

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

February 17, 1979

The fourth meeting of the Senate Finance and Claims Committee was called to order by Chairman Matt Himsl at 8:17 a.m. in room 108 of the State Capitol Building. The purpose of the meeting was to hear Senate Bills 3, 363, 414, 448 and House Bill 415, and to take action on Senate Bill 319.

ROLL CALL: All members present except Senator Story.

CONSIDERATION OF SENATE BILL 414: which would establish a state aid program when state-owned real property is located in a school district.

Senator Himsl explained that Senator Norman had asked him to kill this bill.

MOTION by Senator Thomas that SENATE BILL 414 DO NOT PASS.
Voted and passed. unanimous.

CONSIDERATION OF SENATE BILL 448: An act which would authorize the Board of Regents to administer a guaranteed student loan program for Montana residents.

This bill was explained by Senator Goodover, district 22, as the result of his attending a meeting in Great Falls when Representative Ron Marlene had urged that the state look into the student loan program; this bill was drawn up, and he had then sponsored it.

Bill Lannan, Departement of Education, working with the Commissioner of Education spoke for the bill and then presented each proponent of the bill. Some of these men were from Washington D. C., and one was from Iowa. He said they had come to not only explain the program but to answer questions from the committee members, on the more technical side of the bill. He listed two concepts he felt was important in the bill; 1. It would have the advisory council of individuals who are vitally concerned with the program, and 2. to oversee the program to the satisfaction of all. This would be the first year and in the second year the guaranteed program would be implemented in the state.

Joe Kraemer, representing TOUCHE ROSS & Co., under the contract of the United States office of Education told a little of the history of the student aid program, and said that in 1978 there was only \$4.5 million to 2600 students--which showed the gap between the students need and what the commercial lenders are willing so supply. He explained that the money needed was start up, or seed, money, that the students 7% interest rate on the unpaid balance of the loan for each year the loan is outstanding; the Federal re-insurance plan; plus the money the Federal government pays on the balance to reach 12% rate on the loan--makes it a student insurance program which will not need continuing

state money. He said the Federal gives an advance of funds in the amount of \$50,000 for the first year, and money thereafter until the fund is built up. This program can be handled by the state agency, or by a private organization.

Larry Oxendine, United States Office of Education said that in 1965 when the original legislation was enacted it was intended to be operated by the states, not by the Federal Government. The states who elected not to do so, were handled by the Federal Government. Under this bill the state would receive \$50,000 a year for the first 5 years of operation, 100% reimbursed, and after 5 years, the money would be reduced proportionately on a sliding scale depending on the financial condition of the fund.

Nel Scharadin, United Student Fund Agency and John Wild, Iowa were introduced by Bill Lannan, who said Mr. Wild was heading the Iowa program which was just getting started.

Nel Scharadin said his organization was a nonprofit corporation. Under this program the Governor can designate a private nonprofit corporation to handle the paper work etc., and they are eligible. They now do this work in 11 states that have contracted for their services, which consists of computer work, paper work, and in fact, everything except having the control of the policy of the program. He said Maryland has an audit every year to see if it would be cheaper to have a state agency do the work, and finds each time it is cheaper to have his company do it for them.

Mr. George Bandy, acting Commissioner of Higher Education said the thing that he is interested in is the best interests of the students. Under this bill the control rests in the hands of the Board of Regents, it would be their intention to contract out the paper work. The regents would only set the policy.

John Wild said he has worked with the program in 2 other states, and in Iowa the state maintains the policy headquarters staff and had a legislative overview. They only had \$100,000 advanced in Iowa, and will have it paid back in 3 years on the premiums the students pay. In the states he had worked in they felt it was better to keep the control than to go to a private nonprofit organization.

Harold Pitts, Montana Banking Industry said whatever the Legislative Branch passes, the banking industry will stand behind.

Blake Wardell, assistant to the Governor said after reviewing the information, and talking with Representative Marlene, the Governor supports the guaranteed student loan program in Montana, with the understanding that they will not need state money after the initial loan. The Governor urges support of this bill.

Kurt Johnson, Student Lobby for the 6 university units, supports the bill. Through representation in the regents, the students would have direct participation to policy.

Glen Levitt, Budget Analyst, Office of Program and Planning, Department of Education, said that after looking it over, there was no way the state would have to pay out money after the first 5 years, and they would be able to establish default rates within the first 5 years--if the program proved impractical, they could always pull out the session after the next one, so they endorsed the bill.

There were no further proponents, no opponents, and Senator Goodover made the closing remarks. He had mixed feelings about introducing the bill. He showed a chart, and said the thing that concerned him was that it looked very much like producing another bureaucracy within the state. He felt the state should consider a private nonprofit organization, and there are people who are interested in doing this. He would recommend the bill be left in the committee for further study.

Questions from the committee as follows, most of the answers were given by Mr. Kreamer unless otherwise noted:

Senator Nelson: What have we learned by the many pit-falls so that we don't fall into the same ones the Federal Government entered into? Ans. The intent originally was not to have a uniform program for the entire United States. This bill would let Montana have a program for Montana students.

Senator Nelson: Who is going to carry the insurance, and how much is the \$10 a year carrying? Ans. The 1% fee. The insurance is actually carried by the U. S. Government--a reinsurance program. The premium plus the interest is paid by the state to the lender, and this is reimbursed by the Federal Government.

Senator Nelson: Is this going to be carried so that the banks have a guarantee the same as the federal program? Ans. yes.

Senator Nelson: What do you consider the interest at this time? Ans. Basic, 7% simple interest. 5 5/8% government, plus the 7% gives a limit of 12%.

Senator Aklestad: Are there no safe guards built into them that weren't in the Federal, or is it just one more chain? Ans. Under the state plan, you have a co-signer which helps to keep the nonpayments down. You have a flexibility that the federal government does not have.

Senator Aklestad: How much start-up money are you looking at? Ans. It is difficult to project. Mr. Lannan said there is a \$95,000 loan to the agency. The fiscal note came into his office yesterday.

Senator Aklestad: Would the start up money be interest bearing? Ans. (Bill Lannan) Yes, the \$95,000 would be paid off in full with interest. If the money was not in the state agency being utilized, it would be in the fund.

Senator Fasbender: If you have only 1½% additional -- an additional 1% premium has to be used for building up funds. Ans. It is 2½%-- in addition to the 1% paid by the student. The Federal also advances to the state \$250,000 which is to be used to establish reserve funds. In addition to this, there is \$44,000 the state must match in order to participate in these funds. There are 3 fund sources involved: 1. \$50,000 a year for 5 years; 2. 1% of the volume of loan made--administrative grant; and 3. In 1968 Congress appropriated \$5.8 million for advance funds. This was \$44,000 for Montana, it would be matched by Montana. This would be used as a reserve fund--a one time payment. Seed money is the same terms. Advance money is a normal interest bearing loan. They can recall the \$44,000 when the Government decides the state has enough reserve to pay the money back to them. This decision can be reached any time the agency funds exceed 20% of the liability. The state loans to the student directly, the Federal re-insures. The state pays the student, the loan is processed and they receive their money from the Federal about 6 weeks later. If the state can collect money they repay to the Federal but hold back 30% collection fees.

Mr. Bandy stated there will be a guaranteed loan program in Montana, the question is who is going to administer it. The Commissioner is required to act on any request.

Senator Fasbender: Can you charge the 1%? Only ½ of it can be used. Ans. The 1% is collected by the lender and transmitted to the agency. In addition there is a 1% fee by the Federal Government. It is broken down--½% for the claims and collections, ¼% to lender promotion, and the remaining must be spent for the good of the agency, but in no set way.

It was further explained that you charge 1% per year, in effect the average is probably 3%, plus the 1% from the Federal Government. You should have a surplus of about \$500,000 in 5 years, Mr. Wild stated, when he looked at this state.

Senator Boylan: What if the decision is made not to do this on the state level? Ans. The decision would then be between the Commissioner of Education on the Student loan and the Federal Government; and the state would have nothing to say about it. Mr. Bandy said the Feds would select the agency, and the state would not receive the money nor the control.

Senator Aklestad: How long do the students have to pay off the loan? Ans. There is a statutory law. Minimum of 5 years, a maximum of 10 years, some exceptions such as military, etc.

Senator Aklestad: Is the loan paid at the same rate of interest? Ans. The President signed this into law--any student in the United States eligible for a loan qualifies for such. The Federal Government pays the interest benefits for 4 years plus the one year grace period. The amount is 7% plus repayment during

this time. The government pays the difference between the 7% and the interest rate. The lender holds the paper until the student repays the loan.

Senator Stimatz: Assuming the student is a freshman, and borrows \$1,000---during the repayment period (after 5 years) he is expected to pay 7% until the loan is paid off. Ans. He is never charged more than the 7%,

Senator Boylan: What is the top level loan a student can obtain? Ans. \$2500 for a student, \$5,000 for a graduate student, etc.

Senator Himsl: Can a student be relieved of his obligation through bankruptcy? Ans. No student loan can be a bankruptcy for 5 years (minimum).

Senator Himsl: Can you give me a straight answer--a yes or no? Ans. Now you can. When the law changes in 1979, Oct., -- probably not.

Senator Thiessen: The bankruptcy was a temptation to clear the slate. Does the interest become a grant to the student? Ans. Yes.

Senator Thiessen: What about staff? Ans. It would necessitate one professional person and one support person, Mr. Lannan replied.

Senator Thiessen: How would they determine the need of the student? Ans. It would depend on the policy set by the Board of Regents. The student must be a resident of Montana, be enrolled in post secondary school in Montana, or a resident of Montana going to an out of state school and wanting to borrow money.

Senator Lockrem: What is the default rate? Ans. currently 10%. Before they began to work this out, they were running about 14%. It is 2% in Ohio, 13% in New York, and the average is about 7% in the states.

Senator Etchart: How much is it going to cost the Federal Government? Ans. I have no idea how much for the state of Montana.

Aklestad: When they run out of money on the previous program in Montana, shouldn't it have been sort of self perpetuating? Ans. No. The student fees weren't so high.

No further questions being asked by the committee, the Chairman moved on to the next bill.

CONSIDERATION OF SENATE BILL 3: An act to reallocate money from Federal mineral leases and to distribute the money to the State Highway Account. to the State Equalization aid for schools, and to the Bureau of Mines.

Senator Dover, sponsor of the bill spoke for the bill and a copy of his testimony is attached.

Sid Groff, State Geologist for the Montana Bureau of Mines & Geology spoke for the bill, stating the need for the funds to develop the mineral resources, test the aquifers to keep the water available, and feels the development of our mineral resources would supply employment to the state and thus be a contributing factor in the overall economy of the state. He urged support of the bill.

Mr. Peter Jackson said they try to promote jobs, and these jobs come from the development of natural resources and minerals in the proper way.

Frank Dunkle, representing the Mining Association in the State of Montana, said another way to bring money into the state of Montana was through the tax paid on minerals, it would be used as a new tax base, and new money for the state. The school of Mines plans to do this. He urged support of the bill.

Gordon McGowan, speaking for himself, said he had tried to do this very thing for years. 50 years from now we will still want to build roads and schools. We must take a long look at the future. We have about 50 underground aquifers in the state, and as sprinklers go in for instance, we do not know what the recovery rate is, nor how much we can safely remove without depleting our water supply. The school of mines receives matching money to help with this.

Opponents to the bill were as follows:

Larry Tobiason, Montana Automobile Association, stated he could not argue with the fact that the bureau of mines needs the money. His main concern was the \$1.7 million taken from interstate construction funds at a time when the money is available to do the work. In addition we have secondary roads and bridges that are badly in need of repair or building. This money can only come from the Highway Trust Fund. Gasoline taxes and road revenue bonds are the only way to repay it. We must call a halt to the removal of Highway trust funds. \$9.5 million is being taken out and the drain is just too much. House Bill 477 allocates money for the Bureau of Mines for this particular purpose. I would recommend a do not pass from the committee.

Jim Beck, Montana Highway Department said the impact of this bill on the Highway was not that great, but it is one of several bills that would take a lot of money from the Highway trust fund.

John Fitzpatrick said there are a number of bills that view funds from Natural Resources as funds that should be used for all Montana. The money from the federal leasing goes into the Highway fund. He said: 1. this bill does not allocate new money, it is merely reallocation of existing money; 2. if you cut the money available to the foundation program, you cut the counties, or make it up in the general fund; 3. return on money--

1,000 to one statement. When Doctor Groff made this statement he asked him for a cost analysis. He did not send one, but sent a 5 year plan for the Bureau of Mines. While the projects might be worthy ones and bring in state money, they should go through the subcommittees, and not an earmarked fund: 5. Money is spent now, and must be based on the income now. Not on something in the future; and: 6. the Bureau of Mines should look for another source of money other than the Highway trust fund. You do not develop mineral resources by cataloging the resources available.

Senator Fasbender, giving testimony as a member of the Education subcommittee said the subcommittee has worked the bill, considered priorities, and they have various problems with the bill. They feel earmarked funds should not be used which do not allow the legislature to have proper scrutiny of the program.

Mr. Demise said \$187,000 would be lost to the Highway if this bill passes.

There was a brief debate as to whether this is a diversion of funds.

Senator Fasbender said they had asked for \$126,000 for a mapping analysis. The subcommittee did not fund it, but did approve a machine to be used to analyze water.

Senator Smith asked about the water. Dr. Groff answered that they work together with the Board of Health on testing water.

Senator Stimatz: Could you tell us about the equipment and your plans for those? Dr. Groff: We really have three programs. An area by area survey taken of the state, an artesian basin, and they would have separate hydrologists monitoring the data to have it ready when they have to present it in court proceedings.

With no further oponents the hearing on Senate Bill 3 closed.

CONSIDERATION OF SENATE BILL 319: Discussion of the proposed amendments was held with the decision in favor of 2/3 majority to have a supplemental budget passed, strike section 1, subsection 3; page 2 lines 9 through 20 be stricken; amend line 22 to strike the word "introduce"; to amend page 2, lines 24,25 and line 1 page 3; and page 3, following 3 to add another subsection. A copy to be worked out with the legislative council and given to the secretary.

MOTION by Senator Fasbender these amendments be moved, and that the legislative council work out the proper form. Voted and passed.

The question was raised as to how it would affect the smaller agencies if this bill went through with these amendments. The larger agency could juggle funds, but if there was no roll ahead between the years within the biennium, the smaller agencies could really be hurt. Senator Etchart said possibly this bill would

take care of the agencies going out and getting federal money to spawn new programs.

Discussion was held on the pro and con of striking the repealer in the bill, and it was decided to hold this bill and work on the amendments, then to meet on adjournment today.

CONSIDERATION OF SENATE BILL 363: Senator Brown, senate district 15, said this bill would authorize the Department of Administration to recognize those cities in which the rates for rooms were excessive. The Department of Revenue sends auditors to New York, for example, to audit the corporations, the return investment is good, but many times these people had to take money out of their own pocket to supplement their bill.

Jeff Miller, field office supervisor of the State Department of Revenue and representing all divisions of the department said the travel is necessary to make the corporate collections, the travel is increased as the collections increase. Most of the domestic corporations comply with the law, it is the multi-national corporations that do not do so, and they have the staff to fight. The department takes advantage of the discount rate on air travel, room rates ect. The price of rooms has gone so high in some of the areas that the department has had to curtail much travel, take advantage of waivers, whatever was possible to delay, and the result was the loss of literally millions of dollars. The average room rate is \$49 for a modest room. House Bill 386 addresses this issue of per diem, but he feels this bill is the better since it provides for specific city recognition of higher rates. It is: 1. necessary for corporate tax audit to continue; 2. travel necessarily takes them to higher rent cities; and 3. this bill provides a timely recognition facing the department and the programs. It recognizes the agencies and designates the cities.

Bill Groff, Department of Revenue, stated the decision was simple. The Department cannot send people to these cities if they are going to lose money.

No further proponents to the bill, no opponents, the hearing was closed and questions from the committee were as follows:

Senator Fasbender: Are there any other agencies having a specific problem? Groff: The insurance auditor, possibly the Department of Administration or the Highway Department.

Senator Lockrem: Would there be any objection if the legislature rather than the department of Administration took a look at this? Groff: none.

Senator Himsl: It seems to me this shows descrimination--what is sauce for the goose should be sauce for the gander. Groff: The difference between an auditor making money for the state, and those going to a convention, etc. is addressed here. We are interested in getting this particular problem taken care of. When

the audits are made it brings the return much larger. Because one is audited, another complies, etc. Once the audit is made on some, they realize they are going to be watched.

CONSIDERATION OF HOUSE BILL 415: Representative Bardanouve went through this bill item by item. He said this is the first bill of its kind. Explanation sheet attached. Special mention was given to the Livestock Department to have a veter-narian who would be at the Montana-South Dakota border to dip cattle as they crossed the line. He said an outbreak of scabies was in South Dakota and they are willing to pay Montana for the veter-inarian so that the cost of this FTE would be reimbursed to Montana from South Dakota. Details of this information was given by Senator Ed Smith.

Senator Regan questioned as to whether this FTE could become permanent, or if the position went out with the funds. She was assured by Senator Smith that the subcommittee was funding only a temporary vet, and the funds and the position terminated at the same time.

MOTION by Senator Smith to amend House Bill 415 to add \$6,111 of earmarked funds to the Department of Livestock. Voted and passed.

MOTION by Senator Regan that line 11, 12 and 13 on page 2 , all the stricken material, be reinserted.

John LaFavor, fiscal analyst, answered a question in regard to the motion--the appropriation is for adult basic education class in the prison. His office would recommend it be appropriated.

Motion was voted and passed.

Tom Rippingale answered a question regarding lines 19 and 21 by saying that the money in question is federal monies that are incrementally dependent from anything else. He felt there was a confusion with House Bill 416. This bill would clarify the streambeds in the coal tax area. This is the amendment that would be a full time person. This is the polution in the fiscal year 1979, some in 1980-81.

Senator Aklestad asked how much duplication, and Mr. Rippingale answered there is no duplication of work. They work with the Health Department. They get the water--the Health Department evaluates it.

MOTION that HOUSE BILL 415 DO PASS AS AMENDED. Voted and passed.

SENATE BILL 3: MOTION by Senator Regan, DO NOT PASS. Voted and passed.

SENATE BILL 448: Senator Thomas said he felt there should be some thought still given to this bill. It helps the middle income people. If the state goes for it we have: 1. The

profit going to reduce the fee charged to the student as we build up the 1%; 2. Control, and; 3. There is a group in Great Falls who is formulated to get the contract if it is going to be on a private basis.

SENATE BILL 363: MOTION by Senator Thiessen to amend page 3, line 3 by striking the word 7 and inserting \$12. After discussion that this might be in conflict with the title, the motion was withdrawn.

Senator Regan asked if any discussion had been given to giving out of state auditors a different classification to narrow down the problem. She had been excused during this discussion to attend another hearing. She felt the bill, if passed as it is, would cost a lot more than it shows on the sheet.


Senator Lockrem said he felt the subcommittee handling the Department of Revenue could take a look at this and line item it, for out of state audit travel. Omholdts office might also be included. In this case the bill could be killed, the problem taken care of, and the problem addressed properly through the subcommittee.

MOTION by Senator Regan SENATE BILL 363 DO NOT PASS. Voted and passed.

Senator Himsl said this leaves 2 bills, the Student Loan Bill which Senator Fasbender will work on, and Senator Smith's bill which he will work on, the amendments would be ready, and the committee will meet on adjournment tonight.

Senator Stimatz left a yes vote with the Chairman for the student loan bill, since he will be absent after session.

The meeting adjourned.


SENATOR HIMSL, Chairman

ROLL CALL

SENATE FINANCE AND CLAIMS COMMITTEE

46TH LEGISLATIVE SESSION 1979

Date 2-12-79

NAME	PRESENT	ABSENT	EXCUSED
SENATOR HIMSL	X		
SENATOR STORY			
SENATOR AKLESTAD	X		
SENATOR LOCKREM	X		
SENATOR ETCHART	X		
SENATOR NELSON	X		
SENATOR SMITH	X		
SENATOR BOYLAN	X		
SENATOR REGAN	X		
SENATOR FASBENDER	X		
SENATOR THIESSEN	X		
SENATOR THOMAS	X		
SENATOR STIMATZ	X		

SENATE COMMITTEE

FINANCE AND CLAIMSDate 2-17-79

S.

Bill No. Yc/s Time 11:28

NAME	YES	NO	ABSENT
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SENATOR STORY

at

SENATOR AKLESTAD

x

SENATOR LOCKREM

x

SENATOR ETCHART

ck

SENATOR NELSON

x

SENATOR SMITH

x

SENATOR BOYLAN

x

SENATOR REGAN

at

SENATOR FASBENDER

x

SENATOR THIESSEN

x

SENATOR THOMAS

x

SENATOR STIMATZ

x

SENATOR HIMSL

x

Secretary _____

Chairman _____

Motion: 1*Adopt amendment*

SENATE COMMITTEE

FINANCE AND CLAIMSDate 2-17SBBill No. 319 Time 10:10

NAME	YES	NO	ABSENT
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SENATOR STORY

SENATOR AKLESTAD

SENATOR LOCKREM

SENATOR ETCHART

SENATOR NELSON

SENATOR SMITH

SENATOR BOYLAN

SENATOR REGAN

SENATOR FASBENDER

SENATOR THIESSEN

SENATOR THOMAS

SENATOR STIMATZ

SENATOR HIMSL

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x

x

x

x

sb

x

x

x

x

x

Secretary

Chairman

Motion: Amended

STANDING COMMITTEE REPORT

February 17

1972

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 415

Respectfully report as follows: That House Bill No. 415
third reading bill, be amended as follows:

1. Page 2.

Following: line 10

Insert:

MONTANA STATE PRISON

Development Program

18,572

Federal and Private Revenue

2. Page 3.

Following: line 20.

Insert:

DEPARTMENT OF LIVESTOCK

6,611

Earmarked Revenue

And, as so amended, BE CONCURRED IN

~~AMENDED~~

DO PASS

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

Bill No.

Time

NAME _____

YES

NO

ABSENT

SENATOR STORY

SENATOR AKLESTAD

SENATOR LOCKREM

SENATOR ETCHART

SENATOR NELSON

SENATOR SMITH

SENATOR BOYLAN

SENATOR REGAN

SENATOR FASBENDER

SENATOR THIESSEN

SENATOR THOMAS

SENATOR STIMATZ

SENATOR HIMSL

Secretary

Chairman

Motion:

Wm. St. John Rev. Prof.

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

7-17H B.

Bill No.

415

Time

11:18

NAME

YES

NO

ABSENT

SENATOR STORY

SENATOR AKLESTAD

SENATOR LOCKREM

SENATOR ETCHART

SENATOR NELSON

SENATOR SMITH

SENATOR BOYLAN

SENATOR REGAN

SENATOR FASBENDER

SENATOR THIESSEN

SENATOR THOMAS

SENATOR STIMATZ

SENATOR HIMSL

Secretary

Chairman

Motion:

Assumed on Vet

SENATE COMMITTEE

FINANCE AND CLAIMS

Date _____

Bill No. 415 Time 11:20

NAME	YES	NO	ABSENT
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SENATOR STORY	<i>ch</i>		
SENATOR AKLESTAD	x		
SENATOR LOCKREM	x		
SENATOR ETCHART	x		
SENATOR NELSON	x		
SENATOR SMITH	x		
SENATOR BOYLAN	x		
SENATOR REGAN	x		
SENATOR FASBENDER	<i>a.k.</i>		
SENATOR THIESSEN	x		
SENATOR THOMAS	x		
SENATOR STIMATZ	x		
SENATOR HIMSL	x		

Secretary _____

Chairman _____

Motion: 6 7As per the Amendment

STANDING COMMITTEE REPORT

H. February 17 19 79

MR. President

We, your committee on Finance and Claims

having had under consideration Senate Bill No. 3

Respectfully report as follows: That Senate Bill No. 3

DO NOT PASS

~~DO PASS~~

SENATE COMMITTEE

FINANCE AND CLAIMS

Date _____

SBill No. 3Time 11:25

NAME	YES	NO	ABSENT
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SENATOR STORY

SENATOR AKLESTAD

SENATOR LOCKREM

SENATOR ETCHART

SENATOR NELSON

SENATOR SMITH

SENATOR BOYLAN

SENATOR REGAN

SENATOR FASBENDER

SENATOR THIESSEN

SENATOR THOMAS

SENATOR STIMATZ

SENATOR HIMSL

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Secretary _____

Chairman _____

Motion: _____

o b
Do Not Pass

STANDING COMMITTEE REPORT

February 17

19 79

MR. President

We, your committee on Finance and Claims

having had under consideration Senate Bill No. 414

Respectfully report as follows: That Senate Bill No. 414

~~DO NOT PASS~~
~~DO PASS~~

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STANDING COMMITTEE REPORT

February 17

19 79

MR. President

We, your committee on Finance and Claims

having had under consideration Senate Bill No. 363

Respectfully report as follows: That Senate Bill No. 363

DO NOT PASS

DO PASS

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

5Bill No. 363 Time

NAME

YES

NO

ABSENT

SENATOR STORY

SENATOR AKLESTAD

SENATOR LOCKREM

SENATOR ETCHART

SENATOR NELSON

SENATOR SMITH

SENATOR BOYLAN

SENATOR REGAN

SENATOR FASBENDER

SENATOR THIESSEN

SENATOR THOMAS

SENATOR STIMATZ

SENATOR HIMSL

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x

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x

x

x

Secretary

Chairman

Motion:

P-6
Did Not Pass

HB 415 - Budget Amendments

Montana Arts Council

Promotion of the Arts Program \$154,836 FPRA

To transfer \$154,836 from the grant clearance account to the federal and private revenue account, as recommended by the Audit report of the Office of the Legislative Auditor. The funds are used for the operating expenses of the Artist in the Schools program and independent contractors involved in Montana Arts Council initiated projects. \$534 to be used for increased building rent and the leasing of a copying machine. No FTE's are requested.

Department of Fish and Game

Fish Program \$6,630 FPRA

To develop for the U.S. Fish and Wildlife Service a method for characterizing aquatic resources in all streams located in the Southeastern Montana coal test areas. Requests .58 FTE.

Wildlife Program \$7,901 FPRA

To conduct nongame wildlife study under contract with the Bureau of Land Management in the Terry Badlands (north of Terry, Montana). The project will be 100% reimbursable upon completion from the BLM. Requests .34 FTE.

Office of the Governor

Lt. Governor's Program \$84,973 FPRA

To make available the remaining \$34,973 of a grant from the Old West Regional Commission to the State Task Force to complete the regional environmental impact statement on coal development in the Northern Powder River Basin of Montana. The remainder of this grant will be supplemented by a \$50,000 grant from the U.S. Geological Survey for the same purpose. No FTE's are requested.

Department of Highways

Equipment Program \$606,125 ERA

To purchase snow removal equipment. The severe winter of 1977-78 and 1978-79 has overtaxed existing equipment. The equipment breakdown and failure along with the inability to obtain repair parts for the older machines has created an incapacity to attack the snow removal problem. No FTE's are requested.

Department of Institutions

Alcohol and Drug Abuse Program \$40,500 FPRA

To transfer monies from the Department of Community Affairs to the Department of Institutions to provide funding for equipment necessary to expand the Montana DWI Court Schools. The money was appropriated to DCA by the last legislature and DCA has elected to contract with the ADAD due to their mission in alcohol programs. No FTE's requested.

Alcohol and Drug Abuse Program \$65,000 FPRA

To provide spending authority for \$65,000 of Alcohol Incentive Detoxification Services grant. The funds are used to pay statewide physician and hospital costs for providing these services in those instances where other funding is not available to pay the fee for service medical costs. No FTE's are requested.

Corrections Program \$1,055 FPRA

Requesting additional federal spending authority for purchasing services of a psychologist. The project is an attempt to determine if intensified counseling in various exhibited problem areas will have a positive impact on the adjustment of youth to community placement. No FTE's are requested.

Swan River Youth Forest Camp
Developmental Program \$3,500 FPRA

Requesting additional federal spending authority for a grant from the Board of Crime Control to repair an Allis Chalmers MD-15 crawler tractor. Repair of the tractor will facilitate providing access to work sites for youth camp resident crews and be used for individual resident training as heavy equipment operators. No FTE's requested.

Administration Program \$5,000 FPRA

Requesting utilization of program improvement funds from the Federal Bureau of Prisons. The availability of these funds provides an opportunity to increase the effectiveness of line staff through training and allows the possibility of providing consulting services to all residents at SRYFC that are not now available. Per diem rate of pay received from Bureau of Prisons is now \$3.65 in program improvement funds this will increase to \$4.00 per day in October, 1978 and the increase will generate approximately \$5,000 during the fiscal year.

Department of Justice
Fire Marshal Program \$2,855 FPRA

Requesting spending authority for Board of Crime Control grant funds to purchase materials and equipment for arson investigation. The ability of the Fire Marshal's arson investigators to detect arson related cases will be improved through better tools and methods.

Department of Natural Resources and Conservation
Energy Program \$13,352 ERA

Requesting spending authority for contract monies from Northern Lights Incorporated to prepare an environmental impact statement on the proposed run of the river hydroelectric facility to be located at Kootenai Falls. The statement will be prepared in compliance with the requirements of the Montana Major Facility Siting Act. Requests .54 FTE for the duration of the 24-month study.

Forest Resources Program \$36,325 FPRA

Additional federal funds have been made available through the U.S. Forest Service to provide information and technical assistance to units of local government for community forestry programs. The program will include urban forest planning and subgranting to local governments for urban forestry projects. Requests .50 FTE to administer the Community Forestry Program. The position would be kept only as long as federal urban forestry funds are available.

Department of Professional and Occupational Licensing
Board of Abstractors \$800

To provide funding to handle the one complaint remaining concerning alleged incompetence and bad faith on behalf of a licensee of this board before the board is sunset on July 1, 1979. No FTE requested.

Board of Athletics \$1,000 ERA

Due to increased activity beyond that considered by the legislature the board needs additional funds to continue supervision of boxing and wrestling matches as required by law. The Board is sunset on June 30, 1981 and virtually all funds have been expended. Their appropriation balance as of 11-21-78 was \$58.81. Additional boxing and wrestling matches are planned. No FTE requested.

Board of Landscape Architects \$2,150 ERA

An error was made when submitting the budget to the 1977 legislature - the modification was inadvertently not submitted. This request is for the funds needed to carry this board through June 30, 1979 at which time the board is sunset. No FTE requested.

Board of Veterinarians \$7,450

To provide additional appropriation for hearings and investigations presently scheduled and in process. The additional investigation costs and numbers of hearings have created additional expenditures that were not contemplated in the original appropriation. No FTE requested.

Board of Water Well Contractors \$4,000 ERA

To provide additional funding for legal and investigative responsibilities of the board. Complaints from the consumers are continuing at a high rate. The board is contemplating conducting a hearing on the suspension or revocation of a license on a problem driller. The investigation and legal work will be done on contract so no FTE is requested.

Department of Revenue

Investigation Program \$247,966 FPRA

Requesting additional federal spending authority for contracted services in the area of Child Support Enforcement and welfare fraud investigation. This request is a continuation of a FY 78 budget amendment which added 11 FTE for the improvement of the program. Federal audits of the Montana program have indicated that we have not been doing our share and could be faced with a 5% penalty in AFDC payments.

FOR THE LEGISLATURE:

SUMMARY: Programs to be started should SB 3 be enacted.

This summary has three versions. I is based on 8 percent of the first \$6,250,000, II is based on 4 percent of the first \$6,250,000, and III is based on 2 percent of the total return (estimated to be about \$7,000,000 this year).

I. 8 PERCENT VERSION (\$500,000)

Priority 1

Full funding of the Bureau-U.S. Geological Survey Co-op Ground-Water Study \$ 60,000

Priority 2

Continuance of the Bureau's state ground-water data collection, evaluation, and recommendations to DNRC for its consideration in regulatory matters. This is accomplished under an interdepartmental memo of understanding. 80,000

Priority 3

Subdivision evaluations for water supply, water pollution, foundations, and geologic hazards. 24,000

Priority 4

Mineral Economics; in-depth study of the economics and tax structure of the Montana mineral industry, in cooperation with the state Department of Revenue. Federal matching funds are expected. 37,000

Priority 5

Economic Geology and the Small Mines Advisory Program, which pertains to mineral deposits, geological affinity, and cataloging or classification of mineral potential, as well as advising operators of small mines and collecting mine data. 30,000

Priority 6

Mineral Fuels, expansion into other mineral energy sources besides coal, namely oil and gas, uranium, and thorium. 41,000

Priority 7

Mapping and analyses of mineral potential of proposed wilderness, wilderness, RARE II, and other areas of promising geological significance. 126,000

Subtotal projects \$398,000

Supplies, equipment, administrative support, and indirect costs 102,000

Total \$500,000

II. 4 PERCENT VERSION (\$250,000)

<u>Priority 1</u>	
Partial funding, Bureau-U.S. Geological Survey Co-op	\$ 40,000
<u>Priority 2</u>	
Bureau ground-water studies	70,000
<u>Priority 3</u>	
Subdivision evaluation	23,000
<u>Priority 4</u>	
Mineral economics	30,000
<u>Priority 5</u>	
Economic geology	25,000
Subtotal	\$188,000
Supplies, equipment, administrative support, and indirect costs	62,000
Total	\$250,000

III. 2 PERCENT (ON TOTAL) VERSION (est. \$140,000)

<u>Priority 1</u>	
Partial funding, Bureau-U.S. Geological Survey Co-op	\$ 20,000
<u>Priority 2</u>	
Bureau ground-water studies	50,000
<u>Priority 3</u>	
Mineral economics	28,000
<u>Priority 4</u>	
Economic geology	22,000
Subtotal	\$120,000
Supplies, equipment, administrative support, and indirect costs	20,000
Total	\$140,000

COMMENT:

The State Geologist was quoted in the news media as saying "for every dollar appropriated to the Bureau, the Bureau's work could ultimately return as much as \$1,000 in increased revenues". The statement was made and it has substance. The Bureau studies produce the data used by state and federal agencies and industry for planning, management, and regulatory decisions. Bureau reports have

resulted in new mineral exploration and production. True in the past, it should be as true in the future. The Bureau's expertise has saved state agencies and citizens needless expenditures by the evaluation of data (e.g., ground water) and advice based on those evaluations. If one new large mine opens and produces, the revenue therefrom would far more than offset the entire appropriation of this Bureau.

There is awareness that we are approaching a time of overuse and of competition for use of ground water. In order to properly regulate so as to prevent depletion of this resource, studies must be continuous, and water levels must be monitored.

Federal natural resource agencies are under manpower limitations, yet there are mandatory studies, and the Bureau is in a prime position to contract these studies. Yet, the Bureau has insufficient matching funds and personnel.

SENATE BILL 3

Mr. Chairman, members of the committee. This money bill should be considered an investment in Montana that can make increased revenue in the future. It is a bill that allows for proper planning for the future development of our mineral resources.

The overall mineral industry has the greatest potential for expansion, because the nation needs or will need the mineral commodities of strategic nature that occur in Montana. Planned expansion of production and processing to semifinished or finished products would boost the revenue base and result in reduced taxation across the board.

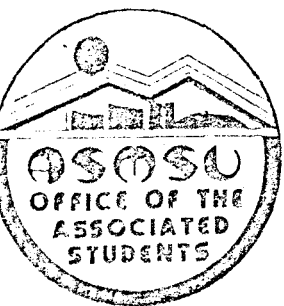
The Montana Bureau of Mines and Geology is the only state entity that works with prospective industry and the federal agencies in a nonregulatory situation to develop, evaluate, and release data. This information is utilized by the state and federal agencies and the private sector as a basis for planning and regulatory activities. There is no substitute for data, whether for regulatory activities, environmental impacts, or potential new production. As an example, should the Bureau's studies result in the opening of one new large producing mine with milling facilities, it would repay its appropriation many times over. One producing mine, however, is not the goal; rather, several are. This Bureau has done work on bentonite and talc that certainly assisted and attracted Industrial development in these commodities(now a bright area in the Montana economy and one that is expanding).

The Bureau is aware of resources of chromium, iron, copper, nickel, and the elements of the platinum group in the Stillwater

Complex (south of Columbus along the north face of the Beartooth Plateau). Baseline hydrogeological studies should be under way now, so that the data will be ready for an environmental analysis. The Stillwater Complex contains ore of fairly low grade, but it is the only significant deposit of chromium in the western hemisphere and may just be one of the largest in the world. Chromium is necessary in stainless steel and is high on the national strategic list. There is the so-called titanium-bearing sandstone units (Eagle and Horsethief of Cretaceous age) along and out from the mountains west and north of Great Falls. A great deal of study is necessary. There is not a single smelter in Montana that will handle zinc, yet Butte has the second largest zinc reserve in the entire northwest region. An environmentally acceptable smelter or reduction works could be designed. The Bureau could assist in this. The Bureau has essentially all the hydrogeological expertise in the state and is supposed to provide the Department of Natural Resources and Conservation with information and recommendations for regulation. With current budgetary limitations the Bureau can do little to maintain an early-warning or continuous trouble-shooting system. A continuing ground water study could conceivably save DNRC and the state millions of dollars over an extended period of time. The Bureau does federal contract work on resource studies of pertinence to Montana's future. The Bureau, however, has reached the limit of its fund-matching ability and can accept no additional contracts. An adequate budget and staff could double our federal contract work. Such work produces new and useable data on a broad range of subjects (mineral potential, mineral deposits, energy sources, geologic hazards, and water

information), all of which contribute directly or indirectly to building a broadened revenue base. This Bureau's job is to perform the studies, evaluate the data, and provide the data to the state and federal governments and the private sector, as well as to continually advise the citizenry. Somewhat more than half the Montana Real Gross State Produce (\$4.03 billion) is derived from total mineral production and estimated value from plants processing mineral raw materials. This figure could be doubled, and this Bureau's studies, data, evaluations, and recommendations could be the key to expansion.

Senate Bill 3 would provide some funding for these projects which could definitely enhance our future state revenue and provide the minerals we will need for now and the future. I urge your support of this bill.



February 17, 1979

TO: Senator Himsl, Chairman, Finance and Claims Committee
and committee members
FR: Rick Boylan, Student Representative of the Associated
Students of Montana State University
RE: SB 448---Support

Senate Bill 448 provides the opportunity for students who want to assume the responsibility of the costs for their education to do so.

A guaranteed student loan program, which is state operated, means better accountability and dependability of students who need the program. The Federal Government is just too far removed to have as efficient control as the state could of such a beneficial and worthwhile program as this.

Currently, the situation is grim for students in Montana who wish to get a loan from some agency in Montana to further their education by themselves. Senate Bill 448 speaks directly to that problem and in the view of the Associated Students of Montana State University this bill over-comes that obstacle by making the the responsibility of administering the student loan program based at essentially a more "grass-roots" level.

We hope you will concur in Senate Bill 448, allowing those students who wish to responsibly further their own education, the opportunity to do so.

Respectfully submitted,


Rick Boylan

THOMAS L. JUDGE, Governor

ANIMAL HEALTH DIVISION

Glenn C. Halver, D.V.M.
Administrator

BRANDS-ENFORCEMENT DIVISION

James L. "Les" Graham
Administrator



BOARD OF LIVESTOCK

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STATE OF MONTANA
DEPARTMENT OF LIVESTOCK
HELENA, MONTANA 59601

(406) 449-2043

February 9, 1979

Representative Rex Manuel
Chairman, Appropriation Sub-Committee
House of Representatives
Helena, Mt. 59601

Dear Representative Manuel:

Additional F.T.E. To Supervise Dipping of Cattle

With a severe outbreak of scabies in cattle especially south and east of Montana, we are asking for an additional F.T.E. to supervise dipping of cattle that are coming into Montana from South Dakota. We have submitted a budget amendment request to the Budget office to fund this F.T.E. through fiscal 1979. We would also like to have this one additional F.T.E. funded through the 1981 biennium in the Disease Control Program.

The estimated cost of this position which will be classified as an Investigator I, Grade 11, will be \$18,220 each year of the biennium. The cost breakdown is:

Salary	\$11,731
Benefits	1,789
Travel Expense	4,700
Total	\$18,220

South Dakota will reimburse the Department of Livestock for the above costs, resulting in no additional cost to Montana taxpayers.

If additional information or clarification is needed please call Dr. Glosser or myself.

Sincerely,

A handwritten signature in cursive script, reading "Cecil C. Greenfield".

CECIL C. GREENFIELD
Administrative Officer

/lc

February 9, 1979

To: Matt Hims1, Chairman
Senate Finance and Claims

From: Agencies II
Appropriation Sub-Committee
Rex Manual, Chairman

Re: Modification of HB 415

It has come to our attention that there has been a significant outbreak of scabies in cattle in South Dakota. Since a large number of cattle marketed in South Dakota enter Montana, this scabies outbreak could have an adverse effect on the Montana cattle industry.

Our committee has gone on record supporting an addition to the above bill allowing the Department of Livestock to immediately add one FTE and expanding budget authority for FY 1979 by \$6,611.

The South Dakota markets have agreed to provide full financing for the position. The position will be terminated when South Dakota ceases support.

Rep. Rex Manual Cho.

1st -

Montana Student Lobby

Curt Johnson, Lobbyist
1008 11th Avenue, Apt.#6
Helena, Montana • 59601

TESTIMONY

TO: SENATE FINANCE & CLAIMS 2/17
FROM: CURT JOHNSON
SUBJECT: SB 448 MONTANA STUDENT LOAN COMMISSION

The Steering Committee of the Montana Student Lobby recently met to establish a platform for the legislative session. One item that came up for consideration was that of the establishment of a Montana Student Loan Commission under the authority of the Board of Regents. The Steering Committee elected to support a Regents proposal to create a Student Loan Commission to administer National and Local, public and private student loans for Higher Education.

We are convinced of the need for such a Commission. Although Montana has reason to boast of having a default rate lower than the national average, we would reason that any rate is not desirable. Furthermore, by having such a Commission here in Montana it would be able to more efficiently respond to the needs of students.

The Montana Student Lobby is most pleased to have student representation on the Commission and feels that such type of input should be beneficial in administering loan programs. We are somewhat concerned with the tenure of the Student Commissioner. A three year term of a student member is considered lengthy given the transient nature of the Student Community. However, if a shortfall in completing the tenure of office does not preclude a temporary appointment to serve the balance of the term, then we have no question with the Commission.

The Montana Student Lobby hopes that you will carefully consider SB 448 and find it necessary to adopt with a do pass recommendation.



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH

HELENA, MONTANA

59601

COMMISSIONER OF HIGHER EDUCATION

February 17, 1979

TO: Senate Finance and Claims Committee

FROM: George R. ^{JK}andy, Acting Commissioner

SUBJECT: Senate Bill 448

The fundamental issue in deciding whether Montana should establish a state guarantee agency is whether or not Montana citizens will be able to make the decision as to which organization should handle the program. If Montana does not do this, the decision will be made by the federal government which, at present, has one application from Montana, namely, from a Great Falls organization which has had no experience in the administration of a student loan program.

Further, if Montana does not make this decision, the federal government will very likely designate an agency from outside of Montana.

The best chance we have to provide the greatest service to Montana students, to protect the Montana lending community, to retain the governance of this program in Montana and to retain the profits from this program in Montana is to enact Senate Bill 448.

Proposal
for the
Establishment
of a
State Student Loan Guarantee Agency
Utilizing the Services of
United Student Aid Funds

United
Student Aid



Funds Inc.

A Private Not-for-Profit Corporation
Serving Education

*... To help needy and deserving
students find the means to
satisfy their educational hopes
and ambitions*

REPORT OF
INTERIM FINDINGS

STUDY OF THE
REQUIREMENTS FOR FORMING
STATE GUARANTEE AGENCIES

* * * *

U.S. OFFICE OF EDUCATION

Touche Ross & Co.