

MINUTES OF THE MEETING
APPROPRIATIONS COMMITTEE
50TH LEGISLATIVE SESSION

The meeting of the Appropriations Committee was called to order by Chairman Rep. Gene Donaldson on February 25, 1987, at 8:00 a.m. in Room 104 of the State Capitol.

ROLL CALL: All members were present except Reps. Bradley, Poulsen, Quilici, Rehberg and Rep. Switzer were excused for meetings. Also in attendance were Judy Rippingale, LFA and Denise Thompson, Secretary.

HB 820:

Rep. Fritz presented HB 820 stating this is a bill allowing the associated students at the various units of the university system to retain the interest that is earned on their activity fees. If the money were in a designated fund it would be better for keeping track of it. If this bill passes, it will allow the students to retain the interest on that one account, activity fees and they wont lose the interest money that they get now.

PROPONENTS: (34:A:4.25)

Matt Thiel, Associated Students at the University of Montana spoke in support of the bill and presented written testimony to the committee (Exhibit 1). He stated that it was their intent that the student governments should be exempt from the current statute. The Attorney General suggested the need for a legislative remedy. He and the Commissioner of Higher Education have endorsed this bill and also recommend its passage.

Jaime Zink, representing the Associated Students at Montana State University also spoke in support of the bill also.

Mr. Jack Noble, Deputy Commissioner for Finance stated that the Board of Regents and the Commissioner of Higher Education's Office both support the bill.

(34:A:10.28) Mr. Glen Williams, Vice president of fiscal affairs at the University of Montana stated they also support the bill. They feel the fees have been paid in by the students and they should be entitled to the interest on the money.

There were no opponents to the bill.

QUESTIONS:

Chairman Donaldson asked Rep. Fritz if all six campuses were involved. Rep. Fritz said yes they were.

Ms. Rippingale stated the bill language was written precise enough that it will only affect the student government accounts.

Rep. Bardanouve stated there could be a whole series of bills like this one and this one could be just opening up things for more of these bills to come through.

Mr. Noble reassured him that this is the only bill which he was aware of and it is an isolated case and should not occur again.

EXECUTIVE ACTION:

Rep. Bardanouve moved to DO PASS HB 820. Rep. Peck called the question. The motion CARRIED unanimously.

Rep. Devlin asked Mr. Noble to furnish him with some information regarding the administrative fee being charged at one unit and not any of the others as to the assessment and what the fee is. Mr. Noble stated it was \$29,379.

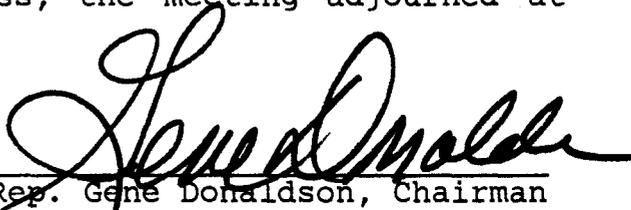
ADJOURNMENT:

Chairman Donaldson reviewed the proposed schedule for the rest of the week.

Rep. Bradley asked permission to introduce a committee bill because a \$5 fee which was to be added to marriage licenses had somehow slipped by their subcommittee and was not brought before the full committee prior to committee bills having to be introduced.

There was discussion on different options for this concern and Chairman Donaldson said he would look into some of the options for Rep. Bradley and get back with her.

There being no further business, the meeting adjourned at 8:37 a.m.


Rep. Gene Donaldson, Chairman

DAILY ROLL CALL

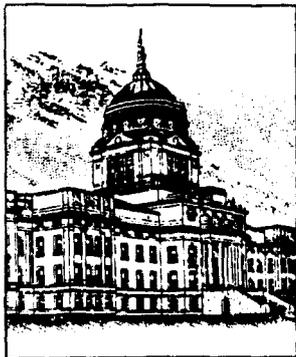
APPROPRIATIONS

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

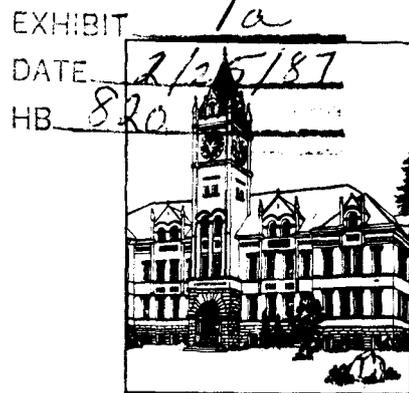
Date 2/25/87

NAME	PRESENT	ABSENT	EXCUSED
DONALDSON, GENE Chairman	✓		
THOFT, REP. BOB Vice Chair	✓		
WINSLOW, REP. CAL	✓		✓
BARDANOUVE, FRANCIS	✓		
BRADLEY, DOROTHY			✓
CONNELLY, MARY ELLEN	✓		
DEVLIN, GERRY	✓		
IVERSON, DENNIS	✓		
MANUEL, REX	✓		
MENAHAN, RED			
MENKE, LARRY	✓		
MILLER, RON	✓		
NATHE, DENNIS	✓		
PECK, RAY	✓		
POULSEN, HAROLD			✓
QUILICI, JOE			✓
REHBERG, DENNIS			✓
SPAETH, GARY	✓		
SWIFT, BERNIE	✓		
SWITZER, DEAN	✓		✓



ASUM
Student Legislative Action

University Center 105
University of Montana
Missoula, Montana 59812
(406) 243-2451



HOUSE APPROPRIATIONS COMMITTEE, February 25, 1987
Matt Thiel, ASUM Lobbyist

HOUSE BILL 820

ASUM is supporting HB 820 because a recent legislative auditor's determination will cause our student government association to lose a large portion of its revenues. The auditor has determined that our student government is a current designated fund category, and thus interest earned in our accumulated balances will be forfeited to the state's general fund. We have been told that there is no other category choice ASUM fits into under current statute. House Bill 820 would allow student groups to retain investment earnings on student activity fees.

It is our position that student governments should be exempt from the current statute.

First, student governments are unique entities that are supported by student activity fees--a form of self-taxation

sanctioned by the state. Student governments do not require any state appropriations to operate and pay for all the expenses they incur out of their own funds. Student governments are sanctioned by both the Board of Regents and campus presidents and operate under approved constitutions. These governments are intrusted with student monies to allocate to programs in a manner similar to the legislative process, and obey all state financial laws. Student supported programs are for students and make our campuses a better overall environment. These activities encourage new students to enroll in our colleges and universities and thus generate revenue for our state.

ASUM appropriates the activity fees to support student activities such as:

DAY CARE
LEGAL SERVICES
THE MONTANA KAIMIN (NEWSPAPER)
ASUM PROGRAMMING
VARIOUS WILDERNESS SOCIETIES
CAMPUS RECREATION--ALL INTRAMURAL SPORTS
UM ADVOCATES
SEVERAL MUSIC GROUPS
CUT BANK LITERARY MAGAZINE
INTERNATIONAL STUDENT GROUPS
BLACK STUDENT UNION
KYI-YO INDIAN CLUB
PHOENIX (FOR NON TRADITIONAL OLDER STUDENTS)
STUDENT ACTION CENTER
TUTORING
RODEO CLUB

Second, student activity fees are not traditional tax

dollars coming from traditional taxpayers and are not appropriated from the general fund. Students taking 7 or more credits pay \$20 per quarter per year and this makes up their total operating budget. It is from this sum of money that student governments earn the investment income that is so important to their fiscal stability.

Third, student governments predate many of the statutes that now affect them. Student governments were not really considered when these statutes were drafted to cover "normal" state government entities. Students are asking to be treated according to their own unique characteristics.

Fourth, this bill will not take away any existing revenues from the state; the state has not relied on these revenues before. However, student government at the University of Montana and their activities would be drastically affected. Already ASUM is facing a major financial crisis; cutting back on employees, clubs, programs and activities that mean a great deal to the students. Shortly, ASUM will allocate approximately \$407,000 to its various organizations and programs. This figure represents a 29 percent decrease in student funds over the past three years. The investment income generated by student funds does not represent a large amount to state government, (\$390,000--OBPP), especially when this money has not been credited to the general fund in the past. Nevertheless, the loss of this money would be catastrophic to ASUM.

If the investment income is lost, student programs will be cut and the state will be unwilling or unable to make up the difference.

Lastly, the Attorney General has looked into this situation. He has suggested the need for a legislative remedy. He endorsed this piece of legislation and recommends its passage. In addition, the Commissioner of Higher Education has endorsed this bill and also recommends its passage.

EXHIBIT 16
DATE 1/3/87
HB

STATE
OF
MONTANA

**ATTORNEY GENERAL
MIKE GREELY**

JUSTICE BUILDING, 215 N. SANDERS, HELENA, MONTANA 59820
TELEPHONE (406) 444-2028

23 December 1986

Paul Tuss, President
Associated Students, University
of Montana
University Center, Room 105
Missoula MT 59812

Dear Mr. Tuss:

I am enclosing a copy of my recent opinion which holds that employees of ASUM are eligible for membership in the Public Employees' Retirement System. You will note that I added the caveat: "This opinion is not intended to resolve other issues of the proper relationship and control of student government operations by the university system."

I have also looked into the basis for the university administration's position that interest accrued on the student activity fees will not be credited to student government. It is my understanding that this different accounting treatment has been directed by the Legislative Auditor. In my discussions with you, I had agreed to write to President Koch about the matter. However, it appears that the problem lies with the Legislative Auditor and not the university administration.

At this time I am not taking a position whether the interpretation of the Legislative Auditor is correct. However, the timing is fortuitous to obtain statutory clarification from the Legislature which is convening in January. I urge you to pursue this through the Legislature since a change in the statute would resolve the matter completely. It is my understanding that the Commissioner's Office would support legislation to allow your continued receipt of the interest accrued on deposited student activity fees.

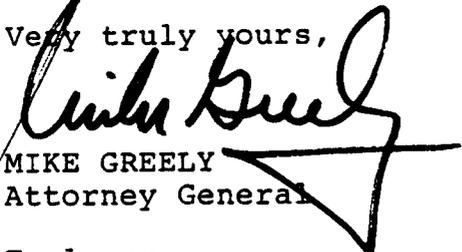
I know we discussed the problems you might have in presenting this to the Legislature, but upon further

Paul Tuss
Page 2
23 December 1986

review, I think that is the best solution. You are authorized to state that I am in support of a legislative change to clarify the use of interest on student fees as outlined above.

If the Legislature is unwilling to make this change, you will be in a strong position to argue that the university administration should not also charge you the assessment fee. In my view, it is unreasonable to expect you to pay an assessment fee to the university and also lose the interest on the student fee account. I will support that request to the university administration if the Legislature does not respond to attempts to make the change discussed here. I encourage you first to seek the legislative change and I am hopeful that will deal with the very real problem you have.

Very truly yours,



MIKE GREELY
Attorney General

Enclosure

cc: Jack Noble
Deputy Commissioner of Higher Education

SKD

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL-COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

June 20, 1986

Steve Bennyhoff
Financial Assistant
Commissioner of Higher Education
33 South Last Chance Gulch
Helena, MT 59620

RECEIVED

JUN 24 1986

THE MONTANA UNIVERSITY SYSTEM

Dear Steve:

This letter is in response to your questions concerning accounting for student groups. Currently both MSU and UofM record the associated student activity in the agency fund. However, MSU reports the activity in the current designated fund in its financial statements. UofM reports the organization in the agency fund.

The issue raised at the Legislative Audit Committee was that the student groups are funded with state money and, according to the response to the PERS recommendation in UofM's report, are subject to applicable state and federal laws and regulations including but not limited to personnel, budgeting, purchasing, travel, and accounting. In this case, the student groups do not have agency fund status and, the moneys involved must be accounted for in the current unrestricted fund.

If the change is not made on SBAS, the units will violate section 17-1-102(4), MCA, which requires the accounting records be in accordance with generally accepted accounting principles.

If you have any further questions please call me at 444-3122.

Sincerely,

Wayne Kedish
Audit Manager



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2002
(406) 444-6670

COMMISSIONER OF HIGHER EDUCATION

TO: Student Body Presidents

FROM: Jack Noble *JN*
Deputy Commissioner for
Management and Fiscal Affairs

DATE: October 1, 1986

SUBJECT: Student Body Government, Retirement Eligibility for
ASUM Employees, and Accounting for Associated Student
Funds

The last legislative audit raised the issue of whether employees of ASUM are state employees eligible for membership in our Public Employees Retirement System. Our office agreed to seek an Attorney General's opinion on the question. (See attached letter to A.G.) The answer to the PERS question will resolve (or create) another problem. If the ASUM employees are state employees, then it follows that the accounting for student funds must be moved from the Agency funds to the Designated fund groups in the Statewide Budget and Accounting System. (See letter from Wayne Kedish to Steve Bennyhoff.)

This means that the interest income currently earned and retained by ASUM will be credited to the general fund. Since this may have a negative impact on your budget, you should be aware of the problem.

We will wait for the Attorney General's opinion prior to taking any action. I will be happy to meet with you and go over the problem at your next meeting.

JHN/llt

c: Chief Fiscal Officers
Carrol Krause
Steve Bennyhoff
Regent Budget Committee



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602

(406) 444-8570

COMMISSIONER OF HIGHER EDUCATION

TO: Chief Fiscal Officers
Controllers

FROM: Steve Bennyhoff *SAB*
Financial Assistant

DATE: February 4, 1987

SUBJECT: Accounting for Associated Student Funds

Jack sent a letter to each student government last October (see attached) in which he explained that if the Attorney General ruled that ASUM employees are state employees, the accounting for student funds must be moved from the Agency fund to the Designated fund.

On January 8, 1987, the Attorney General issued his opinion that "such employees are properly members of the Public Employees' Retirement System". Therefore, to comply with section 17-1-102(4), MCA, which requires the accounting records be in accordance with GAAP, beginning in FY 88, all campuses must account for student funds in the Designated fund.

I recommend that for your FY 87 financial statements that you report all student activity in the Designated fund, even though you are accounting for the activity in an Agency fund.

SAB/11t

Attachment

900T

APPROPRIATIONS SCHEDULE - 1987

Legislative Days

1 - 6 FEED BILL - Prepared by Legislative Council. There will be a hearing in both House Appropriations and Senate Finance and Claims.

2 - 45 SUBCOMMITTEE HEARINGS - Subcommittees meet three to four hours, five days a week.

46 - 51 SUBCOMMITTEES WRAP-UP - During this period loose ends are tied down and some changes are made to initial decisions.

49 SUBCOMMITTEE WORK DRAFTED - Staff drafts a report explaining subcommittee action. Chairmen use this report in presenting subcommittee work to full committee.

52 - 57 SUBCOMMITTEES REPORT - On successive days, the five subcommittees present their reports to the House Appropriations Committee. The hearing usually takes most of each morning.

HAC ACTION - At night during this week HAC marks up the subcommittee draft. Typically, the report that was presented during the day is debated at night. Agencies desiring to appeal subcommittee action make their pitch.

58 - 62 PREPARATION OF BILL AND NARRATIVE - The LFA staff takes the action of the full HAC, incorporates it into the original draft and submits it to the council for formal drafting. The HAC version of the bill is a clean, second reading copy which is completely substituted for whatever bill may have been entered originally.

The LFA staff also updates the subcommittee narrative to be consistent with the full committee actions. The updated narrative along with the bill is distributed a day or perhaps two prior to the scheduled debate.

HAC "DOGS AND CATS" HEARINGS - The full committee meets in the morning and in the evening to hear the miscellaneous bills. In order to meet the transmittal date, these bills will need to go to the floor before the general appropriation bill.

LONG RANGE PLANNING SUBCOMMITTEE - Complete HAC action and report all long range planning bills to floor.

63 NARRATIVE REPORT - given to Legislators.

64 - 65 CAUCUS - on general appropriation bill.

65 - 69 APPROPRIATIONS BILL SECOND READING - The bill is debated by sections. Each subcommittee chairman explains his section, questions are asked and amendments offered. That section is then closed and the next section taken up. Once all sections of the bill are completed, the entire bill is open for debate and amendment.

