



MONTANA LEGISLATIVE BRANCH

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Legislative Fiscal Analyst
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DATE: September 25, 2008
TO: Legislative Finance Committee
FROM: Roger Lloyd
RE: Request an Addition to LC 66

Staff recommends changes to an additional statutory appropriation in LC 66.

Background

HB 95 in the 2007 session created a new general fund statutory appropriation to provide an additional 1 percent contribution to the Montana University System's optional retirement program. The legislation provided the state treasurer with the new general fund statutory appropriation to transfer the money to the Board of Regents (\$1,619,314 spent in FY 2008).

Problem

The current statute and process unnecessarily complicates the accounting of the money. Accurately tracking expenditures from this statutory appropriation cannot be accomplished systematically which results in a higher risk of inaccurate information. In FY 2008, there were no expenditures recorded under a general fund statutory appropriation for the program. Usually such an appropriation would be a five digit number with an "S" in the fourth place, such as "285S4". This did not happen because the Department of Administration (state treasurer) "transferred" its statutory appropriation authority to the Board of Regents which spent the general fund with an appropriation with a "T" in the fourth place. If the legislature wants the money to be spent with a general fund appropriation, then the expenditure should be recorded with the proper appropriation number and spent by the proper entity.

Fix

Since the state entity who spends the money is the Board of Regents, the general fund statutory appropriation could be provided to that entity rather than the state treasurer. Suggested statutory changes to accomplish this are attached.

Suggested Motion

I move to add the amendments to 19-21-203, MCA, to LC 66 subject to legal review.

Proposed Amendments to 19-21-203, MCA

19-21-203. Contributions -- supplemental and plan choice rate contributions. The following provisions apply to program participants not otherwise covered under 19-21-214:

(1) (a) Each program participant shall contribute an amount equal to the member's contribution required under 19-20-602.

(b) (i) Each month, the board of regents shall calculate an amount equal to 1% of each participant's earned compensation; AND total the amounts calculated, ~~and certify to the state treasurer the total amount for all participants combined.~~

(ii) ~~Within 1 week of receiving notice of the certified amount, the state treasurer shall transfer the certified amount from the general fund to the board of regents. Upon receipt of the amount transferred, the~~ THE board [of regents] shall allocate and deposit to the account of each participant the amount calculated for that participant under subsection (1)(b)(i). The amounts ~~transferred~~ ALLOCATED under this subsection (1)(b)(ii) are statutorily appropriated TO THE BOARD OF REGENTS FROM THE GENERAL FUND, as provided in 17-7-502.

(c) The board of regents shall contribute an amount that, when added to the sum of the participant's contribution plus the contribution made under subsection (1)(b)(ii), is equal to 13% of the participant's earned compensation.

(2) (a) The board of regents may:

(i) reduce the participant's contribution rate established in subsection (1) to an amount not less than 6% of the participant's earned compensation; and

(ii) increase the employer's contribution rate to an amount not greater than 6% of the participant's earned compensation.

(b) Notwithstanding the supplemental contributions required under 19-20-604 and subsection (5) of this section, the sum of the participant's contributions made under subsection (1)(a), the state's contributions made under subsection (1)(b), and the employer's contributions made under subsection (1)(c) must remain at 13% of the participant's earned compensation.

(3) The board of regents shall determine whether the participant's contribution is to be made by salary reduction under section 403(b) of the Internal Revenue Code, 26 U.S.C. 403(b), as amended, or by employer pickup under section 414(h)(2) of that code, 26 U.S.C. 414(h)(2), as amended.

(4) The disbursing officer of the employer or other official designated by the board of regents shall pay both the participant's contribution and the appropriate portion of the board of regents' contribution to the designated company or companies for the benefit of the participant.

(5) The board of regents shall make the supplemental contributions to the teachers' retirement system, as provided in 19-20-621, to discharge the obligation incurred by the Montana university system for the past service liability incurred by active, inactive, and retired members of the teachers' retirement system.