

HOUSE BILL 11

Introduced by Wiseman

11/23	Introduced
11/23	Fiscal Note Requested
11/24	Referred to Appropriations
11/26	Fiscal Note Received
11/26	Fiscal Note Printed
11/29	First Reading
11/30	Committee Report - Bill Passed
12/03	2nd Reading Passed
12/04	3rd Reading Failed

HOUSE BILL NO. 11

INTRODUCED BY WISEMAN

BY REQUEST OF THE STATE AUDITOR AND  
THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR PAYMENT  
OF STATE EMPLOYEE SALARIES AND RETIREMENT BENEFITS BY  
ELECTRONIC FUNDS TRANSFERS; PROVIDING EXCEPTIONS; INCLUDING  
AN ELECTRONIC FUNDS TRANSFER AS A WARRANT; REVISING THE  
DEFINITION OF ELECTRONIC FUNDS TRANSFER; REQUIRING A  
REGISTERED PAPER WARRANT IF THERE ARE INSUFFICIENT FUNDS TO  
COVER A PAYMENT OUT OF THE STATE TREASURY; AMENDING SECTIONS  
2-18-405, 17-8-301, 19-2-902, 19-17-404, AND 19-20-703, MCA;  
AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

**Section 1.** Section 2-18-405, MCA, is amended to read:

"2-18-405. Payroll based on actual, end-of-period  
figures -- pay date -- change of payroll periods -- payment  
by electronic funds transfer. (1) All state payroll systems  
must be based upon actual payroll figures submitted after  
the end of the payroll period and may not be based upon  
estimated payroll.

(2) All state payroll systems must provide for the  
fixing of payroll periods and designated days on which

salaried employees are paid for the preceding payroll  
period. The pay date must be uniform for all employees of  
each state agency employed in the same geographic area, and  
payroll warrants must be distributed or mailed and  
electronic funds transfers initiated within 10 business days  
following the close of the payroll period.

(3) The payroll period of employees of a state agency  
may not be changed by inclusion of the agency into the state  
payroll system or by any revision or modification of the  
system unless notice of the proposed change has been given  
to each employee who will be affected by the change in the  
form and manner prescribed by the department of  
administration not less than 60 days prior to the effective  
date of the change.

(4) Each payroll payment must be made by electronic  
funds transfer, except for employees for whom the department  
of administration determines that an electronic funds  
transfer would be administratively more expensive than a  
paper warrant and except for employees who live in a  
geographical area that does not have a financial institution  
that is acceptable to the employee and that accepts  
electronic funds transfers. If there are insufficient funds  
to cover a payment, the employee must be given a registered  
paper warrant as provided in 17-8-304. Except as provided in  
this section, by the later of 60 days after [the effective

1 date of this act] or the first day of employment, each  
 2 employee shall designate a financial institution to which  
 3 the payroll electronic funds transfer must be made. The  
 4 provisions of 39-3-204(4) do not apply to employees and  
 5 payments covered by this subsection."

6 **Section 2.** Section 19-2-902, MCA, is amended to read:

7 "19-2-902. Frequency of benefit payments -- payment by  
 8 electronic funds transfer. A retirement benefit or  
 9 survivorship benefit granted under a retirement system  
 10 subject to this chapter must be payable in monthly  
 11 installments, except that the board may elect to convert  
 12 payments of at least \$20 per year to a single sum of  
 13 actuarial equivalent value. A smaller pro rata amount may be  
 14 paid for part of a month when the retirement benefit ends  
 15 before the last day of the month. After June 30, 1994, each  
 16 payment to a benefit recipient after the initial payment  
 17 must be made by electronic funds transfer to a financial  
 18 institution designated by the recipient on a form provided  
 19 by the board, except for recipients for whom the board  
 20 determines that an electronic funds transfer would be a  
 21 hardship for the recipient or administratively more  
 22 expensive than a paper warrant. If there are insufficient  
 23 funds to cover a payment, the recipient must be given a  
 24 registered paper warrant as provided in 17-8-304."

25 **Section 3.** Section 19-17-404, MCA, is amended to read:

1 **"19-17-404. Pension benefits.** (1) Each person who meets  
 2 the requirements set forth in 19-17-401 or, in the case of a  
 3 beneficiary, 19-17-405(1) and who has completed and filed a  
 4 claim as provided in 19-17-403 is entitled to participate in  
 5 the volunteer firefighters' pension plan and to receive  
 6 payments as provided in this section.

7 (2) The payments must be computed each year in the  
 8 following manner:

9 (a) For fiscal years 1994 and 1995, the base benefit  
 10 level is \$120 per month for each retiree qualifying for full  
 11 participation under the provisions of 19-17-401(1)(a).  
 12 Partial participation is calculated under the provisions of  
 13 19-17-401(1)(b).

14 (b) Whenever at the close of business on the last day  
 15 of a fiscal year there is a balance in the volunteer  
 16 firefighters' fund in excess of \$6 million, the board shall  
 17 set aside the amount to be paid to each qualifying claimant.

18 (c) For the purpose of computation and payment of  
 19 benefits under this section, if children of a volunteer  
 20 firefighter become eligible for benefits, all the children  
 21 of the volunteer firefighter must be treated collectively as  
 22 one claimant.

23 (3) If the amount of the benefit for a qualified  
 24 claimant is at least \$20 per month throughout the succeeding  
 25 fiscal year, the pension must be paid monthly on or before

the last day of each month. If the amount of the benefit for a qualified claimant is less than \$20 per month, the qualified claimant's full pension for that year must be paid in one lump payment on or before December 15 of that year.

(4) After June 30, 1994, each payment to a benefit recipient after the initial payment must be made by electronic funds transfer to a financial institution designated by the recipient on a form provided by the board, except for recipients for whom the board determines that an electronic funds transfer would be a hardship for the recipient or administratively more expensive than a paper warrant. If there are insufficient funds to cover a payment, the recipient must be given a registered paper warrant as provided in 17-8-304."

**Section 4.** Section 19-20-703, MCA, is amended to read:

"19-20-703. Payments to be monthly. All pensions and annuities shall must be paid in equal monthly installments. After June 30, 1994, each payment to a benefit recipient after the initial payment must be made by electronic funds transfer to a financial institution designated by the recipient on a form provided by the board, except for recipients for whom the board determines that an electronic funds transfer would be a hardship for the recipient or administratively more expensive than a paper warrant. If there are insufficient funds to cover a payment, the

recipient must be given a registered paper warrant as provided in 17-8-304."

**Section 5.** Section 17-8-301, MCA, is amended to read:

"17-8-301. State moneys money -- how expended by treasurer. (1) Except as herein provided in this section, no moneys money received by the state treasurer may not be paid out by him the treasurer except upon by a state warrant issued by the state auditor, or-on A warrant includes an electronic funds transfer authorized by the state auditor. The state auditor may not issue his a warrant or-authorize, including an electronic funds transfer warrant, upon the state treasurer except upon a claim duly approved by the department of administration in accordance with the laws governing the expenditure of state moneys money; however, interest and principal on the public debt may be paid by treasurer's check from the moneys money pledged for such the payment, and the provisions of this section do not apply to warrants issued upon contingent revolving accounts that are in the custody of the state treasurer. If there are insufficient funds to cover a payment, the recipient must be given a registered paper warrant as provided in 17-8-304.

(2) As used in 2-18-405 and this section, "electronic funds transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, by an electronic message that is initiated

1 through an electronic terminal, telephonic instrument,  
2 computer, or magnetic tape and that orders, instructs, or  
3 authorizes the state auditor to debit or credit an account.  
4 The electronic funds transfer includes a warrant that if the  
5 entity receiving the electronic message pays the beneficiary  
6 of the warrant the stated amount, the state promises to  
7 reimburse that entity."

8 NEW SECTION. Section 6. Effective date. [This act] is  
9 effective on passage and approval.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0011, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act providing for payment of state employee salaries and retirement benefits by electronic fund transfers and providing exceptions.

ASSUMPTIONS: State Auditor's Office

1. Conversion of payments from paper warrants to electronic fund transfers (EDF) will begin in FY94. The initial processing cost for paper warrants is 10.8 cents per warrant. The initial processing cost for EDF is 4.6 cents each. The average postage cost for each warrant mailed in 27.3 cents.
2. Expenditure reductions are based upon 100% conversion of payroll and retirement warrants to electronic fund transfers. Under the cost recovery allocation for warrant writing, 29.1% of the FY94 reduction and 28.5% of the FY95 reduction will be general fund.
3. It is estimated that 130,000 payroll warrants and 110,000 retirement warrants will be converted to EDF.
4. State special revenue collected from other agencies from non-general fund sources will be reduced by \$6,090 in FY94 and \$24,585 in FY95.

Teachers Retirement System

5. The bill will create a reduction in postage expenses attributable to the mailing of warrants. A 75% conversion rate for retirees currently receiving paper warrants will save approximately \$12,500 in FY95 and subsequent years. A one-time mailing will be necessary during FY94 to inform retirees of the change in statute at an estimated cost of \$1,800.

Public Employees Retirement Division

6. The bill will create a reduction in postage expenses attributable to the mailing of warrants. A 90% conversion rate for retirees currently receiving paper warrants will save approximately \$18,500 in FY95 and subsequent years. A one-time mailing will be necessary during FY94 to inform retirees of the change in statute at an estimated cost of \$2,500.

FISCAL IMPACT:State Auditor's Office- Fiscal Control and Management Program

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Expenditures:</u>						
FTE	14.00	14.00	0.00	14.00	14.00	0.00
Personal Services	348,142	348,142	0	348,767	348,767	0
Operating Expenses	589,562	580,972	(8,590)	575,116	539,731	(34,385)
Equipment	450	450	0	16,471	16,471	0
Total	938,154	929,564	(8,590)	940,354	905,969	(34,385)
<u>Funding:</u>						
General Fund (01)	220,230	217,730	(2,500)	215,298	205,498	(9,800)
State Special (02)	528,920	522,830	(6,090)	534,567	509,982	(24,585)
Proprietary Fund (06)	189,004	189,004	0	190,489	190,489	0
Total	938,154	929,564	(8,590)	940,354	905,969	(34,385)

(Continued)

*David Lewis* 11/26/93  
 DAVID LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

WILLIAM R. WISEMAN, PRIMARY SPONSOR DATE  
 Fiscal Note for HB0011, as introduced

*HB 11*

Fiscal Note Request HB0011, as introduced  
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(continued)

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenue:</u>						
Warrant system cost recovery (02)	529,076	522,986	(6,090)	534,567	509,982	(24,585)
<u>Net Impact:</u>						
General Fund (01)			(2,500)			(9,800)
Non-general fund warrant fee						
expenditures in other agencies			(6,090)			(24,585)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:  
None.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:  
This bill will permanently reduce total expenditures for payroll and retirement warrants.

APPROVED BY COMMITTEE  
ON APPROPRIATIONS

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geographical area that does not have a financial institution  
that is acceptable to the employee and that accepts  
electronic funds transfers. If there are insufficient funds  
to cover a payment, the employee must be given a registered  
paper warrant as provided in 17-8-304. Except as provided in  
this section, by the later of 60 days after [the effective



1 date of this act] or the first day of employment, each  
 2 employee shall designate a financial institution to which  
 3 the payroll electronic funds transfer must be made. The  
 4 provisions of 39-3-204(4) do not apply to employees and  
 5 payments covered by this subsection."

6 **Section 2.** Section 19-2-902, MCA, is amended to read:

7 "19-2-902. Frequency of benefit payments -- payment by  
 8 electronic funds transfer. A retirement benefit or  
 9 survivorship benefit granted under a retirement system  
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 11 installments, except that the board may elect to convert  
 12 payments of at least \$20 per year to a single sum of  
 13 actuarial equivalent value. A smaller pro rata amount may be  
 14 paid for part of a month when the retirement benefit ends  
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 5 the volunteer firefighters' pension plan and to receive  
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7 (2) The payments must be computed each year in the  
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 10 level is \$120 per month for each retiree qualifying for full  
 11 participation under the provisions of 19-17-401(1)(a).  
 12 Partial participation is calculated under the provisions of  
 13 19-17-401(1)(b).

14 (b) Whenever at the close of business on the last day  
 15 of a fiscal year there is a balance in the volunteer  
 16 firefighters' fund in excess of \$6 million, the board shall  
 17 set aside the amount to be paid to each qualifying claimant.

18 (c) For the purpose of computation and payment of  
 19 benefits under this section, if children of a volunteer  
 20 firefighter become eligible for benefits, all the children  
 21 of the volunteer firefighter must be treated collectively as  
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23 (3) If the amount of the benefit for a qualified  
 24 claimant is at least \$20 per month throughout the succeeding  
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the last day of each month. If the amount of the benefit for a qualified claimant is less than \$20 per month, the qualified claimant's full pension for that year must be paid in one lump payment on or before December 15 of that year.

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**Section 4.** Section 19-20-703, MCA, is amended to read:

"19-20-703. Payments to be monthly. All pensions and annuities shall must be paid in equal monthly installments. After June 30, 1994, each payment to a benefit recipient after the initial payment must be made by electronic funds transfer to a financial institution designated by the recipient on a form provided by the board, except for recipients for whom the board determines that an electronic funds transfer would be a hardship for the recipient or administratively more expensive than a paper warrant. If there are insufficient funds to cover a payment, the

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(2) As used in 2-18-405 and this section, "electronic funds transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, by an electronic message that is initiated

1 through an electronic terminal, telephonic instrument,  
2 computer, or magnetic tape and that orders, instructs, or  
3 authorizes the state auditor to debit or credit an account.  
4 The electronic funds transfer includes a warrant that if the  
5 entity receiving the electronic message pays the beneficiary  
6 of the warrant the stated amount, the state promises to  
7 reimburse that entity."

8 NEW SECTION. Section 6. Effective date. [This act] is  
9 effective on passage and approval.

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