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MINUTES OF THE MEETING
AGENCIES II SUBCOMMITTEE

January 15, 1979
8:15 A.M.
Room 343
State Capitol Building

Subject: Business Regulation
Orientation

Tape Tape 1; Side 2, Track 4 (805)

Meeting was called to order by Chairman Rex Manuel. All members were present with the exception of Sen. Stimatz, who was excused. Also present at the meeting were Bob Robinson, Legislative Fiscal Analyst, and Carolyn Doering, O.B.P.P.

BUSINESS REGULATION (812)

The Analyst began his orientation on the proposed budgets for the Department of Business Regulation. He stated that differences were small between the two budgets in total amount of dollars. LFA recommends \$1,152,553 and the Executive recommends \$1,158,599 for 1980. LFA recommends \$1,161,328 and the Executive recommends \$1,162,204 for 1981.

Basic differences in over-view are in the Financial Division. Executive recommended the elimination of three bank examiners and the LFA did not.

Primary responsibility in this department is to oversee that business operations are complying with the law, state-wide. They examine the banks in their Financial Division. Weights and Measures collaborates and tests all weighing equipment, state-wide. The Milk Control Board oversees butterfat testing and prices of wholesale and retail milk.

Centralized Services (822)

Centralized services is the support arm for the field functions. It includes the director and his expenses, the pay roll, accounting and some legal services that can be used by the entire department.

Personal Service recommendations are about the same. The only difference is the LFA applied a little different benefit rate.

In Operating Expenses the Executive is a little higher for two reasons. The department requested an additional \$15,000 in fiscal 1980 and \$17,000 in 1980 for accounting services. The LFA appropriated the same way they have in the past with a set amount to operate the account. The Executive budget has made provisions to run them on a revolving account, and charge each of the programs the cost.

It was explained that a revolving account can almost act like earmarked funds, because they run on an independent source of revenue. The amount is set and the department must run on that.

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About \$15,000 in 1980 and \$17,000 in 1981 is for the SBAS accounting and payroll charges. Another difference is for new telephone hookups. The Public Service Commission allowed for an increase in the rates charged for new phone hookups. The LFA did not allow money to move the phones. The Budget Office has included money for this service. The total amounted to \$700 appropriated by the Budget Office.

The other difference is in funding. The LFA recommended more earmarked revenue than the Executive. Primarily this comes from the Milk Control Board and is a function of the Milk Control Board's budget.

There is currently a bill being introduced to do away with the Milk Control Board.

Weights and Measures (949)

Both recommendations include 12 FTEs. However, the LFA recommendation is slightly under the Executive operating expenses. Executive took a vacancy savings adjustment here, amounting to \$3,000 - \$4,000 per year. The other difference was in travel, about \$2,000 each year. Both recommendations include the purchase of new trucks and a new hoist. The Executive recommends the purchase of one truck in fiscal 1980. The LFA recommendation includes a 3 1/2 ton truck, with hoist, at \$17,000 and a pick up truck for approx. \$7,000. The department states that all these trucks have over 100,000 miles on them. Once a vehicle gets over 100,000 miles it starts costing too much to maintain them.

Of 12 FTEs in this department, there are 2 which are not field people.

This program is also responsible for administering any conversion to the metric system. One person would work on this conversion part time.

The Analyst stated that there is a real need in this department of good quality maintenance for their vehicles. If there was some way they could tap services at the highway department, a good deal of money could be saved. The department is spending up to \$12,000 a year for poor quality repair service.

For repairs, the LFA recommends \$10,600 for 1980 and \$11,500 for 1981. This cost could be cut by 1/3 if they could get into the Highway Department for repairs.

The Budget Office is lower in Personal Services because they have the Governor's hiring freeze to operate under. Any program over 10 FTE that was not effected by the hiring freeze, they took a 12% vacancy savings. Weights and Measures was the only program effected here. Due to tight general fund constraints, they also cut travel in all programs. They could have gone to 15% below 1979, however, it was very rare that this was done. Therefore, the Budget Office recommended \$26,000 each year for travel, which is a cut below what the department requested.

Sen. Smith was alarmed by this cutback in services. Ms. Doering explained that the department had operated with vacancy savings in the past and had made out all right.

Sen. Smith was excused at this point to attend another meeting.

Financial (1140)

This program examined approx. 83 state banks, 3 savings and loan associations, 24 credit unions (contracted 11), and 53 consumer lending agencies in fiscal 1978. They examine only state chartered banks, credit unions, and savings and loans. The state examines only a small portion of the banks in the state.

Of 19 FTEs, three are not in the field. All the rest are auditors in the field. The question was raised that maybe the program could operate with the Executive recommendation for 16 FTEs. The Analyst maintained that the department could operate more efficiently with an additional 3 FTEs.

Any troublesome banks are the first to be audited every year. If 80% of all banks are audited this is believed to be sufficient. Those not audited one year are the first to be audited the following year.

Ms. Doering explained that in 1978, when Governor Judge announced his Balance Growth Committee, he directed an examination of fees for services to the public. The committee was supposed to find out if fees were sufficient to insure that their structure adequately reflected the cost of service. In the case of the bank examiners, the program was exceeding the fees by about \$146,000. The Budget Office deleted these bank examiners and urged the department to draw up legislation to increase their examination fees. To her knowledge, at this time the agency has not done this. Should legislation be passed to raise these fees, the Budget Office would recommend that these bank examiners be reinstated.

Sen. Boylan stated that last year the committee found that in other states, more banks had been examined with less people. It was stated that this department has a very high turn-over rate. If these people were perhaps paid more, they might stay on longer.

Sen. Boylan questioned whether the law should be abolished all together. The Analyst explained that in the last session the argument was made that the banks would rather have state officials come in and audit them, than have federal auditors come in.

Chairman Manuel asked that the committee be told at tomorrow's meeting just how much of this money is being reverted to the general fund.

Primary difference in the two recommendations is in the additional FTEs.

In operating expenses, the Budget Office included money for calculators. The LFA just overlooked this expense, which should be included in their figures.

The Budget Office also included \$15,000 for an Electronic Transfer System training program. The LFA did not include this expense. Rep. Hurwitz raised the concern that maybe the government should not be paying for this service. Who does it really benefit? The intent was to protect the consumer.

Milk Control Board (Side 1, Track 3, (000))

Both recommendations reduced 2 FTEs that were doing butterfat testing. The positions

have not been filled in two years, therefore, neither office felt they were absolutely necessary. The .25 FTE was a part time position eliminated by the Governor's hiring freeze.

Personal services are virtually the same, difference is in the benefit rate applied.

In operative expenses, the LFA is lower because the Budget Office recommended \$6,000 each year for travel. They also have \$10,000 in 1980 and \$11,000 in 1981 for contracted legal services.

Rep. Hurwitz asked why the state needs a milk board? The Analyst felt that the board may not be serving any public service. It may even have an adverse effect on both the consumers and the producers with regard to the price of milk. The price is determined by a formula. When any one of about seven items fluctuates, the price of milk automatically goes up.

Sen. Boylan stated that if the Milk Control Board were eliminated, the Federal Government would take control.

Rep. Manning asked Sen. Boylan if he felt the milk producers in his area were being dealt with fairly. Sen. Boylan felt that in the last few years they had been getting a fair shake.

Consumer Protection (065)

The Consumer Protection program administers the Consumer Protection Laws, and the Unfair Trade Practices Act. Unfair trade is financed by an earmarked revenue. The source of this revenue is a store license tax of \$5.00 per license. The Consumer Protection Agency trade regulation function is very small.

The Analyst proposed that the earmarked revenue fund be eliminated. However, it would take legislation to do this. He would then like to appropriate the whole Consumer Protection from the general fund. Put the earmarked revenue into the general fund. This program will have a balance of over \$250,000 at the end of this biennium. It would be a reasonable approach to put it all in the general fund and appropriate to the Consumer Protection from the general fund.

The differences in the Personal Services is primarily the salary and the benefit rate. There is a \$5,000 difference, however, \$3,000 should be taken out of the Executive recommendation. The Executive double budgeted one upgrade.

In Operating Expenses the basic difference is in contracted services. The Executive recommendation is about \$15,000 higher than the LFA, however, the LFA forgot to include travel expenses, about \$3,000 each year.

Public Service Regulation (160)

The primary difference is 1 FTE. The Executive granted them funds for a hearing officer. The department requested a total of 24 new FTEs. The LFA did not recommend any new positions. Primarily the positions would do impact studies of things like Coalstrip 2 and 3. The LFA was not sure that they were intended to do this kind of work.

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For operating expenses the LFA recommends a little lower than the Executive. They are held tight because last time around they used vacancy savings to purchase and operate a System 6 work processing system. They were not authorized for that expenditure by the legislature.

The Executive recommendation gives them the full compliment of advertising expenses. In the past they have been abating expenses. They have been paying for the legal notices and then sending out a bill to the utilities for advertising expense. The law does not allow for them to charge this fee. They take this money and off-set the expenditure, put it back in their account. So, they decrease their expenses. In Fiscal 1978 they had \$10,500 of these abatements. Therefore, this does not show up in their operating expenses, and the LFA did not allow any inflation factor for this. This was an illegal expenditure.

A better way to handle this would be to give them the money outright and inform them that the practice is illegal.

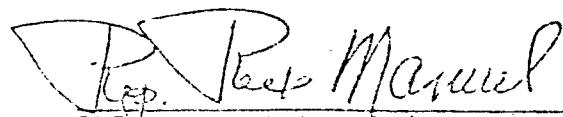
Other major difference was in equipment. They requested two vehicles they say are at 100,000 miles. The LFA included money for this.

At the end of Fiscal 1976, the department had some money and wanted to buy a copier. They couldn't get authority from the Purchasing Department to make the expenditure. The Department of Administration also wanted to buy a copier, so they agreed that the Public Service Commission would buy the copier and give it to the Department of Administration in exchange for free copying.

This copier should not have been purchased in the first place.

Bob Robinson then handed out a summary of Final Action taken on the Department of Livestock (Appendix #8), given the motions passed by this committee. Language of two motions was also included.

There was no further business, the meeting was adjourned at 11:00 A.M.


Rex Manuel
REP. REX MANUEL, Chairman

Mary Ahmann
Secretary