

Committee on House Labor February 18, 1991 - Page These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON LABOR

February 18, 1991Hearing Room D 8:30 a.m.Tapes 34 - 35

MEMBERS PRESENT:Rep. Gene Derfler, Chair Rep. Kevin Mannix, Vice-Chair Rep. Sam Dominy Rep. Jim Edmunson Rep. Rod Johnson Rep. Bob Repine Rep. John Watt

STAFF PRESENT: Victoria Dozler, Committee Administrator Johanna Klarin, Committee Assistant

MEASURES CONSIDERED: SB 52 - Public Hearing and Work Session SB 55 - Public Hearing and Work Session SB 56 - Public Hearing and Work Session HB 2547 - Public Hearing HB 2252 - Public Hearing

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TAPE 34, SIDE A

001 CHAIR DERFLER: Calls the meeting to order at 8:30 a.m.

RECONSIDERATION, HB 2238

010 CHAIR DERFLER: Proposes the committee reconsider its action on HB 2238.

011 VICTORIA DOZLER: The reason to reconsider this bill is that we need to be absolutely positive that there is no fiscal impact on it before we refer it to the desk. The committee rules need to be suspended to allow us to do this.

015 MOTION: REP. MANNIX: Moves to suspend the rules to reconsider the committee's action on HB 2238.

The committee has no objections to this motion.

020 MOTION: REP. REPINE: Moves that HB 2238 be referred back to the Committee on House Labor.

The committee has no objections to this motion.

PUBLIC HEARING, SB 52

Witnesses: Art James, Personnel and Labor Relations Division, Executive Department. Jim McIntosh, Personnel and Labor Relations Division, Executive Department.

025 CHAIR DERFLER: Opens public hearing on SB 52.

030 ART JAMES, Executive Department: He testifies in favor of Senate Bills 52, 55 and 56. These bills will enable SEBB to provide various benefits to certain employee groups (Exhibit A).

047 JIM MCINTOSH, Deputy Administrator, Personnel and Labor Relations Division, Executive Department: Senate Bill 52 resolves a problem we have in terms of providing dental coverage to retirees. He describes changes in the PERS medical program as it relates to this issue. He asks for a favorable consideration.

WORK SESSION, SB 52

072 CHAIR DERFLER: Opens work session on SB 52.

073 MOTION: REP. EDMUNSON: Moves that SB 52 be referred to the House floor with a "do pass" recommendation.

VOTE: The motion carries 6-0.

ABSENT: REP. JOHNSON.

CARRIER: REP. EDMUNSON.

PUBLIC HEARING, SB 55

Witnesses: Jim McIntosh, Executive Department.

082 CHAIR DERFLER: Opens public hearing on SB 55.

084 JIM MCINTOSH, Executive Department: Testifies in favor of SB 55. This bill would authorize the State Employees' Benefit Board to provide a health care insurance plan to less than half-time employees by administrative rule (Exhibit B).

099 REP. REPINE: Would this expose the program to a jeopardy level that has not been present so there might be some consequences to the employees if we participate in their funding?

MCINTOSH: We would offer this as a separate program, it would have no impact on the programs that we currently offer to employees.

WORK SESSION, SB 55

110 CHAIR DERFLER: Opens work session on HB 55.

111 MOTION: REP. MANNIX: Moves that SB 55 be referred to the House floor with a "do pass" recommendation.

VOTE: The motion passes 6-0.

ABSENT: REP. JOHNSON.

CARRIER: REP. WATT.

PUBLIC HEARING, SB 56

Witnesses: Jim McIntosh, Executive Department.

120 CHAIR DERFLER: Opens public hearing on SB 56.

123 JIM MCINTOSH, Executive Department: Senate bill 56 clarifies Senate Bill 296 which was passed during the last session. He explains the rationale for introducing this bill and asks for a favorable consideration (Exhibit C).

163 REP. EDMUNSON: Has Blue Cross or Blue Shield taken a position on this continuation of benefits law?

MCINTOSH: There is no problem with this particular bill.

182 REP. REPINE: Do you need to keep the old medical programs in place that would have a very limited number of people participating in them?

MCINTOSH: We are concerned about the bill's current wording. Without the change we might have to do that. We might have a plan that we have to continue for one person.

191 CHAIR DERFLER: Would there be a fiscal impact for the state or counties?

MCINTOSH: There is no fiscal impact involved.

WORK SESSION, SB 56

196 CHAIR DERFLER: Opens work session on SB 56.

197 MOTION: REP. EDMUNSON: Moves that SB 56 be referred to the House floor with a "do pass" recommendation.

200 REP. MANNIX: There would be savings since one doesn't have to artificially maintain a plan just for one or two employees.

VOTE: Motion carries 7-0.

CARRIER: REP. MANNIX.

214 MOTION: REP. EDMUNSON: Moves to allow Representative Johnson to vote on SB 52 and SB 55.

The committee has no objections to this motion.

VOTE: REP. JOHNSON VOTES AYE ON SB 52 AND SB 55.

PUBLIC HEARING, HB 2547

Witnesses: Jim McIntosh, Executive Department. Art James, Executive Department.

221 CHAIR DERFLER: Opens public hearing on HB 2547.

224 MCINTOSH: Summarizes HB 2547. The bill establishes funding of the administrative costs of operation of the Employee Suggestion Awards and Productivity Improvement Commission through cash savings resulting from suggestions and productivity improvement projects (Exhibit D).

242 REP. REPINE: Do all the savings go into this account?

MCINTOSH: No. We are suggesting that 10% of the savings go into the account to pay for the administration of the program. Other savings are retained by agencies or they are paid through the program to those employees who come forward with suggestions or ideas resulting in savings.

255 REP. DOMINY: Why aren't the whole savings sent back to the general fund?

MCINTOSH: The incentive of the program is to the individual. The two programs work a little differently. Savings with regard to the Suggestions Award Program are taken into account in the budget process in terms that the budget is reduced and that funds are not taken from the general fund that normally would be taken. The Productivity Improvement Program requires that 30% of the savings acquired through that program are returned to the general fund.

283 REP. DOMINY: Could you give me an example of this program in terms of \$10,000?

MCINTOSH: Under the Suggestions Award Program if you had a \$10,000 savings, the employee who came forward with the idea that resulted in that savings would receive approximately \$500 as an award. The remainder of the savings would be retained by the agency.

REP. DOMINY: None of it would go back to the general fund?

MCINTOSH: Not under the Suggestions Award Program.

299 REP. REPINE: Most of the awards have been granted almost 10% of the amount of the savings. I am curious, was the person from the Department of Veterans Affairs a little slighted when they saved \$326,000 and he only received \$5000?

MCINTOSH: The maximum amount of the award is \$5000.

308 REP. WATT: Is this suggestion coordinator position a FTE position?

MCINTOSH: This is a volunteer type of activity. Most people do the suggestion coordination along with their other duties.

326 REP. MANNIX: Why do we screw around with a program that works? Is this just someone's idea of fine tuning?

MCINTOSH: In terms of rationale for the change, it is a budgeting issue.

REP. MANNIX: What you are saying is that some agencies who may not make an

effective use of this program don't like having the money in their budget to help pay for the program, and rather than make the program work better inside their agency, they would rather change the funding

mechanismso that agencies that are working well with the program pay for it.

MCINTOSH: We did not come forward with this bill as a result of pressure from some agency.

REP. MANNIX: Proposes a different kind of incentive--for every dollar that an agency saves there would be another incentive. For every dollar you save, we would protect you for a dollar on your budget cutbacks.

370 Rep. Mannix and Mr. McIntosh discuss the proposed change in the funding mechanismregarding this suggestion.

419 ART JAMES, Executive Department: Explains the two separate programs covered under this bill. The Productivity Improvement Program is a new program passed in the 198 9 session. That provides start-up money for productivity improvement projects. The seed money to get this program started came from the Personnel Labor Relations Division budget. Now to make that program self-sustaining over a long period of time, we propose that the funding source be changed so that as savings are realized through the productivity program some of that goes back into the fund to make it self-sustaining over a period of time. It does not directly affect the suggestion program.

TAPE 35, SIDE A

009 REP. MANNIX: I am interested in hearing about the distinction between the two programs and the funding mechanism.

016 REP. JOHNSON: How are the cost savings calculated?

020 MCINTOSH: What comes to the Suggestions Program, the savings are calculated and verified by the agencies themselves. As far as program administration is concerned, we don't get involved in that calculation process. With regard to the Productivity Improvement Program, prior to funds being funded to an agency to use as an investment, there is a very specific proposal made which is reviewed by ourselves and the budget management and legislative fiscal offices. Part of their proposal specifies exactly how the verification and reporting for savings is going to occur.

REP. JOHNSON: Refers to a written testimony by Donald J. Sanders in opposition to HB 2547 (Exhibit E). How do you respond to this?

MCINTOSH: Mr. Sanders suggests that changing the funding may somehow impact the success of the program. From our perspective it is hard to understand that an agency which has a successful program saving them money would decide not to participate.

064 REP. MANNIX: Why do we let this be a voluntary program in the first place. Why not make this a mandatory program? Has this been considered?

MCINTOSH: I have not participated in that kind of discussions. The tendency has been to allow agencies to make decisions independently.

085 REP. DOMINY: Refers to page 3, line 9. Why not leave the figure at thirty and add another 10%? Taking 10% away from the department would reduce their incentive. Why not add another 10% to the department?

MCINTOSH: We did not want to reduce the amount that was flowing back to the general fund.

REP. DOMINY: Would there be an impact on the general fund if we were to make that change?

MCINTOSH: I need to clarify that we are talking about the Productivity Improvement Commission Program. Presuming there are savings generated through the program and fewer dollars would be flowing back to the general fund, it would have an impact.

104 REP. WATT: Could you provide us with hard data with regard the dollars that were saved in the last biennium in a projected saving if the program were administrated by the other agency?

MCINTOSH: I can provide you the dollar amounts that have been saved and estimate the results if other agencies had the same amount of success.

REP. WATT: I would like to see those numbers.

MCINTOSH: I can provide some of that information.

125 REP. MANNIX: I am interested in rethinking why this doesn't apply to all state agencies. Why we don't have a unitary funding mechanism? I don't like to see a change in the structure of the financing in a time of tight funding.

147 JAMES: These programs are available to all employees in all state agencies. This is an employee choice instead of an agency opting out of the program.

PUBLIC HEARING, HB 2252

Witnesses: Pamela Mattson, Administrator, Employment Division. Steve Tegger, Legislative Liaison, Employment Division. Steve Minnich, Administrator, Adult and Family Services. Roger Kirschner, Special Assistant to the State Treasurer.

168 CHAIR DERFLER: Opens public hearing on HB 2252.

172 PAMELA MATTSON: She explains the proposed amendments (Exhibit F).

210 CHAIR DERFLER: Refers to the \$1.15 million (accrued interest in the Supplemental Employment Division Administration Fund from Diversion prior to 91-93). Where would this money be used if it didn't show up for this purpose?

MATTSON: We have not looked at the interest that was generated on the diversion during that biennium. The balance in that fund, at the end of the biennium, would revert back to the benefit trust fund in Washington D.C. We propose to capture this interest.

-She explains interest income from the Benefit Reserve Fund (Exhibit F)

CHAIR DERFLER: Wouldn't you be short of \$2.5 million to fund the program during the next biennium? How are you proposing to make that up during the next biennium?

MATTSON: We don't have a proposal to make that up in the next biennium.

CHAIR DERFLER: You certainly are not going to reduce your expenses by \$2.5 million so you would have to come back and ask for additional money. Is that correct?

MATTSON: We don't anticipate doing that. We want to be able to live within the yield from HB 2084.

254 REP. REPINE: Refers to HB 2084. Is this part of the HB 2084 interest or is this interest generated from that interest?

MATTSON: No this is not secondary interest because of the time frame. This would be primary interest generated by HB 2084.

-She explains interest earned from the additional \$45 million diversion. We did not discuss creating another fund but expanded the diversion.

-We need to change the June 30, 1991, date to September for bookkeeping purposes.

-She explains the three components needed to return the \$7.5 million to the trust fund.

375 REP. MANNIX: This amendment package along with the bill does not address the issue of the penalties and the interest which are paid for late payments?

MATTSON: No it does not. We can offer, at this point, conceptual amendments that would amend these amendments that would reduce the diversion by \$3.5.

REP. MANNIX: I would be interested in seeing that because it seems to me we are going to be loaning money from the JOBS program. We ought to minimize the amount that we need to loan. The Employment Division should use the \$3.5 million within their division for the JOBS program instead of sending it to AFS and churning up \$7.5 million for the JOBS program. How do we do this in concept?

MATTSON: The amendment simply amends one of the tax schedules so that \$3.5 million less is diverted.

413 REP. MANNIX: Would it be a line that is added to the bill saying that the diversion will be reduced by the amount of penalties and interest received by the Employment Division by the employers.

MATTSON: We would not need to make reference to the penalty and interest language.

423 STEVE TEGGER, Legislative Liaison, Employment Division: We would need to amend the HB 2252-3 amendments. He refers to exhibit G, page 1 and 12.

TAPE 34, SIDE B

003 REP. MANNIX: Reiterates the proposed changes.

010 REP. REPINE: Refers to exhibit F, the June 30, 1993 date. Is that somewhere in these proposed amendments also?

TEGGER: Refers to page 12, line 13.

013 VICTORIA DOZLER: What is on line 9 on page 12?

TEGGER: There are two dates on the bill; one deals with collections that come in late, where do they go.

022 CHAIR DERFLER: We are just playing games with this whole package. We still take out the \$7.5 million from the unemployment trust fund. It is going to cost us money, time and effort, and for what purpose?

030 MATTSON: Our aim is not to consume those precious trust fund dollars.

CHAIR DERFLER: Regardless how you do it, you are still going use the \$7.5 million because it is lost interest in money that we send back to Washington.

MATTSON: We are back with the concept of using the interest of these dollars.

046 CHAIR DERFLER: It is going to cost us a lot of money to set this whole procedure up.

MATTSON: We don't anticipate that happening. It doesn't affect the way the employer pays their quarterly contribution.

CHAIR DERFLER: It is going to cost us to set up the diversion and get the treasurer to invest the money and go through the whole procedure. There must be a cost involved.

MATTSON: The Supplemental Employment Division Administration Fund that we would be using is set up as we speak. We are not setting up a new fund. The fund is simply going to be more active.

CHAIR DERFLER: This seems like a game to me, a waste of time.

066 REP. WATT: What happens to this JOBS program if the committee doesn't buy into this plan?

074 STEVE MINNICH, Administrator, Adult and Family Services: The money involved in this transfer would fund 3100 additional participants in the JOBS program. If those funds are not approved by this committee, it would essentially cause us to reduce the program that much.

REP. WATT: The JOBS program would not benefit everyone who walks into the Employment Division looking for assistance but only those who are in the AFS program. Is that correct?

MATTSON: This is a targeted program for those individuals who are part of the JOBS program.

REP. WATT: So it is correct, and this program will be funded indirectly by employer dollars paid into the benefit fund and diverted to the federal government, back to the state into a diversion program paid by the interest of that diversion money?

MATTSON: Yes.

103 REP. REPINE: Is this program targeted to serve 3100 people?

MINNICH: We serve 22,000 welfare recipients. These funds are directed

to handle the job placement functions.

REP. REPINE: Are you saying that we spend \$7.5 million on 3100 people on the JOBS program.

MINNICH: The placement function serves about 8000-10,000 individuals.

133 REP. MANNIX: Provides a break-down, \$750 per individual, is that correct?

MINNICH: That is in the ball park.

138 MATTSON: Refers to Representative Watt's question, who would be the beneficiaries of the program.

-She describes the contribution to the state-wide economy.

159 REP. WATT: I agree with the concept of what we are trying to do here. I don't like that it is funded from employer dollars.

167 REP. MANNIX: Have you considered the proposed reduction in the unemployment tax rate and instead tap into that money and call it a payroll tax? We would leave the unemployment tax rate where it is. This would be a short-term tax--"re-employment, displaced workers economic regeneration plan tax." The unemployment trust fund would remain untouched.

MATTSON: We have considered that. We don't feel comfortable with putting forward additional taxes now.

REP. MANNIX: Nobody wants to bite the tax bullet.

216 ROGER KIRSCHNER, Special Assistant to the State Treasurer: The treasury is not yet in the position to sign off on the projected cash flows that are discussed in HB 2252. We have scheduled a meeting to discuss those cash flows with all the parties involved. We are also concerned about some language in HB 2084 with regard to the proper definition of the trust.

230 REP. REPINE: Will HB 2084 be discussed in the same meeting?

KIRSCHNER: I anticipate that.

232 CHAIR DERFLER: I am disturbed a great deal to learn that HB 2084, which we passed, is not a trust fund that it could be tapped by other agencies. How did this slip by?

KIRSCHNER: I am not in the position to answer that.

246 MATTSON: Answers Chair Derfler's question concerning the trust fund. It was the committee's questions that prompted us to go back to Tony Meeker to re-consult with him on HB 2084. Their trust lawyers determined that the trust could be further protected, that the language could be tightened beyond the legislative intent so it was as impenetrable as possible by further legislative assemblies.

267 REP. MANNIX: The Employment Division is getting dragged in here is because they have a fund that is healthy.

274 CHAIR DERFLER: Introduces LC 2700.

281 DOZLER: She summarizes LC 2700.

289 MOTION: REP. MANNIX: Moves that LC 2700 be introduced as a committee bill as a courtesy to whichever committee it was going to go to.

The committee has no objections to this motion.

302 CHAIR DERFLER: Adjourns the meeting at 9:50 a.m.

Submitted by: Reviewed by:

Johanna Klarin Victoria Dozler Assistant Administrator

EXHIBIT LOG:

A - Testimony on SB 52 - Art James - 1 page. B - Testimony on SB 55 - Jim McIntosh - 1 page. C - Testimony on SB 56 - Jim McIntosh - 1 page. D - Testimony on HB 2547 - Jim McIntosh - 1 page. E - Testomony on HB 2547 - Donald J. Sanders - 3 pages. F - Amendments for HB 2252 - Pamela Mattson - 1 page. G - Amendments for HB 2252 - Steve Tegger - 12 pages.