



State Administration and Veterans' Affairs Interim Committee

62nd Montana Legislature

SENATE MEMBERS

KENDALL VAN DYK--Vice Chair
RON ARTHUN
LARRY JENT
DAVE LEWIS

HOUSE MEMBERS

PAT INGRAHAM--Chair
BRYCE BENNETT
JOANNE BLYTON
KATHY SWANSON

COMMITTEE STAFF

SHERI SCURR, Lead Staff
DAVID NISS, Staff Attorney
FONG HOM, Secretary

MINUTES

September 11, 2012

Room 472, Capitol Building
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

COMMITTEE MEMBERS PRESENT

REP. PAT INGRAHAM, Chair

SEN. RON ARTHUN
SEN. LARRY JENT
SEN. DAVE LEWIS

REP. BRYCE BENNETT
REP. JOANNE BLYTON
REP. KATHY SWANSON

COMMITTEE MEMBERS EXCUSED

SEN. KENDALL VAN DYK

STAFF PRESENT

SHERI SCURR, Lead Staff
TODD EVERTS, Staff Attorney
FONG HOM, Secretary

Agenda and Visitors' List

Agenda (**Attachment 1**)
Visitors' list (**Attachment 2**)

COMMITTEE ACTION

- The committee voted to amend LCsa06 to include in statute the distribution of transportation monies to local school district.
- The committee approved the following bills as committee bills: LCsa01, LCsa03, LCsa05, LCsa06, and LCsa07

CALL TO ORDER AND ROLL CALL

00:00:01 REP. INGRAHAM called the meeting to order at 8:35 a.m. The committee secretary called roll. Sen. Van Dyk was excused.

AGENDA

OVERVIEW OF THE AGENDA AND THE MEETING MATERIALS

00:02:56 Sheri Scurr, Lead Researcher, gave an overview of the agenda and meeting materials.

LCsa06 - PROVIDE ADDITIONAL FUNDING AND REVISE BENEFITS FOR THE TEACHERS' RETIREMENT SYSTEM

00:09:41 Ms. Scurr presented a document that summarized LCsa06 (**Exhibit 1**).

00:16:47 Ms. Scurr reviewed LCsa06 (TRS) line by line (**Exhibit 2**):

Committee questions on section 6

00:28:58 REP. BENNETT
00:29:22 Ms. Scurr
00:29:31 SEN. LEWIS
00:30:39 Ms. Scurr
00:30:44 REP. INGRAHAM
00:31:18 Ms. Scurr
00:31:44 **David Senn, Executive Director, TRS**
00:32:00 Ms. Scurr

Committee questions on Section 13

00:36:56 REP. INGRAHAM
00:37:21 Ms. Scurr
00:37:30 Mr. Senn
00:39:10 REP. INGRAHAM
00:39:41 Mr. Senn

- **Governor's Office response - Dan Villa, Budget Director**
00:45:15 Mr. Villa said that the bill before the committee is the black and white version of the Governor's proposal with a few tweaks as recommended by the Teacher's Retirement Board. By adopting this legislation, the unfunded liabilities could be moved from 72 years out to 33 years, which puts us within striking distance of

that 30-year target.

Committee questions

00:47:06 SEN. JENT
00:47:49 Mr. Villa
00:48:58 SEN. JENT
00:49:17 Mr. Villa
00:49:31 REP. INGRAHAM
00:50:10 Mr. Villa
00:50:54 SEN. JENT
00:53:12 Mr. Villa
00:53:30 SEN. JENT
00:53:40 Mr. Villa
00:53:50 SEN. JENT
00:53:58 REP. INGRAHAM
00:54:24 Mr. Villa
00:54:58 SEN. LEWIS
00:55:31 Mr. Villa
00:57:10 SEN. ARTHUN
00:57:47 Mr. Villa
00:58:25 SEN. ARTHUN
00:58:33 Mr. Villa
00:58:39 SEN. ARTHUN
00:58:41 Mr. Villa
00:58:45 SEN. JENT
00:59:29 Mr. Villa
00:59:42 SEN. JENT
01:01:19 SEN. JENT
01:01:28 Mr. Villa
01:02:08 SEN. JENT
01:02:45 Mr. Villa
01:04:00 SEN. JENT
01:05:11 Mr. Villa
01:05:22 REP. BLYTON
01:05:31 Mr. Villa
01:05:51 SEN. LEWIS
01:06:31 Mr. Villa
01:07:34 REP. INGRAHAM
01:08:38 SEN. JENT
01:09:17 SEN. ARTHUN
01:09:28 Mr. Villa

• **Public Comment**

01:10:02 **David Senn, Executive Director, Teachers' Retirement System**, commented on the work done by the committee and the questions asked by the committee regarding LCsa06.

Committee questions

01:12:56 REP. INGRAHAM

01:13:30 Mr. Senn
01:15:05 REP. INGRAHAM
01:16:13 Mr. Senn
01:17:30 SEN. JENT
01:17:41 Mr. Senn
01:17:55 SEN. JENT
01:18:28 Mr. Senn

01:18:54 **Eric Feaver, MEA-MFT**, said that they support LCsa06, and also the technical amendments coming forward regarding 30 year retirement for tier two.

Committee Discussion

01:20:38 Ms. Scurr
01:21:52 REP. BLYTON
01:22:15 Mr. Senn
01:22:37 REP. BLYTON
01:22:51 Mr. Senn
01:23:17 Ms. Scurr
01:24:01 REP. INGRAHAM
01:24:18 Mr. Villa
01:24:30 SEN. JENT

• **Motion on LCsa06**

01:24:46 SEN. JENT moved to amend LCsa06 to put in statute the distribution of transportation monies to local school district, which is now handled in the ARM, so that the money is front end loaded in order to replace the revenues that would be taken by the sweep of the excess retirement funds.

Discussion on the motion

01:25:49 Mr. Villa said that the easiest way to approach this is under the section that authorizes the transportation payments to school districts, we simply stipulate when those payments are to be made, then we let the ARM do what they do as far as counts when you send in your enrollment forms, leave that piece out. What he would offer the committee is, we make an 80% payment up front and then make any corrections later in the fiscal year.

01:26:32 SEN. JENT said that with the Budget Director's friendly amendment, that would be his amendment to LCsa06.

01:26:45 **The motion passed by voice vote with Sen. Van Dyk voting aye by proxy.**

01:27:09 REP. INGRAHAM discussed approving the bill drafts to get them out of the committee to be presented at the Legislative Finance Committee's September meeting.

01:28:18 SEN. ARTHUN
01:28:48 SEN. JENT

• **Motion to amend LCsa06**

01:31:03 SEN. JENT moved LCsa06 as amended.

01:31:13 SEN. LEWIS said he is not prepared to vote for a bill that is going to cost about \$65, \$70 million a biennium out of the general fund at this point.

01:32:03 REP. INGRAHAM said that at this point, she will not entertain a motion until the committee has time to further discuss it.

BREAK - reconvened at 10:25 a.m.

LCsa07 - REVISE PERS TO ADDRESS UNFUNDED LIABILITIES

01:50:09 Ms. Scurr provided a summary sheet for LCsa07 (**Exhibit 3**).

01:53:58 Ms. Scurr reviewed the bill draft LCsa07 (**Exhibit 4**).

Questions on Section 1

01:57:09 REP. INGRAHAM

01:57:22 Mr. Villa

Ms. Scurr

02:01:45 REP. INGRAHAM

- **Governor's Office response to LCsa07**

02:03:52 Mr. Villa said that LCsa07 is a simpler bill than LCsa06. He discussed utilizing the triggers that are existing statute and that this bill is the amended version of Rep. Taylor's bill using the coal tax trust. He said that they can have the conversation about a local government system and a state system where the state's actuarially required contribution is fully funded and the local government are left to do what they will with their employees, with their contribution rates, and with their board.

Committee questions

02:07:59 REP. BENNETT

02:08:14 Mr. Villa

02:09:12 SEN. ARTHUN

02:09:27 Mr. Villa

02:10:04 REP. INGRAHAM

02:10:21 Mr. Villa

02:10:44 SEN. LEWIS

02:10:59 Mr. Villa

02:11:13 SEN. LEWIS

02:11:28 Mr. Villa

02:12:14 SEN. JENT

02:12:45 Mr. Villa

02:12:52 SEN. JENT

02:13:30 Mr. Villa

02:14:15 SEN. JENT

02:14:45 Mr. Villa
02:14:49 SEN. JENT
02:15:07 Mr. Villa
02:16:50 SEN. JENT
02:17:24 Mr. Villa
02:17:54 SEN. JENT
02:19:38 SEN. LEWIS
02:20:07 SEN. JENT
02:20:43 REP. INGRAHAM
02:22:00 Mr. Villa
02:23:00 SEN. JENT
02:24:09 Mr. Villa
02:25:20 REP. INGRAHAM
02:25:34 Mr. Villa
02:25:45 REP. INGRAHAM
02:25:58 Mr. Villa
02:26:15 REP. INGRAHAM
02:26:23 Mr. Villa
02:26:49 SEN. JENT
02:28:13 SEN. ARTHUN
02:28:37 SEN. ARTHUN
02:29:19 SEN. JENT
02:29:57 SEN. ARTHUN
02:30:34 SEN. JENT
02:31:26 Mr. Villa

- **Public Comment on LCsa07**

02:33:43 **Roxanne Minnehan, Executive Director, Montana Public Employees Administration**, said that the MPERB has not yet reviewed this bill and at this time, she does not have any comments regarding the bill.

02:34:41 **Tom Schneider, Montana Public Employees Association**, said that the Association supports this bill.

02:37:51 **Eric Feaver, MEA-MFT**, urged the committee to not separate the state from local obligations.

02:39:49 **Mark Murphy, Montana County Attorneys Association**, said that the Assistant Executive Director for the Montana County Attorneys Association will present written remarks regarding the bill to the committee at the next meeting.

02:45:43 **Shantil Siaperas, Montana Association of Counties**, said that Mr. Murphy spoke with Sheryl Woods of MACo.

DECISION BRIEF "ADOPTING A LONG-TERM PLAN"

02:46:47 Ms. Scurr reviewed the Decision Brief "Adopting a Long-Term Plan" (**Exhibit 5**).

Committee questions

02:59:02 SEN. ARTHUN
02:59:53 Mr. Villa
03:01:19 REP. INGRAHAM
03:02:18 Mr. Villa
03:04:38 SEN. ARTHUN
03:04:53 Mr. Villa
03:05:19 SEN. ARTHUN
03:05:30 Mr. Villa
03:05:45 SEN. LEWIS

03:06:53 **Todd Everts, Legal Director**, discussed potential constitutional issues regarding whether or not preambles should be in proposed bills. He said it would be his suggestion that a preamble or a legislative findings provision be put into each of these bills.

LUNCH - reconvene at 1:03 p.m.

LCsa01 - specify how ethics violations within office of commissioner of political practices are to be handled

04:28:49 Ms. Scurr gave an overview of the changes in Section 3 in LCsa01 (**Exhibit 6**).

- **Public Comment - none**

04:31:47 Committee discussion
REP. BLYTON

04:32:15 **Motion**
REP. BENNETT moved LCsa01 forward as a committee bill. The motion passed unanimously by voice vote with Sen. Van Dyk voting yes by proxy.

04:33:37 REP. BENNETT will sponsor the bill.

LCsa02 - resolution to study structure and duties of the office of commissioner

04:34:25 REP. INGRAHAM said that the committee has taken action on LCsa02 and the sponsorship of this bill will be delayed until after elections.

LCsa03 - make state employee health plan expenditures subject to biennial appropriation

04:35:21 Ms. Scurr gave an overview of LCsa03 (**Exhibit 7**). She discussed the changes made to subsection (6).

- **Department of Administration's comments regarding LCsa03**
04:41:36 Russ Hill, Administrator, Healthcare and Benefits Division, discussed the purpose of the Department of Administration regarding the state's health plan. He also discussed three areas that he has concerns with: the immediate effective date,

the need to get into reserves because the claim amounts exceeded what the appropriation was, and the payments of providing services to regular staff members.

- **Public Comment - none**

Committee discussion

04:45:50 SEN. LEWIS said that his intent was to try and come up with a way to have legislative oversight of major policy changes. He said he does not have a problem with taking out the sentence that Ms. Scurr mentioned "any alternatives must be approved by the Legislature prior to implementation." He also said that he does not have a problem with changing the effective date to July 1, nor is he concerned with the issue of spending authority.

Motion

04:47:48 SEN. LEWIS moved to proceed with LCsa03. The motion passed unanimously by voice vote.

Motion

04:48:41 SEN. LEWIS moved to adopt LCsa03 as amended.

Committee discussion on the motion

04:48:47 REP. BENNETT said that this bill takes away some flexibility that the Department of Administration has when it comes to making healthcare decisions. He said he is against the Legislature micro-managing healthcare programs, and would not support LCsa03 as amended.

04:49:36 SEN. ARTHUN

04:49:52 SEN. LEWIS

04:50:41 The motion passed on a roll call vote, 5-3. Sen. Lewis will be the sponsor of LCsa03.

LCsa04- clarify Montana Administrative Procedures Act concerning rules to be adopted by reference

04:53:02 Ms. Scurr gave an overview of LCsa04 **(Exhibit 8)**

04:53:47 REP. INGRAHAM said that this bill has been approved and Sen. Arthun agreed to sponsor the bill.

LCsa05 - revise certain statutory reports required from agencies assigned to the SAVA

04:54:32 Ms. Scurr gave an overview of LCsa05 **(Exhibit 9)**.

- **Public Comment - none**

Motion

05:00:12 SEN. ARTHUN moved to adopt LCsa05 as a committee bill. The motion passed with Sen. Van Dyk voting aye by proxy. Sen. Van Dyk was appointed to sponsor the bill.

REVIEW OF TEMPLATE FOR FINAL REPORT OF THE RETIREMENT PROPOSALS

05:01:22 Ms. Scurr reviewed the template for the final report and recommendation of SAVA to the 2013 Legislature (**Exhibit 10**).

Committee discussion

05:07:01 REP. INGRAHAM

05:07:25 Ms. Scurr

05:07:34 SEN. JENT

05:07:54 REP. INGRAHAM

05:08:15 SEN. JENT

05:08:19 Ms. Scurr

05:08:56 REP. INGRAHAM said that it is the consensus of the committee to follow Ms. Scurr's format. She asked Ms. Scurr to send the committee members a copy of all of the proposals for the November meeting.

DECISION BRIEF "ADOPTING A LONG-TERM PLAN"

05:09:49 Ms. Scurr said that she had already reviewed the document, Decision Brief, with the committee (**Exhibit 5**). She asked the committee to provide instructions to staff on whether or not they wanted to move forward on any of the steps, or if the committee felt that it has already accomplished the long-term planning by working on the Governor's bills.

05:10:19 REP. INGRAHAM

05:11:34 SEN. ARTHUN

LCbnfi - revising the interim committee monitoring structure to transfer oversight of the division of banking and financial institutions to the economic affairs interim committee

05:12:54 Ms. Scurr gave an overview of LCbnfi, a bill that is "by request of the economic affairs interim committee" (**Exhibit 11**). She said that this bill is only for the committee's information.

05:13:57 REP. INGRAHAM said that she has no objection to this bill.

LCsa08 - revise SRS, HPORS, and GWPORS to address unfunded liabilities

05:14:55 Ms. Scurr recommended waiting until November when the committee has the actuarial valuations and see where these retirement systems are in terms of their

liabilities. By that time this committee will know more about where the PERS and TRS bills are and what some of the funding sources are. That can be passed on with the understanding that the committee will have a chance to review them in November.

- **Public Comment - none**

Committee discussion
05:15:38 SEN. JENT said that since he made that motion, he will be in contact with the Budget Director and the boards to find out what the liabilities are and what the options are for funding.

CORRECTED SUMMARY OF LCsa06

05:16:27 Ms. Scurr distributed a corrected version of the Summary of LCsa06 (**Exhibit 12**).

CORRECTED SUMMARY OF LCsa07 (PERS) AND UPDATED PROPOSED BILL

05:16:52 Ms. Scurr distributed a corrected version of the Summary of LCsa07 and the updated proposed LCsa07 (**Exhibit 13**).

Committee discussion
05:17:02 REP. INGRAHAM said that if there is no objection from the committee, those bills will be reviewed at the November meeting.

05:17:15 REP. INGRAHAM discussed the issue that Mr. Everts brought up regarding preambles. She suggested that the committee look at LCsa06 (TRS) and discuss increasing that preamble to address the reasons why the committee is considering changes to the bill.

05:19:32 Ms. Scurr
05:21:39 REP. INGRAHAM

- **LCsa06 (TRS)**

Motion
05:22:09 SEN. JENT moved that LCsa06 (TRS) as amended be approved.

Committee discussion
05:22:32 Ms. Scurr
05:22:44 SEN. JENT
05:23:29 SEN. ARTHUN
05:24:16 SEN. JENT
05:25:41 REP. BLYTON
05:26:24 SEN. LEWIS
05:27:05 REP. INGRAHAM asked for an amendment to the motion for staff to work on the preamble.

Motion to authorize staff to work on preamble
05:29:26 REP. BLYTON moved to authorize staff to work on the preamble for LCsa06.

05:29:31 Committee discussion
SEN. JENT

05:30:00 The motion passed unanimously by voice vote.

Motion on LCsa06 as amended

05:31:15 SEN. JENT moved that LCsa06 as amended proceed as a committee bill.

05:32:26 The motion passed on a roll call vote 7-1, with Sen. Van Dyk voting yes by proxy. Sen. Jent will sponsor the bill.

- **LCsa07 (PERS)**

Motion

05:33:20 REP. BENNETT moved the approve LCsa07 (PERS).

Committee discussion

05:33:44 SEN. JENT said that he has concerns regarding local government employee actuarial contributions. He will support the motion with the idea that a solution can be found by stakeholders regarding the local government responsibility for its actuarial contributions.

Motion to amend LCsa07 to include a preamble

05:37:26 REP. BLYTON moved to amend LCsa07 to include a preamble to set some history and precedence for future legislation.

05:37:36 The motion passed unanimously by voice vote Sen. Van Dyk voting yes by proxy.

Motion to approve LCsa07 as amended.

05:38:21 REP. BENNETT moved to approve LCsa07 as amended.

Committee discussion

05:38:36 SEN. ARTHUN

05:38:53 SEN. LEWIS

05:39:06 SEN. JENT

05:40:38 REP. INGRAHAM

05:42:20 SEN. JENT

05:44:02 Ms. Scurr

05:47:38 SEN. LEWIS

05:48:24 **Roxanne Minnehan, MPERA**, said that the Board did not state that they are not taking a position on the bill. The Board has not had time to study the bill.

05:49:03 SEN. ARTHUN said that he cannot support the motion. He would like to wait for the Board's comments on this bill.

05:49:37 The motion passed, 5-3, on a roll call vote.

DISCUSSION FOR FINAL MEETING DATE

05:51:16 A discussion over the final meeting date was held. Rep. Ingraham asked that staff look at the calendar and find a time for the final meeting.

ADJOURNMENT

05:55:38 With no further business before the committee, REP. INGRAHAM adjourned the meeting at 2:31 p.m.

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