

MINUTES OF THE MEETING  
FINANCE AND CLAIMS COMMITTEE  
MONTANA STATE SENATE

February 17, 1981

The 12th meeting of the Finance and Claims Committee met in room 108 of the State Capitol Building on the above date. The meeting was called to order at 11:08 a.m. by Senator Hims1, Chairman, roll call was taken and is attached.

Senator Hims1 said that since there was not a quorum on the day before to conduct the business of the committee, there were three House bills left over and he wished to hear them as well as the two Senate bills scheduled for hearing this day. Since Senator Towe was appearing before another committee we would hear the House bills first.

CONSIDERATION OF HOUSE BILL' 341: Representative Bardanouve as sponsor of House Bill 341 explained the bill. He said this was really a Department of Administration bill, and since he was available in the House to carry bills there he had consented to do so.

Representative Bardanouve said in effect this bill sets up new terms for a bookkeeping system GAAP, Generally Accepted Accountant Principle. Bonding companies in the big companies of the world can look at it and know by the name of the fund that it is same terminology used throughout the world. In order to rate the bonds, they want to know the financial position of all the states in the union, and know what the results are and that it will not fail to reveal the true responsibility of the municipality. There is a 2 year effective date which gives the state the time to convert to the new system. If you are on the GAAP so that a true picture can be revealed it may bring in 1/8 to 1/4 % more interest on a bond, or that much less we might have to pay. There was about \$19 million in the state a year ago, and if this much savings is realized because the buyers feel they are safer under the GAAP system it could have saved from \$42 to \$48,000 a year on the bonds we issue. This would have amounted to from \$48,000 to \$960,000 depending on whether 1/8 or 1/4%. In the report prepared by the Department of Administration they analyze what has happened across America. Massachusettes not penalized because they did not have a standard system. They dropped them from AA- to A. That means they will have to pay a higher bond. Oregon has trouble, Montana receives adverse or qualified rates every year because it is not an accepted system of accounting. Maryland has an extra high rate.

This bill will enable Montana to have unqualified audit reports if we have adopted this system. Our computer system has the ability, the computer system can follow from the new system to the old--it has that capability and that will help us to keep track.

Morris Brussett, Director of the Department of Administration said that financial reporting has always been a consideration in bond rating. The hand out, exhibits attached, explains that, and the bill also addresses the sunset provision in the University funds. Four years ago it tacked the University System on, and this has to be taken off. It takes effect in 2 years and it gives us time to rake out the coals and get it in good shape.

Jim Gillett, Legislative Audit Division said they support the bill. It will make the job of auditing in the state of Montana a lot easier.

Steve Bennyhoff, Financial Assistant, University System, said they are in favor of the bill and especially in favor of the part removing the sunset provision

There were no further proponents of the bill, and Joe Wolf, Budget Director. Butte, Silver Bow, said that on behalf of the local governments he was concerned about additional costs. He said the Department of Community Affairs had set up a bookkeeping system for the counties, called BAR, and they had bought software. He was concerned if they would have to switch over now.

There were no further opponents, and the Chairman asked for questions from the committee.

Senator Regan: I would like to know what the cost of converting from the software in the counties would be.

Brussett: This does not affect the local government. This is state. At sometime if they want to deal in bonds in a big way they will have to change over to get the advantage of the percentage, but this is the state's accounting system.

Senator Regan: Under the Department of Administration we have gone out and helped local governments set up an accounting system. Now because of these changes and a new accounting system, they will eventually have to make that switch?

Bardanouve: No. The only reason is if they have bonds and want to get in with bond companies in New York, for example or some other place, they can get more favorable rates. The savings on the bonds will probably be more than it would cost to buy the software. Brussett: It is about \$20,000 for a conversion. That is for the whole state.

Senator Keating: If there is a conversion, will there be an expense to the state for bookkeeping, forms, etc. Is there a fiscal note with this?

Representative Bardanouve: There will be a software cost of about \$20,000. Brussett: We asked our accounting division. They estimate \$20,000. They have advised roughly, about \$20,000 to implement the bill.

Senator Himsl: This bill has two effective dates. Does this affect the cost? Bardanouve: The sunset provision would be done effective immediately. That has to be passed. The other part effective immediately is in section 5, page 11, line 24. This has the Department of Administration to prepare legislation for the next legislature. We have to go through the statutes and find out what has to be changed. The rest of the bill is effective 2 years later.

Senator Keating: How many FTE will be involved in section 5? Bardanouve: This is a matter of going through the law books and I am sure their attorneys can do it in their routine. Brussett: We have the search extractor on the system now. We can do it with our current staff.

Senator Himsl declared the hearing on House Bill 341 closed since Representative Bardanouve did not wish to add further closing remarks.

CONSIDERATION OF HOUSE BILL 482: Representative Bardanouve sponsor of the bill said this was really a companion bill of 341, and this one really puts into law what House Bill 341 sets forth. One tells what to do and the other carries through.

Morris Brussett, Director of the Department of Administration spoke as a proponent of the bill, and said that what they have done is to pull the appropriation language into line with the new fund structure. Before it showed earmarked funds, and it now becomes special funds. Section 1 says paid out only by appropriation. We have gone in there and changed so that those that had to have a special appropriation will still have to have a special appropriation.

On page 2 --What funds do not require an appropriation, etc., builds this into the new name place. This merely made sure that the new names carried through with the same restrictions or lack of restrictions that the old names had.

There were no further proponents, no opponents, and the Chairman asked for questions from the committee.

Senator Aklestad: Do I understand there are several states changing the language here? Bardanouve: Some have, some are in the process, and some are not even starting it. In accounting for general accounting, we are one of the foremost.

Senator Aklestad: This isn't going to change the status of earmarked funds? Bardanouve: It isn't changing anything but the name.

Senator Johnson: Since 341 and 482 go hand in hand, what about the counties? Brussett: They have a different accounting system, they call it BAR. They have an accounting system

that the Department of Community Affairs have set up and suggest the counties use it. They can still use the BAR system.

Senator Himsl declared the hearing on House Bill 482 closed.

CONSIDERATION OF HOUSE BILL 519: Representative Bardanouve was the chief sponsor of this bill, and explained it to the committee. He said the title explained it thoroughly, that it is an act to provide for audit costs in the executive budget recommendations to the legislature, requiring transfer funds for audits to the legislative auditor; requiring that contracts for audit services be approved by the legislative auditor; creating an audit account in the revolving fund and providing for deposit and expenditure of money and providing an estimate by the auditor to each department for the cost.

Representative Bardanouve said this bill will require an audit cost of each agency to be appropriated and that the agency will pay to the legislative auditor into the revolving fund and they will draw from there. The legislative auditor is required to give an estimate so that the legislature will know how much to appropriate. He said the reason for this is that an agency uses up all of its federal funding, the feds require an audit on any agency using federal funds, and then the cost of the audit winds up being paid out of the general fund, and should be cost shared by the federal money.

Jim Gillett, Legislative Auditor, said this bill was the result of increased audit expenses. The costs of audits should be placed in the budget. In the normal business of the agency it is an expense and should be placed in the agency budget to minimize the cost to the general fund. This will maximize reimbursements for audit costs from non general fund money.

There were no further proponents, no opponents, and the chairman asked for questions from the committee.

Senator Thomas: We are taking and plugging in some of these costs in preparation of the budget. They seem to be high, and some are in excess of \$25,000. How were these tallied?

Gillett: We took audits done for the agencies in the past on contract and there are some additional audit requirements now, and we had to try to plug that into it. It is an estimate and a maximum. We will be billing for the actual cost.

Senator Thomas: Will this include performance audits? Gillett: No. Just the basic one required by the federal government.

Senator Johnson: Who does the actual audits? Gillett: Our staff does most of them. If we get into a situation where we can't get it done we contract with another firm.

Senator Boylan: In working the budgets, we do not say we hold out so many dollars. It does not say when it is a performance

audit or what. Representative Bardanouve: It is the cost for an audit of (say the Department of Agriculture) and will remain the same, but if they have a federal program it will deduct some of the federal money and the rest will be used out of the general fund. The only benefit we will pick up is some dollars that we don't have to pick up out of the general fund.

Senator Van Valkenburg: I am concerned about the language on lines 16 through 20 on page 2 where it says, the legislative auditor cannot charge more than the estimate. What happens if the auditor goes in and runs into a rats nest? Are you going to have an agreement with the agencies to be billed for the extra costs? Otherwise you would have to wait until legislature comes back to get the money.

Representative Bardanouve: In most cases the additional cost can be absorbed within their budget. If an extraordinary expense did come in they could ask for a supplemental at the time we did come in. This is an attempt to control the legislative auditor so that they can't get carried away and spend all the agencies money. They are putting this control on themselves.

Mr. Gillett: All we have budgeted for is a basic financial audit. We do not feel we could say this is an estimate and we will bill you whatever it will be. The audit had budgeted in its general fund request to do some optional auditing if the audit goes beyond that.

Senator Aklestad: In the past you have come in for a budget to run an audit on various agencies. Gillett: We did this in one year. Otherwise we have billed everything at actual cost to audit the various agencies and those estimates are coming into the agencies, otherwise we are billing everything at actual cost and in many cases we find there was no money left.

Senator Haffey: You have estimated what you think it will cost to audit the various agencies and those estimates are coming into the agency subcommittees. When you go to audit the agency that amount of funds (if approved) is there to cover the cost of the audit. If you have estimated short you are tied to your estimate; if you estimate high you will go in and charge less than the estimate. You only bill for the actual cost of the audit. What is the incentive of finishing the audit at less? Gillett: We strive almost daily to get a good audit in the least amount of time possible and we are trying to get the agencies to do this. Haffey: Some are put out on a bid basis and if it is a bid, they pay it?

Senator Boylan: If that happened, they can look at what we allowed. They can then bid up to that amount. Gillett: We think competitive bid process used so far has been keeping it down.

Representative Bardanouve: On line 22 and 23 there is a little amendment put in the House Administration Committee on SRS nursing homes. They contract auditors and CPA's throughout Montana. The CPA's were concerned, and the lobbyist thought it could limit them.

The hearing on House Bill 419 was declared closed, and the next bill, Senate Bill 443 was heard.

CONSIDERATION OF SENATE BILL 443: Senator Towe, principle sponsor of Senate Bill 443 explained the bill as essentially the same as one he had introduced 2 years ago. Essentially what the bill would do would be to allow state funds to be invested to help Montana people and businesses. He read from the bill page 1, lines 11 through 19. He said the type of investments were listed in (b) through (f). He then turned to section 3, page 7 which listed the restrictions, security, etc. and said this would earn more for the people of Montana than the difference in interest, and the sinking fund would secure any default loans.

Mike Fitzgerald, president of Montana Trades Commission said they were in support of the bill as basic economy.

Anne Scott, Montana Farmers Union said they recognize the need for additional capital investment in Montana and support the bill.

There were no further proponents, and Jim Howeth, Board of Investments spoke as an opponent. He said that they by law, have to invest at the highest possible rate and the 2% differential rate would not necessarily go to the borrower, but to services.

Questions from the committee follow:

Senator Nelson: These are on 90% guaranteed loans. It is not fair to come in and buy only the guaranteed part of the loan. This is not fair to other investors. You are going out and get loans with an official percentage backing. This was started by banks and they were forced into a position where they could not handle them. Towe: We would have loans such as those backed by the federal government. Nelson: We have plenty of trouble with the federal government on guaranteed loans too.

Senator Keating: You said the bill would release the restrictions on investing on corporations in general because they do not qualify under Montana rule. With this release, does the bill qualify what corporations or what? Towe: Only Montana corporations. The way it is written, though, that is a good question. The bill does not list it as specific to Montana.

Senator Thomas: Basically what you are doing is just providing a secondary market for the loans? Howeth: Those loans are already legal.

Senator Thomas: Why not there then? Towe: We asked them to do the (b) and (d) last year and they concluded that even though some banks would like to do more it was not yield effective and could do nothing about it. Now in the statute it is to the maximum possible that they are directed to do it. This is specific because it relates to Montana business.

Senator Aklestad: I don't follow. To get 130% guarantee we are going to get our money back. Towe: Suppose you get some big pieces of equipment and they want to borrow \$100,000 on it. Now they cannot borrow unless they are worth \$130,000.

Senator Aklestad: Won't this increase their work load? Isn't this more of a comparison bookkeeping type of thing? Towe: On page 7, line 25 it says all loans shall be made through and serviced by an existing financial institution. Aklestad: On page 7, line 4 it says they shall endeavor--. Towe: That is in the existing law and there was no change here. Aklestad: But they were dealing with different funds before now. I would also like to go down to line 20. Here you are already pumping 1% more into a loan. Isn't this contradictory to a low cost loan? Towe: If this is what it takes to get the money into Montana--without this kind of a sinking fund I am not sure we want to buy this higher risk loan from the banks and it takes an extra 1% to do that. It is just an insurance for the state.

Senator Aklestad: What sort of documentation do you have to show we are short of investment money here in Montana? Towe: The Chamber of Commerce and business is always crying money. They are already short of capital. I can show it in agriculture without any doubt. We have got a billion dollars to invest in the state of Montana. We really owe a debt of gratitude to Jim Howeth. We have more money invested than most other corporations and other companies and 86% of it is going out of state. I think more good could come from this bill and it would do more good for the people in Montana.

The hearing was closed since there were no further questions and Senator Towe said he did not need to make any closing statements.

CONSIDERATION OF SENATE BILL 415: Senator Regan said she had some amendments to Senate Bill 415, that Judy Johnson had seen them and approved of them. Amendment is attached as exhibit 4. She said they are willing to prepare a fiscal note if necessary, that it will run between \$40 and \$50,000 a year. The budget is about \$23 million and they can take the costs out of the federal form that they have to file anyway.

MOTION by Senator Regan to adopt the amendments.

Senator Himsl asked if it is not the intention to delete the information on line 23 and Senator Regan said that all of the underlined section is deleted and you substitute the language you have before you. This would let them buy the direct costs and they need not be related, the reason is that they have no taxing authority.

Senator Keating made the MOTION that the amendments do pass, the motion passed unanimously with Senators Story, Dover and Van Valkenburg absent.

MOTION by Senator Haffey that Senate Bill 415 as amended DO PASS.

Senator Thomas asked the committee to consider that we are setting a very dangerous precedent of legislation. You are writing out institutions from many indirect costs. The next one may be coming in for the same thing may well be an indian school. All they will need is a little amendment. There is an activity center in Missoula--it will be just having to add a little at a time and you just blew what has taken 10 years to happen. I think you could allow A & B from existing school districts without destroying this. You are using special education money for out of state kids here.

Senator Regan: We had an extensive discussion in the Department of the OPI dealing with this problem. It is true that if they could collect we would not be here. When they are pressed by SRS there is no way Yellowstone can collect since they are sent without the consent of the school board. This does not blow the whole special education program or indirect costs. The fact that they have to use the form that is furnished is a safeguard. The indirect cost is a safeguard that Bill Stockton put in there. I also said if I only heard they had taken advantage of it I would have it taken from the books. This is the only district in the whole system that has no tax authority. Some of the things that Senator Thomas has addressed we had looked at, but it is an entirely different issue. If the committee thinks it is opening the door wide open, fine, kill the bill. If they think the indirect costs should be paid here, then pass it. If any abuse, I will be the first to have it stricken.

Senator Himsl: It has the provision that it has to be approved by the OPI? Regan: Yes.

There was further discussion on some of the members having trouble with Yellowstone Ranch trying to run a "cadillac" program, and Senator Himsl pointed out that they had been told by the OPI that all the kids got for education was the special education funds.

Senator Regan said she had also addressed them on the cadillac program. The Yellowstone boys Ranch is not a home for orphans. It is being used for the emotionally disturbed kids. The

ones that come are hard to handle in the communities. Some are sent by the courts rather than send them to Miles City, some by SRS because of the problems in the community and in their home. In a sense, they are all special education kids.

Senator Stimatz said he thought he knew what they did there, and was surprised. He asked if they had just gotten rid of the orphans and were those that were left mentally retarded? Senator Regan answered, no.

DISPOSITION OF SENATE BILL 415: The above MOTION by Senator Haffey that Senate Bill 415 as amended, DO PASS was voted, failed, roll call vote attached.

DISPOSITION OF HOUSE BILL 341: Motion by Senator Regan that House Bill 341 be concurred in. Voted, passed, unanimous with Senators Story, Smith, Dover and Van Valkenburg absent.

DISPOSITION OF HOUSE BILL 482: Motion by Senator Thomas that House Bill 482 be concurred in. Voted, passed, unanimous with Senators Story, Smith, Dover and Van Valkenburg absent.

DISPOSITION OF HOUSE BILL 519: Motion by Senator Thomas that Senate Bill 519 be concurred in. Voted passed, unanimous with Senators Story, Smith, Dover and Van Valkenburg absent.

DISPOSITION OF SENATE BILL 448: Motion by Senator Thomas that Senate Bill 448 DO PASS. Voted. unanimous with Senators Smith, Story, Dover and Van Valkenburg absent.

Senator Himsl will carry the three House Bills, 341, 482 and 519 on the floor of the Senate.

The meeting was adjourned at 12:18 p.m.

  
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Senator Himsl, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 2/16/81

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NAME	PRESENT	ABSENT	EXCUSED
Senator Etchart	✓		
Senator Story	✓		
Senator Aklestad	✓		
Senator Nelson	✓		
Senator Smith			
Senator Dover			
Senator Johnson	✓		
Senator Keating	✓		
Senator Boylan	✓		
Senator Regan	✓		
Senator Thomas	✓		
Senator Stimatz	✓		
Senator Van Valkenburg	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Hims1	✓		

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

2/17/81

Bill No.

415

Time

11:55

NAMES	YES	NO	ABSENT	EXCUSED
Senator Etchart		✓		
Senator Story			✓	
Senator Aklestad		✓		
Senator Nelson		✓		
Senator Smith			✓	
Senator Dover			✓	
Senator Johnson		✓		
Senator Keating	✓			
Senator Boylan		✓		
Senator Regan	✓			
Senator Thomas		✓		
Senator Stimatz		✓		
Senator Van Valkenburg			✓	
Senator Haffey	✓			
Senator Jacobson	✓			
Senator Himsl	✓			
	5	7	4	

Sylvia Kinsey  
Secretary

Senator Himsl  
Chairman

Motion:

1692





CURRENT FUND STRUCTURE COMPARED TO  
PROPOSED FUND STRUCTURE

Current Montana Funds	GAAP Funds						
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>
General	0						
Earmarked	0	0					
Sinking			0				
Federal and Private Revenue	0	0					
Federal and Private Grant Clearance	0	0					0
Bond Proceeds				0			
Revolving					0	0	
Trust and Legacy							0
Agency							0

## Explanation of House Bill 519

The purpose of this bill is to provide the vehicle whereby state agencies will be required to budget and pay for the audit costs associated with their programs. This concept should maximize non-general fund payment of audit costs.

Since its creation in 1967, the Legislative Auditor's Office has been funded entirely from the general fund. In 1977 and 1979 specific line item appropriations for audit costs were made for paying audit costs for several non-general fund programs. The theory behind the line item appropriations is that the general fund should not be required to support non-general fund programs such as the liquor division, retirement systems, highway department, etc. In addition to the prior line item appropriations, the Legislative Auditor's Office has been billing federally funded programs with partial success. During the present biennium, the office has received over \$200,000 per year as reimbursement for non-general fund audit costs. This amount has been deposited in the general fund. However, in some cases even though audit costs are allowable administrative costs of federal programs federal funds have all been expended by the time of the audit and none are available to pay audit costs. In other cases, federal grant programs require audit costs to be budgeted in the grant application. Many agencies are not including audit costs in grant applications, and thus the general fund is absorbing these costs.

By establishing the audit revolving fund concept and requiring state agencies to pay audit costs, the responsibility will be with the agency to budget for audit costs and seek non-general fund reimbursement. Full and proper implementation of this concept should reduce general fund expenditures for audit costs by up to \$1 million per biennium.

### Bill Sections

Section 1 provides definitions.

Section 2 requires the Legislative Auditor to advise agencies prior to submission of their budget requests of the estimated audit costs of the agency for the following biennium. Agencies are required to include these audit costs in their budget requests. After each session the budget director is required to furnish the Legislative Auditor a schedule of amounts appropriated to each agency for audit costs. The Legislative Auditor will bill agencies for audit costs in an amount not to exceed the amount appropriated.

Section 3 requires all financial compliance audits of state agencies be approved by the Legislative Auditor. This is to insure complete audit coverage of all state agencies, and to prevent duplication in audit coverage.

Section 4 creates an audit revolving account into which will be deposited funds received from state agencies to pay audit costs. The funds so deposited are appropriated and may be used to pay audit expenses pursuant to an operational plan approved by the Legislative Audit Committee.

Section 5 requires that where practicable the Legislative Auditor will include in each audit report significant costs associated with implementation of audit recommendations.

JWN/jav

CURRENT FUND STRUCTURE COMPARED TO  
PROPOSED FUND STRUCTURE

Current Montana Funds	GAAP Funds						Trust and Agency
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	
General	0						
Earmarked	0	0					
Sinking			0				
Federal and Private Revenue	0	0					
Federal and Private Grant Clearance	0	0					0
Bond Proceeds				0			
Revolving					0	0	
Trust and Legacy							0
Agency							0

1. Page 1 Lines 22-24

-Merely provides better description of financial reporting.

2. Pages 2-5

-Deletes the present fund structure and inserts the new fund structure.

-This is the main thrust of the bill.

-The present fund structure was established in 1963 based on a Legislative Council Study with assistance from a university professor.

-In 1980, the National Council on Governmental Accounting, which is the accounting standards setting body for states, issued new accounting guidelines (known as generally accepted accounting principles(GAAP)) for states, which included a revised fund structure.

-A handout is provided to illustrate the differences.

-Montana must prepare its annual financial report in accordance with the revised fund structure (GAAP) or be prepared to experience an adverse effect on the state rating for the sale of bonds. Standard and Poor, a private rating company, issued a Policy Statement in 1980 which states:

All financial statements submitted to S&P, either in connection with a rating request for a bond sale or for a review, are expected to be prepared in accordance with GAAP...In the absence of financial reports prepared in accordance with the aforementioned guidelines, S&P will specifically reflect such absence in its rating process as a *negative factor* and where the report is not timely or is substantially deficient in terms of reporting, *will not rate at all.* (emphasis added)

Several states have already felt the effect of Standard and Poor's Policy Statement:

1. Maryland's interest rates on bonds sold was 0.15 percentage points lower than comparable bonds sold by another state in part reflecting conversion to GAAP. This resulted in a \$600,000 savings.

2. Massachusetts had its bond rating lowered because they did not comply with the more stringent accounting standards favored by the rating agency.

3. Oregon had to pay a higher interest rate after its credit rating was reduced.

4. Nevada's bond rating improved due to better financial reporting.

-It is estimated that a rating change from AA to AA- represents from 1/8 to 1/4 percentage points in interest paid. During fiscal year 1980 Montana issued bonds for \$19,130,000. A penalty of 0.125 to 0.25 percentage points on the issue would amount to \$24,000 to \$48,000 in interest costs for one year or \$480,000 to \$960,000 over the life of the bonds. Montana cannot afford a potential loss of that magnitude.

-A National Conference of State Legislatures (NCSL) task force issued a report to the NCSL Executive Committee on December 30, 1980 that states:

The NCSL Task Force on the Governmental Accounting Standards Board recommends to the NCSL Executive Committee that NCSL encourage state legislatures to review their states' adoption and use of generally accepted accounting principles, and uniform reporting standards. That in so far as practicable and reasonable for each state with regard to its own laws, we recommend that each state legislature move to strengthen and develop their state and local governmental accounting and reporting standards in conformance with the recommendations of the National Council on Governmental Accounting.

-An alternative to restructuring our present fund structure would be to use the current fund structure for internal reporting and budgetary purposes and reformat the data into the revised fund structure for external reporting purposes. However it would be a costly approach as the data would need to be reviewed and reformatted every year. Also, it may lead to confusion as internal and external reports would carry different titles and balances.

- Potential problems associated with the proposed restructuring include:
  - Loss of historical base - plans are to develop a matrix that make comparison possible.
  - Identification of federal funds - this information will be attainable through the structure of accounting entities or the use of revenue object codes.
  - Cost of approximately \$20,000 - the cost is minimal for such a major change. The other alternative of reformatting existing SBAS data for financial reporting would cost much more when audit costs are considered and would be an annual recurring cost.

### 3. Pages 8-12

-The next noteworthy change is on pages 8 and 9. This section establishes two account groups: the "fixed assets account group" and the "long-term debt account group".

-On page 10 the sunset provision on the university fund group is repealed. Four years ago when the university fund group was established by law accounting officials were unclear whether the university funds should be added (as was done) or submerged within the state regular fund structure. Authorities now agree the university funds should be added on to the regular fund structure. The sunset provision forced a review of the prior decision.

-Section 5 on pages 11 and 12 is a new section that requires the Department of Administration to review all laws affected by the change and submit to the 1983 legislature a bill to bring them in line with the new proposed fund structure.

-Finally Section 6 on page 12 provides for two effective dates.

- Section 3 repealing the sunset provision and Section 5 requiring the interim review are effective immediately.

- The other sections are effective July 1, 1983. This will permit the 1983 budget to be prepared based on the new fund structure.

-Another bill (HB 482) has been introduced to match the new fund structure to current budgetary authority.

SENATE BILL 257

Senate Bill 257 Raises per diem and lodging for state employees, appointed members of boards, commissions, councils and elected officials including legislative interim travel.

The bill amends in state per diem as follows:

morning meal from \$ 2.00 to \$ 3.00

midday meal from \$ 3.50 to \$ 4.50

evening meal from \$ 6.50 to \$ 8.00

lodging - actual lodging by receipt from \$ 21.00 to \$ 27.00 24

Out of state as follows:

morning meal from \$ 3.00 to \$ 4.00

midday meal from \$ 5.00 to \$ 6.50

evening meal from \$ 8.50 to \$ 12.00

lodging - actual lodging by receipt from \$ 40.00 to \$ 50.00

Surrounding States

Idaho \$ 15.00 meals \$ 20.00 Lodging

Wyoming \$ 45.00 combined

North Dakota \$ 17.00 meals \$ 28.00 Lodging

Colorado \$ 16.00 meals \$ 27.00 Lodging

Utah \$ 12.50 meals \$ 22.50 Lodging

\$ 25.00 Lodging - Salt Lake City

All of these states currently have legislation to raise these figures because of the effects of inflation.

While the fiscal note shows a definite cost factor it must be noted that if it actually cost the amount ask for to travel then the employees will be subsidizing the state for the cost of travel if the figures are not raised.

With the present inflation rates the new figures must compensate for the next two years.

Amendment - SB 377

Section 4. Section 20-9-343, MCA, is amended to read:

20-9-343. Definition of and revenue for state equalization aid.

(1) As used in this title, the term "state equalization aid" means those moneys deposited in the earmarked revenue fund as required in this section plus any legislative appropriation of moneys from other sources for distribution to the public schools for the purpose of equalization of the foundation program and permissive amounts.

(2) The following shall be paid into the earmarked revenue fund for state equalization aid to public schools of the state:

(a) 25% of all moneys received from the collection of income taxes under chapter 30 of Title 15;

(b) 25% of all moneys, except as provided in 15-31-702, received from the collection of corporation license taxes under chapter 31 of Title 15, as provided by 15-1-501;

(c) 10% of the moneys received from the collection of the severance tax on coal under chapter 35 of Title 15;

(d) 62 1/2% of the moneys received from the treasurer of the United States as the state's shares of oil, gas, and other mineral royalties under the federal Mineral Lands Leasing Act, as amended;

(e) interest and income moneys described in 20-9-341 and 20-9-343;

(f) income from the local impact and education trust fund account;

(g) funds generated by deficiency levies as provided for in Section 20-9-351(1) and Section 20-9-352; and

(h) in addition to these revenues, the surplus revenues collected by the counties for foundation program support according to 20-9-331 and 20-9-333 shall be paid into the same earmarked revenue fund.

End

Amendment

Section 20-9-343 MCA.

This amendment concerns the statute that establishes the Equalization Earmarked Revenue Account. It references those changes made in Section 20-9-345, 351 and 352.

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SB 377

Section 20-9-345 MCA.

The change made to this section eliminates the transfer provision currently required between the Equalization ERA and the Permissive Account.

Section 20-9-351 MCA.

The Major change proposed in this section is the consolidation of both statewide levies for Foundation or Permissive deficiencies.

Section 20-9-352 MCA.

This section is amended to allow state permissive collections to be deposited to the Equalization Account provided for in 20-9-343. The proposed change also expands on the modified deficiency provisions contained in the preceding section, 20-9-351.

SENATE BILL 415

Page 5, line 23, 24 and 25

Page 6, line 1 and 2

To amend the wording to read:

"The special education budget of the Yellowstone boys and girls ranch (elementary school district No. 58) shall include the amount of non-restricted indirect cost as approved by the Office of Public Instruction and shall not be pro-rated in accordance with subsection (6).

# STANDING COMMITTEE REPORT

February 17 1961

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 341

Senator Himsel to carry.

Respectfully report as follows: That House Bill No. 341

BE CONCURRED IN!

~~DO PASS~~

*J.A.*

# STANDING COMMITTEE REPORT

February 17 1981

MR. **President**

We, your committee on **FINANCE AND CLAIMS**

having had under consideration **SENATE** Bill No. **415**

Respectfully report as follows: That **SENATE** Bill No. **415** introduced copy, be amended as follows:

1. Page 5 and 6.

Following: line 22.

Strike: line 23 through line 2, page 6.

Insert: "(7) The special education budget of the Yellowstone boys and girls ranch (elementary school district No. 58) shall include the amount of non-restricted indirect cost as approved by the Office of Public Instruction and shall not be pro-rated in accordance with subsection (6)."

And, as so amended,

**DO NOT PASS**

~~XXXXX~~

*P.A.*

Senator **Hirshl**, Chairman.

# STANDING COMMITTEE REPORT

February 17 1981

MR. **President**

We, your committee on **Finance and Claims**

having had under consideration **Senate** Bill No. **448**

Respectfully report as follows: That **Senate** Bill No. **448**

DO PASS

# STANDING COMMITTEE REPORT

.....February ~~XX~~ 17..... 19.01.....

MR. President.....

We, your committee on Finance and Claims.....

having had under consideration ..... House Bill No. 482.....

Senator Himsel to carry.

Respectfully report as follows: That..... House Bill No. 482.....

BE CONCURRED IN

~~XXXXX~~  
DO PASS

.....  
Senator Himsel

*J.A.*

.....  
Chairman.

# STANDING COMMITTEE REPORT

February 17

19 81

MR. **President**

We, your committee on **Finance and Claims**

having had under consideration ..... **House** ..... Bill No. **519**

**Senator Himsel to carry.**

Respectfully report as follows: That ..... **House** ..... Bill No. **519**

BE CONCURRED IN

~~DO/ENK~~

*ga.*