

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on March 17, 1997, at 9:36 a.m., in Room 108.

ROLL CALL

Members Present:

Sen. Charles "Chuck" Swysgood, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Larry Baer (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. B.F. "Chris" Christiaens (D)
Sen. Eve Franklin (D)
Sen. Loren Jenkins (R)
Sen. Greg Jergeson (D)
Sen. John "J.D." Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Miller (R)
Sen. Arnie A. Mohl (R)
Sen. Linda J. Nelson (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. James H. "Jim" Burnett (R)

Members Absent: None

Staff Present: Taryn Purdy, Legislative Fiscal Division
Sharon Cummings, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 74, 3/13/97
Executive Action: HB 74, BCCAA

HEARING ON HB 74

Sponsor: REP. GAY ANN MASOLO, HD 40, TOWNSEND

Proponents: Connie Griffith, Department of Administration
Dave Ashley, Department of Administration
Tom Schneider, Montana Public Employees Association
Stuart Doggett, Montana Innkeepers Association

Opponents: None

Opening Statement by Sponsor:

REP. GAY ANN MASOLO, HD 40, TOWNSEND I believe this bill has lots of merit. The state is trying to set up criteria so employees will understand what they will and will not be paid for when traveling. I believe people will be more selective in their travel and this should streamline the system.

{Tape: 1; Side: A; Approx. Time Count: 9:38; Comments: None.}

Proponents' Testimony:

Connie Griffith, Department of Administration (DOA) I am here in support of HB 74. I handed out a packet of information that I would like to go through with you. (EXHIBITS #1,2,3 & 4) explained.

Dave Ashley, Department of Administration Handout explained. (EXHIBIT #5) We hope you support the bill.

{Tape: 1; Side: A; Approx. Time Count: 10:10; Comments: None.}

Tom Schneider, Montana Public Employees Association We've heard about rooms and high cost designations, but there are no high cost designations for meals. The last time dinner was adjusted was 1983, breakfast and lunch was adjusted in 1991. If we don't do anything with meals we simply cannot continue to travel for the State of Montana. The employees are caught in the middle of this issue, we support his bill and understand your concerns. If you can't afford to have people traveling then they shouldn't be traveling. It is an employers obligation to do this and I hope you support this bill.

Stuart Doggett, Montana Innkeepers Association We appreciate the efforts of the Department of Administration and REP. MASOLO for introducing this bill. In the last several years many of our members have gone to the policy of not providing the state room rate. The current rate of \$30.00 is significantly below their corporate rate or the average room rate for budget properties. Like all businesses, innkeepers have been faced with increasing costs for the last several years. Therefore, they must maintain rates that allows them to meet some of these cost increases to maintain their facilities. We hope this bill is enacted.

Opponents' Testimony: None

{Tape: 1; Side: A; Approx. Time Count: 10:13; Comments: None.}

Questions From Committee Members and Responses:

SEN. DALE MAHLUM What other incidental costs are involved in this? Ms. Griffith Incidentals are not included in these costs.

Incidentals are paid by the agencies and there is no limit, the employee has to provide a receipt.

SEN. CHRIS CHRISTIAENS The mileage rate for personal cars is based on the IRS mileage rate and usually goes up annually. If the motor pool does not have a vehicle available the mileage is a little more.

SEN. TOM KEATING Part of the concern about the bill is that it is tied to the federal rate and would go up automatically when their rate increased. Is there some language that we could put in this bill that would say if the federal rate increases the state rate would stay the same until a subsequent legislative body changes it. **Ms. Griffith** That is a viable option.

SEN. KEATING My recommendation was to put the rate in statute so that we know what will be in the budget. I'd like to leave it at a percentage of the federal rate at this time and guarantee that the federal rate will not increase our rate. **Ms. Griffith** The question then arises of when adjustments will be made. As we continue to not increase rates you will end up with a need to have more high cost areas in addition to the list we have here. At a point reimbursement at actual cost will kick in. This is an option but I think there has to be some mechanism that enables rates to adjust as costs increase.

SEN. LOREN JENKINS There could be language put in this bill that increases could not be put in the agency base budget. **Ms. Griffith** The legislature doesn't have to increase agencies travel budgets. You can require them to reduce something else in order to pay for increased travel.

SEN. JENKINS You keep saying we set the travel for the agencies, however, I've never found that. **Ms. Griffith** A lot of agencies return money to the state, they can determine what travel is necessary.

{Tape: 1; Side: B; Approx. Time Count: 10:20; Comments: None.}

SEN. KEN MILLER I notice in (EXHIBIT #2) that the Department of Transportation's (DOT) travel is the largest, can you tell us why that is? **Ms. Griffith** DOT has contractors that work for them and are reimbursed at the state rate. DOT has a lot of travel.

SEN. ARNIE MOHL What is the maximum amount for overnight travel per day now versus what will happen with HB 74? **Ms. Griffith** Currently, the state rate is \$31.20 per day for lodging and \$15.50 for meals. The new rate would be \$39.00 per day for lodging and \$21.00 for meals. (EXHIBIT #6) handed out.

SEN. LINDA NELSON Do you think this increase to \$37.50 will open up a lot more motels that currently don't accept state rates? **Mr. Doggett** Our members want to continue to have the business of state employees. Several innkeepers have stated they will open

up rooms for this rate, I can't guarantee how many rooms will become available but this increase will make a difference.

SEN. NELSON You're not making any guess on what percentage more rooms will be available? They would like to see the increase but they are not providing any commitment that more rooms will be available. **Mr. Doggett** We haven't surveyed the membership on that. A lot of our members are the budget facilities that state employees would normally use and they have expressed a desire to do business with the state. Our fuller scale properties have not been interested in the state rate and will probably still not be interested even with this increase.

CHAIRMAN SWYSGOOD I think the department is correct in the fact that as they add high cost cities to the list we have no cost control over that and it is costing us money. I have a problem with the fiscal note and the statement that the base budget will not increase by increasing the travel costs. We are appropriating money for the state agencies and whatever amount that is expended out of the appropriation in 1998 will become the base for the next biennium. The statement is that the agencies will eat this money. If we appropriate so much money in operations we have established a base that will stay the same the next biennium. I believe we will see a present law adjustment in the next biennium that will incorporate this added cost associated with travel expenses. This appears on our status sheet as a potential appropriation and I don't know how you reconcile that because it now has a General Fund impact on the status sheet of \$310,000. The federal sheet only shows 2 high cost cities in Montana and the state list shows 12 high cost cities. How do you reconcile that? The fiscal note doesn't show any of the potential savings that would be generated by doing this, the time savings and savings of going from actual cost to 75% of cost. Why isn't this reflected so we see a true cost of what this would actually be? **Ms. Griffith** We didn't include savings for time because that will give people time to get more of their real work done instead of calling for room rates. The 13% is what brings the funding down to the level shown on the fiscal note. There will not be an adjustment to agency budgets to cover this potential increase in travel and that is why we say there is no fiscal impact. Agencies will have to absorb those costs in this biennium by cutting back on the number of trips. Travel to some degree is discretionary and some trips can be consolidated. If agencies increase their travel base they will have to reduce the base in another area. They will come back if they have to increase the number of trips because they have a new contract or some other reason. You will be able to review that and make the decision to increase their base at that time.

{Tape: 1; Side: B; Approx. Time Count: 10:34; Comments: None.}

SEN. J.D. LYNCH Who decides where a state conference will be held, why would you have one in a high cost city? Why not use

state buildings for meetings when they are held in Helena? **Ms. Griffith** The agency heads make this decision.

SEN. MIKE TAYLOR How much work would it be to put all travel expenses into zero based budgeting or a one time allocation? **Taryn Purdy, Legislative Fiscal Division (LFD)** The amount they expend would stay in the base and the agencies would have to justify every dollar they spend on travel rather than just the increase. That would be a little more effort on the part of the agencies.

SEN. CHRISTIAENS We need to remember that we have bills going through the legislature that are requiring state employees to address impacted situations.

{Tape: 1; Side: B; Approx. Time Count: 10:38; Comments: None.}

Closing by Sponsor:

REP. MASOLO We require many of our state employees to travel and while traveling around the state I discovered that many motels are refusing to honor state rates. I urge your support of this bill.

Discussion: **CHAIRMAN SWYSGOOD** We have a full agenda for this week. We have been assigned all the bills that have come out of the House Select Committee on Corrections because **SEN. CHRISTIAENS** and myself were on that committee. This committee should be able to pass judgement on these bills in a fair and equitable manner. Also, we will be accepting or rejecting House amendments to Senate bills this week.

SEN. JENKINS What happens if this committee rejects the House amendments? **CHAIRMAN SWYSGOOD** They will go to the full committee. We cannot take any part of those amendments off, all we can do is have them explained to us and vote to accept or reject them. If we reject them on the floor they will more than likely go to a conference committee.

{Tape: 1; Side: B; Approx. Time Count: 10:54; Comments: None.}

EXECUTIVE ACTION ON HB 74

Discussion: **SEN. KEATING** Would the members of the committee find a comfort level by having the bill amended to maintain the rates at the current federal rate percentage with legislative review of federal rate increases in the future?

SEN. LYNCH I would prefer to raise the per diem, perhaps to \$35 per day. I have had no trouble finding state rates. Out-of-state is a problem that probably should be addressed as it is as amended. I suggest increasing flatly instead of tying it to the federal rate. I would like the legislature to have control of this.

SEN. JENKINS Would it be possible to sunset this on July 1, 1999 so the next legislature could look at it? **SEN. LYNCH** If you sunset it is back to \$30 which I don't think you'd want. We can raise the rate and let it stay for several years until someone wants to address it again.

SEN. MAHLUM I believe there should be a definite set value to this, \$35 is a nice raise.

SEN. CHRISTIAENS I'd like to see the travel budgets broken out so that every subcommittee can look at the travel budget. Right now, those are rolled in with the rest of the present law adjustments and we don't see what is spent on travel. It might be helpful to know what the legislature has mandated as travel versus discretionary travel. **CHAIRMAN SWYSGOOD** I don't know if that is possible. Every law we have passed probably has something attached to it that requires an agency to perform some form of travel. In our subcommittee there is usually a narrative stating travel is expected to increase a certain amount as it relates to present law adjustments. **Ms. Purdy** The only way an agency can get an increase in their travel budget, if there is not an inflationary adjustment made to travel, is to request a present law adjustment.

SEN. MOHL If this bill goes through, the agencies will absorb the increase in their current budget. Therefore it would have to become part of the base, right? **CHAIRMAN SWYSGOOD** If they increase their travel or took money from some other part of operations to supplement travel cost increases, the part they took away would be reflected as a decrease the next session. **Ms. Purdy** If you appropriate \$100 for travel and the actual expense was \$125, in order to maintain their appropriation they would have to reduce their contracts to \$75. The \$75 is what would come forward in the base budget and any increase over that would have to be justified. They could increase operating cost and the base by moving funds down from personnel services or equipment.

SEN. MOHL They can cut back on FTE's to absorb additional expense which should correct their base. **Ms. Purdy** If they reduce the number of FTE they requested that would be a permanent reduction in personnel services to correspond to the permanent increase in operating expenses. If they were to apply vacancy savings and move that down by a full funding of personnel services that would go up to the full funding of the base.

SEN. TAYLOR Our subcommittee never saw travel expenses and justification. I would like to see a breakdown of travel so we can be aware of what is going on. **CHAIRMAN SWYSGOOD** Could this be done with language in HB 2 or should it be incorporated in this bill? **Ms. Purdy** I don't believe you need to incorporate this in HB 74. It can be done with language in HB 2 if you want the budget office to include that in the executive budget. The other option is to ask the Finance Committee to specifically address that.

SEN. TAYLOR I don't have a problem with the \$35 but it may be too low. I want to remind the committee not to trip over dollars to pick up pennies. We need to make sure we don't lose the high cost cities portion of this bill.

CHAIRMAN SWYSGOOD My concern is the process they go through to put a city on the high cost cities list and the lack of control over the costs related to that. The way this is currently being done could cost more money than what this piece of legislation will do. This keeps up from having a high cost cities list. I was concerned with the lack of control with tying this to 75% of the federal rate but we don't really have control anyway as much of the travel is probably to high cost cities. I am not happy with the General Fund impact of this bill. **Ms. Purdy** This needs to stay on the fiscal note as long as the bill is alive. The choice of whether or not you add that money is strictly up to the Conference Committee on HB 2.

Motion: SEN. JENKINS MOVES HB 74 BE CONCURRED IN AND BE AMENDED BY PUTTING LANGUAGE IN HB 2 TO SEPARATE TRAVEL EXPENSES OUT FOR THE NEXT SESSION.

Ms. Purdy If you put language in HB 2 you are giving your intent to the budget office. The force of law would be to change that section of law that specifies what the executive is to put in their budget. By putting the language in here, if you make a very strong suggestion to the budget office that could have enough force.

SEN. JENKINS WITHDRAWS HIS MOTION.

Motion: SEN. LYNCH MOVES TO AMEND HB 74 TO READ IN-STATE \$35 PER NIGHT, BREAKFAST \$5, LUNCH \$6, DINNER \$12.

SEN. LYNCH I would not amend the out-of-state proposal in this bill.

SEN. KEATING I travel this state a lot and most of the premium motels in the county seats serve continental breakfast. Their minimum rate is \$40-\$44. I think \$35 is too low, \$37.50 is a fairer rate. I suggest a \$4 breakfast, \$5 lunch and \$10 dinner. If there is an additional charge on the room the food level can offset that. I see a lot of state people eating the continental breakfast and saving the breakfast money.

SEN. TAYLOR I agree with **SEN. KEATING**. \$35 is too low, we need to come up with a legitimate figure to work with.

SEN. MOHL I agree with **SEN. KEATING** on raising the room rate but I don't think we should define each meal. **SEN. LYNCH** One of the reasons for defining each meal is that it depends on the time of day and length of time travel is done.

SEN. CHRISTIAENS I believe the evening meal at \$10 is too low.

SEN. MILLER I don't see the reason to change the meal rate at all. Meals are something they have anyway and are not an additional cost for traveling. This is to make up the difference between what it would cost if they were at home eating, not necessarily to cover the entire cost of the meal.

SEN. LYNCH The percentage of increase from \$30 to \$35 is pretty hefty compared to the way it has been done over the years. I believe you will satisfy a lot of motel owners if you give them that increase.

Vote: THE MOTION TO AMEND HB 74 CARRIED 10-7 ON ROLL CALL VOTE.

{Tape: 2; Side: A; Approx. Time Count: 11:13; Comments: None.}

Motion: SEN. LYNCH MOVES HB 74 BE CONCURRED IN AS AMENDED.

Discussion: **SEN. TAYLOR** I don't want to vote on this until I know from **Ms. Purdy** about the language part.

CHAIRMAN SWYSGOOD If we put this language in HB 2 we can see how much is involved in doing it this way for the next session. At that time, we can put it into statute if we think it is a good idea.

SEN. MILLER Does this change things regarding the high cost cities? **SEN. LYNCH** We have not touched out-of-state at all, that is in the bill as is. We have only touched the in-state rates, the policy would remain the same as it does today.

SEN. KEATING If we put \$35 in statute and a state employee cannot find that rate, can they be reimbursed the actual cost?

Ms. Griffith There is an administrative rule that allows in-state reimbursement at actual costs in any area of Montana if three circumstances are met and the director approves the justification provided by the employee. If the rate goes up to \$35 per night all those towns will be taken off the high cost city list because of the criteria that has to be met to be on that list.

SEN. LYNCH We simply increased the rates, the present high rates stay the same as present law for in-state only.

Ms. Griffith With the restrictions now imposed by the federal maximum, there has to be some flexibility because there will be circumstances where there is need to be reimbursed at actual cost.

SEN. JENKINS You still can have high cost cities with this bill, but the amendment will probably lower the amount of high cost cities.

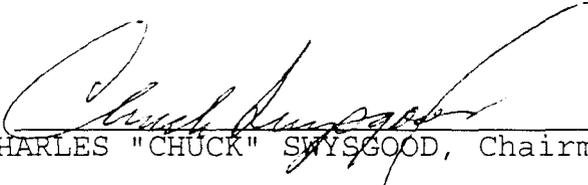
SEN. MOHL Does page 1, line 20 affect the Governor's travel rate? **Ms. Griffith** The Governor is now in with everyone else.

Motion/Vote: SEN. LYNCH MOVES TO AMEND HB 74 BY STRIKING
SUBSECTION A AND CHANGING LINE 21 TO STATE ALL ELECTED STATE
OFFICIALS. THE MOTION CARRIED UNANIMOUSLY.

Vote: THE MOTION THAT HB 74 BE CONCURRED IN AS AMENDED CARRIED
11-6 ON ROLL CALL VOTE. SEN. DELWYN GAGE will carry HB 74.

ADJOURNMENT

Adjournment: 11:27 a.m.


SEN. CHARLES "CHUCK" SWYSGOOD, Chairman


SHARON CUMMINGS, Secretary

CS/SC