

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman Jan Brown, on January 27, 1989,  
at 9:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Judy Burggraff, Secretary; Lois Menzies,  
Staff Researcher

Announcements/Discussion: Chairman Brown announced that Rep. McCormick requested that HB 298 be postponed until next Friday as the parties that are interested in the bill couldn't agree on some changes. Rep. McCormick said he thought it would save our committee time if they could agree on the changes before the hearing.

HEARING ON HB 309

Presentation and Opening Statement by Sponsor:

Rep. Marian Hanson, House District 100, introduced the bill. This bill permits a city or town clerk to file a copy of the city's or town's financial statement with the Department of Commerce within 120 days after the close of each fiscal year; currently, the report must be filed no later than August 31 of each year. In addition, the bill removes the requirement that the clerk deliver a copy of the statement to the city or town council or commission at its first regular meeting in September.

Rep. Hanson said that two years ago it was brought to the Legislature's attention that the cities and towns were not filing their reports within the length of time that was statutorily required. They were filing within 120 days, which is the amount of time requested in HB 309.

List of Testifying Proponents and What Group They Represent:

Alec Hansen, Montana League of Cities and Towns

List of Testifying Opponents and What Group They Represent:

None

Testimony:

ALEC HANSEN, proponent, said that a bill passed by the 1987 Legislature did essentially the same thing as HB 309 except not all of the necessary sections were amended. Mr. Hansen said this bill simply coordinates with the 1987 bill to allow the city clerks an additional 30 days to file their reports. Mr. Hansen said that the August 31 deadline was too tight and virtually impossible to comply with. Mr. Hansen said that by extending the filing time to 120 days past the end of the fiscal year, the personnel would have the time needed to comply with the law. He said that this should promote efficiency and economy in local government operations.

Questions From Committee Members:

None

Closing by Sponsor: Rep. Hanson said that last session's bill needs to be clarified in the Montana Codes and urged a do pass.

DISPOSITION OF HB 309

Motion: Rep. Debruycker moved DO PASS.

Discussion: None

Amendments and Votes: None

Recommendation and Vote: The motion CARRIED; the vote unanimous. Rep. Moore moved to put the bill on the Consent Calendar. The motion CARRIED. The vote unanimous. Mr. Hansen said that he would provide information that morning to Chairman Brown from the Local Government Services Division as to how HB 309 coordinates with the 1987 law.

Presentation and Opening Statement by Sponsor:

Rep. Chuck Swysgood, House District 73, introduced the bill. Since Rep. Swysgood did not get a fiscal note for the bill, he distributed to the Committee a report, Estimated Interest Earned on State Lottery Fund Cash Balance, from the Office of the Legislative Auditor (Exhibit 1). This bill revises the Montana State Lottery Act. Currently, approximately 45 percent of the money paid for tickets must be paid out in prize money. In addition, up to 15 percent of the gross revenue from ticket sales may be used to pay the lottery's operating expenses. A portion of the revenue may also be used to pay commissions to sales agents. The revenue not used for payment of prizes, operating expenses, or commissions is used for equalization aid for teachers' retirement funds. This bill provides that the interest earned on the gross revenue while the gross revenue is in the enterprise fund in the state treasury must also be used for equalization aid for teachers' retirement.

List of Testifying Proponents and What Group They Represent:

None

List of Testifying Opponents and What Group They Represent:

None

Testimony:

None

Questions From Committee Members: None

Closing by Sponsor: Rep. Swysgood said that if the Committee members would look at the handout he believes that they will be surprised by the amount of money that is generated by the interest, which is close to \$500,000 a year. Rep. Swysgood also recommended that the Committee ask for a fiscal note and since the bill is a revenue issue it not be placed on the Consent Calendar.

## DISPOSITION OF HB 210

The committee did not act on the bill since a fiscal note was needed.

Presentation and Opening Statement by Sponsor:

Rep. R. Budd Gould, House District 61, Missoula County, introduced the bill. The bill, requested by the State Lottery Commission, generally revises the Montana State Lottery Act. Rep. Gould said that he has spent considerable time with the lottery people in the following locations: Washington D.C., Maryland, Delaware, Vermont, New Hampshire and Maine (which operates the Tri-State Lottery). The most important thing that Rep. Gould said he wanted to emphasize is that the lottery commission staff needs flexibility to enable them to make business decisions frequently with short notice.

Rep. Gould said that there was a technical problem with the bill concerning the word "regional" that should be addressed (Exhibit 2).

Under current law, 45 percent of gross lottery revenues must go to prizes, another 5 percent is paid in commissions to retailers who sell lottery tickets and up to 15 percent can be used for administration. The remainder, about 35 percent, must be transferred to the state Office of Public Instruction to provide property tax relief in school retirement programs.

Rep. Gould said that lifting the 45 percent cap on prizes is a marketing tool, because offering bigger cash prizes makes lottery players out of people who have not been lottery players before. The Tri-State Lottery built its average weekly ticket sales from about \$800,000 to almost \$1,5 million over a relatively short time as lottery jackpots were increased.

List of Testifying Proponents and What Group They Represent:

Diana Dowling, Montana Lottery Commission

List of Testifying Opponents and What Group They Represent:

Mignon Waterman, Montana Association of Churches

The Following People Presented Written Comments But Did Not Testify:

John Bodeck, KTVH-TV, Helena (Exhibit 6).

Lorna Frank, Montana Farm Bureau Federation (Exhibit 3).

Testimony:

DIANA DOWLING, proponent, said that the Montana Lottery is now 21 months old and it is a very successful multi-million dollar entertainment business. The business is run by the state at no cost to the state. The Lottery paid back its \$1.5 million loan that it received to start the lottery in a matter of weeks. The first year's profits were \$8.4 million. Ms. Dowling then explained the revisions to the Montana State Lottery Act of 1985 contained in HB 207 (Exhibit 3). Ms. Dowling presented proposed amendments to HB 207 (Exhibit 4). She noted that Governor Stephens approved the amendments.

MIGNON WATERMAN, said that she was not particularly an opponent to the bill, but that the Montana Association of Churches is opposing the expansion of gambling. Ms. Waterman said that they originally opposed the Lottery. Ms. Waterman said that the one concern she would voice is that she believes it allows the percentage of prizes to increase and gives more flexibility on the administrative cost. Ms. Waterman said she believes that the lottery referendum was sold to the voters as a tax relief measure, and the bill would no longer put a statutory requirement on the percentage of money collected that goes for tax relief for the retirement fund.

Questions From Committee Members:

REP. GERVAIS asked Ms. Mignon if her organization included the Catholic church; and, if so, if they had bingo. Ms. Mignon answered yes, and that she believes the Church does have bingo.

REP. PHILLIPS asked Ms. Dowling about the fiscal note as it relates to the 15 percent cap. He said that for fiscal year 1988 the Lottery's operating expenses were 24 percent of the revenues and the Lottery is budgeting for 22 percent for fiscal year 1989. Ms. Dowling said the Commission is asking to be funded similar to how other agencies are funded (i.e., an amount is appropriated by the Legislature). Dowling said that when sales aren't up, they need more than 15 percent to operate. When the sale are up, the Lottery can operate on a lot less than 15 percent. Ms. Dowling said with sales of about \$20 million, that the Lottery could operate on a budget of about \$3 million. Ms. Dowling noted that in the first fiscal year they spent 14 percent, and there were revenues of \$21 million. Ms.

Dowling said that they have fixed expenses such as the Instant Lottery System. The only place to cut when revenue is down is in promotion and point-of-sale items. REP. PHILLIPS asked Ms. Dowling if the original operating expense cap was 10 percent. Ms. Dowling said that was correct, but that in the last Legislature retailers' commissions were added, which raised it to 15 percent.

REP. DAVIS said he had the same concern as Ms. Mignon and would like to see the revenues go into the tax reduction for teacher retirement.

REP. DEBRUYCKER asked Ms. Dowling for an explanation of the fiscal note concerning the agent's commission. The question was directed to Jerry LaChere, Director of Operations. Mr. LaChere said the agent percentage is not being changed in the proposed law. The proposed law still maintains the commission at 5 percent.

REP. WESTLAKE asked Ms. Dowling if the Legislative Auditor would have the authority to contract out-of-state for auditing services. Ms. Dowling said that, as a matter of practice, certified professional accounting firms have been contracted for within the state, and the bill does not change current practice.

Diana Dowling was asked to explain the amendments. Ms. Dowling said that the Governor's office backs the amendments. The amendments allow the Director of the Department of Commerce to adopt rules relating to lottery staff sales incentives and sales agents' commissions.

Closing by Sponsor: Rep. Gould related the advantages of a tri-state lottery; each state would only have one-third of the responsibility and cost of operating the lottery.

#### DISPOSITION OF HB 207

No executive action was taken.

#### HEARING ON HB 267

Presentation and Opening Statement by Sponsor:

Rep. Tom Kilpatrick, House District 85, presented a written statement to the Committee (Exhibit 5). This bill requires all communications (radio, television and

newspaper advertisements, posters, bill boards, etc.) that advocate the success of a candidate in a partisan election to state the candidate's party affiliation.

List of Testifying Proponents and What Group They Represent:

Donna Small, Vice-Chairman, Montana Democratic Party

Margaret S. Davis, League of Women Voters

C. B. Pearson, Executive Director, Common Cause

List of Testifying Opponents and What Group They Represent:

None

Testimony:

DONNA SMALL, proponent, presented written testimony to the Committee (Exhibit 7).

MARGARET DAVIS, proponent, presented written testimony to the Committee (Exhibit 8).

C. B. PEARSON, proponent, said that Common Cause actively supports the bill, and they think it would be a good addition to the law.

Questions From Committee Members:

REP. GERVAIS asked Rep. Kilpatrick if there would be any penalties imposed for someone who did not comply with the law. Dolores Colburg, Commissioner of Political Practices, said there would be penalties available under other sections of law.

Several Committee members voiced concerns about what campaign materials would have to be identified. An example of their questions is: When you wrote home to a constituent, would your stationery have to state your party affiliation as in actuality you are campaigning when you respond to a query? Rep. Phillips said that the bill "opens up the damndest can of worms he'd ever seen." He said he thought the bill was unnecessary.

REP. SPRING asked Ms. Colburg if the mascot symbol would qualify in identifying party affiliation. He was told "yes."

REP. MOORE and others questioned what would happen if someone other than the candidate sent out communication or advertising on their own and omitted the party

designation. Who would pay the penalty? Ms. Colburg said that the one who financed the communication would pay the penalty.

REP. RUSSELL asked Ms. Colburg if it would be appropriate to amend the bill to require party affiliation on campaign materials that advocate defeat of a candidate. Ms. Colburg said that such an amendment would be appropriate.

Closing by Sponsor:

Rep. Kilpatrick thanked the Committee for its time, and said he would have no objection to the amendments suggested by Rep. Russell.

DISPOSITION OF HB 267

Motion: Rep. Campbell moved DO NOT PASS. Rep. Cocchiarella made a substitute motion that HB 267 DO PASS.

Amendments and Votes: REP. WHALEN moved to amend lines 23, page 1, following "success" to include the words "or defeat." The motion CARRIED.

REP. SQUIRES moved a technical amendment to the bill suggested by Lois Menzies (Exhibit 14). Lois Menzies explained that the amendment would clarify the title. The motion to amend the title CARRIED.

REP. DAVIS spoke for the bill and said he would like to reword it. REP. DAVIS said he would like to table the bill and work on it.

Recommendation and Vote:

REP. DEBRUYCKER made a motion to TABLE THE BILL. The motion CARRIED, with Reps. Gervais, Whalen, Russell, Cocchiarella, Squires and Brown voting no.

DISPOSITION OF HB 270

Hearing Date: January 24, 1989

Motion: Rep. DeBruycker had made a DO PASS motion on January 24, and it was held over.

Discussion: See discussion on January 24, 1989.

Amendments, Discussion and Votes: Rep. Phillips moved the

amendments to HB 270 DO PASS. Lois Menzies gave a clarification of the amendments (Exhibit 9). The motion to amend HB 270 CARRIED. The vote was unanimous.

Recommendation and Vote: Rep. Phillips moved that HB 270 DO PASS AS AMENDED. The motion CARRIED on a unanimous vote.

## DISPOSITION OF HB 235

Hearing Date: January 25, 1989

Motion: Rep. Cocchiarella moved HB 235 DO PASS.

Amendments and Votes: Rep. Cocchiarella proposed an amendment (Exhibit 11). She said that the amendment addressed the veterans' concerns and was approved by Rich Brown from the Veterans' Affairs Division of the Department of Military Affairs.

REP. PHILLIPS said that he wanted to make clear to the committee that veterans are losing a benefit under this bill, even with the amendments.

REP. COCCHIARELLA said that this bill would provide a benefit to state employees at their expense and would cost the state nothing. She said that the bill would benefit thousands versus the possibility of hurting a few veterans.

REP. GERVAIS stated that when the bill was heard the veterans that were here did not object.

REP. SQUIRES said that not many veterans would fall in the loophole and asked Tom Schneider to follow-up on the bill. Mr. Schneider said "the case of win is bigger than the case of loss."

Rep. Cocchiarella's amendment CARRIED on a vote of 17 - 1, with Rep. Phillips voting no.

REP. MOORE moved an additional amendment to HB 235 (Exhibit 10). Ms. Menzies said that the amendment would permit a member to have until January 1, 1990, to elect to purchase out-of-state and military service. After that date, a member who wished to purchase additional service under section 1 of this bill could only purchase a total of five years of out-of-state, military and additional service.

REP. PHILLIPS said he couldn't see where two or three months makes any difference, he still believes that the veterans are losing something with the bill. REP. PHILLIPS said that he did not know how many veterans would be involved.

Recommendation and Vote: Rep. Cocchiarella moved DO PASS AS AMENDED. The vote was 17 - 1, Rep. Phillips voting no.

DISPOSITION OF HB 101

Date of Hearing: January 18, 1989.

Motion: Rep. Compton moved DO PASS.

Amendments and Votes: Rep. Compton moved DO PASS on the amendments. Lois Menzies distributed copies of the amendments that the Committee had requested (Exhibit 12). CHAIRMAN BROWN said that she liked the amendments. The motion on the amendments CARRIED unanimously.

Chairman Brown said that the Committee will request a revised fiscal note on the adopted amendments because they may have a fiscal impact on state agencies. The Committee will act on the bill, as amended, upon receipt of the fiscal note.

ADJOURNMENT

Adjournment At: 10:47.

  
\_\_\_\_\_  
REP. JAN BROWN, Chairman

JB/jb

2314.min

DAILY ROLL CALL

STATE ADMINISTRATION COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date January 27, 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Jan Brown, Chairman	✓		
Rep. Helen O'Connell, Vice Ch.	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Ervin Davis	✓		
Rep. Floyd "Bob" Gervais	✓		
Rep. Janet Moore	✓		
Rep. Angela Russell	✓		
Rep. Carolyn Squires	✓		
Rep. Vernon Westlake	✓		
Rep. Timothy Whalen	✓		
Rep. Bud Campbell	✓		
Rep. Duane Compton	✓		
Rep. Roger DeBruycker	✓		
Rep. Harriet Hayne	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Rande Roth	✓		
Rep. Wilbur Spring, Jr.	✓		

STANDING COMMITTEE REPORT

January 27, 1989

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that House Bill 309 (first reading copy -- white) do pass, and by unanimous vote be placed on the Consent Calendar .

Signed: \_\_\_\_\_

  
Jan Brown, Chairman

STANDING COMMITTEE REPORT

January 27, 1989

Page 1 of 2

Mr. Speaker: We, the committee on State Administration report that House Bill 270 (first reading copy -- white) do pass as amended .

Signed: Jan Brown  
Jan Brown, Chairman

And, that such amendments read:

1. Title, line 4.

Strike: "ESTABLISHING AN"

Insert: "REQUIRING THE DEPARTMENT OF ADMINISTRATION TO ESTABLISH AND MAINTAIN A CENTRALIZED"

2. Title, lines 5 and 6.

Strike: "IN" on line 5 through "DATE" on line 6

Insert: "SYSTEM"

3. Page 1, line 14.

Strike: "Each"

Insert: "The"

4. Page 1, line 15.

Strike: "state government"

Insert: "administration"

5. Page 1, line 16.

Strike: "an"

Insert: ", as a pilot project, a centralized"

Following: "board"

Insert: "system for state agencies to use"

6. Page 1, line 17.

Following: "."

Insert: "Agencies involved in communicating information to the public shall maintain appropriate information on the bulletin board system. The purpose of this pilot project is to encourage the practice of providing for direct citizen access to state computerized information."

7. Page 1, line 23.

Strike: "Each"

Insert: "The"

Following: "department"

Insert: "of administration"

8. Page 1, line 24.

Following: "."

Insert: "Each department is responsible for ensuring the integrity and appropriateness of the information that it places in the system.

(3) The department of administration shall provide for an equitable method for recovering the cost of operating the electronic bulletin board system.

NEW SECTION. Section 4. Report to the legislature. The department of administration shall submit a report to the 52nd legislature that evaluates the effectiveness of the centralized electronic bulletin board system, provides a cost analysis of the system, and presents recommendations for improving or enhancing the system."

Renumber: subsequent sections

9. Page 2, lines 9 and 10.

Strike: section 7 in its entirety

STANDING COMMITTEE REPORT

January 27, 1989

Page 1 of 2

Mr. Speaker: We, the committee on State Administration report that House Bill 235 (first reading copy -- white) do pass as amended.

Signed: Jan Brown  
Jan Brown, Chairman

And, that such amendments read:

1. Page 2, line 7.

Strike: "October"

Insert: "January"

Strike: "1989"

Insert: "1990"

2. Page 2, line 8.

Strike: "either"

Following: "19-3-503"

Insert: ", "

Strike: "and"

3. Page 2, line 9.

Following: "19-3-512"

Insert: ", "

Strike: "to" through "under"

4. Page 2, line 11.

Strike: "October"

Insert: "January"

Strike: "1989"

Insert: "1990"

5. Page 2, line 13.

Strike: "October"

Insert: "January"

6. Page 2, line 14.

Strike: "1989"

Insert: "1990"

7. Page 2, lines 14 and 15.

Strike: "After" on line 14 through "." on line 15

8. Page 5, line 25.

Following: line 24

Strike: " "

Insert: "House"

Following: "No."

Strike: " [LC 558]"

Insert: "234"

RT

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-3122

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1-27-89  
210

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LEGISLATIVE AUDITOR:  
SCOTT A. SEACAT

LEGAL COUNSEL:  
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON  
Operations and EDP Audit

JAMES GILLET  
Financial-Compliance Audit

JIM PELLEGRINI  
Performance Audit

October 19, 1988

Representative Charles Swysgood  
206 Legget Avenue  
Dillon, MT 59725

Dear Representative Swysgood:

In response to your request for information regarding interest earned on state lottery revenues, we are providing the following information.

Lottery revenues received from ticket sales and other sources are deposited in the State Lottery Fund. Interest earned on the fund cash balance through the state investment program is transferred by statute to the state General Fund. The State Lottery Fund balances (excluding the interest earnings) are transferred quarterly to the Superintendent of Public Instruction for distribution to school districts as equalization aid to the retirement fund obligations of elementary and high school districts. The transferred funds continue to earn interest for the state General Fund until distributed to the school districts.

We estimate that the interest earned on the state Lottery funds prior to distribution during fiscal year 1987-88 is \$496,954.22. The attached schedule shows how we calculated the estimated amount using average monthly cash balances.

If you have questions or need further assistance, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Jim Pellegrini".

Jim Pellegrini  
Deputy Legislative Auditor  
Performance Audits

JP/k/11

Attachment

ESTIMATED INTEREST EARNED ON STATE LOTTERY FUND CASH BALANCE  
Fiscal Year 1987-88

2/2

Month	Average Monthly Balance*	Estimated Monthly Interest Earned**
July 1987	\$3,061,985.51	\$18,014.68
August 1987	\$3,689,139.18	\$21,704.44
September 1987	\$4,406,073.58	\$25,922.40
October 1987	\$5,272,299.91	\$31,018.70
November 1987	\$5,860,808.93	\$34,481.09
December 1987	\$6,539,727.85	\$38,475.40
January 1988	\$7,094,846.11	\$41,741.34
February 1988	\$6,209,649.21	\$36,533.44
March 1988	\$4,661,931.74	\$27,427.70
April 1988	\$5,532,548.02	\$32,549.82
May 1988	\$4,239,218.51	\$24,940.74
June 1988	\$4,664,039.32	\$27,440.10
	Interest on Investment Earnings:	\$11,155.04
	Total Estimated Interest:	\$371,404.88

ESTIMATED INTEREST EARNED ON FUNDS  
PRIOR TO DISTRIBUTION TO SCHOOL DISTRICTS  
Fiscal Year 1987-88

Month	Average Monthly Balance	Estimated Monthly Interest Earned
February 1988	\$1,714,311.79	\$10,085.87
March 1988	\$3,824,234.00	\$22,499.24
April 1988	\$3,824,234.00	\$22,499.24
May 1988	\$5,634,494.96	\$33,149.61
June 1988	\$6,032,839.00	\$35,493.20
	Interest on Investment Earnings:	\$1,822.17
	Total Estimated Interest:	\$125,549.33

COMBINED INTEREST EARNINGS FROM LOTTERY AND OPI FUNDS  
GOING TO THE STATE GENERAL FUND DURING FY 1987-88 \$496,954.22

\* Source: Lottery Records on Daily Cash Balance

\*\* based on average state Short Term Investment Pool return of 7.06%  
during Fiscal Year 1987-88

Amendments to House Bill No. 207  
First Reading Copy

RD# 2  
DATE 1-27-89  
HB 207

For the House Committee on State Administration

Prepared by Lois Menzies  
January 26, 1989

2. Page 4, line 19.  
Strike: "regional"

MONTANA LOTTERY

Testimony before the House State Administration Committee  
on House Bill 207  
sponsored by Rep. R. Budd Gould  
at the request of the Montana Lottery Commission

January, 27, 1989

House Bill 207 seeks to revise the Montana State Lottery Act of 1985 by:

- 1) Providing that the Lottery Commission may determine the percentage of prize payout subject to a minimum of 45%,

SECTION(S) OF THE BILL: Section 2 and Section 8

HOW: Change the wording that now requires exactly 45% (or as near as possible) be paid out in prizes to allow the Lottery Commission to vary the prize payout subject to a minimum of 45%.

WHY: To increase lottery ticket sales.

Within the past few years many lottery states have experienced remarkable increases in instant ticket sales. In fact, in some states, instant scratch-off tickets have surpassed on-line games as the "growth" product. Each state attributes these increases (at least in part) to increases in the percentage of prize payout. By increasing the percentage paid out as prizes, overall sales increase and thus profits increase. Although the "percentage" of the revenue being turned over to the state is less, the "bottom line" increases dramatically.

This change will give the Lottery Commission flexibility to design instant games with a higher percentage of prize payout and to vary the percentage from game to game in an effort to be more responsive to players.

- 2) Clarifying that sales agents' commissions are based on the face value of the tickets,

SECTION(S) OF THE BILL: Section 4

HOW: Change the wording "commission on tickets sold" to "commission on face value of the tickets purchased from the Lottery."

WHY: Upon recommendation of the Legislative Auditor.

There are free tickets within each pack of tickets purchased from the Lottery by the retailer. As a result, retailers don't actually "sell" each ticket in the pack. However, the intent of the Legislature was to provide a 5% commission based on pack value. Also, because the number of free tickets varies from pack to pack, it would be impossible to calculate a commission in any other manner.

- 3) Clarifying that tickets or chances may not be purchased on credit,

SECTION(S) OF THE BILL: Section 5

HOW: Change wording from "tickets must be paid for in cash" to "tickets may not be purchased on credit."

WHY: Upon recommendation of the Legislative Auditor.

It's important to clarify that the intent of the Legislature was not to prevent players from paying for lottery tickets by check or by redeeming free tickets. The intent was to forbid players from playing on credit. This treatment is consistent with all other games of chance.

- 4) Prohibiting members of households of Lottery staff, contractors, and auditors from participating or having a financial interest in the Lottery,

SECTION(S) OF THE BILL: Section 5 and Section 7

HOW: By changing the words "members of their families living with them" to "members of their households."

WHY: The Lottery Commission has adopted an internal policy prohibiting lottery play by household members of lottery staff and other persons involved with the lottery. A non-family member of a household should be subject to the same rules as a family member. 2013

- 5) Making fingerprinting of sales agents permissive instead of mandatory,

SECTION(S) OF THE BILL: Section 6

HOW: By changing a requirement for fingerprinting an applicant prior to receipt of a license to sell lottery tickets to permission for the director of security to fingerprint an applicant.

WHY: Fingerprinting has proved to be time consuming and costly for both the potential retailer and the Lottery. And it is unnecessary. Information concerning the background of a potential lottery retailer can be obtained without fingerprinting.

- 6) Clarifying that Montana may participate in multi-state games,

SECTION(S) OF THE BILL: Section 2 and Section 8

HOW: Delete the word "regional."

WHY: To give the Lottery Commission flexibility to participate in lotteries with any other state or states, not just those within a certain undefined "region."

Many Montana voters expected the Lottery's first games to be an "on-line" or "Lotto" game. By joining a larger multi-state game the Montana Lottery can offer its players multi-million dollar prizes in addition to its own state games. The money spent on multi-state games would stay in Montana.

- 7) Providing for the statutory appropriation of Lottery sales agent commissions, prizes, and net revenue.

SECTION(S) OF THE BILL: Section 1, Section 4, and Section 8

HOW: By inserting the appropriate section numbers in the list of statutory appropriations in 17-7-502 (MCA) and by specifically stating that a statutory appropriation is being made in each of the following three instances: commissions, prizes, and net revenue.

WHY: Upon recommendation of the Legislative Fiscal Analyst.

This complies with the original intent of the Legislature and corrects former oversights. The statutory appropriation law was passed the same session as the original Lottery Law and the specific requirements for the statutory appropriation law were not strictly complied with in the original draft or later amendments.

- 8) Eliminating the statutory appropriation of Lottery operating expenses.

SECTION(S) OF THE BILL: Section 3 and Section 8

HOW: By deleting the statutory appropriation in section 23-5-1027 (3) and the 15% limit in 23-5-1027 (2) and adding subsection (4). The elimination of subsection (2) necessitates the amendment of 23-5-1008 (section 3 of the bill).

WHY: Upon recommendation of the Legislative Fiscal Analyst.

Operating expenses do not fit within the types of appropriations that don't need biennial appropriation. This change will enable the Lottery to be run as a business with a fixed budget subject to review by the Legislature. Subsection (4) will enable the Lottery to react quickly to marketplace needs. For instance, a surge in ticket sales could require increased spending authority to purchase more tickets than anticipated in the budget.

- 9) And clarifying that the Legislative Auditor may subcontract the annual audit with an outside firm.

SECTION(S) OF THE BILL: Section 9

HOW: By inserting the words "or have conducted" in 23-5-1028.

WHY: Upon recommendation of the Legislative Auditor. 301

To conform the Lottery Law to the general authority of the Legislative Auditor (section 5-13-305) to contract with private firms to conduct audits.

#### HB 207 SUMMARY BY SECTION

- Section 1 This section adds retailers' commissions to the list of sections of the law which allow for statutory appropriation. This corrects a former oversight in the law and was recommended by the Legislative Fiscal Analyst.
- Section 2 This section does two things. It gives responsibility to the Lottery Commission for determining the percentage of payout for each game. It also deletes the word "regional" to enable the Lottery to join multi-state (but not necessarily "regional") games.
- Section 3 This section clarifies that compensation for the Legislative liaison committee comes from the Lottery's operating budget appropriated by the Legislature. (Later in Section 8 of the bill 23-5-1027 (2) is deleted and this cross reference must therefore also be changed.)
- Section 4 This section also does two things. It clarifies that the retailers' commissions are based on the face value of the pack of tickets they purchase and does not relate to the changing number of free tickets within the pack. This comes as a recommendation from the Legislative Auditor.

Secondly, it makes the retailers' commission statutorily appropriated as recommended by the Legislative Fiscal Analyst.

Section 5 This section also makes two changes. First, it clarifies that tickets may not be purchased on credit. This avoids any dispute about paying for lottery tickets by check or redeeming free lottery tickets for another ticket. This change is recommended by the Legislative Auditor.

Secondly, household members, be they family members or not, are excluded from playing the Lottery's games.

Section 6 This section makes fingerprinting retailers permissive instead of mandatory.

Section 7 This section also refers to "household" members instead of "family" members.

Section 8 Subsection (1) does two things. First, it removes the 45% as an absolute payout and makes it a minimum payout. This minimum includes prizes on regional games. Secondly, it makes prize money statutorily appropriated as recommended by the Legislative Fiscal Analyst.

Subsections (2) and (3) remove the statutory appropriation of 15% for operating expenses as recommended by the Legislative Fiscal Analyst. This means that the Lottery's budget must be appropriated by each Legislature as are all other state agency budgets.

Subsection (4) is re-numbered and provides for net revenue to be statutorily appropriated as recommended by the Legislative Fiscal Analyst.

New subsection (4) allows an operational plan review and approval by the budget office should unanticipated marketplace demands require revised spending authority during the biennium.

Section 9 This section allows the Legislative Auditor to subcontract work on the annual audit of the Lottery. It comes as a recommendation from the Legislative Auditor.

Section 10 This section extends rule making authority to changes in the law based on this bill.

Section 11 This section provides that this bill will become law upon passage and approval.

January 27, 1989

House State Administration Committee

Proposed amendments to House Bill No. 207, Introduced Bill

(1) Amend title

1. line 10  
Following: "TICKETS;"  
Insert: "PROVIDING THAT THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY ADOPT RULES RELATED TO SALES STAFF INCENTIVES OR BONUSES AND RETAILER COMMISSIONS;"
  
2. line 22  
Following: "17-7-502"  
Insert: "23-5-1006"  
Following: "23-5-1008"  
Insert: "23-5-1012"

(2) Amend bill

1. Page 3.

Following line 20

Insert: "Section 2. Section 23-5-1006, MCA, is amended to read:

"23-5-1006. State lottery commission  
--allocation--composition--compensation--quorum.

- (1)
- (2)
- (3)
- (4)
- (5)
- (6)
- (7)
- (8)

No Changes

(9) The commission is allocated to the department of commerce for administrative purposes only as prescribed in 2-15-121, except that the director of the department of commerce may adopt rules relating to lottery staff sales incentives or bonuses and sales agents' commissions.

Re-number: subsequent sections

2. Page 6

Following: line 5

Insert: "Section 5. Section 23-5-1012, MCA, is amended to read:

"23-5-1012. Powers and duties of director. (1) no change  
(2) no change  
(3) Pursuant to rules of the department of commerce, implement plans for staff sales incentives or bonuses and for sales agents' bonus commissions."

Renumber: subsequent sections.

3. Page 7, line 20

Following: "not return."

Insert: "However, in order to further the sales of lottery products, the director of the department of commerce may adopt rules providing additional compensation to sales agents based on incremental sales."



*The Big Sky Country*

EXHIBIT 5  
DATE 1-27-89  
HB 267

## MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE TOM KILPATRICK

HOUSE DISTRICT 85

HOME ADDRESS:

BOX 546

LAUREL, MONTANA 59044-0546

Testimony presented in support of HB 267  
Before House State Administration Committee  
January 27, 1989

Madam Chairwoman and members of the committee,

For the record, my name is Tom Kilpatrick, State Representative from House District 85, the Laurel area.

I'm here to ask your support and approval of House Bill 267.

House Bill 267 is an amendment to existing campaign law that would require political candidates to include party affiliation in election materials.

Madam Chairwoman, I'm sponsoring HB 267 as good government, open government, and honesty in government. We have an obligation to the voting public to add to the integrity of the electoral process whenever we can. HB 267, by adding more accountability, does just that.

While we have all been told by numerous voters, that they vote for the person and not the party, they have the right to know party affiliation be it Democrat, Republican or Libertarian.

Most of us ran as either Democrats or Republicans because of philisophical beliefs or leanings. To disavow those leanings through campaign material omission of affiliation,

EXHIBIT 5  
DATE 1-27-89  
HB 267

20/2

Tom Kilpatrick  
January 26, 1989  
Page two

is not being completely honest to the voters. Further, if any candidate feels so strongly about not having party affiliation on their materials, they can register as an independent.

Madam Chairwoman and members of the committee,

The voters in my district, and I feel safe in saying that Montanans are tired of negativism and deception during the campaign season. As I stated earlier, we do have an obligation to the voting public to maintain open and honest government. House Bill 267 furthers that goal by strengthening the existing law while placing no further burden on candidates.

Madam Chairwoman and members of the committee, I urge your support and passage of House Bill 267. Thank you for your time!

EXHIBIT 6  
DATE 1-27-89  
# 207

WITNESS STATEMENT

Please Print

NAME JOHN RODECK BILL NO. HB 207

ADDRESS 2433 N. MONTANA AVE

WHOM DO YOU REPRESENT? KTVH-N HELENA, MT

SUPPORT \_\_\_\_\_ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

COMMENTS: \_\_\_\_\_

I SUGGEST THAT THE LIASON  
COMMITTEE RE-EXAMINE THE MONTANA  
LOTTERY BY COMPARING THE GAMES  
OFFERED, METHODS AND PROCEDURES WITH  
STATES THAT HAVE A HIGH RECORD  
OF SUCCESS IN CREATING PARTICIPANT  
INTEREST AND PRODUCING OUTSTANDING  
REVENUES AS A RESULT.



PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



7  
DATE 1-27-89  
HB 267

Statement of Support  
For House Bill 267

House State Administration  
Committee January 27, 1989

Madam Chairwomen and members of the Committee,

For the record, my name is Donna Small and I live in Helena. I'm presently the Vice-Chairwomen of the Montana Democratic Party, and on their behalf I urge your support of House bill 267.

Simply put, to not put party affiliation on campaign materials is to be less than honest with the electorate and in this age of mass media negative campaigning, I think we owe it to ourselves and the voters of Montana to be as honest and aboveboard as possible.

With that thought, I'd again urge your support and passage of House Bill 267.

Thank you for the opportunity to present our thoughts.

Sincerely,

Donna Small  
Vice-Chair  
Montana Democratic Party

Montana Democratic Central Committee • Steamboat Block, Room 306 • P.O. Box 802 • Helena, MT 59624 • (406) 442-9520

Executive Board

Bruce Nelson Chairman Fort Benton	Donna Small Vice Chairman Helena	Deborah Hanson Secretary Miles City	Rich De Jana Treasurer Kallispell	Gail Stoltz Executive Director Helena	Evan Barrett Nat'l Committeeman Butte	Sherlee Graybill Nat'l Committeewoman Great Falls
Boni Braunbeck Lewistown	Ralph Dixon Billings	Virginia Egli Glendive	Nancy Harte Helena	Chas Jenlker Butte	Rhonda Lankford Missoula	Debbie Lesmeister Helena
Richard Nellen Bozeman	Danny Oberg Havre	Jim Pasma Havre	Brenda Schye Glasgow	Mary Sexton Hamilton	David Smith Missoula	Bill Thackeray Havre
Kay Blehm Democratic Women's Club Billings	Marlene Egan Co. Chairs Assoc. Great Falls	Dennis Small Young Democrats Missoula	Sen. Bill Norman Missoula	Rep. John Vincent Bozeman	Sen. Fred Van Valkenburg Missoula	

8  
DATE 1-27-89  
HB 267

**LEAGUE OF WOMEN VOTERS OF MONTANA**

27 JAN 89

Joy Bruck, president  
1601 Illinois, Helena, Montana 59601

HB 267 - An act requiring a political candidate to include party affiliation in election materials

The League of Women Voters of Montana supports HB 267. In partisan election campaigns, identification of a candidate's party affiliation would serve the voters' need for essential information.

At one point in my life, I could look at a car and immediately identify the maker, model, year, and sometimes even horsepower. That is no longer true. Many voters have the same difficulty with candidates for partisan political office. Most modern campaigns are run with a high degree of independence from direct political party supervision. Yet the candidate's choice of a political party still provides a useful indication of the candidate's point of view on many important policy issues.

Identification of party affiliation is particularly important in Montana because it is an open primary state. The 1988 gubernatorial race is a good example of an instance where there were two hotly contested campaigns for the major party nominations. Voter interest was high and the ready identification of a candidate's party was important.

The League has been a consistent proponent of campaign disclosure and HB 267 would be a positive addition to the state's election laws. We ask that this bill be given a Do Pass recommendation by the House State Administration Committee.

Margaret S. Davis  
816 Flowerree St.  
Helena, Montana 59601  
443-3487

REQUIRING THE DEPT. OF ADMIN. TO ESTABLISH & MAINTAIN A CENTRALIZED

HOUSE BILL NO. 278  
INTRODUCED BY Ramsey, Hays, Raney, ...  
MEMBERS: ...  
A BILL FOR AN ACT ENTITLED: AN ACT ESTABLISHING AN ELECTRONIC BULLETIN BOARD IN EACH COUNTY OF THE STATE OF MONTANA AND PROVIDING AN EFFECTIVE DATE.  
...  
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

1 existing authority to make rules on the subject of the  
2 provisions of [this act] is extended to the provisions of  
3 [this act].  
4 NEW SECTION. Section 6. Codification instruction.  
5 [Sections 1 through 3] are intended to be codified as an  
6 integral part of Title 2, chapter 17, part 3, and the  
7 provisions of Title 2, chapter 17, part 3, apply to  
8 [sections 1 through 3].  
9 NEW SECTION. Section 6. Effective date. This act is  
10 effective July 17, 1989.

9 NEW SECTION. Section 1. Definition of electronic  
10 bulletin board. As used in [sections 2 and 3], "electronic  
11 bulletin board" means a remote database system containing  
12 various types of information accessible by means of a  
13 computer, a modem, and a telephone line.

14 NEW SECTION. Section 2. Establishment. Each TMC  
15 department of state government shall establish and maintain  
16 as a pilot project, a centralized system for state agencies to use  
17 information to the citizens of Montana.

18 NEW SECTION. Section 3. Responsibilities. (1) The  
19 department of administration shall:  
20 (a) set standards for the selection of software for  
21 the electronic bulletin boards; and  
22 (b) determine procedures for bulletin board use.  
23 The department shall provide security to protect  
24 the integrity of its electronic bulletin board system.

25 NEW SECTION. Section 4. Extension of authority. Any

-End-

Agencies involved in communicating information to the public shall maintain appropriate information on the bulletin board system. The purpose of this pilot project is to encourage the practice of providing for direct citizen access to state computerized information.

Each department is responsible for ensuring the integrity and appropriateness of the information that it places in the system.  
(A) The department of administration shall provide for an equitable method for recovering the cost of operating the electronic bulletin board system.

NEW SECTION. Section 4. Report to the legislature. The department of administration shall submit a report to the 52nd legislature that evaluates the effectiveness of the centralized electronic bulletin board system, provides a cost analysis of the system, and presents recommendations for improving or enhancing the system.

EXHIBIT 9  
DATE 1-27-89  
TB 235



Amendments to House Bill No. 235  
First Reading Copy

Requested by Representative Janet Moore  
For the House Committee on State Administration

Prepared by Lois Menzies  
January 26, 1989

1. Page 2, line 7.  
Strike: "October"  
Insert: "January"  
Strike: "1989"  
Insert: "1990"

2. Page 2, line 11.  
Strike: "October"  
Insert: "January"  
Strike: "1989"  
Insert: "1990"

3. Page 2, line 13.  
Strike: "October"  
Insert: "January"

4. Page 2, line 14.  
Strike: "1989"  
Insert: "1990"

EXHIBIT 11  
DATE 1-27-89  
HB 235

Amendments to House Bill No. 235  
First Reading Copy

Requested by Rep. Vicki Cocchiarella  
For the House Committee on State Administration

Prepared by Lois Menzies  
January 26, 1989

- ✓ 1. Page 2, line 8.  
Strike: "either"  
Following: "19-3-503"  
Insert: ", "  
Strike: "and"
  
- ✓ 2. Page 2, line 9.  
Following: "19-3-512"  
Insert: ", "  
Strike: "to" through "under"
  
- ✓ 3. Page 2, lines 14 and 15.  
Strike: "After" on line 14 through "." on line 15

INTRODUCED BY Amey Public Hearing  
 BILL NO. 101

1 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT ALL  
 2 STATE WARRANTS ISSUED TO A LOCAL GOVERNMENT ENTITY ARE TO BE  
 3 MADE PAYABLE TO AND ~~WARRANT~~ TO THE FINANCE OFFICER OF THE  
 4 APPROPRIATE COUNTY OR CITY; AND PROVIDING FOR MAILING OF A  
 5 NOTICE OF ISSUANCE OF THE WARRANT TO THE ENTITY;" ~~AND~~ PAYMENT; AND  
 6 FINANCE OFFICER TO  
 7 NOTIFY THE CO. CLERK  
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: ~~AND~~ RECORDED  
 9 UPON RE-  
 10 NEW SECTION. Section 1. Payments to local government CLERK OF  
 11 entities -- notice. (1) For the purposes of this section the A PAYMENT  
 12 following definitions apply:  
 13 (a) "Finance officer" means the county treasurer, city  
 14 treasurer, town clerk, or the equivalent provided for in  
 15 Title 7, chapter 3.  
 16 (b) "Local government entity" means a public entity  
 17 that, whether or not governed by the legislative body of the  
 18 local government, is required by law to conduct financial  
 19 affairs through the finance officer of a city, town, or  
 20 county. The term does not include a school district.  
 21 (2) All ~~warrants issued~~ PAYMENTS MADE AGENCY  
 22 by the state auditor to any  
 23 city, town, county, or local government entity must be  
 24 payable to the finance officer of the appropriate city,  
 25 town, or county. If the ~~warrant~~ PAYMENT is to be deposited to the

1 credit of a local government entity, the state ~~auditor~~ AGENCY  
 2 shall, at the time of ~~mailing~~ the warrant to the ~~finance~~ PAYMENT  
 3 ~~officer~~, mail a notice of issuance of the ~~warrant~~ A to the  
 4 local government entity. When applicable, the finance  
 5 officer shall deposit the ~~warrant~~ PAYMENT in the appropriate fund or  
 6 account to the credit of the local government entity.

7 (3) If the state ~~auditor~~ AGENCY is unable to determine if the  
 8 payee of a ~~warrant~~ CLAIM is a government entity, the state auditor A  
 9 shall process ~~and mail~~ the ~~warrant~~ CLAIM as if it was not payable  
 10 to a government entity. The state ~~auditor~~ PAYMENT shall also mail a  
 11 notice of issuance of the ~~warrant~~ PAYMENT to the finance officer of  
 12 the county and city to which the ~~warrant~~ PAYMENT ISSUED  
 13 was mailed.

-End-

(A) IF A FINANCE OFFICER OF A COUNTY RECEIVES A PAYMENT UNDER SUBSECTION (2) OR A NOTICE OF ISSUANCE UNDER SUBSECTION (3), HE SHALL NOTIFY THE COUNTY CLERK & RECORDER THAT THE PAYMENT OR NOTICE HAS BEEN RECEIVED.

EXHIBIT 12  
 DATE 1-27-89  
101



**MONTANA FARM BUREAU FEDERATION**

502 South 19th • Bozeman, Montana 59715  
Phone: (406) 587-3153

EXHIBIT 13  
DATE 1-27-89  
HB 207

BILL # HB 207 ; TESTIMONY BY: Lorna Frank  
DATE 1/27/89 ; SUPPORT \_\_\_\_\_ ; OPPOSE X

Mr. Chairman, Members of the Committee:

For the record, my name is Lorna Frank, representing Montana Farm Bureau.

We are in opposition to HB 207, in that we object to Montana participating in Multi-state lottery games.

SIGNED: Lorna Frank

PASSED

EXHIBIT 14  
DATE 1-27-89  
HB 267

Amendments to House Bill No. 267  
First Reading Copy

For the House Committee on State Administration

Prepared by Lois Menzies  
January 27, 1989

- 2. Title, line 5.
- Strike: "CANDIDATE" through "INCLUDE"
- Insert: "CANDIDATE'S"
- Following: "IN"
- Insert: "CERTAIN"







