

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUB-COMMITTEE ON  
ELECTED OFFICIALS AND HIGHWAYS

January 20, 1983

(Tape 25, Tape 26, side A)

The Appropriations Sub-committee on Elected Officials and Highways met at 9 a.m. on January 20, 1983 in Room 437 with Chairman Quilici presiding. The following members were present:

Chairman Quilici	Senator Dover
Representative Connelly	Senator Keating
Representative Lory	Senator Van Valkenburg
	Senator Stimatz

Also present: Doug Booker, OBPP, and Leo O'Brien, LFA.

HEARINGS

State Auditor

Management and Control Division

Mr. Sonny Omholt, State Auditor, explained this division is headed by Josephine Isaak who has been with this office for over 30 years. She is the Superintendent of the Management Control Division.

He explained they have a definite liability here because they do not want to leave the new auditor in a terrible bind. There are ten exempt employees and he knows of three who are going to resign when he retires. This represents a large item in their budget. He hopes the committee will leave them enough money to manage the office. He explained the people leaving are long-time employees and they have accumulated leave time so he would like the committee to consider this when discussing their budget.

Ms. Isaak explained page 2 of Exhibit 1 which shows a partial list of equipment they use for processing the work. She explained they do mainly warrents. The main items are the starred items the Imprinter-Detachers. They have been told these items are replaced routinely after five years of service and they may put through 100,000 imprints a year. They have put through the last 3 fiscal years 1,400,000 per year so sometimes the equipment will last three years and sometimes longer but they never know when it might totally break down.

Mr. Omholt reminded the committee this office has to run, and if they are late on a payroll you would be looking at \$400,000 a day in liabilities. They have contingency plans but even these can go astray. He added if the committee wanted to line item equipment he would have no objection but he urged them not to put him down to zero zero of \$107,000 and \$113,000.

Senator Keating noted that in FY '85 the total services jumped from 390 to 490 and he asked if this was where the \$108,000 was added into. The agency stated this was so and this was the reason for the big jump.

Mr. Booker, OBPP, explained in their budget they put this all in one program and he believed the LFA's budget was broken out by programs.

Mr. Omholt added it was very critical, when he retires, that there will be one big drain on salary because of leave time accumulated, etc. He said when you look at the liability that the state has on unused, accumulated leave time whether sick leave or vacation time, it will frighten one but the liability is there. This is the \$108,000 figure.

Senator Dover asked about the posting machines in "equipment". He wondered if they had a proposal for replacing these. Ms. Isaak stated they did not, that they planned to use them till they fall apart.

### Central Payroll

Mr. Omholt introduced Ms. Kathleen Behm, the Administrator, who has been with the State of Montana for over 20 years, and Mr. Dennis Taylor, Administrator of the Personnel Division. Mr. Omholt stated the reason he had Mr. Taylor come to the meeting was because of the interwoven idiosyncrasies of the Central Payroll tied in with the State Personnel Department.

Ms. Behm stated they have been working for the past few years on the PPP system, an integrated data system. It now contains personnel position, budgetary and position control information as well as personnel information. They share one data bank with all this information. They have found that the costs of building the system were more and their estimates of running the system were less than what they are now experiencing. They are presenting this budget in total, and this includes running the position control and the personnel portions which have previously been in the Department of Administration Personnel Division's budget. They are trying to incorporate it into one budget because the system runs in unison. One edit update could update payroll data, personnel data and budgetary data. She explained it is very difficult to separate costs.

Representative Lory asked if it was only 6 months that the system has been operating and she stated this was so. She stated also this has been just a skeleton. In October they brought leave accounting into the system and in July the position control joined the system. In October they brought in the Personnel Division. By the end of the year they expect this to be completely operable.

She explained also that the system will just be billed to one agency, the State Auditor's office.

Mr. Omholt complimented Kathy Behm and Dennis Taylor on the design of the system and for a job very well done in putting this together.

Senator Van Valkenburg asked Mr. O'Brien about the differences of \$47,000 in one year and \$30,000 in the second year of the biennium. Mr. O'Brien stated the "personal services" part might be due to inflation factors but he is uncertain about the remaining differences. He feels it might be attributed to microfilm, which was not a part of the original request. Senator Van Valkenburg expressed his desire that the LFA and OBPP get together to iron out these differences before the work session.

Kathy Behm added that she felt that inflation factors did have a lot to do with the differences. The LFA did not grant any inflation factors and the OBPP did. Chairman Quilici asked that they also break down the \$152,518 figure into data processing, microfilm and computer systems.

Mr. Booker, OBPP, explained their modifieds for elected officials do not show up on their comparison sheets but the budget book does reflect modifieds for elected officials. The Legislature will select the modifieds they deem necessary. They have set aside a sum for elected officials' modifieds. Their modifieds total for the State Auditor's for Central Payroll is \$234,000 one year and \$178,000 the next year. The difference between these numbers and the handouts is due to their not picking up the microfilm and micro-fiche reader and printer costs. Senator Keating asked with this setup if there would be a reduction of expenses in budgets elsewhere. Ms. Behm replied there would be in the Personnel Division (\$152,000 for one year and \$160,000 the following year).

Mr. Taylor explained they felt it was more important that these costs be in one place, the costs for running and supporting the system, and they made this recommendation to the budget office. There is a decrease in the budget of the Department of Administration to pay for the operational and support costs of the system. There is a reduction of \$150,000 from what would have otherwise have been in the Personnel Division of the Department of Administration's budget.

#### Administrative Support Program 03

Mr. Roy Phelps, Chief Deputy of the Audit Division, explained the only difference in this budget is "other expense" from \$59,000 to \$49,000, which is a Legislative Auditor's expense during this year.

He explained the largest difference is the \$20,000 in "contracted services" for the legislative appointed groups.

Mr. Omholt stated he has requested, when he leaves this office, that this division be fully audited. He stated this is what he ordered when he came in and this is what he wants when he goes out.

In FY85 there will be some expenses for this division.

(Begin Tape 25, Side B)  
Insurance Regulation 04

Mr. James Cheetham, explained he has presented the committee with a copy of comments on the budget (Exhibit 3). He stated other than the actuarial fees, and the funding of HB 385 which are items of issue, they would like to accept the LFA budget. They had to add approximately \$2,000 to the current budget for maintenance of new equipment, they did not have this item in the old current budget.

In items of issue, predicting the actuarial costs depends on problems discovered during the examination of insurance companies. They know for sure they will need \$7,500 for examinations in FY85, but they are not certain about FY84. They feel they need the \$10,000 amount yearly and any unused portion will be returned to the general fund.

On HB 385 there are two options. (See Exhibit 3)

The agency explained they could live with option "a". Option "b" would leave them without the expertise necessary to do the job unless they took their chief examiner out of the office for several months. They have an alternate option "c" they were proposing.

He asked the committee to authorize approximately \$32,300 each for the Blue Cross and Blue Shield examinations, which come up every fourth year. The third organization is quite small and he believed it could be done for \$10,000. He explained the first time costs are higher than following examinations.

The agency urges acceptance of option "c" or at least option "a" or "c" to do this job.

He also referred the committee to page 2 of Exhibit 3, showing the income the Insurance Department has been collecting. He noted that columns 2, 3 and 9 are the fees designed to pay for the operation of this center. They are yielding approximately twice their expense. The other part is used directly by general fund for other costs involved in operating the State Auditor's office or any unit that needs it. In addition, the \$16,000,000 of tax revenues are general fund items and they do not use any portion of this. If they consider all of these together they figure they use approximately 3% of the total income.

Senator Van Valkenburg stated that last time they authorized two new positions in the Insurance Division, one of which was a grade 7 and one an 11. The agency had decided to use the Grade 11 position as a paralegal.

Mr. Omholt explained that the original bill asked for the supplemental appropriation and had nothing to do with HB 385. It was a complete and separate issue. He said it was never contemplated that any of the monies were to be used for HB 385. HB 385 was mentioned because it was in the legislative hopper and this is where the confusion arose. The spots they had designated had already been allocated to the Insurance Division, the paralegal, a clerk typist and an investigator. The investigator was omitted and that left them with two people. Then HB 385 came along. The funding was set up by the additional 30 cents per policy. This occurred when the full Appropriations Committee met: this was not done in this committee. So the state's general fund was enriched by 30 cents and this law also stated they had four years to do this work. The confusion arose as to the supplemental appropriation his chief deputy, Mrs. Driscoll presented. The LFA was confused and she thought that this encompassed HB 385. This was really a separate issue entirely. He stated if the money had been allocated or they had had the resources they would have done it. The money was not allocated, they went ahead and assessed it, but they never received the money that goes into the general fund.

Again, he stated that the two positions they were given were never contemplated for the examinations nor did they have the flexibility.

Senator Van Valkenburg asked what the paralegal did and was told that she assisted in the Policy Service Division. Mr. Omholt stated they could not hire a person who was capable of doing the kind of work that HB 385 required with a grade 11 position. He stated if you want a job to be done, you don't send a boy out to do a man's job, you must send someone who knows what they are doing.

One of the options is to hire a grade 14 person and he feels that then they could get someone who could get it done.

Senator Van Valkenburg asked for more of a breakdown of the effect of option "c". There is a total figure of about \$74,000 every fourth year. The cost of \$32,300 is computed for a contractor for six months, 4.33 weeks equals 26 weeks on the job at a salary of \$1,050 dollars and per diem per week to make a total of \$27,300. Five thousand dollars would be actuarial fees which

would cover the estimated first-time costs for Blue Shield and Blue Cross. The smaller one is hard to estimate and he knows it would be less than \$10,000 but they may have to have an actuary and this would be the expensive part.

Senator Van Valkenburg asked about the policies behind HB 385 and what benefit there would be to the State of Montana by doing these examinations. In answer, the committee was told there were two benefits (1) solvency of the corporation and (2) the treatment of policy holders.

Senator Keating related his experiences with insurance. Discussion

Chairman Quilici noted that on the LFA's report on the two additional FTE's, the Grade 7 and Grade 11, it states that the Grade 11 position was vacant 41% of the time in FY82 and the Grade 7 position was vacant 53% of the time in FY82. He asked the reason why. Mr. Omholt stated the reason for this was the vacancy savings factor built into the budget. It has been his policy never to submit a budget amendment for more money. The only time they ever did was two years ago, and this was because of the general election.

#### Investments or Securities 05

Mr. Omholt introduced Mr. Rick Tucker, Chief Deputy of Securities Division, to the committee. This division is in charge of all registrations of any securities sold within the State of Montana. They license all broker dealers, and they have jurisdiction of security matters in the State of Montana. (Begin Tape 26, Side A)

Mr. Tucker explained the budget his department and the OBPP presented was on an "as need basis," "get by, if you please," with no padding or no frills. He had prepared his statement for the committee. (See Exhibit 4)

He explained the largest cuts were the difference between the Fiscal Analyst and the OBPP in "contracted services" of almost \$9,000. They felt this was a very conservative request for the legal help that they needed, hiring hearings officers, preparing court briefs, transcripts, printing and the costs of what the Law Library will be charging them from now on.

In "travel" (\$6,494) in the past few years, North American Securities Administrators Association had supported the division in paying for travel, personal and investigative costs. Now there is no assurance that this association will continue to do this and they could quit at any time. In addition, the North American Securities Administrators have provided the state with a savings and have also provided industry with a savings with the CRD program (Central Registration Depository).

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In "equipment," (\$16,570) \$4,720 is for new dictating equipment and typewriters. It is just too costly to repair the old equipment. -Some \$12,000 of this equipment expense difference is for another Lektriever for storage of files, due to the increase in activity of registration and enforcement.

He referred the committee to Exhibit 5. He explained the first graph shows that anticipated revenue has practically tripled. However, they have more than substantiated their existence through the activity that has taken place in their department. He added that a couple of years ago they raised the fees in anticipation of the request for more funds and anticipating that this large activity would take place. The graph showing issuers since FY79 up till now, shows the escalation of people filing with the State of Montana to sell their securities in Montana. He explained that this averages about 150 people a month and he has no place to put these files at the present time because what they have now are completely filled. Without this they will start having to stack them in boxes on the floor or go to a computer. He explained that the \$4,720 is for dictating equipment and for typewriters that need repairs and for replacement of some that cannot be repaired.

There has been an increase in investigative activity. At the present time, they have a total of 50 active investigations being conducted. They have three criminal cases pending. Last year, they had 23 cases and this year, in only half the fiscal year, they already have 39. There is practically a 100% increase.

He stated he cannot find in any correspondence from the OBPP or the OFA where they have addressed the extra FTE's that were requested. With the increase in activity in the office, he noted that it is necessary that extra FTE be added in also, especially because of CRD and the training on CRD. He said he really needs another investigator also.

He added that he feels the request is conservative and is a bare bones budget. He hopes they will go along with the department and their budget request.

Senator Dover asked why there was an increase in issuers to sell securities at this time. Mr. Tucker explained whenever the economy goes down and inflation goes up, you can't go to banks and lending agencies to get your money so they have an increase of people going out into the marketplace.

Mr. Tucker added that the \$3,000 he had asked for in the budget for maintenance of the CRD, telephone lines, is not required now. He has found that there will be no extra charge. This is

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a full dedicated line now and NASA will pay full coverage on this line. He would suggest, however, that with the change in telephone structure and the increase in telephone fees that this amount of money be left in his communications allotment, because of the increase in enforcement. Discussion.

Mr. Tucker added, in closing, that page two of Exhibit 5 shows that the total amount of new issuers from July 1, 1981 to June 30, 1983 was 1,234 and 510 of them renewed for a total of approximately \$30 billion that has been offered within the State of Montana for the investing public.

The meeting was adjourned at 10:30 a.m.

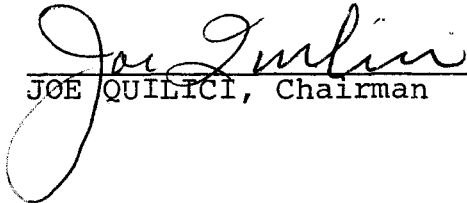
  
\_\_\_\_\_  
JOE QUILICI, Chairman





exhibit 1  
1/21/83

# STATE OF MONTANA

OFFICE OF  
E. V. "SONNY" OMHOLT

STATE AUDITOR  
COMMISSIONER OF INSURANCE  
SECURITIES COMMISSIONER  
CENTRAL PAYROLL SYSTEM

HELENA, MONTANA 59601

TO: Governor's Office  
Office of Budget and Program Planning

FROM: State Auditor

DATE: August 27, 1982

SUBJECT: Replacement of Equipment on an Emergency Basis

Prom 01 of the State Auditor's Office does not anticipate a need for replacement of equipment until Fiscal Year 1986 or 1987.

Major equipment that is used in the warrant processing or the receipting of insurance and security fees could become unusable due to total unrepairable breakdown before the 1987 biennium. Original cost of the equipment ranges from \$1,225 for a posting machine purchased January 1970 to \$13,954 for a mail inserting machine purchased April 1976.

It is hereby requested that \$19,000 be appropriated for replacement of equipment in the event any item will become unrepairable and must be replaced. This will enable the continued timely processing and distribution of state of Montana warrants and timely deposit into the state treasury of all fees collected by the State Auditor.

Description	Date Purchased	Amount	Remarks
Addo X Posting Machine	Jan 70	4,225.	No service available - Unusable
Addo X Posting Machine	Aug 70	1,225.	No service available - Now doing the work of two machines
Mail Inserting Machine	Dec 74	13,954.	Good condition as of this date
Posting Accounting Machine	Apr 76	8,825.	Good condition
Posting Accounting Machine(used)	May 79	9,040.	Good condition
*Imprinter-Detacher	Feb 80	8,092.	Good condition
*Imprinter-Detacher	Jun 75	5,200.	Useable as a back up for newer machine. (Service representative from out of state.
Mailing Machine	Jul 82	5,397.	New. Replaced machine purchased in 1970 for 1,618.
Tic-0-Meter	Aug 82	4,649.	New. Replaced machine purchased in 1967 for 1,856.
Check Protector (non electric)	Sep 74	325.	595.00 Good condition.
Hand Signer	Jul 75	298.	650.00 Good condition.
Microfilmer	Aug 78	9,191.	Good condition.

\* According to sales representatives, Imprinter-Detachers (check signers) are replaced after about five (5) years of service with 100,000 imprints a year. More than 1,000,000 state of Montana warrants are signed each year by the State Auditor's Office.

8,092  
16,188.00  
 8,092  
9,191.00

## PAYROLL/PERSONNEL/POSITION CONTROL SYSTEM

### OVERVIEW

The P/P/P System (Payroll, Personnel, Position Control) is an integrated data base system incorporating all the requirements and data elements of three systems...payroll, personnel, and position control. This system was designed and implemented as a financial and human resource system to comply with Legislative Audit recommendations, to provide agency managers with a fiscal and personnel management tool, and to make available reliable and timely information to the Legislative Branch and the Executive Branch for projections in making decisions. System design does not permit any one of the three systems to retrieve information that is not absolutely necessary in the performance of their function. EXAMPLE: Tax withheld information developed by payroll is not available to personnel and training, education, and skill data developed by personnel is not available to payroll.

### BUDGET

Because of the system design, it is important to place the P/P/P budget in one agency since there is no logical and equitable way of separating the costs of running this integrated system between three functions.

Current level costs expended by Central Payroll in fiscal year 1982 cannot be used as a base for the P/P/P System budget for the following reasons:

The payroll portion of the P/P/P System was implemented on January 1, 1982. The previous stand-alone payroll system was in operation from July 1982 through December 1982. Leave and service accounting was implemented October 1, 1982. Direct bank deposits are yet to be implemented.

The position control portion of the P/P/P System was implemented on July 1, 1982.

The personnel portion of the P/P/P System was implemented on October 1, 1982.

The funds allocated for data processing services for the personnel and position control portions of the P/P/P System for fiscal years 1982 and 1983 are in the Personnel Division of the Department of Administration.

The following is an explanation of the Modified Budget.

	<u>FY 1984</u>	<u>FY 1985</u>
Minor Enhancements to Payroll (one-time costs)	15,000	-0-
Minor Enhancements to Personnel and Position Control (one-time costs)	71,680	-0-
Cost of Operating the Personnel and Position Control portion of the P/P/P System to include the following:		
Data Processing Services		
Printing		
Microfilm Services		
Computer Systems Support	152,518	161,669
One FTE for two part-time employees during peak work loads	16,550	16,474
Office Equipment	1,666	-0-
Micro-fiche Reader/Printer	<u>4,778</u>	<u>-0-</u>
TOTAL	247,192	178,173

In 1977, the Legislature approved the initial appropriation to begin the development of the P/P/P System. The purpose of the system was to combine the separate payroll and position control systems and to add a personnel system so that accurate information could be relied on to make a host of management decisions and provide services that affect budget, payroll and personnel activities. After several years of development that required the cooperation of the OBPP, Personnel Division, State Auditor, Computer Services Division, as well as all state agencies, the system is now operational.

P/P/P is a pool of information on positions and employees. This includes such items as:

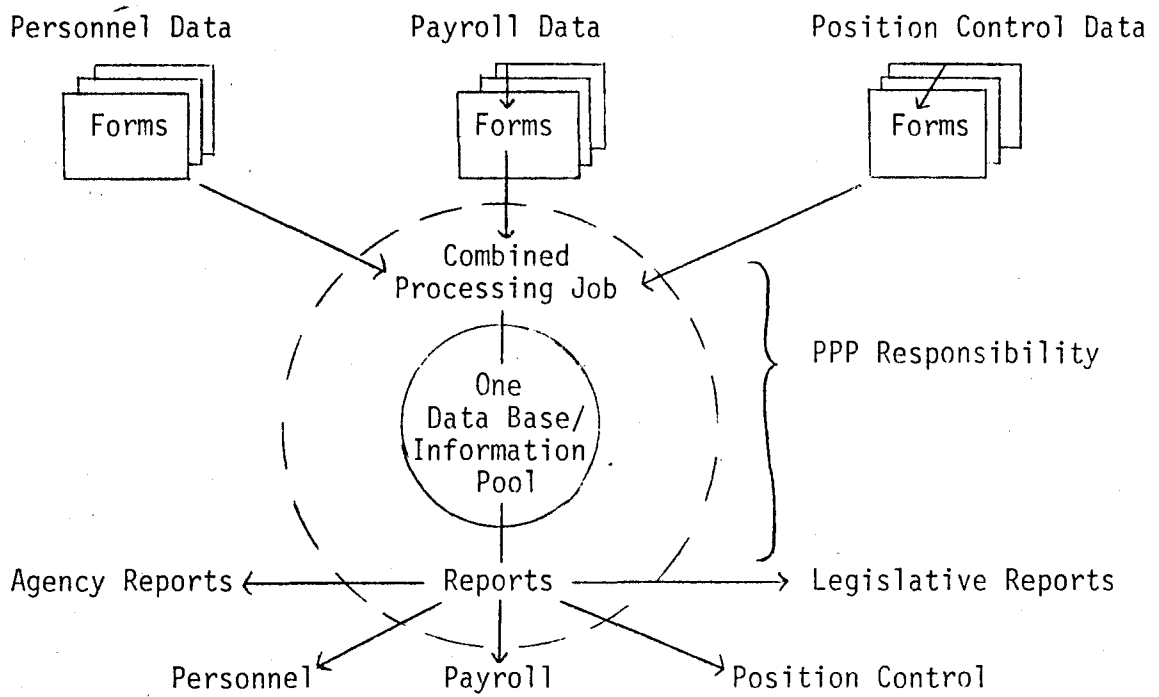
- pay rates and deductions
- classification and grade
- age
- sex
- education and experience
- work location
- budget
- bargaining unit
- emergency notification
- sick and annual leave accrued
- date hired
- longevity amount and date
- health insurance premium
- training received

It will provide central management reports, information or summaries on any combination of these items. For example, when legislators during the last session requested a report on the number of classification upgrades, it took employees of the Personnel Division 3 days to prepare. This year, P/P/P produced the same report in 2 hours. The system is used regularly for the following:

- prepare payroll
- prepare and monitor personal services budgets
- calculate pay plan costs
- monitor pay and classification
- prepare reports for the federal government on EEO and social security
- monitor payment of insurance premiums

Individual agency managers can access the system for almost any kind of report they need on their employees and personal services expenditures. They can ask the number of employees, where they're located, the kinds of skills and training they possess, what vacancies exist, are they being paid correctly, or how much leave they're taking. They can readily monitor whether personal services expenditures are within their budget. It's like each agency was provided with its own individual computer system that it can access directly for its own needs. This will have a significant impact on how the state manages its employees.

All of this is accomplished through a change in the basic design of computer systems. Instead of designing a number of individual systems which each do one thing, the P/P/P is a single system designed to do a variety of things. It provides a "data base" which can be accessed for a variety of purposes.



The data base:

- reduces duplication
- provides for data consistency
- improves reliability and accuracy
- enables data to be kept current and readily available
- provides flexibility for future use

Under the old design, a system may have been designed to produce report A. If a new report B was needed, the system would have to be reprogrammed or perhaps a new system developed. A single data base can produce report A and report B and can easily produce additional reports (C, D, E, F, etc.) as they are needed. This makes the new system much more useful, much less prone to obsolescence, and much less expensive to maintain and operate as needs expand in the future.

DEPARTMENT OF ADMINISTRATION  
ACCOUNTING DIVISION



TED SCHWINDEN, GOVERNOR

ROOM 255, MITCHELL BUILDING


STATE OF MONTANA

(406) 449-3092

HELENA, MONTANA 59620

MEMORANDUM

TO: Kathy Behm, Administrator  
Central Payroll Division

FROM: Terry Cannon, Administrator   
Accounting Division

DATE: January 19, 1983

SUBJECT: PPP Aids GAAP

The main thrust of the Accounting Division in this and the next few years, is to issue the State's annual financial report in accordance with generally accepted accounting principles (GAAP), and have an unqualified auditor's opinion thereon. Recently, authoritative literature notified us of the necessity to either record or footnote the State's liability for accrued vacation and sick leave.

Prior to PPP this requirement would have presented a huge manual effort by many people to produce figures that may not be accurate or timely. Today, thanks to PPP, we are able to extract the needed data timely and accurately with little or no manual effort.

We are truly thankful that PPP was implemented at this appropriate time.

TC/taf

Insurance Division

Comments on 1985 Biennium Budget

Other than Actuary Fees and Funding House Bill 385 (items at issue) we accept the LFA Budget. We had to add approximately \$2,000 to the current budget for maintenance of new equipment installed the past year. This explains the difference in account 2700 on page 63 of the budget worksheet on EBSR100 Report.

ITEMS AT ISSUE

Issue 1: Actuary Fees

Predicting Actuary costs depends on problems discovered during examination of insurance companies. Only \$1,580 was expended during FY82 but \$10,000 has been committed so far during FY 83 including \$7,500 expended. We know for sure approximately \$7,500 will be needed for examinations in FY85. We feel \$10,000 is a reasonable amount to line item yearly, whereby the unused portion will return to the General Fund.

Issue 2: House Bill 385

There are three Health Service organizations to examine prior to October 1, 1985 and we can accomplish this under option a. Under option b, we do not have the particular expertise and qualified personnel on our staff, with the exception of our chief examiner, to accomplish this, and he cannot be spared for the required time involved.

Option C:

We do have well qualified contract examiners in the field that could be used at an estimated cost of \$32,300 each for Blue Cross and Blue Shield. The third organization, very small, could be done for less than \$10,000. These are first time cost estimates and include actuary fees. Succeeding exams should cost less per each and would occur approximately one per biennium.

Revenue:

Either option a or c would be amply covered by the additional revenue, produced by HB 385, of 30¢ per member which totaled \$37,763 for 1982 and was received in FY83. Each year should be similar.

Income Summary:

The attached collections report shows that the fees set by the Codes produce more than twice our expenses. Columns 2+3+9 total \$1,117,063 in fees and Column 12 shows expenses of \$542,782 for the year 1982 which leaves a balance of \$575,281 for other General Fund purposes. Approximately 16 million of tax revenues are not charged for any operation costs.



STATE OF MONTANA  
 E. V. "SONNY" OHMOLT  
 State Auditor  
 Commissioner of Insurance

INSURANCE DEPARTMENT COLLECTIONS FOR FISCAL YEAR ENDING JUNE 30TH:

	1	2	3	4	5	6	7	8	9	10	11	12	13
	AGT., ETC., LIC. FEES	FIRE MARSHALL TAX	FIRE- MEN'S PENS. TAX	OTHER PREMIUM TAX	THAN LIFE PREMIUM TAX	LIFE & DISABILITY PREMIUM TAX	RETAIL- ATION TAX	SER. CORP. FEES & TAX	HEALTH SER. CORP. FEES & TAX	TOTAL	# OF CO. AUTH. IN MT.	DEPT. OPER- ATING EXP.	% OF OPER. EXP. TO REVENUE
1962	\$101,165	\$ 48,302	\$ 27,512	\$ 48,302	\$ 1,182,296	\$1,086,353	\$ 39,937	\$	\$	\$ 2,485,565	563	N/A	N/A
1963	120,955	43,225	27,313	1,290,876	1,154,144	40,458	40,458			2,676,971	564	N/A	N/A
1964	91,153	59,897	27,818	1,331,861	1,303,426	40,083	40,083			2,854,238	582	\$ 69,168	2.4
1965	89,746	47,196	28,722	1,377,099	1,388,658	45,818	45,818			2,977,239	620	63,883	2.2
1966	90,004	55,246	29,881	1,480,737	1,460,357	50,828	50,828			3,167,053	648	75,499	2.4
1967	89,444	51,316	31,860	1,605,392	1,583,304	54,636	54,636			3,415,952	651	91,338	2.7
1968	91,092	56,418	29,972	1,643,372	1,643,098	53,555	53,555			3,517,507	707	98,028	2.8
1969	91,037	56,537	34,902	1,786,786	1,774,334	79,021	79,021			3,822,617	756	93,376	2.4
1970	99,760	253,806	66,952	2,239,370	2,245,201	26,611	26,611			4,931,700	805	104,101	2.3
1971	102,890	261,364	72,487	2,483,581	2,445,508	17,595	17,595			5,383,425	823	112,156	2.1
1972	106,524	267,131	129,231	2,921,201	2,665,545	26,119	26,119			6,115,751	842	137,565	2.3
1973	116,202	292,854	147,829	3,221,340	3,005,581	28,667	28,667			6,812,473	897	142,711	2.1
1974	126,619	301,538	158,521	3,519,525	3,222,842	37,878	37,878			7,366,923	945	239,480	3.3
1975	279,201	319,064	182,858	4,013,822	3,487,943	40,329	40,329			8,323,217	955	366,842	4.4
1976	274,750	309,253	191,133	4,591,501	3,690,125	44,835	44,835			9,483,281	969	338,409	3.6
1977	268,138	311,295	236,459	5,804,292	4,054,309	67,425	67,425	24,809		11,239,651	956	351,641	3.1
1978	344,201	324,678	274,848	6,541,861	4,513,215	84,519	84,519	23,330		12,656,322	985	400,108	3.2
1979	556,908	338,501	310,103	7,380,643	5,059,252	77,113	77,113	25,706		14,367,308	996	394,904	2.7
1980	417,808	336,024	342,138	8,049,699	5,232,148	88,253	88,253	26,686		15,177,033	1016	429,232	2.8
1981	531,513	341,134	357,624	8,459,202	5,425,895	108,662	108,662	30,008		15,967,069*	1049**	457,892	2.9
1982	667,562	382,205	349,790	8,707,412	5,797,385	120,883	120,883	-29,533		16,754,178*	1127**	542,782	3.2

67,276

\*674% of 1962  
 \*\*200% of 1962

Actual number of companies authorized includes Health Service Corporations, Motor Clubs, Fraternal, Farm Mutuals, Life, and Property/casualty companies.

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS  
AND SENATE FINANCE AND CLAIMS

MR. CHAIRMAN, VICE-CHAIRMAN, MEMBER OF THE SUBCOMMITTEE:

IN PREPARATION OF THE '84' AND '85' FISCAL YEAR BUDGET. THE MONTANA SECURITIES DIVISION WAS INSTRUCTED TO ADDRESS ONLY THE OPERATIONS PORTION OF OUR BUDGET, OBPP WOULD TAKE CARE OF AND ADJUST SALERIES AND BENEFITS. IN AS MUCH AS MY '83' BUDGET HAS \$159,099 SALARIES AND \$32,049 IN BENEFITS, IT WOULD APPEAR FROM THE PROPOSAL OF OBPP AND L.F.A. THAT THERE ARE TO BE NO INCREASES IN SALERIES BUT RATHER A REDUCTION. VACANCY SAVINGS IN A DIVISION OF ONLY 8 TO 9 PERSONS CAN BE VERY RESTRICTIVE AND IS REALY NOT WORKABLE.

FURTHER, THE PROPOSED BUDGET OF OBPP AND LFA DOES NOT ALLOW FOR THE DIVISION'S REQUEST FOR AN ADDITIONAL FTE AND SUPPORTIVE EQUIPMENT AS REQUESTED. THE SUBSTANTIAL INCREASE IN THE DIVISION'S REGISTRA-TIVE AND ENFORCEMENT WORKLOAD (OF WHICH THE DIVISION HAS NO CONTROL) AND THE ADDITION OF CRD (PAID FOR BY THE NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION AND NATIONAL ASSOCIATION OF SECURITIES DEALERS) DOES REQUIRE ADDITIONAL STAFFING. IN ALL, WE REALLY SHOULD BE ASKING FOR AN ADDITIONAL INVESTIGATOR ALSO.

IN REGARD TO THE DIFFERENCE BETWEEN OBPP AND LFA IN THE OPERATIONS AREA OF THE BUDGET ONE CAN ONLY ASSUME THE REASONS FOR LFA'S CUTS. NO VERBAL OR WRITTEN REASONS WERE GIVEN TO THEDIVISION. OBPP AND THE DIVISION WORKED TOGETHER IN PRESENTING A BUDGET ON AN AS NEED BASIS--GET BY-IF YOU PLEASE, WITH NO PADDING OR FRILLS.

THE LARGEST CUTS, HOWEVER, ARE THE ONLY ONES THAT I WILL MENTION AT THIS TIME, BUT ALL, LARGE OR SMALL, ARE EQUALLY AS IMPORTANT TO THE CONTINUED OPERATION OF THE SECURITIES DIVISION.

2100 CONTRACTED SERVICES (\$8,994), IS A CONSERVATIVE REQUEST FOR LEGAL, IE., HEARINGS OFFICERS, COURT BRIEFS, TRANSCRIPTS, PRINTING OF BRIEFS, LAW LIBRARY COSTS, ETC.

2400 TRAVEL (\$6,494), IN THE PAST COUPLE OF YEARS, NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION HAS SUPPORTED THE DIVISION IN PAYING TRAVEL COSTS FOR TRAINING PERSONAL, AND EVEN SOME INVESTIGATIVE COSTS. THERE IS NO ASSURANCE THAT NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION WILL CONTINUE TO SUPPORT THE STATE IN THIS REGARD. I WISH TO AGAIN ADVISE THAT THE CRD (CENTRAL REGISTRATION DEPOSITORY) IS A SERVICE PAID FOR AND MAINTAINED BY NASAA THRU THE NASD. CREATING A SUBSTANTIAL SAVINGS TO THE STATE.

3100 EQUIPMENT, (\$16,570) \$4,720 IS FOR NEW DICTATING EQUIPMENT, AND TYPEWRITERS WHICH AT THIS TIME ~~are~~ TOO COSTLY TO KEEP IN REPAIR. SOME ITEMS CAN NOT BE REPAIRED BECAUSE OF THEIR AGE. THE BALANCE, APPROXIMATELY \$12,000 IS FOR ANOTHER LEXTRIEVER FOR STORAGE OF FILES, DUE TO THE INCREASE IN ACTIVITY OF REGISTRATION AND ENFORCEMENT.

IN CLOSING, I WOULD LIKE TO ADVISE THAT THE INCREASE IN THE DIVISION'S ACTIVITY, HAS ALSO INCREASED REVENUE RATHER SUBSTANTUALLY, AND AS SUCH, WE ARE MORE THAN PAYING OUR OWN WAY. TWO YEARS AGO FEES WERE INCREASED IN ANTICIPATION OF THIS GROWTH AND THE NEED FOR ADDITIONAL FUNDS.

RESPECTFULLY,

R. G. "RICK" TUCKER

ENFORCEMENT REPORT

January 11, 1983

NEW INVESTIGATION - - - - - 39  
Opened between 7/1/82 and 1/11/83

TOTAL ACTIVE INVESTIGATIONS - - - - - 50  
As of 1/11/83

NOTE: The number of new investigations opened over the last six (6) months reflects an increase in enforcement activities in excess of one hundred percent (100%). During the fiscal year ending June 30, 1982, the Securities Department opened 23 new investigations.

CRIMINAL CASES

Currently pending - - - - - 3

CIVIL CASES - Injunctions

Currently pending (TRO) - - - - - 1

Permanent injunctions issued - - - - - 1

Contempt charge for violation of TRO - - - - - 1  
(5 days - \$500)

ADMINISTRATIVE

Cease and Desist Orders - - - - - 22

Against: Firms... 36

Against: Persons ... 42

BROKER/DEALERS - - - - - 7

Cease and Desist Orders ---- 2

Revoked Registration ----- 4

Denied Registration ----- 1

CONSENT ORDERS - - - - - 1

RESCISSION OFFERS - - - - - 4

EXEMPTIONS

Between 1/1/82 and 12/31/82 the Securities Department received notice of 265 Exemptions.

## FISCAL YEAR

JULY 1, 1981 - JUNE 30, 1982

NEW ISSUERS	1,234	AGGREGATE OFFERING	\$12,042,699,935.00
RENEWAL ISSUERS	510	AGGREGATE OFFERING	\$17,063,783,005.00

SALESMEN	(NEW)	934
	(RENEWAL)	1982

INVESTMENT ADVISER	(NEW)	6
	(RENEWAL)	21

BROKER-DEALERS	(NEW)	29
	(RENEWAL)	186

ANNUAL STATEMENTS		565
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EXEMPTION FEES		324
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MISCELLANEOUS FEES		
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NAME CHANGE		17
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WITHDREW

ISSUERS		120
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SALESMEN		24
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BROKER-DEALERS		0
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INVESTMENT ADVISERS		0
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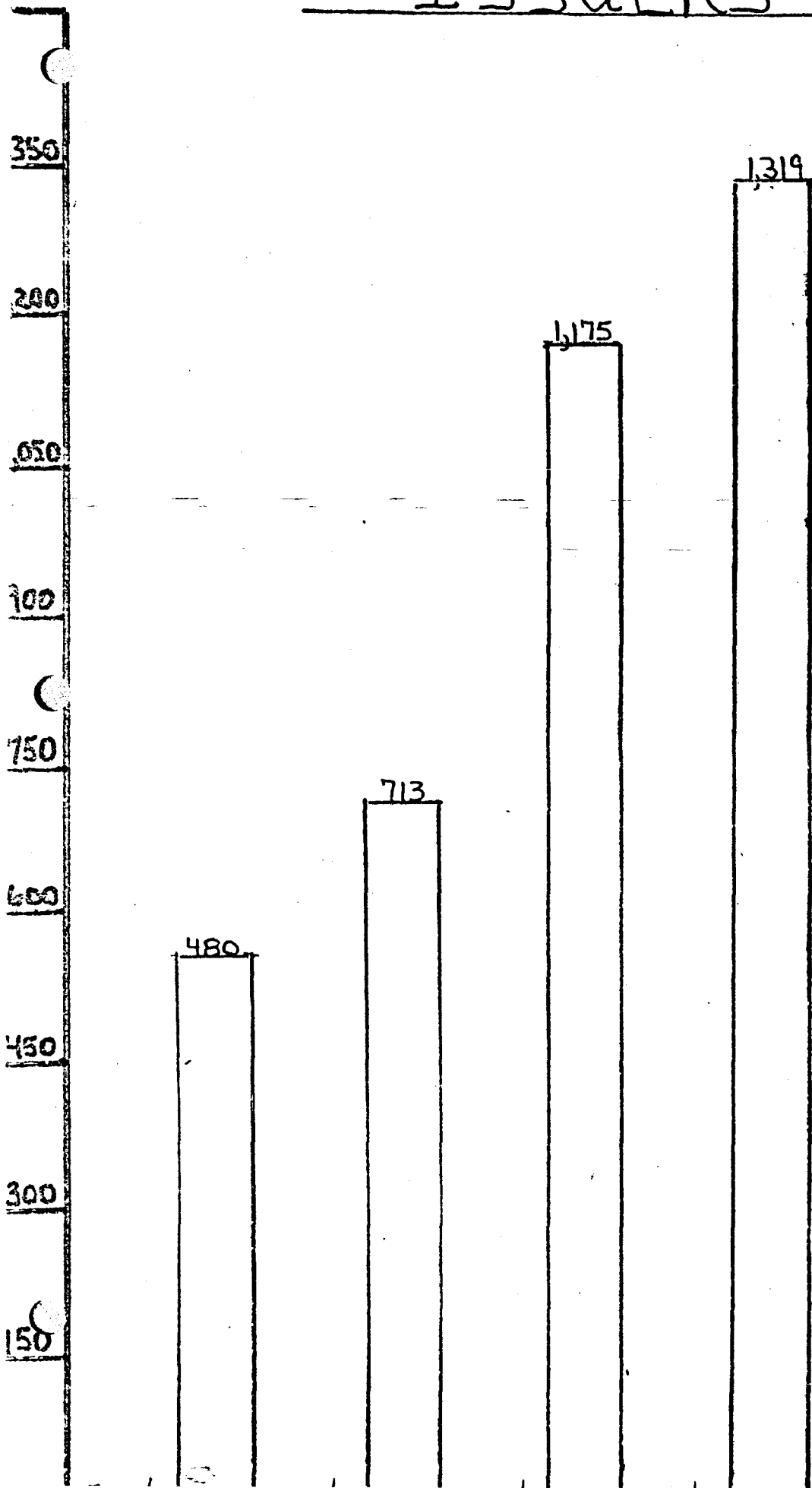
TOTAL NUMBER OF INVESTIGATIONS		23
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DURING THE ABOVE PERIOD, NO DOMESTIC ISSUERS WERE DENIED. THREE DOMESTIC ISSUERS WITHDREW THEIR APPLICATION FOR REGISTRATION.

THE FIRST WITHDREW AFTER IT LEARNED THAT IT WAS EXEMPT FROM REGISTRATION. THE SECOND WAS A REAL ESTATE PROGRAM. IT WITHDREW BECAUSE OF THE STATE OF THE ECONOMY AND THE REAL ESTATE MARKET. THE THIRD WITHDREW BECAUSE IT DID NOT WANT TO COMPLY WITH THE NASAA (NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION) "CHEAP STOCK" GUIDELINES. THIS ISSUER HAS SINCE COMPLIED WITH THE "CHEAP STOCK" REQUIREMENTS AND HAS REGISTERED OTHER OFFERINGS.

PLEASE NOTE THAT SINCE JULY 1, 1982, THE SECURITIES DEPARTMENT HAS OPENED 35 NEW INVESTIGATIONS INTO SECURITIES VIOLATIONS.

# ISSUERS

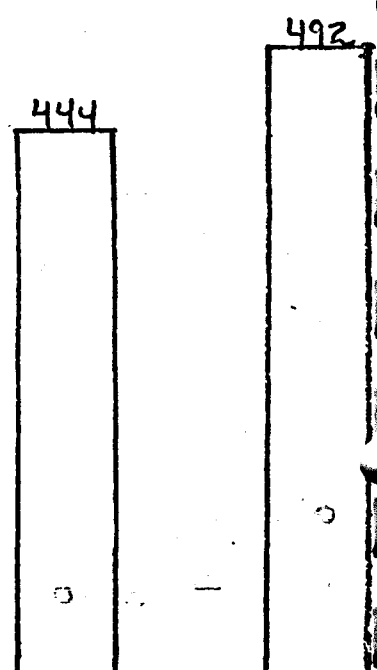


ISSUER for NOV. & DEC. 19

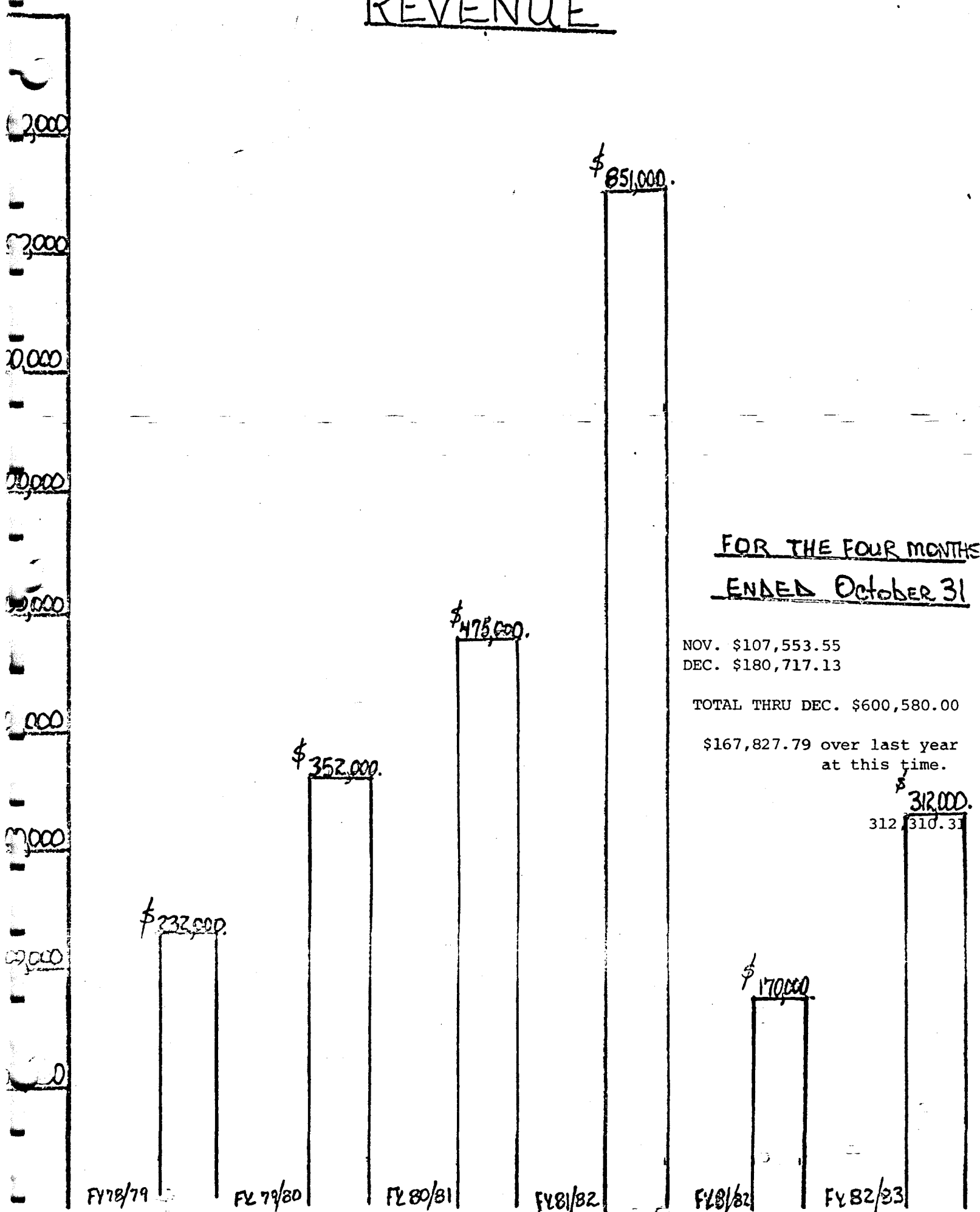
295

FOR THE FOUR MONTHS

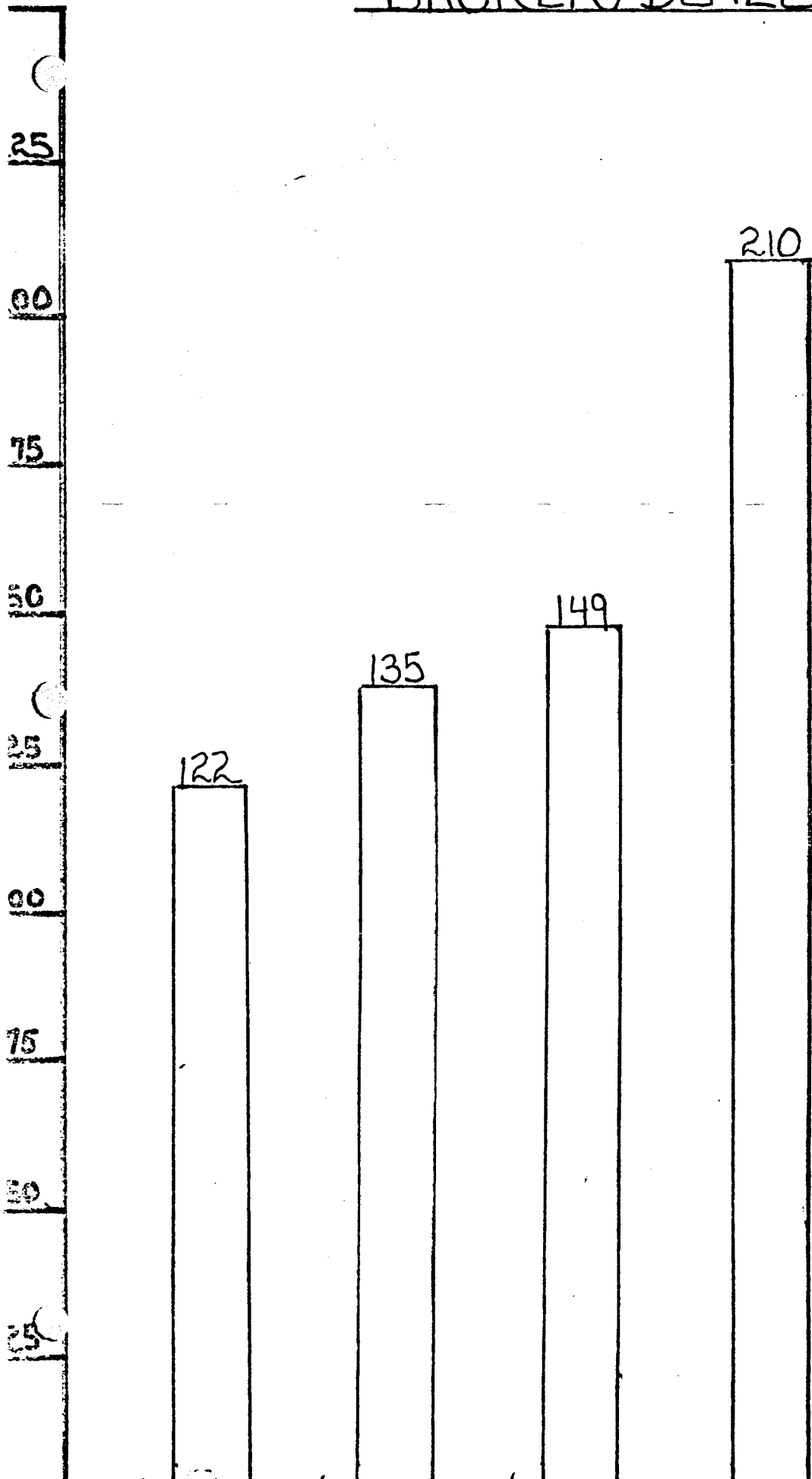
ENDED OCTOBER



# REVENUE



# BROKER/DEALERS



NOV & DEC. 1982

20

FOUR THE FOUR MONTHS

ENDED OCTOBER 31



# SALESMEN

200  
100  
200  
100  
1800  
500  
00  
00  
600

NOVEMBER 15th (cut-off)  
30

FOR THE FOUR MONTHS

ENDED OCTOBER:

FY 78/79

FY 79/80

FY 80/81

FY 81/82

FY 81/82

FY 82/83

