MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN LARRY JENT**, on March 3, 2005 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:
Rep. Larry Jent, Chairman (D)
Rep. Dee L. Brown, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Mary Caferro (D)
Rep. Emelie Eaton (D)
Rep. Robin Hamilton (D)
Rep. Gordon R. Hendrick (R)
Rep. Teresa K. Henry (D)
Rep. Hal Jacobson (D)
Rep. William J. Jones (R)
Rep. Gary MacLaren (R)
Rep. Bruce Malcolm (R)
Rep. Alan Olson (R)
Rep. Bernie Olson (R)

Members Excused: Rep. Veronica Small-Eastman, Vice Chairman (D)
Rep. Sue Dickenson (D)

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Marion Mood, Committee Secretary

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

Committee Business Summary:

Hearing & Date Posted:	SB 14, 2/22/2005;		
	SB 17, 2/22/2005		
Executive Action:	SB 14;	SB 17;	HB 338
	Concur	Concur	DP

HEARING ON SB 14

Opening Statement by Sponsor:

SEN. MIKE COONEY (D), SD 40, opened the hearing on **SB 14,** Repeal Capitol Restoration Commission. He explained that because the restoration work has been done, the Commission had become superfluous. Its work is now being done by the Capitol Complex Advisory Committee.

Proponents' Testimony:

Steve Bender, Deputy Director, Department of Administration, noted that the Commission has been dormant since 1996, and urged the Committee's concurrence.

Opponents' Testimony: None

Questions from Committee Members and Responses: None

Closing by Sponsor:

SEN. COONEY closed.

EXECUTIVE ACTION ON SB 14

Motion/Vote: REP. BROWN moved that SB 14 BE CONCURRED IN. Motion carried unanimously by voice vote; REPS. SMALL-EASTMAN and DICKENSON voted aye by proxy.

Motion/Vote: REP. HENDRICK moved that SB 14 BE PLACED ON THE CONSENT CALENDAR. Motion carried unanimously by voice vote; REPS. SMALL-EASTMAN and DICKENSON voted aye by proxy.

REP. HENDRICK will carry the bill in the House.

HEARING ON SB 17

Opening Statement by Sponsor:

SEN. MIKE COONEY (D), SD 40, opened the hearing on **SB 17,** Revise meeting schedule for Board of Examiners. **SEN. COONEY** gave a brief overview of the historical duties and function of the Board of Examiners. Currently, their only function is the final approval of the sale of bonds for the State of Montana. Since there is not enough business for the Board to meet once a month as required by statute, meetings have been called as needed by the Board's president. **SEN. COONEY** explained that SB 17 merely

codifies what has been the practice over the course of several years. He recalled a concern of SEN. ROBERT STORY's, namely that the Governor as Chair of the Board may elect not to call a meeting for political reasons. To allay such fears, **SEN. COONEY** offered to amend the bill to say that the Board would meet at the call of the Chair or at the request of the majority of the Board. The Sponsor did not think this was an issue, adding that the Governor would put the State's bonding at great risk if he played "politics."

Proponents' Testimony:

Steve Bender, Department of Administration, echoed the Sponsor's statements. With regard to SEN. STORY's concern, he stated that the Governor and the Board of Examiners merely administrate bonding authorized by the Legislature.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. GORDON HENDRICK, HD 14, SUPERIOR, asked how much money would be saved as a result of SB 17. **SEN. COONEY** advised there would not be any savings because the Board has never met on a monthly basis.

Closing by Sponsor:

SEN. COONEY closed.

VICE CHAIR DEE BROWN, HD 3, HUNGRY HORSE, proposed to go into Executive Action on SB 17.

EXECUTIVE ACTION ON SB 17

Motion/Vote: REP. HENDRICK moved that SB 17 BE CONCURRED IN. Motion carried unanimously by voice vote; REPS. DICKENSON and SMALL-EASTMAN voted aye by proxy.

Motion/Vote: REP. HENDRICK moved that SB 17 BE PLACED ON THE CONSENT CALENDAR. Motion carried unanimously by voice vote; REPS. DICKENSON and SMALL-EASTMAN voted aye by proxy.

REP. HENDRICK agreed to carry SB 17 in the House.
{Tape: 1; Side: A; Approx. Time Counter: 0 - 18.1}

VICE CHAIR BROWN announced that, as promised during the hearing on HB 754, REP. ROGER KOOPMAN prepared and submitted a five-question test.

EXECUTIVE ACTION ON HB 338

Motion: **CHAIRMAN JENT moved that HB 338 DO PASS.**

Discussion:

CHAIRMAN JENT advised he had hoped to garner Governor Schweitzer's support but did not receive it as the Governor was firm on his budget. The bill is supported by the Teachers' Retirement System (TRS), the School Administrators' Association as well as the Montana Education Association/Montana Federation of Teachers (MEA/MFT). **CHAIRMAN JENT** stated HB 338 was the major teacher retention bill of the 2005 Session and proceeded to review its provisions with the Committee. He advised that the cost associated with the bill was $6.5 million for FY 2007 and added that the fiscal note does not include any cost beyond that.

REP. BERNIE OLSON, HD 10, LAKESIDE, stated that according to his notes on the long-range impact, the TRS contributions are estimated to quadruple in FY 2009. **CHAIRMAN JENT** agreed but cautioned that this does not impact the general fund alone as TRS contributions are shared by the members, the school districts and the State.

VICE CHAIR BROWN reminded the Committee that two-thirds of the general fund money comes from taxpayers. She asked how this bill impacted the audit report which found the TRS to be actuarially unsound. **CHAIRMAN JENT** advised that this question was dealt with in HB 181 and added that the TRS is prohibited by law from requesting a bill which is actuarially unsound. He stated that he had issues with the fiscal note as teachers who continue to work do not draw retirement benefits. It frustrated him that the fiscal note showed such a large cost. He estimated the total cost to county levies to be about $300,000, adding that this amount was negotiable since the amount of funding earmarked for counties as per the Governor's budget was greatly enhanced. As an aside, he contended that it was the Legislature's duty to prioritize how funds should be allocated, and if keeping current teachers was more important than something like the all-day kindergarten, then the additional $71 million earmarked for education should go to funding teacher retention.

{Tape: 1; Side: B}
CHAIRMAN JENT agreed that the fiscal questions posed about HB 338 were appropriate but added there was additional money in the budget which was designated for education.

VICE CHAIR BROWN concurred. She added that the three branches of government are separate for a reason; if the Legislature decides that this is a priority, the other two branches of government will have to consider it. She advised that she would vote for HB 338.

REP. HENDRICK expressed concern with the anticipated cost of $334,000 to county levies for FY 2007, and reiterated that this would quadruple in 2009, which *would* affect local communities despite the Chairman's prior explanation. **CHAIRMAN JENT** stated there was no doubt that it would affect local communities but understood the question to be part of a larger issue, namely the percentage of school funding supplied by the State. He recalled that it had decreased from 71% to below 60%, requiring a disproportionate reliance on county levies.

REP. OLSON echoed VICE CHAIR BROWN's statement regarding the separation of government branches and added that it applied to the House and the Senate as well. He reminded the Committee of the tally for all retirement bills they had heard, stating that passage of HB 338 would bring the total to $36.15 million.

REP. MARY CAFERRO, HD 80, HELENA, wondered if the money needed for HB 338 was part of the additional $80 million pledged by the Governor. **CHAIRMAN JENT** advised that it was not; the Legislature would have to make that decision. **REP. CAFERRO** admitted that she was struggling with this issue because of the hefty price tag. She wanted to support education but questioned those teachers' commitment to their profession who opted out after 25 years. She added there were many people who had absolutely nothing, and the cost associated with HB 338 was not in the Governor's budget along with a host of other programs she deemed appropriate. Therefore, she opposed committing State funds to people who already have a stable income.

CHAIRMAN JENT stated he was sympathetic to her concerns but advised that the State is under a court mandate to adequately fund education, and the issue of teacher's retirement was included in the court's decision. He added that current teachers' retirement benefits were abysmally low.

REP. CAFERRO then posed the question of whether the CHIP bill and the $80 million would bring the State into compliance with the constitution. **CHAIRMAN JENT** replied that he did not know.

REP. WILLIAM JONES, HD 9, BIGFORK, commented that the retirement systems are actuarially unsound and many of the investments made by the Board of Investments are high-risk. He made it clear that he would not vote for any additional spending because of his concern that the state would not be able to fulfill its current obligations as required by the Constitution.

VICE CHAIR BROWN reminded the Committee that this bill was only one of many; legislators would have to make the decision as to where and how to allocate education dollars. If it was the Committee's belief that "twenty-five and out" was too young and too soon, then this was the bill to vote for.

REP. CAFERRO understood the bill to be a retention tool, keeping teachers in the state. Now she realized that those teachers retired in order to teach (and draw wages) in another state. She stated that this flies in the face of people who retire and live in poverty. **CHAIRMAN JENT** stressed that the bill was meant to keep teachers in the state. The propensity to retire and teach elsewhere is based on the fact that they cannot live on 40% of their original salary, but they can live well when it is coupled with the salary in another location. The bill is an attempt to retain the most experienced and qualified teachers. At the other end of the scale, Montana has problems with recruitment because of the lack of adequate healthcare as well as a decent retirement plan; this is exacerbated by the salary differential compared to other states. He stressed that schools most affected by this are rural schools.
{Tape: 1; Side: B; Approx. Time Counter: 0 - 13}

REP. TERESA HENRY, HD 96, MISSOULA, stated that she, too, was struggling with these issues but advocated having all the pieces in the appropriations discussion. She added that her priorities are education as well as access to healthcare and job development. If it came down to funding this bill versus the CHIP program, she would be inclined to go with CHIP. She added that her constituency included many retirees, some of whom were retired teachers, and she would like to be able to support them as well. While she was struggling with these two issues, she still wanted both included in any discussion.

VICE CHAIR BROWN wondered whether someone who currently had 30 years of service would benefit from the two-percent multiplier. **Sheri Heffelfinger, Legislative Services Division,** replied they would not. **VICE CHAIR BROWN** surmised that after passage of this bill, they would have to add another five years. **CHAIRMAN JENT** advised it would take an additional two years.
VICE CHAIR BROWN hypothesized that someone who could retire on July 1st after 25 years of service, but chose to stay on another

two years after passage of HB 338, would receive the 2% multiplier. **CHAIRMAN JENT** clarified that the length of service had to be 30 years. He explained that a teacher had to have 30 years in before he qualified for the 2% multiplier, rendering the above statements void.

Vote: Motion carried 14-2 by roll call vote with REP. JONES and REP. MALCOLM voting no; REPS. SMALL-EASTMAN and DICKENSON voted aye by proxy.

Note: The Standing Committee Report on SB 17 was erroneously labeled "SB 16." This necessitated the issuance of a new Report which reflects the date the correction was made; copies of both are included.

ADJOURNMENT

Adjournment: 8:50 A.M.

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REP. LARRY JENT, Chairman

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MARION MOOD, Secretary

LJ/mm

Additional Exhibits:

EXHIBIT(sth47aad0.PDF)