

MINUTES OF THE MEETING  
SUBCOMMITTEE AGENCY 1

February 11, 1977  
8:00 A.M.  
Room 225  
State Capitol Bldg.

BUSINESS REGULATIONS

The meeting was called to order by Chairman Bradley. Roll was taken. All members present except Senator Roberts.

The meeting was opened to questions from the committee.

Senator Stephens asked Mrs. Pistelak to review her comments from yesterday.

Mrs. Pistelak said they are concerned because of the cut to \$2,186 and \$1,943 and the 6.25 FTE ratio. We have 7 FTE's in our program. She said we haven't had any turn over since 1973 so the vacancy factor would not be reflected here. She talked about the sizable cut in travel and the \$80.00 allowed for postage.

Mr. Pitts explained the travel cost from when he was the director. He said he did a lot of travel to conventions or whatever as a guest speaker. However, he went as a guest and let the organization pick up the tab. He also, in most instances, used his own transportation. He stressed that many times he did not turn in travel vouchers for the travel. Now he thinks he probably should have.

He explained that Mr. Kleinkopf should go to the conference of State Banking Supervisors in Georgia as well as others. He is going to have to support this organization by his attendance. He told how \$328.00 for in-state travel is not possible. The position of Director calls for him to travel in order to take the government to the people to explain what we are doing.

Mr. Kleinkopf explained how he has already been asked to speak to the Montana Bankers Association in May in Polson and mentioned a few others. He went on to stress how he could not take the government to the people under the LFA budget.

Representative Marks asked about the structure of the bureau dealing with proprietary schools. How many schools supervised, etc.

Mr. Jim Burns, Director, explained some of the duties. He said it is basically a 2 man operation - him and clerical help. We license 14 institutes in the state which have 23 acting agents. If out of state institutions want to solicit students in Montana they have to obtain a permit to do so. We have 16 of these agents, had 27 at one time. We have 6 pending out of state agents at this time. When we get an application from either out of state or in state, we have to check course offerings to see if

they meet Montana standards. We have to check the equipment, the personnel, education of the instructors, etc.

We have to make certain the institution does and has everything- their promotional literature says. We also check the records, or transcripts of students, make sure the institution is financially sound. He said they work very close with the guidance people in high schools. They also have the records for the 2 proprietary schools that have closed. We act as a registrar for them.

Rep. Marks asked if their bureau acts as an accrediting agency? Mr. Burns said not really, they do more inspection.

Representative Marks then asked in regard to your requirements, do you allow these schools that are accredited to use the same requirements that you do?

Mr. Burns said they use some of it. They have self evaluation every year. We like to receive the information they send to the accrediting agencies. He said dealing with schools that are trying to become established take up a lot of time.

Representative Marks asked if they were bonded. Mr. Burns said yes, \$10,000 is required by the school, \$1000 by the Agent.

Representative Marks asked how many complaints have you had - instate? Mr. Burns said other than the Billings Automotive School, we have had 3 complaints. He felt this is basically because the people in Montana have not known where to go to complain.

Representative Marks asked what was the reason for the complaints. Mr. Burns said the refund policy. When the student terminated their enrollment. In each case, it was settled.

Representative Marks said he had received some complaints on your application procedure for proprietary schools and they said some of the forms you require are for accreditation rather than supervisory. You should be supervisory, not accreditory, isn't that right?

Mr. Burns said that is not his position. Before we license a school we go through and check to see the school has met the minimum standards.

There was quite a bit of discussion on application procedures by the committee and Mr. Burns.

Mr. Alke then made a few comments on the Financial Division. He said their load is constantly increasing. We charter new banks, credit unions, license consumer loan lenders, supervise condominium sales, record pre-arranged funeral plans, etc.

He said his department last fiscal year alone brought in a good portion of the overall cost of the department, over \$223,000 income last year, over half of our cost of examination procedures.

He said the Weights and Measures Department made over 50% of their cost in licensing. He feels that if the 3 FTE that were eliminated by the executive budget are lost, the general fund will suffer substantially. We feel the loss of the 3 FTE will lose at least \$30,000 the 1st year and \$32,000 the 2nd. We need additional manpower. We must have the 3 FTE that were cut and the extra 3 requested.

Senator Stephens asked when a group comes to you for an application for a new bank, what are you looking for?

Mr. Alke said primarily the applicant has adequate capital, has competent people to run the bank and there is enough business in the area to support a bank. We do not want to damage the business of another bank. He said most of the applications we have had is substantiated by research and a great deal of expertise. A consulting-economic research firm does the research.

Senator Stephens then asked if he keeps the letters of protest on file, to which Mr. Alke replied the do.

Representative Bradley asked about the booklets to be prepared for \$10,000. Should not the banks pay for these? Mr. Alke agreed, but said the banks would feel we are not dealing in good faith. He said the money would all be returned to the general fund in a period of 2 to 3 years because of the sale of the books to financial institutions.

After a little more discussion on the books, Mr. Disney spoke to the committee. He told about some of the complaints his department receives. A little of everything - from advertising, none receipt of merchandise, etc.

Representative Marks asked in the process of these complaints, are they justified or what?

Mr. Disney said last year they processed approximately 1800 complaints. Out of that 1800 there were 700 forms sent out and never returned. He said they require signed formal complaints, no phone calls. I have found that after the initial contact many people will change their mind or settle the difference themselves. Percentage wise, the legitimate complaints are around 67%.

He said they are contacted by referral, by letter, phone or in person. Sometimes by referral by the Citizens Advocate Office. He went on to explain there is no overlap or duplication between the two offices.

He said they have good working relationships with neighbor states and if they know some outfit is coming into Montana they can stop them before the trouble starts.

After a little more discussion by Mr. Disney on his department, with no more questions, the meeting was adjourned.

Dorothy Bradley  
Dorothy Bradley, Chairman

Nina Kosmas, Sec.