVICE



## Longevity Change

- July 1, 1995 — 0.9% Increase for Each 5-Year Block of Service
- October 1, 1995 — 1.5% Increase for Each 5-Year Block of Service (Average will be 0.65% Increase)

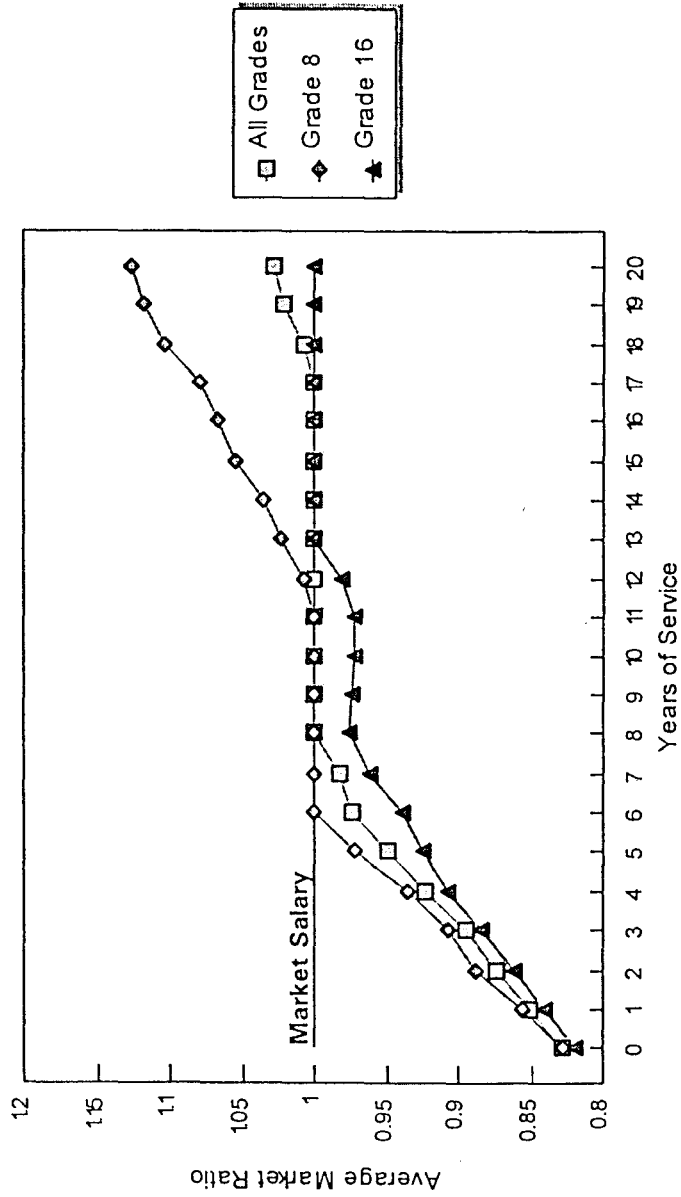


SENATE FINANCE AND CLAIMS  
EXHIBIT NO. 1  
DATE 3/22/95  
BILL NO. HB 17

## Funding Source

- FTE Reductions
  - Vacancy Savings
  - Reduction in State Contribution to Health Care Cost
  - Now:
    - \$230/mo. until July 1, 1995
    - \$220/mo. until July 1, 1996
    - \$225/mo. until July 1, 1997
- (Based on Employees' Good Medical History)

AVERAGE MARKET RATIO  
AFTER IMPLEMENTATION OF HB 17



Note: Average Market Ratio does not include Longevity.

**TESTIMONY ON HOUSE BILL NO. 17**  
Hearing Before Senate Finance and Claims Committee

Submitted by Lois Menzies, Director  
Department of Administration  
March 22, 1995

I am here on behalf of Governor Racicot to urge your support for HB 17. The proposal before you today is distinctive for several reasons:

- (1) This proposal is an integral part of the executive budget. For the first time in many years, state employee pay has been identified as a cost of doing business. It has been woven into a balanced budget proposal rather than tacked on as an afterthought.
- (2) This proposal recommits the state to the market-based pay structure adopted by the Legislature in 1991. The basic goal of that pay structure is to make state salaries more comparable to those paid for similar jobs in the private sector.
- (3) This proposal is funded without new money. The increases are financed in large part through a combination of FTE elimination and vacancy savings. This pay plan is consistent with the Governor's efforts to responsibly downsize government while maintaining or enhancing customer services.
- (4) This proposal embodies a settlement between the state and employee organizations. It is the exception, rather than the rule, for labor and management to reach agreement prior to the start of a legislative session. Both sides worked hard to reach an agreement that met both parties' basic objectives. This is no small accomplishment.

In summary, we bring before you today an internally funded pay proposal that is an integral part of the executive budget; recommits to the market-based pay structure; and meets the objectives of both labor and management.

On behalf of the Governor, I urge your careful consideration and support for this legislation.

## TESTIMONY IN SUPPORT OF HOUSE BILL 17

Presented by Mark Cress, Administrator  
State Personnel Division

Mr. Chairman, members of the committee, my name is Mark Cress, Administrator of the State Personnel Division. I stand today in support of House Bill 17, the Governor's executive pay plan proposal.

I would like to take just a few minutes to give you some background on the state pay plan. My remarks will center on the classified pay plan covering the majority of state employees.

In 1989, the legislature created a nine member pay commission to examine the state's pay plan. This decision followed 2 years of pay freezes during 1988 and 1989.

The pay commission, after extensive study, recommended a market based pay system. The commission's recommendations were partially implemented in 1991 for fiscal years 1992 and 1993. The 1991 legislature deviated from the commission's recommendations and approved a flat 60 cents an hour raise in FY92 and another flat increase in FY93. As many of you know, those flat increases have resulted in some inequities between state employees and some divergence from the market pay concept.

The administration, in planning for this biennial pay proposal, had several objectives:

1. To continue the implementation of the market based pay plan recommended by the pay commission in 1991. We believe the labor market is the best measure for determining state employee pay.
2. To fund the pay proposal through reductions in the current personal services budget.
3. To address the pay inequities caused by the partial implementation of the market based pay system, and to establish a consistent way of moving employees from entry to market to address those inequities.
4. To develop a plan to do this in cooperation with the unions representing our employees.

House Bill 17 accomplishes these objectives.

We examined our labor market, to insure we were comparing to appropriate employers. We completed a salary survey last fall of other employers in Montana. We also examined the pay practices of our 4 neighbor states. House Bill 17 takes a conservative approach to setting the state's entry and market salaries, yet maintains the market-based pay system.

The market salary rates in state law were first implemented on July 1, 1991. They were adjusted 3% on July 1, 1992. HB 17 adjusts these salaries by 2.5% on October 1, 1996. If approved, that will be the first increase in these market salaries since July 1, 1992.

Will that one increase keep pace with the labor market in Montana? No, I don't believe it will. Private sector wages have been increasing between 2 and 3% a year and appear to be increasing at a faster rate this year, perhaps closer to a 4% annual rate.

House Bill 17 balances the objective of maintaining the market salary rates with the need to establish an ongoing, consistent way of progressing employees from the entry rate to the market salary; and the need to remove current inequities between the pay of employees. The "Target Market Ratios", on page 8 of the bill, are intended to do that.

This table implements an ongoing pay system, that provides a reasonable progression from the entry rate to the market rate over a period of years. A progression taking fewer years at the lower grades and more years at the upper grades.

The plan gives priority to moving individual employees towards the market salary who have worked for the state for a significant number of years.

The increases are paid for in three ways: a reduction in FTE, vacancy savings and a reduction in the state's contribution to employee health insurance. Union representatives agreed to reduce employee compensation on the benefits side to help fund these necessary increases on the salary side. The reduction in insurance contribution is possible because of the low rate of inflation on the state's employee benefit plan. This low rate of inflation is due, in large part, to state employee efforts in managing their own claims costs.

Our bargaining spokesman, Steve Johnson, began going to the bargaining table with our major employee unions in the fall of 1993 to try to achieve these objectives. After more than a year of bargaining, the administration and representatives of unions representing the majority of our organized employees, worked out the proposal laid out in House Bill 17. House Bill 17 meets the state's pay objectives. It provides effective pay administration.

Thank you. I urge your support of HB 17.



## DEPARTMENT OF ADMINISTRATION

## STATE PERSONNEL DIVISION

BILL NO. 3/22/95  
2617

MARC RACICOT, GOVERNOR

MITCHELL BUILDING, ROOM 130  
PO BOX 200127(406) 444-3871  
FAX: (406) 444-0544

## STATE OF MONTANA

HELENA, MONTANA 59620-0127

TESTIMONY OF STEVE JOHNSON  
IN SUPPORT OF HB 17

Mr. Chairman, members of the committee, my name is Steve Johnson. I am chief of the labor and employee relations bureau in the department of administration's personnel division. I also serve as the chief labor negotiator for the executive branch of state government in collective bargaining. I appear before you today in support of HB 17, which is the governor's proposal for state employee compensation for the FY 96-97 biennium, and also reflects negotiated settlements with the major labor organizations that represent state workers.

I would like to take a few moments to explain the purpose and contents of HB 17. The pay bill has traditionally served two purposes. First, it establishes the salary schedules and pay adjustments for certain state employees. Second, it includes the appropriation to fund increases for all state employees.

The pay bill establishes salary levels for the following employees:

- (1) classified employees of the executive branch and university system;
- (2) blue collar employees in the executive branch;
- (3) employees in liquor store occupations; and
- (4) teachers employed by the department of corrections and human services and the department of family services.

The pay bill does not set pay levels for these employees:

- (1) legislative employees;
- (2) judicial employees;
- (3) faculty, professional, administrative and blue collar employees in the university system;
- (4) elected officials;
- (5) teachers, academic personnel, administrative staff and live-in houseparents at the Montana School for the Deaf and Blind;
- (6) the executive director and employees of the State Fund; and
- (7) various other exempt employees listed in 2-18-103 and 2-18-104, MCA.

Salaries for exempt employees are generally at the discretion of the employing agency.

Even though the pay bill does not set salary levels for all state employees, it does include the appropriation necessary to fund pay adjustments for all state workers.

I will not give you a detailed description of the pay increases contained in the bill, or the state's pay policy objectives. Other supporters of the bill are discussing those items today. I will, however, reiterate that HB 17 incorporates agreements reached in collective bargaining with labor organizations that represent approximately 92% of all organized employees in the executive branch.

These negotiations, which lasted more than a year, produced a settlement that balances the interests of both labor and management. For the state as an employer, HB 17 breathes new life into the state's market-based pay system, which has been set back somewhat by the year-and-a-half pay freeze in the current biennium. The bill also rewards employees for their length of service, one of labor's primary objectives in collective bargaining. Perhaps the most important objective for both labor and management, however, was to replace the state's "feast-or-famine" pay practices with a longer-term approach to state employee compensation. I believe that the agreement reached in collective bargaining, as contained in HB 17, meets this objective. I urge your support.

Thank you for your time and consideration.

DATE

March 22, 1995

SENATE COMMITTEE ON

Finance &amp; Claims

BILLS BEING HEARD TODAY:

HB 17 Rep. Wiseman  
HB 19 Rep. Bergsagel HB 279 Rep. Ohs

&lt; ■ &gt;

PLEASE PRINT

&lt; ■ &gt;

Check One

Name	Representing	Bill No.	Support	Oppose
J. H. Turney	Sup. Ct	HB 17	✓	
Don McKittich	8th Judicial District	HB 17	✓	
Jim Nelson	Supreme Ct	HB 17	✓	
GEORGE BOUSLIMAN	STATE BAR OF MT	HB 17	✓	
Lois Munzies	State - Dept. of Admin.	HB 17	✓	
Steve Johnson	State - Dept. of Admin.	HB 17	✓	
Beth Baker	Honney General	HB 17	✓	
MARK CRESS	Dept. of Admin.	HB 17	✓	
JEROME ANDERSON	MONTANA BAR ASSOCIATION	HB 17	✓	
JAY DISCOLL	MT Federation of Teachers	HB 17	✓	
Terry Minnow	MT/MSE	HB 17	✓	
Guiguline Denmark	State Bar Mt	HB 17	✓	
Melissa Case	Hotel Employees & Rest. Employ Union	17	✓	
Thomas Schneider	MPEA	HB 17	✓	

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE \_\_\_\_\_

SENATE COMMITTEE ON \_\_\_\_\_

BILLS BEING HEARD TODAY: \_\_\_\_\_

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Jim Twilley	MS Chamber	HB 17	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Eri Oliver	MEA	HB 17	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY