

MINUTES OF THE MEETING
OF THE LEGISLATIVE APPROPRIATIONS COMMITTEE

March 30, 1979
8:05 a.m.
Room 104
State Capitol Building
Subject: SB 448
SB 317
SB 442

A meeting of the House Appropriations Committee was held in room 104, at 8:05 a.m., March 30, 1979. Chairman Francis Bardanouve called the meeting to order. All members were present except Representatives Gesek and Menahan who were absent.

Chairman Bardanouve opened the hearing on SB 448. He introduced Senator Goodover, sponsor of SB 448.

Senator Goodover stated that the bill is the result of parents meeting to establish student loan programs in Montana. A number of people appeared at the meetings to discuss pros and cons of the program that had fallen into disfavor with federal jurisdiction. The program can be handled several different ways. The State can be the moving force behind it. The bill was introduced and came out of the Senate with the best support of any bill Senator Goodover has sponsored this session. The bill had much support from the floor. He said that the program is worthwhile and it should be discussed as to the administration of the bill. The State would rather go ahead with the program than allow a private organization to handle the same.

Senator Goodover presented Senator Fasbender who explained the amendments to the bill. The Guaranty Loan Agency would be the Board of Regents. This will not require any additional FTE's. He said that the program is extremely beneficial. It is mainly intended for medium class people. He said that the default rate would be lower when handled on the state level than when handled on the federal level. The program has been rebuilt to handle the problem they have experienced with the defaults.

John Cadby, Montana Bankers Assoc., stated that the federal program really turned out to be bad. They had high default rates and had to wait months to process defaults, loans, etc. The Federal government decided to abolish their program and thus started several state programs. There are now 39 state programs participating in this plan. There is a default rate of less than 1%. The program they are proposing is merely the basis for creating the program in Montana. He urged the committee to support the bill as amended.

George Bandy also arose in support of this legislation. He stated that their only motivation is to find a way to make

loans available to students. They are entirely in agreement with the motion that they should be contracted out to a private entity. He went on to explain the members of the advisory committee.

Representative Arlene Reichert arose in support of the bill and gave examples of members of her family who have received their education as a result of having received student loans.

There were no further proponents and no opponents of SB 448.

Questions from the committee followed.

Representative South asked for an explanation of the revolving fund. He wondered how the banks become involved in this program.

Senator Fasbender replied that the banks provide the loans and the Federal government guarantees them. A servicing agency will go out and contact students and determine if they are eligible. The interest on the loans is paid by the Federal government for the first 5 years, then the student is required to take over the interest payment.

Representative South asked what state agency would recover the default and Senator Fasbender stated the service organization would go out and recover the defaults.

Chairman Bardanouve asked if it is possible that we would end up with a lot of liabilities. Senator Fasbender replied that the way the program is set up right now, he does not think there would be many liabilities. He further stated that there is no state money involved in this program. He went on to explain that the first 5 years of the program there is 100% reinsurance. You have no percentage loss on that at all. After that time if the rate exceeds 5%, they still guarantee it up to 100%. If the default rate goes up 5%, they reduce the amount of the guarantee. It has a sliding scale effect.

Representative Manuel asked if the State has the right on the bankruptcy, or if they can file bankruptcy against the State.

Senator Fasbender stated that when the federal people came in and testified on the bill, there was a law that said they could not take out bankruptcy. He said that he thinks that has now been changed but the federal people were not sure if they could take out bankruptcy on student loans.

Representative Moore stated that he was rather confused. He wondered why the Board of Regents could not contract with non-profit service organizations.

Senator Fasbender stated that they would rather the Board of Regents would be behind this program. He stated that the program will not work unless the lending agencies are actively

involved.

Representative Moore asked if all the money will go through the state treasury, and Senator Fasbender responded they will receive them and in turn disburse them.

Representative Bengtson asked for further explanation of the non-profit service organization.

Senator Fasbender stated that service organizations could be set up for the purpose of servicing the loans. They would handle most of the paperwork and handle the applications, etc.

A lengthy discussion followed on this matter.

Representative Moore asked about the provisions for a co-signer for the loan.

Mr. O'Neill stated that if a default does occur, the bank can go against the father for recovery.

Representative Ellis asked if this program is abolished, who owns the 1% reverted fund.

Senator Fasbender stated that if the program were to close down the money that is left would revert to the general fund.

Representative Manuel asked if the Federal government would subsidize the interest all the time and Senator Fasbender responded that this is correct.

Representative South asked who establishes the interest.

Mr. O'Neill stated that it is set by law.

Representative South asked what the interest rate is at the present time and Mr. O'Neill stated that it is 7%.

Representative Hand asked if it is necessary to have a co-signer on the loan and Mr. O'Neill stated that it is much more attractive.

At this point, Senator Goodover closed saying that a student could get a loan even if he makes \$25,000. He would still be eligible. They do not want to start another bureaucracy. We have to decide whether we want to start it on the state level or let somebody else do it.

The hearing was closed on SB 448.

SB 317

Chairman Bardanouve presented Senator Thomas, sponsor of SB 317.

Senator Thomas stated that he was requested to present this bill

by the Legislative Auditor and the Attorney General. He said that the bill would allow state agencies to enter into inter-agency or intra-agency agreements for the purpose of contracting data processing services with the Department of Administration.

Senator Thomas presented Doyle Saxby of the Department of Administration who spoke on behalf of the bill. Mr. Saxby stated that this is no different than any other agreement. It is an agreement to do services at a specified price.

There were no further proponents or opponents to this bill.

Questions from the committee followed. Representative Hand asked if it is presently legal for one agency to make a deal with another agency and Mr. Saxby stated that they think it has been legal. This bill will just make sure that there is no question about the legality.

Senator Thomas closed saying that this bill allows for charge-backs.

Chairman Bardanouve then presented Senator Brown, sponsor of SB 442. Senator Brown stated that this is a simple bill which allows people to take vacation time within 90 days after the end of a calendar year. He presented Tom Schneider, of MPEA, who arose in support of the bill.

Mr. Schneider stated that this is not a benefit bill. It came as a request from management in certain areas. It allows for 90 days after the end of the year for the vacation time to be used before it is lost. He stated that two areas are of greater concern than others in connection with this and that the two areas are the Highway Construction Department and the Fish and Game Department. Both of these agencies have employees who end up losing vacation time. He stated that the fiscal note should show that this is really money that is earned by the employees and the general fund gets it because the employee has not been able to get what they are entitled to. The State benefits because they get the reversion. He stated that MPEA feels that the bill should be concurred in.

There were no further proponents and no opponents to SB 442.

Representative Hand asked how long vacation time can accrue and Mr. Schneider stated that the employees can accrue twice their annual vacation. The law says if they have vacation time in excess of that, they lose it on December 31. Employees cannot exceed 30 days until they have over 10 years service and then the time period goes up.

After a short discussion, the hearing was closed on SB 442.

Senator Etchart was not present at the meeting and the committee

called upon Doyle Saxby to explain SB 370. Mr. Saxby stated that it changes the way to compute allowances for private aircraft mileage. He said that at the present time it is 20 cents per mile, and they have proposed to change it to one and one-half times the automobile mileage which is 17 and one-half cents now.

This would total 27 cents a mile. It simply ties into automobile mileage.

The committee decided that since Senator Etchart was not available to make his presentation, the hearing on this legislation would be held at a later date.

Senator Smith also was not present to explain his legislation on SB 319, and it was decided by the committee to hear this bill at a later date.

There being no further business before the committee, the Chairman suggested that executive action be taken on SB 442 and SB 317.

EXECUTIVE SESSION:

Representative Moore moved that SB 317 BE CONCURRED IN. Discussion on the motion was held. A vote was taken and carried unanimously with those present.


Representative Moore moved that SB 442 BE CONCURRED IN. Following discussion, a vote was taken and carried unanimously with those present.

A motion was made and seconded to adjourn.

The meeting adjourned at 9:25 a.m. to convene at 9:00 a.m., Saturday, March 31, 1979.

Respectfully submitted,

FRANCIS BARDANOUVE - Chairman



Secretary