

MINUTES OF THE MEETING  
APPROPRIATIONS COMMITTEE  
50TH LEGISLATIVE SESSION

The meeting of the Appropriations Committee was called to order by Chairman Rep. Gene Donaldson on February 13, 1987, at 1:30 p.m. in Room 104 of the State Capitol.

(23:A:001)

ROLL CALL: All members were present at the meeting except Rep. Nathe who was excused and Reps. Spaeth and Swift who were absent. Also in attendance were Judy Rippingale, LFA; Tom Cleary, Legislative Intern; and Denise Thompson, Secretary.

HB 232:

Rep. Rehberg stated that Rep. Thomas had a bill to increase Secretary of State's fee for reviving corporations from \$5 to \$15. He said the amendments were already in the bill and the proprietary fund language has been removed so there is no problem from the subcommittee standpoint regarding the bill. He did state that the bill should be watched in the Senate so the amendments are not pulled. He stated the subcommittee recommends a DO PASS.

(23:A:5.07) Rep. Rehberg moved to DO PASS HB 232 as recommended by the subcommittee. Rep. Quilici called the question. The motion CARRIED unanimously.

PROPOSED COMMITTEE BILLS:

1. Rep. Gerry Devlin, HD#25, presented a proposed resolution from the Natural Resources Subcommittee, asking the U.S. Department of Agriculture to implement some other rules on the the highly erodible land, wet land conservation and clarify that as to the right of the state to receive those payments on their farm land (Exhibit 1).

Mr. Dennis Hemmer, Director of the Department of State Lands stated that the problem was under the sod buster provisions of the 1985 federal security act. There is a provision that if you violate those terms, you are not eligible for your payments. The department is excluded from the cross compliance across the state, and if one person leasing from the state violates, the state will lose all of the support.

Rep. Bardanouve moved that the requested draft for a committee resolution be APPROVED. Rep. Quilici called the question. The motion CARRIED unanimously which was necessary in order to pass the motion.

2. Rep. Cobb presented a proposed committee bill (Exhibit 2) which would limit state agencies use of accruals for contracted services and equipment. There are a lot of accruals that are going out the last three months of the year which could indicate that agencies may be trying to get rid of the money so they don't have to revert it back.(Ex 3)

Rep. Rehberg MOVED that this be drafted as a committee bill. The question was called. The motion CARRIED unanimously which was required in order for this to be a committee bill.

3. Rep. Peck, HD #15, presented a proposal for consideration of a committee bill from the subcommittee on education. The request is for a bill that would be a constitutional amendment to make it more clear that the university system is under the legislature for the purposes of appropriations. He referred to three articles: 1) this section refers to the definition of the University System, Article 10, Section 9 (2)(a); 2) Article 5, shows the authority of the legislature for appropriation bills; and 3) Article 6 Section 1(1) doesn't say where the university falls.


Rep. Peck stated the universities felt they had the authority to transfer money within and among the six units of the system once the appropriation is passed by the state legislature.

(23:A:25.25) Rep. Peck stated he has only one reservation about this bill and that is if it is put out for a vote and voted down, what does that tell us. He stated the subcommittee agreed to the request. Once again he stated that he wanted to define the authority of the legislature to control the appropriations made to the university system.

Rep. Thoft moved the bill draft request be APPROVED. Rep. Manuel called the question. The motion CARRIED unanimously.

ADJOURNMENT:

There being no further business, the meeting adjourned at 2:05 p.m.

  
Rep. Gene Donaldson, Chairman

DAILY ROLL CALL

APPROPRIATIONS COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/13/87

NAME	PRESENT	ABSENT	EXCUSED
DONALDSON, GENE (Chairman)	✓		
THOFT, BOB (Vice Chairman)	✓		
WINSLOW, CAL (Vice Chairman)	✓ late		
BARDANOUE, FRANCIS	✓		
BRADLEY, DOROTHY	✓		
CONNELLY, MARY ELLEN	✓		
DEVLIN, GERRY	✓		
IVERSON, DENNIS	✓		
MANUEL, REX	✓		
MENAHAN, WILLIAM "RED"	✓		
MENKE, LARRY	✓		
MILLER, RON	✓		
NATHE, DENNIS			✓
PECK, RAY	✓		
POULSEN, HAROLD	✓		
QUILICI, JOE	✓		
REHBERG, DENNIS	✓		
SPAETH, GARY		✓	
SWIFT, BERNIE		✓	
SWITZER, DEAN	✓		

EX  
2/13/87

50th Legislature

HOUSE RESOLUTION NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_

A RESOLUTION OF THE NATURAL RESOURCES SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE OF THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA TO ENCOURAGE THE SECRETARY OF THE UNITED STATES DEPARTMENT OF AGRICULTURE TO AMEND RULES CONCERNING ELIGIBILITY OF PRODUCERS PRODUCING AGRICULTURAL COMMODITIES FROM HIGHLY ERODIBLE LAND OR CONVERTED WETLAND.

WHEREAS, the United States Congress has enacted the Food Security Act of 1985, which includes, among other things, a policy discouraging the breaking of highly erodible land and the conversion of wetlands; and

WHEREAS, the United States Department of Agriculture has adopted Federal regulations concerning the eligibility of producers producing agricultural commodities from highly erodible land or converted wetland, 51 Federal Register 23502 et seq. (June 27, 1986) (to be codified at 7 CFR §12.1 et seq.); and

WHEREAS, Federal crop benefits received by the State of Montana comprise a significant amount of financial support for Montana public schools; and

WHEREAS, the Food Security Act of 1985 does not deny to the State of Montana such crop benefits; and

WHEREAS, the United States Department of Agriculture has misinterpreted the applicable statutes and has interpreted the regulations so as to totally deny the State of Montana all its Federal crop benefits, resulting in a possible loss of one million to two-and-one-half million dollars to Montana public schools; and

WHEREAS, the State of Montana has requested the Secretary of the United States Department of Agriculture pursuant to 5 U.S.C. § 553(3) to amend these rules, so as to clarify the eligibility of the State of Montana to continue to receive its Federal crop benefits.

NOW THEREFORE, BE IT RESOLVED BY THE NATURAL RESOURCES SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE OF THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Secretary of the United States Department of Agriculture be encouraged to amend the Federal rules which implement the Highly Erodible Land and Wetland Conservation provisions of Subtitles B and C of Title XII of the Food Security Act of 1985 (P.L. 99-198), so as to clarify the right of the State of Montana to receive Federal crop benefits.

BE IT FURTHER RESOLVED, that the Secretary of State send copies of this resolution to the members of Montana's Congressional delegation and to the Secretary of the United States Department of Agriculture.

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\_\_\_\_\_ BILL NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_

BY REQUEST OF HOUSE APPROPRIATIONS COMMITTEE

A BILL FOR AN ACT ENTITLED: "A BILL TO REQUIRE THAT CONTRACTED SERVICES AND EQUIPMENT BE PAID FOR FROM THE APPROPRIATION FOR THE FISCAL YEAR IN WHICH THE SERVICES OR EQUIPMENT ARE RECEIVED; AMENDING SECTION 17-1-102; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-1-102, MCA, is amended to read:

"17-1-102. Uniform accounting system and expenditure control.

(1) The department shall establish a system of financial control so that the functioning of the various agencies of the state may be improved, duplications of work by different state agencies and employees eliminated, public service improved, and the cost of government reduced.

(2) The department shall prescribe and install uniform accounting and reporting for all state agencies and institutions, showing the receipt, use, and disposition of all public money and property in accordance with generally accepted accounting principles, and shall develop plans for improvements and economies in the organization and operation thereof, which shall be submitted to the respective heads of agencies and institutions. Copies of all

1 such plans shall be delivered to the governor, and additional copies  
2 shall be retained in the office of the department for inspection by  
3 the members of the legislature.

4 (3) The department shall examine all financial affairs of  
5 every state agency and institution for the purpose of developing  
6 plans for improvements and economies in the organization and  
7 operation thereof and for the purpose of enabling the department to  
8 properly perform any of the duties imposed upon the department by  
9 this part.

10 (4) All state agencies, including units of the university  
11 system and the vocational-technical centers, shall input all  
12 necessary transactions to the accounting system prescribed in  
13 subsection (2) before the accounts are closed at the end of the  
14 fiscal year in order to present the receipt, use, and disposition of  
15 all money and property for which the agency is accountable in  
16 accordance with generally accepted accounting principles, except  
17 that for budgetary control purposes, encumbrances which are required  
18 by generally accepted accounting principles to be reported as a  
19 reservation of fund balance shall be recorded as expenditures and  
20 liabilities on the accounting records subject to the limitations  
21 contained in Title 17, chapter 7, part 3."

22 Section 2. Definitions. In (Section 3) the following  
23 definitions apply:

24 (1) "Contracted services" means the cost of any service  
25 rendered by vendors or professionals not within the state  
26

1 governmental organization, excluding contracted services for rentals  
2 or repair and maintenance.

3 (2) "Equipment" means tangible property of a more or less  
4 permanent nature (other than land, buildings, or improvements) used  
5 in carrying on operations. Examples: machinery, tools, trucks,  
6 cars, furniture, and furnishings.

7 Section 3. Limitations on accruals. State agencies must pay  
8 for contracted services and equipment from their appropriation for  
9 the fiscal year in which the services or equipment are received, and  
10 state agencies must not accrue funds from one fiscal year for  
11 contracted services or equipment to be received in a subsequent  
12 fiscal year. The provisions of 17-7-302 and 17-7-303 are subject to  
13 the limitations contained in this section.

14 Section 4. Codification instruction. Sections 2 and 3 are  
15 intended to be codified as an integral part of Title 17, chapter 7,  
16 part 3, and the provisions of Title 17, chapter 7, part 3, apply to  
17 Sections 2 and 3.

18 Section 5. Effective date. This act is effective on passage  
19 and approval.  
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STATE OF MONTANA

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Office of the Legislative Auditor

STATE CAPITOL  
HELENA MONTANA 59620  
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LEGAL COUNSEL

JOHN W. NORTHEY

February 6, 1987



SCOTT A. SEACAT  
LEGISLATIVE AUDITOR

Representative John Cobb  
Representative Gene Donaldson  
Representative Dennis Rehberg  
House of Representatives  
Capitol Station  
Helena, MT 59620

Dear Representatives Cobb, Donaldson, and Rehberg:

As you requested, we have accumulated background information and financial activity of "A" accruals of the state of Montana.

Expenditure accrual reports used to generate the state's accounting records indicate whether goods or services were received on or before June 30 (B accrual) or after June 30 (A accrual). This information is then used to prepare the Montana Financial Report in compliance with generally accepted accounting principles. Although "A" accruals are allowed under state policy, financial reporting standards state that these items should not be reported as expenditures until the year goods or services are received.

The attached schedule shows the amount of "A" accrual transactions recorded during June, 1986 and the fiscal year-end period of 1986 within each first level object of expenditure category and fund. We have information on the breakdown by agency in our files if you need more detail.

Also attached is a summary of workload statistics of the Purchasing Bureau during fiscal years 1984-85 and 1985-86. The statistics indicate that the number of requisitions received by the bureau increases substantially during the last quarter of the fiscal year. Purchase orders are generated after receipt of the requisitions and are used in determining whether valid obligations and accruals exist.

At the request of Representative Cobb, we are drafting legislation which would prohibit the use of "A" accruals for equipment purchases and contracted services.

If we can be of further assistance please contact us.

Sincerely,

Scott Seacat  
Legislative Auditor

Attachments

6-87



SUMMARY OF "A" ACCRUALS BY FUND AND 1ST LEVEL OBJECT  
FISCAL YEAR 1985-86 TRANSACTIONS

Fund Type	Total	1XX - Personal Services	21XX - Contracted Services	2XX - Operating Expenses	3XX - Equipment & Intangible Assets	4XX - Capital Outlay	5XX - Local Assistance	6XX - Grants
01 General	\$ 943,974	\$27,037	\$ 321,929	\$ 337,141	\$ 257,867		\$294,603	\$ 935,453
02 Special Revenue	3,489,542		1,050,817	719,930	466,737		20,500	2,269,403
03 Special Revenue	3,613,823	12,278	505,670	117,308	416,277	\$472,385		
04 Enterprise & Internal Service	2,550,487		401,272	57,039	1,989,813	102,363		
09 Pension Trust	22,819		10,101	6,411	6,307			
31 Current Unrestricted	464,541	4,394	58,918	79,849	312,880	8,500		
32 Current Restricted	76,859	25	200	1,897	74,737			
33 Designated	108,173	8	875	28,605	78,685			
34 Auxiliary	9,855			3,075	6,776			
70 Plant Funds	677,291				677,291			
80 Agency Funds	12,507		10,030	1,845	632			
<b>Total</b>	<b>\$12,169,871</b>	<b>\$43,746</b>	<b>\$2,359,812</b>	<b>\$1,353,100</b>	<b>\$4,310,002</b>	<b>\$583,248</b>	<b>\$315,100</b>	<b>\$3,204,860</b>

Source: Compiled by the Office of the Legislative Auditor

PURCHASING BUREAU

Workload Statistics

Requisitions Received

<u>Month</u>	<u>Fiscal Year</u> <u>1985-86</u>	<u>Fiscal Year</u> <u>1984-85</u>
July - September	457	667
October - December	669	394
January - March	785	876
April - June	1,017	1,142
TOTALS	2,189	3,079

Source: Compiled by the Purchasing Bureau, Department of Administration

The number of purchase orders issued during June is over twice the monthly average.