

MINUTES OF THE MEETING  
SUBCOMMITTEE AGENCY 1

February 10, 1977  
8:00 A.M.  
Room 225  
State Capitol Bldg.

BUSINESS REGULATIONS

Centralized Services  
Weights and Measures  
Financial  
Milk Control  
Consumer Protection

The meeting was called to order. All members were present.

Larry Huggins presented the executive budget. This is over the next 2 years: Weights and Measure - \$473,000; Centralized Service \$266,442; Consumer Protection - \$290,176; Milk Control - \$346,271; Financial - \$743,218; for a total amount of \$2,119,920.

Mr. Robinson said their budget was submitted in two ways - priority budget and current level budget. Most of his work was on the current level budget. There are 4 major areas of concern in this program.

Financial area - They ask for 9 additional FTE's. Neither the Executive or the LFA recommends the addition of these people. The Executive recommends reduction of 3 bank auditors. The LFA said no additions, but utilize the present staff more effectively. Another request they made is for \$10,000 general fund appropriation to print and distribute a book on all laws in Montana on banking. This book was printed in the mid 60's and the department has revised it. They plan to do the complete book. The state should not pick up the whole tab - the banks should.

Weights and Measures - They ask for 2 FTE (metrologist and vapor meter inspector). The LFA recommends 1 additional position to handle the change over to the metric system and this person could also help in the inspection of meters. They also ask for 2 new trucks. We recommend \$15,500 the 1st year for one and \$17,500 for the second year.

Consumer Protection wants 1 FTE - Neither the Executive or the LFA recommends this position. The 3 people in this department can share the work.

Milk Control - Contract services were reduced about \$2,000 from their request each year from outside legal services. The department has a legal office, 1 lawyer and 1 secretary and I feel this in-house lawyer should be able to handle all requests. If not, maybe we should look at taking the salary and put in contracted services and eliminate the position.

The fact sheet passed out by the LFA is attached.

The meeting was then open to comments from the department.

Kent Kleinkopf, Director of Business Regulations, spoke to the committee. He passed out the proposed amendment to House Bill 145. He said this department is basically a Consumer Protection Department. In the Finance Department they are responsible for the welfare of the citizens of the State of Montana in financial institutions. In Weights and Measures, we are responsible for licensing and see to it that all weights and measures devices in the state are handled in a manner according to the law. He said in Consumer Protection we have the unfair trade protection Act (private post secondary and trade schools). Under the Milk Control Board they administer price raises, problems, etc.

He said they were making these recommendations with full knowledge that the LFA and the budget office do not go along with these recommendations. We feel that in order to do our job that is what is needed. He mentioned when working in the Governor's office he had a good chance to look over all departments and feels this department ranks very high in state government.

Harold Pitts - the former director of the department spoke to the committee. He mentioned he had been director for four years, before that as president of a bank in Butte. He said on January 21 they were told that we could plan on having less federal examiners in the states. He talked about how the Federal Reserve should not be a regulatory agency and how it would be a crime to turn over all of the authority to the Federal Government. In the Examination Division, we should examine a bank annually but can't because of a lack of staff. Banks have grown in recent years and it takes longer to do an audit. He said the 3 cuts should be restored and we should be given 3 additional people. Over 50% of the cost is paid for by fees collected.

He said the weights and measures division is the most unknown division in state government. He talked about how they have been charged with implementing the metric system and how people must be educated. He said they must have 2 FTE's.

The meeting was then open to questions from the committee -

Senator Stephens asked Mr. Pitts how many banks there are in Montana. Mr. Pitts replied 102 state chartered and 56 Nationals. He then asked if they were required to audit each year. Mr. Pitts said last year they audited 83 of the 102 banks. Senator Stephens then asked how many examiners do they have. Mr. Alke said 15 examiners, they want 18.

Senator Roberts asked where the fees go. Mr. Pitts said in the general fund.

Senator Roberts asked if there is any difference in the tax status in relation to a state bank and federal charter banks?

Mr. Alke said none, only the corporation license tax.

Senator Roberts then asked if this is the department that would be involved in charter decisions? Mr. Alke said we have a bank board now. They have had 5 hearings in relation to new banks.

Senator Roberts asked who is on the banking board. Mr. Alke said 6 members who are appointed by the Governor - 3 bankers and 3 lay people. Some of their duties are to approve new banks, approve change of location of banks, approve merging of banks, offer advice on request.

Senator Story asked about the pre-arranged funeral plans under their approval. He talked about the problem of the cemetery in Livingston. Mr. Alke said they had nothing to do with this type of thing. They just see that funds from the funeral director are put in trust in a bank in cases of pre-arranged funeral plans.

Senator Story asked what was the difference between the Milk Board and the Milk Board in the Livestock Department. Mr. Kelly said they don't have one. They have a milk and egg bureau for sanitation purposes, they don't set prices, we do.

Mr. Kelly said their funds are earmarked - they don't use general fund money, they contribute to the general fund. He then went on to talk about the cuts the LFA has recommended in his program. He talked about the hearings held, which cost from \$600 to \$800 each on milk price increases, etc. Transcripts have to be made. Another lawyer must be added.

Senator Story asked if they had not changed the hearing act 2 years ago? Mr. Kelly said they had changed the language - we hold hearings under the Administrative Practice Act. In 1971 we changed from a cost plus to a formula method of pricing and don't hold as many hearings as we used to.

Senator Story asked how often they hold hearings? Mr. Kelly said they are held at the request of an individual - nothing set.

Senator Story then asked how often they could change the price of milk? Mr. Kelly replied they could change prices every month.

Mr. Delano then explained something of his expanded duties in the Weights and Measures Dept. He said the coming of the metric system is the big problem. The public has to be educated. He says they have not done the job they should do in this area. They speak to groups whenever requested, prepare pamphlets for the public, etc.

He said they have good cooperation with other states in this area. He said we are staffed with only 3 people and are unable to do everything that should be done in this department. The work load has doubled or quadrupled. We must have more help. He said they had recovered approximately \$157,000 in the last fiscal year for consumers.

Senator Stephens asked if they ever get complaints about mail order outfits? Mr. Woods said yes, most is with out of state firms. He said they have established good working relationships with similar organizations in other states. We can file a suit but can't send an investigator out of the state.

There was some general discussion on the type of work they do.

Mrs. Pistelak from Centralized Services made a brief statement on behalf of Centralized Services. She asked that they be granted what they have requested, they cannot operate on what the LFA recommends.

Meeting adjourned until 8:30 tomorrow.

Dorothy Bradley  
Dorothy Bradley, Chairman

Nina Kosmas, Sec.