

MINUTES OF THE MEETING  
NATURAL RESOURCES SUBCOMMITTEE  
50TH LEGISLATIVE SESSION  
HOUSE OF REPRESENTATIVES

The meeting of the Natural Resources Subcommittee was called to order by Chairman Swift on January 16, 1987 at 8:00 a.m. in Room 317 of the State Capitol.

ROLL CALL: All members were present. Also present were Carl Schweitzer, Senior Fiscal Analyst, from the Office of the Legislative Fiscal Analyst (LFA) and Sib Clack, Budget Analyst, from the Office of Budget & Program Planning (OBPP).

Tape 20A:000

DEPARTMENT OF COMMERCE:

Local Government Assistance Division:

Mr. Newell Anderson, Administrator, reviewed the functions of the Division (EXHIBIT 1).

Discussion:

(District Court Reimbursement Program): (160) Sen. Smith has proposed legislation to put vehicle fees back into the tax base at 2 percent of their value. The bill also stipulates that fees will be continued.

(Local Government Block Grant Program): Sen. Smith also has proposed legislation affecting this program. He noted the department overview said projected receipts from the oil severance tax continue to be less than 50 percent from what was projected in FY86, but said he believes this should be FY79. He said the overview said the administration proposes not to raise taxes; however, this is incorrect because taxes will be raised at the local level.

In response to a question by Sen. Smith, Sib (283) said the general fund commitment to the program in the Executive budget is understated by 6.5 million dollars in the 1987 column. She said the 6.5 million dollars is a one-time commitment of funds, so will not show up in 1988 or 1989. The understatement is an error by OBPP.

Carl (308) asked (regarding the program being funded at 52 percent and 54 percent level) if the calculations include the problem with Lewis & Clark County. Mr. Newell said the additional cost of Lewis & Clark County - the \$39

per vehicle cost as opposed to the \$30 per vehicle cost - is part of the calculation; however, the judgment of the court against the state in favor of Lewis & Clark County is not included.

In response to a question from Sen. Smith, Mr. Newell (324) said, with current legislation and proposed legislation to continue vehicle fees, revenue will be approximately 8.8 million dollars for FY88, with about 17.3 million dollars claimed against it; and approximately 9.4 million dollars in FY89, with projected claims of 17.7 million dollars.

Carl (477) said it is his understanding the District Courts are funded with general fund, and although there is a relationship to vehicle fees in that the fees replace general fund, it is a general fund appropriation to the District Court Reimbursement Program. Sib (509) said it is her understanding it is going to be a continuation of the existing statute, with no dedicated revenue source.

In response to a question from Sen. Smith, Mr. Newell said there was enough in vehicle fees to fund the District Courts in FY86 and it is anticipated there will be enough in FY87.

Sen. Smith then asked, if the amount of vehicle fees is not enough to fund the District Courts, will the additional cost of the program be "put back on local government". Mr. Newell said the statute directs that reimbursement will be made as long as revenue is available.

Sen. Smith then asked if unused funds will revert to the general fund. Mr. Newell said unused funds revert to the general fund annually.

Health Facility Authority: (649)

Mr. Colbo said Mr. Jack Nielson left the Department of Commerce to accept a position with the Department of Social & Rehabilitation Services, but agreed to present the overview for this program.

Tape 20B:000

Mr. Nielson gave the overview of program functions (EXHIBIT 2).

Discussion:

In response to a question from Chairman Swift, Mr. Nielson said the department relies completely on the Department of

Health & Environmental Sciences (DHES) to determine certificate of need for health facilities. So, the basic authority for anything the Department of Commerce does must come through DHES.

Sen. Story said the federal government has relaxed the rules and taken money from the program; and the Human Resources Subcommittee is now wrestling with a half-million dollar supplemental request to continue the program. He said it may require legislation to handle the problem and the Natural Resources Subcommittee may be shut out of any action unless there is a suspension of the rules. Mr. Nielson said the Health Facility Board is aware of the situation and very much supports the certificate of need process.

In response to a question from Sen. Smith (140), Mr. Nielson said there are currently 35 participants in the health facilities program. Five or six requests are made each month for funding; and a survey in December, 1985 found interest for 25 more.

Economic Development Board: (218)

Mr. Robert Pancich, Administrator, gave an overview of program functions (EXHIBIT 3).

Mr. Pancich showed a chart of coal tax loans, which were mainly in the western part of the state. He also showed a chart of "Pooled IDB Projects" and "Stand-Alone Projects", which are mainly concentrated in the western part of the state. (A print-out of these two graphs is contained in Exhibit 3 of these Minutes.)

Discussion:

In response to committee questions, Mr. Pancich (376) said there are no loan delinquencies in the bond portfolio; and there are no serious defaults in the coal-tax loan program.

Tape 21A:000

There was a brief committee discussion of a general nature.

In response to a question from Sen. Story (501), Mr. Pancich said the department has an existing loan which must be paid back in four years, but the department is not in a position to do this. The reason is that they were not able to generate the predicted income in the tax-exempt pool bond program. He said he thinks there was a \$400,000 general

fund appropriation and a \$150,000 loan for start-up. In FY85 (the first full year of operation), the department spent \$214,000 general fund and some of the loan money. Federal legislation created some problems because the tax-exempt feature was cut out for a lot of users in the bond program. The department has identified another way to begin generating income again and forecasts proprietary income at \$112,500 next year. It takes about \$150,000 to run the program. There was spending authority for about \$158,000, so the department is not in a position to repay the loan. The department will be building a reserve to repay the loan, but the money is earmarked until 2007 because it is pledged to protect the moral obligation and the bond holder.

Tape 21A:000

Chairman Swift asked what proportion of loans involve medical facilities, such as offices, clinics, hospitals, etc. Mr. Pancich said "very little". At present, there is a commitment to a nursing home in Laurel under the coal-tax loan program. About \$500,000 of the financing is funded through selling debentures guaranteed by the Small Business Administration (SBA) 504 loan program. Also there is an application for a facility in the Flathead area, aggregating about 7 million dollars on the stand-alone bond program; but, it is not certain this will "go together".

Chairman Swift (029) asked if, with federal policies in mind, the department sees any problems on SBA participation in the next two years. Mr. Pancich said SBA, in particular, is going to survive very well.

Board of Housing: (135)

Ms. Joan Bennett, Chairman, gave an overview of the program (EXHIBIT 4).

She submitted the following documents:

1. A map of Montana titled "Board of Housing Loans Purchased by County" (EXHIBIT 5).
2. A document titled "Calculation of Expense Associated with the Sale of \$50,000 BOH Bonds and the Subsequent Purchase of a \$50,000 Mortgage Loan" (EXHIBIT 6).
3. A booklet titled "Montana Board of Housing Annual Information Statement" (EXHIBIT 7).

Discussion:

In response to a question from Rep. Spaeth (275), Mr. Colbo said the FTE moved to the Board of Housing was a decision of the Director. It is not a new position and was done on a temporary basis.

In response to a question from Sen. Smith, Ms. Bennett said about 80 percent of the mortgages are on existing homes, not new structures.

Management Services Division - Director's Office: (326)

Mr. Andy Poole, Administrator, Management Services Division, gave the overview of Division functions.

Mr. Poole submitted documents pertaining to data processing personnel and functions (EXHIBITS 8 and 9). He also submitted a document pertaining to duties in personnel administration (EXHIBIT 10). He also submitted a document titled "What is Consumer Affairs?" (EXHIBIT 11).

Discussion:

Rep. Manuel asked how many attorneys are in the legal department. Mr. Poole said, through the reorganization of legal services, there is now 1.5 FTE, down from 7 FTE. The attorneys who were in the legal services program, because of the nature of their work, were transferred to other programs within the department.

Indian Affairs: (475)

Mr. Donald "Louie" Clayborn, Coordinator, gave an overview of program functions.

He said his program remains basically the same except for Contracted Services. He spoke at some length on the need for an increase in Contracted Services to update the Native American Profile.

Discussion:

Chairman Swift (636) asked what is the cost of the update. Mr. Clayborn said 500 copies will be needed and the cost is estimated to be between \$4,700 and \$5,000.

Tape 21B:000

Natural Resources Subcommittee  
January 16, 1987  
Page 6

Chairman Swift asked if the tribes have indicated they might participate in the cost of printing the update or might there be some federal-type contribution. Mr. Clayborn said, in essence, no.

Business Licensing and Regulation Division: (113)

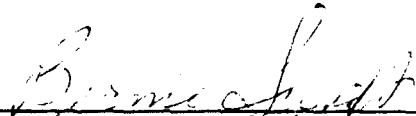
Mr. James Kembel, Administrator, gave the overview of Division functions (EXHIBIT 12).

Discussion: (344)

Sen. Story and Mr. Kembel discussed the mechanism of updating the building codes. They are updated every three years. Hearings are required prior to changing building codes. There were amendments to the electrical and plumbing code and he thinks they are very close to the national codes. Mr. Kembel said hearings are required on waivers to building codes.

There was brief discussion of a general nature.

ADJOURNMENT: There being no further business, the meeting adjourned at 11:15 a.m.

  
BERNIE SWIFT, Chairman

## NATURAL RESOURCES

DATE January 16, 1987

Form CS-30A  
Rev. 1985

PRESENTATION BY NEWELL ANDERSON

ON THE

LOCAL GOVERNMENT ASSISTANCE DIVISION PROPOSED '89 BIENNIUM BUDGET

EXHIBIT 1

DATE 1/16/89

HB Commerce

Dept.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, FOR THE RECORD MY NAME IS NEWELL ANDERSON AND I AM THE ADMINISTRATOR OF THE LOCAL GOVERNMENT ASSISTANCE DIVISION. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO HIGHLIGHT SOME OF THE FACTS AND ISSUES THIS '89 BIENNIUM BUDGET PRESENTS.

AS MR. COLBO HAS STATED, THIS DIVISION OPERATES 12 DIRECT SERVICE AND FINANCIAL ASSISTANCE PROGRAMS, IT CONTAINS 57.2 FTE'S, IT OPERATES ON A \$2.2 MILLION SERVICE BUDGET AND DISPERSES \$30.5 MILLION. THESE PROGRAMS HAVE SUSTAINED THE 2% FY '86 CUT - THE 5% AND THE 2% FY '87 CUTS AND THE ABSORPTION OF THE UNFUNDED 3.25% PERSONAL SERVICES INCREASE IN FY '87. THEY ARE NOW PROVIDING THE MANDATED SERVICES WITH SOME YET TO BE DEFINED REDUCTION IN EFFECTIVENESS. IT IS MY OPINION THAT TO FURTHER ENHANCE EFFICIENCIES - THUS REDUCE COSTS EVEN MORE - WOULD REQUIRE MAGIC NOT MANAGEMENT.

THE BUDGET YOU HAVE BEFORE YOU FOR THIS DIVISION CAN BE STRONGLY AND REASONABLY DEFENDED WITH ONE EXCEPTION. THAT EXCEPTION IS THE "ACROSS THE BOARD 4% VACANCY SAVINGS" CONTAINED IN THE EXECUTIVE BUDGET BOOK. I RESPECTFULLY REQUEST THAT YOU SPECIFICALLY CONSIDER FULLY FUNDING THE PERSONAL SERVICES OF THE FOLLOWING PROGRAMS: LOCAL GOVERNMENT AUDIT SERVICES; HOUSING ASSISTANCE PROGRAM; COMMUNITY ASSISTANCE PROGRAM; DISTRICT COURT PROGRAM AND THE DIVISION ADMINISTRATION PROGRAM. I HAVE PRODUCED AN ATTACHMENT TO THIS TESTIMONY WHICH OUTLINES SPECIFICS ON EACH OF THESE REQUESTS THAT I ASK YOU TO CONSIDER FOR SOUND AND JUSTIFIABLE REASONS.

A FEW OF THE PROGRAM ELEMENTS THAT I WOULD LIKE TO EXPAND UPON FOR YOU ARE:

THE DISTRICT COURT REIMBURSEMENT PROGRAM: YOU WILL RECALL THAT HIS PROGRAM WAS CREATED BY THE '85 LEGISLATURE TO REPLACE THE OLD GRANT IN AID PROGRAM. THIS PROGRAM REIMBURSES CERTAIN CRIMINAL COURT COSTS TO COUNTY GOVERNMENTS. IT IS A PUBLIC POLICY DEFINITION THAT DOES TWO THINGS: 1.) IT ACCEPTS A STATE FISCAL RESPONSIBILITY FOR CRIMINAL COURT COSTS SUCH AS WITNESS FEES, JURY FEES, INDIGENT DEFENCE, ETC. AND 2.) IT ASSURES THE STATEWIDE EQUITY OF THE PROVISION OF JUSTICE - REGARDLESS OF LOCAL GOVERNMENT FISCAL CAPACITIES. THE DEPARTMENT HAS REQUESTED LEGISLATION TO AMEND EXISTING STATUTE TO CONTINUE THE VEHICLE LICENCE FEE THAT HAS FUNDED THIS PROGRAM IN THE PRESENT BIENNIUM. WITHOUT THIS BILL PASSING - OR A SIMILAR MEASURE - NO FUNDS WILL BE AVAILABLE TO CONTINUE THIS PROGRAM.

THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM: YOU WILL NOTE THAT THE EXECUTIVE BUDGET ILLUSTRATES SIGNIFICANTLY LESS REVENUE FOR THIS PROGRAM THAN IN THE PRESENT BIENNIUM. THE REASONS ARE AS FOLLOWS: WE DO NOT PROPOSE ANY GENERAL FUNDS BE APPROPRIATED TO THIS PROGRAM IN THE COMING BIENNIUM. THIS REALITY EXISTS ONLY AS A FUNCTION OF THE SCARCITY OF SUCH FUNDS - AND NOT A LACK OF COMMITMENT TO THE PROGRAM. SECONDLY, THE PROJECTED RECEIPTS FROM THE OIL SEVERANCE TAX CONTINUE TO BE SIGNIFICANTLY (-50%) LESS THAN WERE PROJECTED IN FY '86. THIRD, THE REQUIREMENT TO AMEND EXISTING STATUTE TO RE-AUTHORIZE THE VEHICLE FEES FOR REVENUE FOR THIS PROGRAM HAS BEEN REQUESTED BY THE DEPARTMENT. THE END RESULT OF THESE SEVERAL CONDITIONS DEFINES THAT THE ADMINISTRATIONS PROPOSAL WILL FUND ON A PRORATED BASIS, THE PROJECTED CLAIMS AGAINST THIS PROGRAM AT A 52% LEVEL IN FY '88 AND A 54% LEVEL IN FY '89. SIMPLY PUT THE CHOICES ARE TO RAISE TAXES OR TO NOT RAISE TAXES. THE ADMINISTRATION PROPOSES NOT TO RAISE TAXES.



THE LAND PLANNING FUNDS: THESE FUNDS ARE EARMARKED FROM THE PROCEEDS OF THE COAL SEVERANCE TAX FOR THE PURPOSE OF LOCAL GOVERNMENT PLANNING. THEY REPRESENT .38% OF COAL TAX REVENUES OR APPROXIMATELY \$300,000 STATEWIDE PER YEAR. THE REVENUE ESTIMATES SUGGEST AN APPROXIMATE \$80,000 PROGRAM REDUCTION FOR FY '88 COMPARED TO FY '87. I BRING THIS PROGRAM TO YOUR ATTENTION ONLY TO REINFORCE ITS RELATIVE IMPORTANCE. WHEN ALLOCATED STATEWIDE - THESE FUNDS WILL PRODUCE SUCH FIGURES AS \$18,000 FOR YELLOWSTONE COUNTY; \$12,000 FOR MISSOULA COUNTY; \$6,000 FOR HILL COUNTY AND \$3,000 FOR GOLDEN VALLEY COUNTY. THE ASSISTANCE THESE REVENUES PROVIDE TO LOCAL GOVERNMENTS ARE SIGNIFICANT TO SUCH THINGS AS PAYING FOR RURAL ADDRESSING SYSTEMS, PAYING FOR PART OF THE COST OF LOCAL PLANNING BOARDS AND IN SOME CASES ARE THE ONLY FUNDS AVAILABLE FOR LOCAL SUBDIVISION REVIEW WORK. WITHOUT EFFECTIVE LAND PLANNING, THE RESULTANT COSTS COULD BE MILLIONS OF DOLLARS TO PAY FOR THE MISTAKES.

THE HARD ROCK IMPACT BOARD: THE DEPARTMENT HAS REQUESTED THAT THE PRESENT ALL INCLUSIVE AGENCY APPROPRIATION FOR THIS FUNCTION BE SEPARATED INTO AN ADMINISTRATIVE & OPERATING APPROPRIATION TO THE AGENCY AND A SEPARATE STATUTORY APPROPRIATION FOR THE TRUST ACCOUNTS ESTABLISHED FOR THE IMPACTED LOCALITIES. THESE TRUST ACCOUNTS ARE SPECIFICALLY ESTABLISHED FOR DEALING WITH THE IMPACT OF DECLINE - SHOULD A MINE CLOSE DOWN. THE DEPARTMENT BELIEVES THAT BY ESTABLISHING A STATUTORY APPROPRIATION FOR THESE ACCOUNTS, THE DOLLARS REQUIRED FOR THE IMPACT OF DECLINE WILL BE AVAILABLE TO THE COMMUNITIES WHEN THEY ARE NEEDED AND WILL NOT REQUIRE CONTINUING APPROPRIATION AUTHORITY FROM THE LEGISLATURE.

THE COAL BOARD: THE INITIATIVE TAKEN BY THE COAL BOARD TO SUGGEST THAT 5.4% OF THE STATUTORILY DEFINED PROCEEDS OF THE COAL TAX BE DIVERTED TO THE GENERAL FUND HAS BEEN ADOPTED IN THE GOVERNOR'S PROPOSED BUDGET. THIS INITIATIVE WAS TAKEN BY THE BOARD IN RECOGNITION OF BOTH THE FISCAL CONDITION OF THE GENERAL FUND AND THE RECOGNITION BY THE BOARD THAT COAL DEVELOPMENT IS STATIC AT THIS TIME. THE EXECUTIVE DOES NOT SUGGEST THAT NEW COAL DEVELOPMENT WILL NOT OCCUR BUT RATHER THAT AS A ONETIME ALTERATION, THIS DIVERSION IS IN THE BEST OVERALL INTEREST OF ALL CONCERNED. THIS PROPOSAL RECOGNIZES THE CONTINUING COMMITMENT TO EXISTING PROJECTS. THE PROPOSAL SUGGESTS THAT IN FY '88 SOME \$816,000 WILL REMAIN FOR GRANTS TO MITIGATE LOCAL IMPACT AND IN FY '89 SOME \$857,000 WILL BE AVAILABLE.

THE ACCOUNTING AND MANAGEMENT SYSTEMS PROGRAM: THIS PROGRAM WAS BEGUN WHEN THE STATE MANDATED A UNIFORM ACCOUNTING AND REPORTING SYSTEM TO HELP LOCAL GOVERNMENTS IMPROVE THEIR FISCAL ACCOUNTABILITY. THOUGH THE PROGRAM IS 75% PROPRIETARY FUNDED, IT IS EVEN MORE IMPORTANT NOW THAN EVER. THE SYSTEMS EFFICIENCIES REQUIRED OF GOVERNMENTS ACROSS THE BOARD ARE CRITICAL IN THESE CHANGING TIMES. THE RESPONSIBLE SETTING OF FISCAL PRIORITIES FOR THE CHANGING SOURCES AND USES OF GOVERNMENT FUNDS HAS NEVER BEEN MORE ESSENTIAL. THIS PROGRAM HAS, IN THIS BUDGET, BEEN PAIRED DOWN TO REFLECT THE MINIMUMS THE ADMINISTRATION BELIEVES NECESSARY AND APPROPRIATE FOR THIS FUNCTION.

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: THOUGH THIS PROGRAM IS PRINCIPALLY FEDERALLY FUNDED, THE CONGRESS REQUIRES THAT THE STATES PAY A 50% - 50% MATCH FOR ADMINISTRATIVE COSTS. SINCE FY '85, THE STATE HAS BEEN OUT OF BALANCE WITH THE FEDERAL SHARE. WE ARE PROPOSING IN THIS BUDGET THAT AN INCREASE OF \$18,000 GENERAL FUNDS BE ADDED TO BRING THE MATCH REQUIREMENT CLOSER - BUT NOT YET EQUAL. EQUITY WOULD REQUIRE AN ADDITIONAL \$20,000 ON TOP OF THIS REQUEST. IT SHOULD BE UNDERSTOOD THAT THIS MATCH REQUIREMENT IS A CUMULATIVE REQUIREMENT AND CAN BE REASONABLY MEET OVER TIME.

CONCLUSION;

THE CONTINUATION OF THE 12 PROGRAMS IN THIS DIVISION, AT THE FUNDING LEVELS PROPOSED BY THE EXECUTIVE, REPRESENT MINIMUM APPROPRIATION LEVELS TO MAINTAIN MINIMUM QUALITY AND MINIMUM DELIVERY OF SERVICES. THE DIVISION AGAIN ASKS THAT THIS COMMITTEE SERIOUSLY CONSIDER THE SPECIFIC REQUEST FOR EXEMPTION FROM THE 4% VACANCY SAVINGS IN CERTAIN PROGRAMS DEEMED INAPPROPRIATE FOR SUCH ACTION.

I HAVE HIGHLIGHTED A FEW OF THE PROGRAMS OF THIS DIVISION IN ANTICIPATION OF QUESTIONS OR SPECIFIC CONCERNS. I HOPE IT HAS BEEN SHORT - CLEAR - AND HELPFUL. IF YOU HAVE ANY QUESTIONS - I AM HAPPY TO ANSWER THEM. THANK YOU.

ATTACHMENT

4% VACANCY SAVINGS EXEMPTION REQUEST  
FOR THE  
LOCAL GOVERNMENT ASSISTANCE DIVISION

LOCAL GOVERNMENT AUDIT SECTION -

This section is comprised of 28.20 FTE's whose mission it is to perform audits on 54 counties, 2 unified governments, 100 cities and towns, 186 school districts, and approximately 100 other single purpose government entities of the state. In any single year, approximately 150 individual audits will be accomplished by this staff and another 150 contract audits will be done. There are 4.5 clerical staff and 23.7 professional staff that sustain this work load. The time critical nature of these audits is only one part of this definition. More critical is the nature of staff scheduling and training. A beginning auditor must spend nearly one full year with a direct supervisor in the field before he or she is permitted to do field work unsupervised. That demand for double staff requires scheduling far in advance, the locations and times of different audits and allows little flexibility for modification. In addition to the time and scheduling orientation - this program is very production oriented - with little capacity to make up time lost.

HOUSING ASSISTANCE SECTION:

This section administers, as a State Housing Authority, all of the Federally funded housing assistance programs in Montana. The state staff manages 9 field contractors and has some 2400 housing assistance leases in effect across Montana.

In addition to the active housing assistance leases, there are another 2000 waiting list applicants that must be managed. The growth in the active assistance (leases) from 1985 to present has been 10% with another 15% expected to be added by FY '88. Timely solutions to housing problems and most importantly - correct and timely housing assistance payments are critical to this programs operation.

With a staff of 5 professionals and 2 clerical/technical, the capacity of any remaining staff to carry a vacant positions work load is not reasonable.

COMMUNITY ASSISTANCE SECTION:

This section manages the Federally funded Community Development Block Grant Program and provides technical and financial assistance to local governments across Montana. The cycles of grant awards over the past 5 years of the state's administration of this program has during FY '87, brought to a maximum, the number of concurrent projects that are managed in any given year. Through automation and other efficiencies, we have maximized the capacity of this staff and presently have 62 open projects at any given time. Unless significantly more Federal funds become available, which is not eminent, this number of open projects will remain the same.

With a staff of 7.5 professionals and one clerical, it is unrealistic to believe that vacancies can or should be promoted with the demands continuing to move forward - without significant omissions.

ATTACHMENT

Local Gov. Assist. Division

Page 2

DISTRICT COURT FUNDING UNIT:

This program is staffed by one person and the function processes reimbursement claims from counties at the rate of 500 per month.

There exists no parallel program to this one and any vacancy would seriously back log a program that holds still for no reason. It is likewise unreasonable to assume that the function could be preformed by part time staff.

DIVISION ADMINISTRATION UNIT:

This program consists of 2 professionals - the administrator and the lawyer. The operations budgets include only dedicated costs. To enforce a vacancy savings on this program means to reduce the FTE 's from full time to part time - an unworkable solution in functions such as these.

CONCLUSION:

Of the 12 programs in this Division, I am asking that 5 of them be exempt from the 4% vacancy savings provision. These exceptions are in small units that are very production and time sensitive. They represent units that I believe would have serious negative program impacts from this rule. The committee should not by this information, conclude that the other units in this division are not important - they are but they are not as time sensitive.

MONTANA HEALTH FACILITY AUTHORITY  
FY 88 & 89 BUDGET SUBCOMMITTEE PRESENTATION

EXHIBIT 2  
DATE 1/14/87  
HB Commerce  
Dept.

LEGISLATIVE INTENT

The Montana Health Facility Authority (MHFA) provides capital financing programs which contain the costs of health care by reducing the costs of needed facilities and equipment so that these savings may be passed on to consumers. Savings result when the MHFA issues tax-exempt revenue bonds and notes, and loans the proceeds to public or private nonprofit health care facilities at borrowing rates below alternative taxable borrowing rates. Bonds and notes are backed only through credit arrangements obtainable by the health facility. The faith and credit of neither the State of Montana nor the MHFA is pledged to the repayment of the bonds or notes.

The MHFA has no legal basis to consider the need for the item being financed as a criteria in making financing decisions. Significant reliance is therefore placed on the Department of Health and Environmental Sciences health planning and need determination process to ensure projects financed are undertaken in a manner consistent with the overall needs of the health care delivery system.

TAX REFORM

Many tax exempt financing programs were severely curtailed or eliminated by the 1986 Tax Reform Act. Tax exempt financing for non profit health facilities, although subject to several new restrictions, is still a viable financing option and provides significant cost savings to eligible borrowers.

FEATURES

This map summarizes the geographical distribution of MHFA current borrowers. In 1986 the MHFA <sup>has</sup> saved the 19 organizations who have completed financings under its programs at least ~~\$500,000~~.  
750,000

The MHFA has made a serious effort to provide programs which will allow participation by a wide spectrum of creditworthy health facilities. Many smaller or unconventional health facilities simply would not otherwise have access to tax exempt financing or find themselves in a position to share costs of borrowing with other facilities under a pooled loan program concept. In many instances the involvement of a local financial institution is a requirement for participation by a smaller health facility. Unfortunately there may be creditworthy small facilities in locations where financial institution support is not available. The MHFA does not have available funds to replace financial institution support but does pursue all possible solutions in its attempts to close loan.

MONTANA HEALTH FACILITY AUTHORITY  
FY 88 & 89 BUDGET SUBCOMMITTEE PRESENTATION  
Page 2

The MHFA is a resource to Montana health facilities on capital financing matters. Health administrators are contacting the ~~MHFA~~ <sup>Authority</sup> with problems or questions they are experiencing in connection with their financing needs. The MHFA, with the advice and counsel of its advisors, maintains an independent pool of knowledge and expertise with regard to the latest in capital financing techniques for public and private nonprofit health facilities.

POOLED LOAN PROGRAM

By December 1985 the MHFA had issued pooled loan program bonds to finance \$54 million in loans to 31 participating health facilities. The ~~MHFA~~ <sup>Authority</sup> had 3 years to close all of the loans under the program and by December 1986 had closed \$10 million in loans. Commitments to borrow all but \$5 million of this money are currently in place and inquiries from eligible borrowers currently show an interest in available funds. Through December of 1986 loan rates averaged 6.75% under the program, and the future becomes brighter as initial costs of issuance are paid off. Under this program, the MHFA has the ability to reloan principal payments received from borrowers; this provision will provide a pool of low interest money for eligible borrowers for up to 30 years. This program could save Montana health facilities in excess of \$1.5 million per year when full utilization is attained.

The administration of this program consumes a significant portion of the MHFA's resources. Examples of responsibilities include frequent contact with prospective borrowers in the planning and loan application process, assisting health facilities with bank negotiations, preparing loan documents, performing site visits to view operations and collateral, maintaining accounting controls over trustee financial reports, monitoring the ongoing financial performance of borrowers by analyzing quarterly financial reports, and including program updates in communications with borrowers and potential borrowers. The MHFA's periodic contact with health facility authorities in other states to share pooled loan program administration ideas is also important to the successful administration of the program.

The MHFA receives no financial support from the State. Through the assessment of an annual fee to this program, the ~~MHFA~~ <sup>Authority</sup> has adequate cash available to properly fulfill all of its responsibilities under the bond issue operative documents. To ensure the continuing viability of this ~~program~~ <sup>program</sup> it is important that the MHFA have the spending ~~authority~~ <sup>Authority</sup> needed to accomplish the above mentioned tasks.   
 ~~Authorization~~

MONTANA HEALTH FACILITY AUTHORITY  
FY 88 & 89 BUDGET SUBCOMMITTEE PRESENTATION  
Page 3

INDIVIDUAL FINANCINGS

Individual project financings are also an important function of a health facility authority. The MHFA has issued bonds and notes to finance projects for 3 individual <sup>facilities</sup> ~~projects~~. Bonds and notes issued for these projects totaled \$19.6 million and interest rates involved were 3% to 6% below alternative taxable borrowing rates. Individual project financings are also self supporting. The MHFA encourages eligible health facilities with appropriate projects to utilize the authority as an issuer rather than approaching local issuers. As more financings are done through the ~~MHFA~~, fees per financing will decrease while the services and expertise the authority can provide will be enhanced. Unless the MHFA has the spending ~~authority~~ to utilize fee income to maintain a level of competence which will provide a money saving service to health facilities, this opportunity to help contain health care costs will be lost.

VACANCY SAVINGS

<sup>Monthly</sup> Fiscal years 1988 and 1989 Budget spending restrictions are particularly severe in the area of Vacancy Savings. The MHFA has only 3 employees and the possibility of having vacancies to make up this amount is remote. Reducing operating expenses in another expenditure category to cover payroll costs would jeopardize the ~~MHFA's~~ ability to meet outstanding obligations and accomplish stated objectives.

Thank you for your attention and consideration.

EXHIBIT 3  
DATE 1/16/87  
BY Commerce  
Dept.

## Testimony to the Budget Sub-Committee

by Robert M. Pancich

Montana Economic Development Board

1/16/87

"Mr. Chairman, members of the committee, my name is Bob Pancich, I am administrator for the Montana Economic Development Board. Our department manages four complex development finance programs: 1) the Coal Tax Loan Program, 2) the Industrial Development Bond Program, 3) Municipal Finance Program, and 4) the Montana Capital Companies Program.

"The Coal Tax Loan Program currently has 76 loans funded or committed totalling \$22 million. Jobs created and preserved total 1,687 of which 699 are new jobs and 988 are existing or preserved jobs. We monitor all of our borrowers by standard industrial code and on this bar graph you can see how we have invested coal trust funds by various type industries. I'm proud to say that we do not have a concentration of credit in any single industry at this point. The state bank examiners recently conducted an examination of our loan portfolio for coal tax loans as well as the industrial development bond loans and rated the entire portfolio superior. At the present time there are no defaults in any of our loans. Loan repayments through the normal process amount to \$669,000 on principal which is deposited in the trust to be relent. Investment earnings on the in-state investment fund for fiscal 86 amounted to \$2.3 million. The overall yield on our investment portfolio was 8.4% before considering the impact of jobs created and new taxes created as a result of our loans. When you take that into consideration the economic return ranges from 6.43% to



23.47%. Exhibit #3 in our annual report shows this return on each loan in portfolio. This report was mailed to you in early December. Geographic location of the coal tax loans is shown on this map indicating the number of loans in each of those particular areas.

"We operate essentially two different industrial revenue development bond programs. One is on a stand-alone bond basis and the other is on a pooled bond basis which utilizes the state's moral obligation. Under the pooled program we have issued \$8.6 million in industrial revenue bonds used by 18 borrowers. Under the stand-alone program we authorized and issued bonds for 4 projects totalling \$12.5 million. This map of the state of Montana shows the geographic distribution of these bonds and again if there is more than one in a particular area we have indicated that with a number. Federal legislation and tax reform has created some problems for us as far as issuing bonds. Because of the pending sunset at December 31, 1986 not many bankers were interested in utilizing our pooled bond program. Basically, federal legislation has eliminated all non-manufacturing forms of industrial development bonds, which leaves only manufacturing and 501(c)3 corporations eligible for tax exempt bonds for the next three years through December 31, 1989. 501(c)3 corporations are non-profit corporations, such as hospitals and nursing homes. The Governor's budget points out that the General Fund four year loan of \$150,000 is due to be repaid at fiscal year end 87. We are requesting a two year extension to give us an opportunity to determine means of repayment from sources other than the bond reserve account. It should be pointed out to you that we have an over-charge of half a percent or 50 basis points in excess of the bond rate which is passed through onto

What the 101 Housing acts

EXHIBIT 4  
DATE 1/16/87  
HB Commerce  
Dept.

BOARD OF HOUSING - LEGISLATIVE UPDATE

Mission Statement: To provide decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana.

Single Family Update:

- 11,821 Mortgage Loans have been financed, oriented toward moderate and lower income persons and families.
- Loans in 177 communities
- 160 lenders are approved to originate loans
- The existing mortgage loan portfolio represents approximately \$544 million of capital that has been imported into the economy of Montana through the Board's programs.
- The Board of Housing is the only viable secondary mortgage market available to many rural lenders in Montana

Multifamily Update:

- Financed 667 multifamily units occupied by persons and families of lower income
- Bonds issued in total to provide construction financing and to purchase multifamily mortgage loans = \$24,410,000

Summary:

- Bond rating on outstanding single and multi-family mortgage bonds is AA. The Board of Housing is one of the few housing finance agencies in the country with this high of a rating on stand alone issues
- The operational costs of the Board of Housing are paid from the issuance of bonds, with no reliance on the State of Montana for funding
- Staff size is 14

*[Handwritten notes and signatures at the bottom of the page, including "Service" and "101 Housing Act"]*

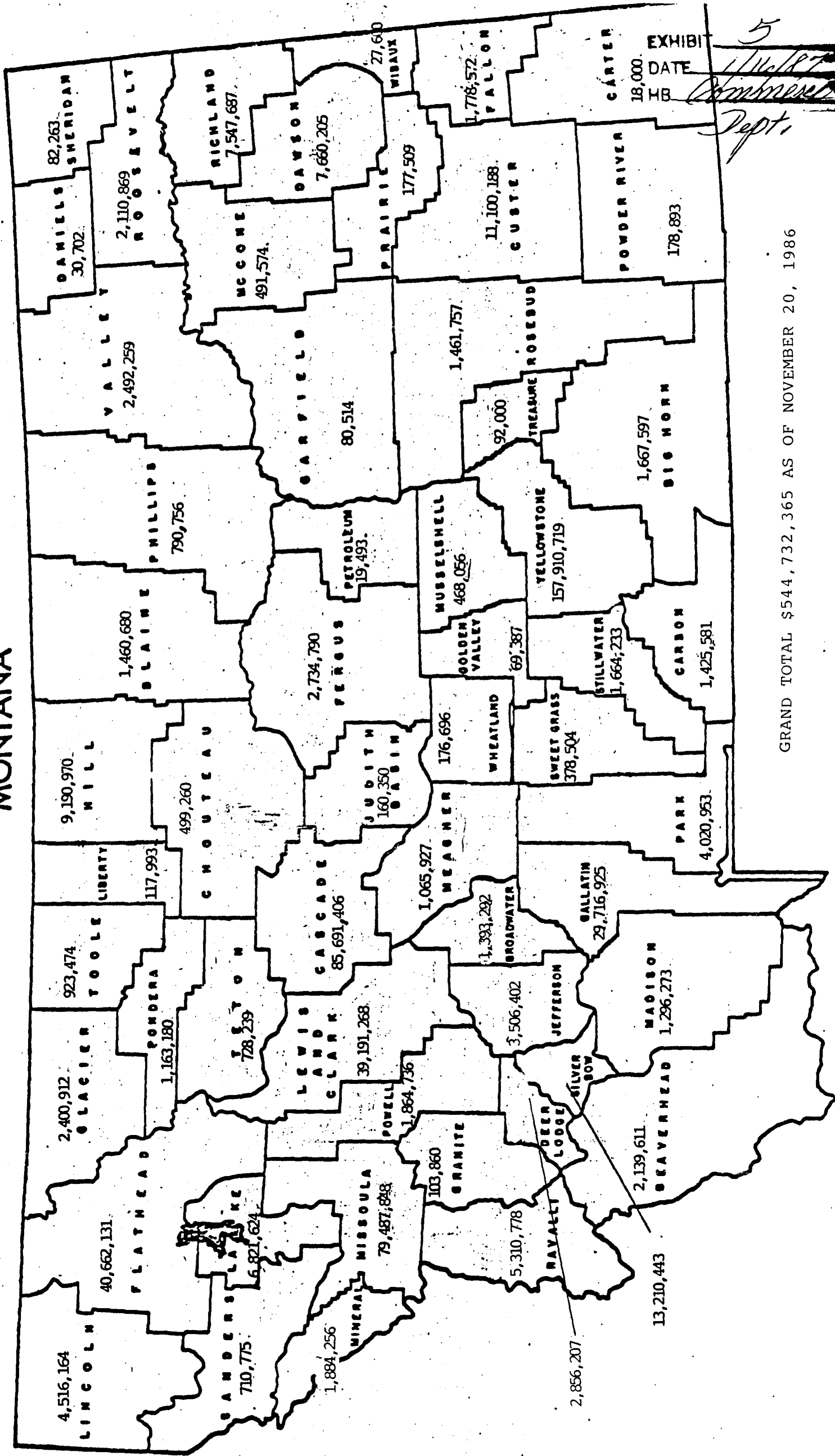
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... in the most effective way.

# MONTANA



GRAND TOTAL \$544,732,365 AS OF NOVEMBER 20, 1986

the bond users. This money goes into a reserve fund which has been pledged by the Board to the bondholders and is intended to protect the moral obligation in the event of a default. Therefore, these reserve dollars will not be available until 2007 for loan repayment when the bonds mature. We believe that putting together a taxable bond program replacing the tax-exempt program will allow us to come out with a program that is much simpler for lenders to use. We have conducted a survey that indicates that there is a demand for loans in those areas that typically are not covered by SBA or other federal guarantees, such as office buildings, and further, to cover those projects that exceed \$500,000 up to the \$3 million which our present law allows us to do on a pooled bond basis. With simplified documents and simplified structure to the program we believe that we can market this program before the end of this fiscal year.

Under the Municipal Bond Program we have issued \$18.6 million in bonds for a cash anticipation program used by 29 cities, counties and school districts. These bonds were paid in full in September '86. This map of the state shows you the areas of the state which were impacted by the 1986 program. On July 15, 1986, a second issue was made under this program for 38 municipal users totalling \$27.5 million. Since this is a two year issue there will be some income coming in from issue costs of \$50,000 in fiscal 88. We have designed an Intermediate Capital Finance Program on a pooled loan basis for cities and counties. Again, pooling small loan needs for the purpose of buying equipment or any other kinds of installment contract paper we believe that this bond program will provide interest rates low enough to not only roll over some existing loans but make money available at a savings to cities and

counties. This program should be implemented during the session and we'll continue to issue bonds each year throughout the biennium.

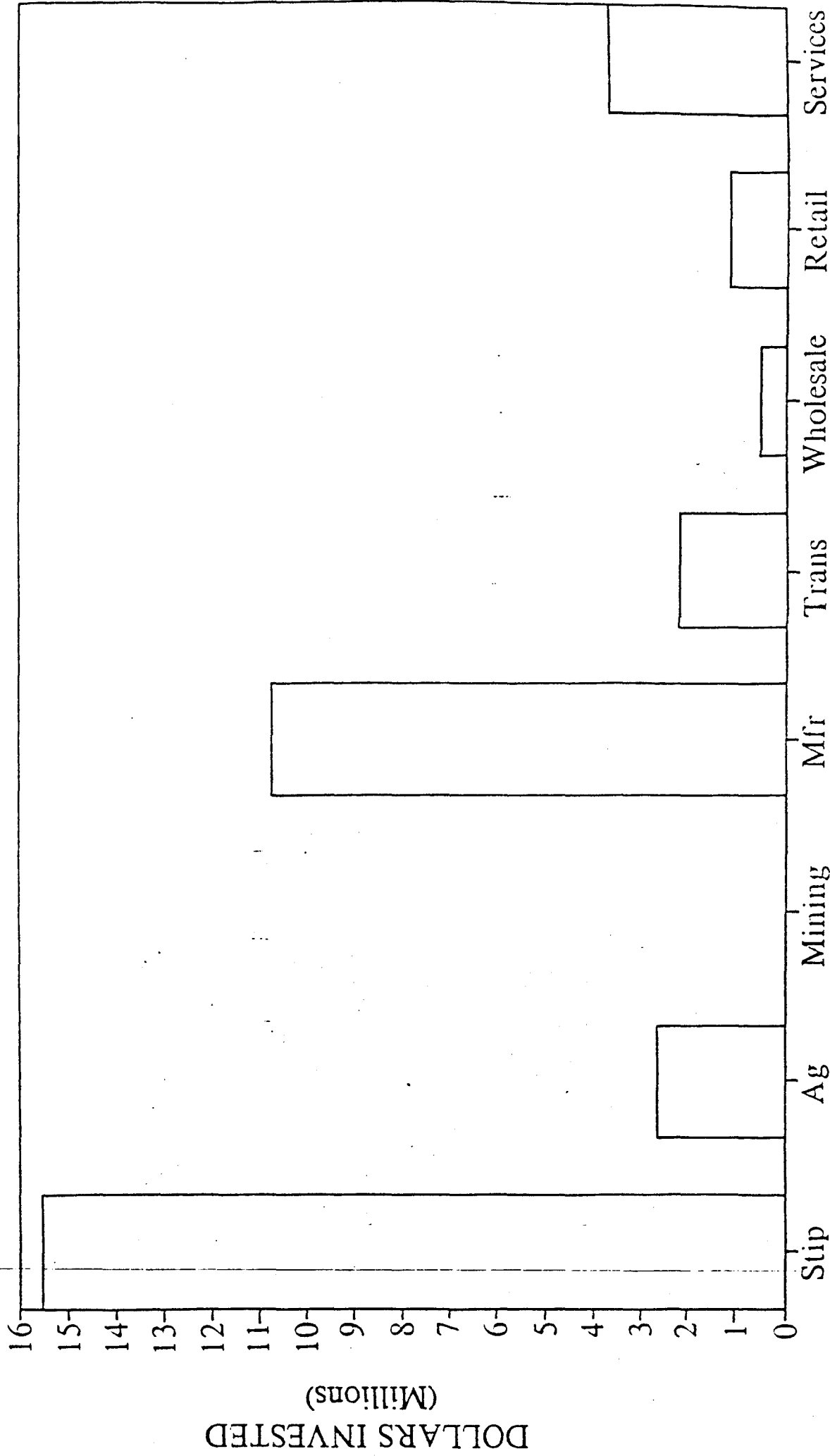
Our budgets indicate seven full-time equivalent employees. We point out that we have only used six full-time equivalent people in most of FY 86 for 3 reasons: 1) a good share of that one unfilled position was utilized to responsibly meet the budget cuts mandated; 2) it should also be noted that we moved offices and the added expenditure related to that move amounted to \$13,300; and 3) we had 3 people leave our agency in the first quarter of FY 86; 2 were immediately replaced; and we had to pay out accrued annual leave and medical leave for the 3 people leaving. When the taxable bond program is implemented which likely will be June or July of 1987 we intend to hire a loan review officer to handle the new volume of paperwork that will come in under that particular program. This loan officer will also pick up the increased loan activity in the coal tax loan area. I should point out one final thing and that is the vacancy savings charged against our agency of \$9,604 in FY88 and \$9,597 in FY89. This kind of a cut is very very deep and we urge that we not be subjected to it because our small agency experiences little <sup>vacancy.</sup> ~~or no turnover.~~"

I'll be happy to answer your questions.

# COAL TAX PROGRAM

INVESTMENT BY ECONOMIC SECTOR

(As of November 30, 1986)

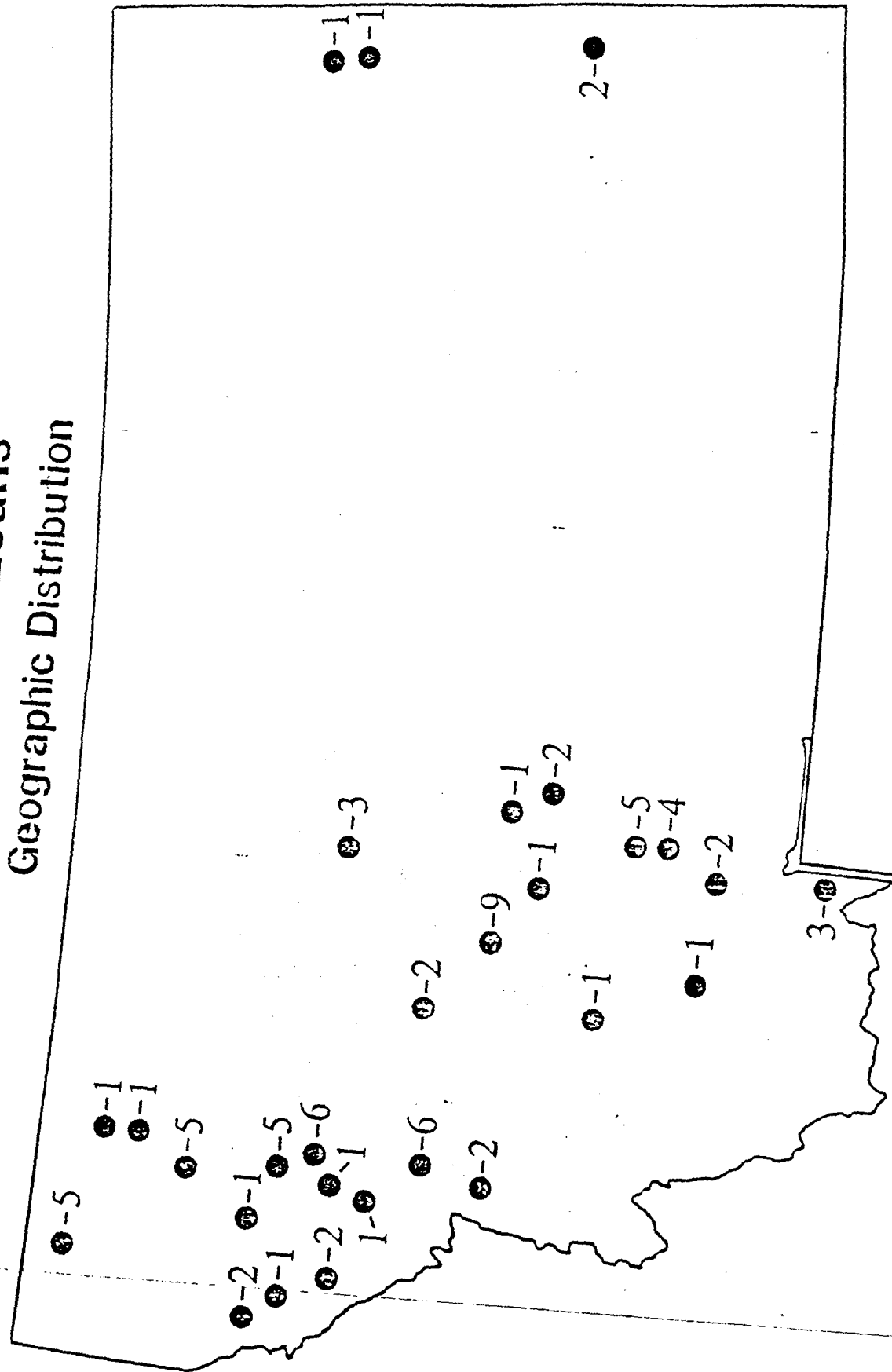


ECONOMIC SECTOR

# MONTANA ECONOMIC DEVELOPMENT BANK ACTIVITY - THROUGH DECEMBER 31, 1986

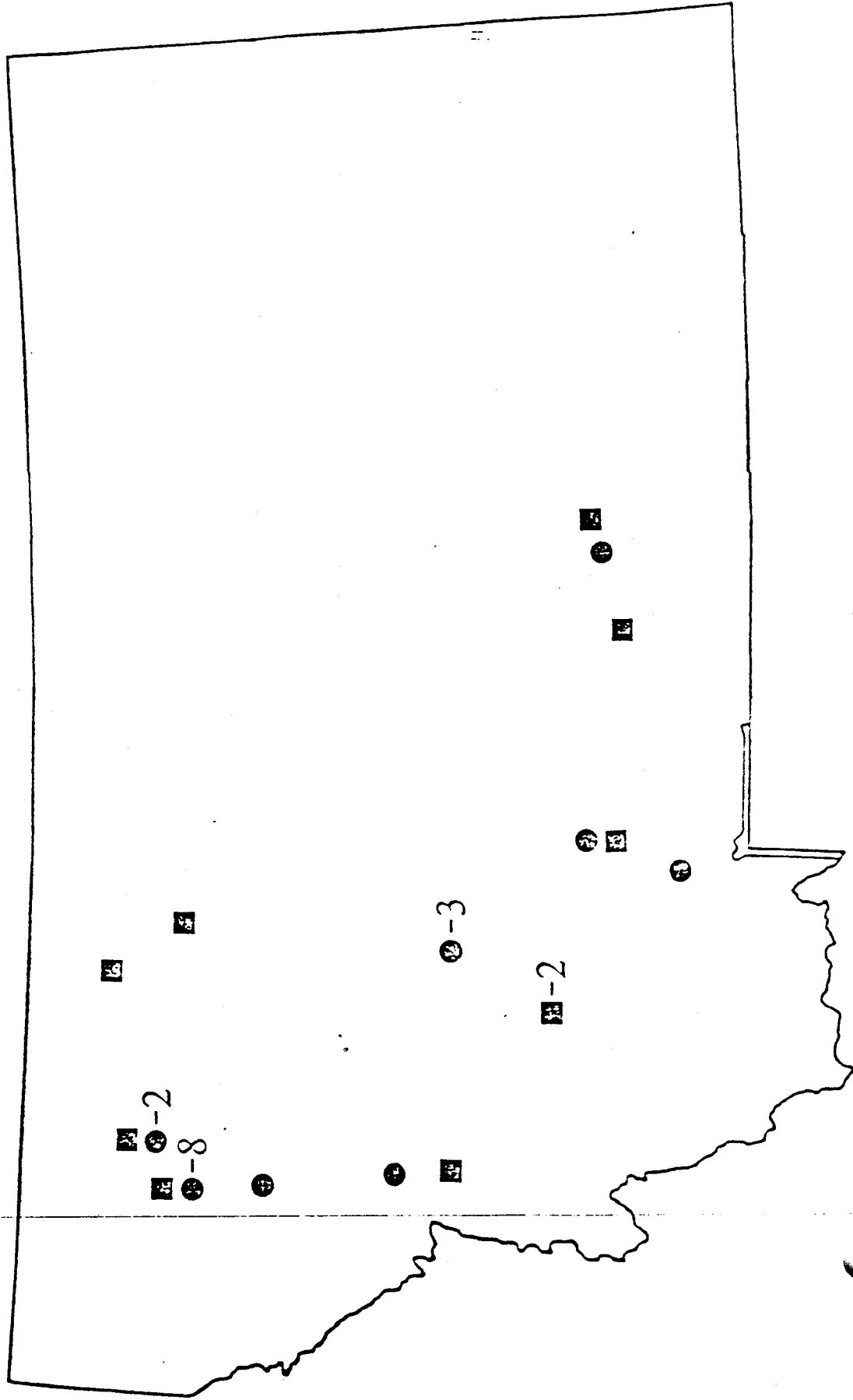
Economic Sector (SIC)	Coal Tax Loans (funded/committed) No.	% of Portfolio	Pooled IDRBs (funded) Amount No.	% of Portfolio	Stand-Alone IDRBs (funded) Amount No.	% of Portfolio
Agriculture, Forestry, Fisheries	10	\$ 2,655,878	8%	\$		
Manufacturing	39	10,810,953	29%		1	350,000
Transportation & Public Utilities	7	2,336,562	6%	1	186,000	3%
Wholesale Trade	1	476,172	1%	1	350,000	5%
Retail Trade	5	1,094,803	3%	1	662,500	10%
Finance, Insurance & Real Estate	1	369,700	1%	9	2,896,000	44%
Services	12	4,247,781	12%	6	2,526,905	38%
Sub-Total		\$ 21,991,849	60%			
STIP-Excluding Committed Loans		14,747,166	40%			
TOTAL	75	\$ 36,739,015	100%	18	\$6,621,405	100%
					4	\$12,475,000
						100%



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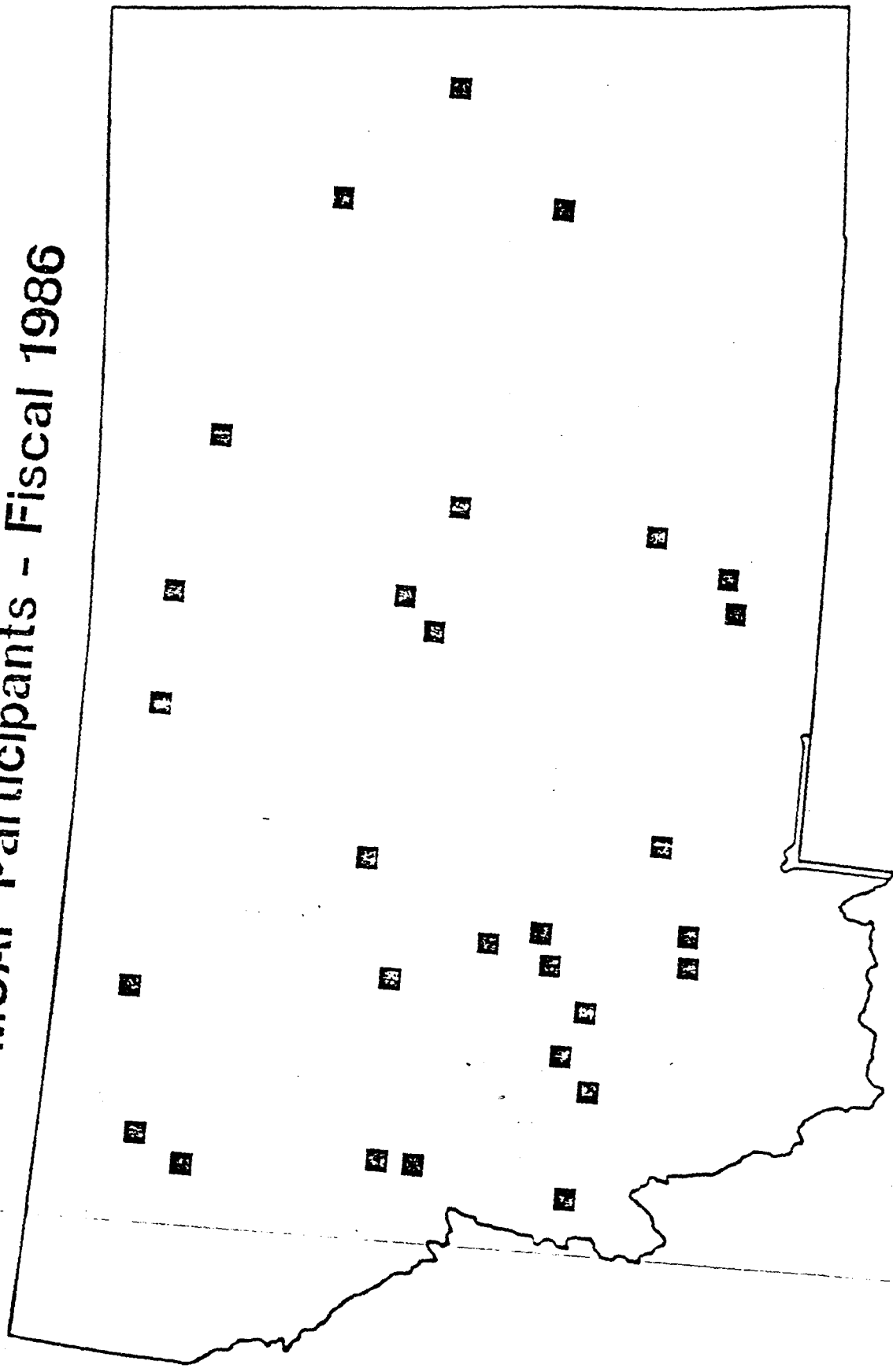
# Montana Economic Development Board

-  POOLED IDB PROJECTS
  STAND-ALONE IDB PROJECTS



# Montana Economic Development Board

## MCAF Participants - Fiscal 1986



6  
 1/14/87  
 Chairman  
 Dept.

CALCULATION OF EXPENSE ASSOCIATED WITH THE SALE OF \$50,000 BOM BONDS AND THE SUBSEQUENT PURCHASE OF A \$50,000 MORTGAGE LOAN.

BOND EXPENSES (TRUSTEE FEES) PER \$50,000 BOND:

ANNUAL ADMINISTRATION FEE	12.50
CUSTODIAL FEE	2.08
BONDHOLDER ACCOUNT FEE	0.75
PAYING FEE	41.66
OUT OF POCKET EXPENSES	1.00

MORTGAGE LOAN EXPENSES PER \$50,000 LOAN:

MICROFILM LOAN FILE	5.25
LIQUIDATION MANAGEMENT EXPENSE	17.00
RECORD STORAGE (LOAN FILE)	0.15
DATA PROCESSING	0.42
POSTAGE AND MAILING	2.34

TOTAL BOND & LOAN EXPENSE	83.15
---------------------------	-------

ISSUE SIZE	# OF 50,000 BONDS & LOANS	FUNDING REQUIRED
1 MILLION	20	1,663.00
5 MILLION	100	8,315.00
10 MILLION	200	16,630.00
50 MILLION	1000	83,150.00
100 MILLION	2000	166,300.00
125 MILLION	2500	207,875.00
150 MILLION	3000	249,450.00
175 MILLION	3500	291,025.00

EXHIBIT 7  
DATE 1/16/87  
HB Commercial  
Dept.



\_\_\_\_ MONTANA BOARD OF HOUSING \_\_\_\_

# ANNUAL INFORMATION STATEMENT

EXHIBIT 8  
DATE 1/14/87  
HB Commerce  
Dept.

DEPARTMENT OF COMMERCE  
MANAGEMENT SERVICES DIVISION  
ACCOUNTING & DAILY PROCESSING FUNCTIONS

The Accounting Function of the Management Services Division is responsible for the financial record keeping for the Department of Commerce. This includes all items in Volume II of the Montana Operations Manual, the related Information Control Core Manual, and Chapter 17 M.C.A., as well as the GAAP (Generally Accepted Accounting Principles of the A.I.C.P.A.), and GAAFR (Governmental Accounting, Auditing and Financial Reporting). Portions of the M.C.A. dealing with various entities in the department also control recording requirements.

Daily processing is a sub-function of the Accounting Function. The Daily processing sub-function is responsible for the bookkeeping portion of the Accounting Function. The Daily sub-function prepares documents for entry to SBAS, as well as logging those documents. The following personnel are assigned to Accounting and Daily:

1. Accounting & Fiscal Manager II MSG 16. Responsible for management of the Accounting Function of the Management Services Division. Applies GAAP and the other accounting record keeping requirements enumerated above. Supervises all personnel in the Accounting Function in varying degrees. Supervises maintenance of all SBAS and non-SBAS accounting. Prepares complex financial statements, status reports and reconciliations. Presents financial condition and projections to divisions and administratively attached boards. Analyzes requests for major purchases with recommendation of approval or denial. Acts as department liaison with the Office of the Legislative Auditor. Responsible for development and implementation of the department Cost Allocation Plan. Responsible for department interaccount loans and STIP investments. Acts as Management Services liaison with Local Government Assistance and Business Regulation and Licensing divisions.

2. Accountant I MSG 14. Responsible for implementation of new internal accounting procedures, preparation of department financial statements, preparation and supervision of audit responses and implementation of recommendations. Exercises lead worker supervision over Accounting Specialist II, and Daily sub-function. Supervises preparation of Indirect Cost Plans. Acts as Management Services Division liaison with Transportation, O.E.A., M.E.D.B., Science and Technology Alliance, Director's Office, and Legal unit. Monitors and processes department bad debts. Acts as Accounting & Fiscal Manager II, in the absence of same.

3. Accounting Specialist II MSG 12. Property Manager for the department. Management Services Division liaison with Financial Institutions, Aeronautics, Business Assistance, Montana

Promotion, Indian Affairs Coordinator, Health Facilities Authority, and the Board of Housing. Performs reconciliations, and reviews imprest cash and contingent revolving accounts. Prepares Department Indirect Cost Plan. Prepares and supervises preparation of 1099 forms for the IRS. Approves claims for payment. Checks payroll for accuracy. Prepares financial statements.

4. Accounting Technician II MSG 10. Supervises personnel of the Daily sub-function. Maintains the contract monitoring function for the department. Provides technical assistance to department employees on purchasing. Maintains department accounts receivable. Responsible for an imprest cash account and department contingent revolving fund.

5. Accounting Technician I MSG 9. Exercises lead worker supervision over two Accounting Clerks. Responsible for logging of SBAS transactions, and distribution of monthly SBAS reports to program managers. Assists in the maintenance of the department contingent revolving fund. Responsible for entry of SBAS document corrections. Prepares and supervises preparation of SBAS documents, including logging. Responsible for payment of large inter agency no-warrant transfers. Assist and answer questions for other divisions and the public relating to payments and invoices. Monitor accrual documents, department credit cards, and 1099 files.

6. & 7. Accounting Clerk III MSG 7. Review and process claims submitted for payment and collections. File and log all SBAS documents. Deliver hard copy SBAS documents to program managers. Prepare prorated bills for entry to SBAS. Provide assistance to other divisions on payments and invoices.

This document details the M.C.A. references used for accounting and daily.

#### M.C.A. TITLE 17 - STATE FINANCE

17-1-102 Uniform accounting system, and the requirement to accounting IAW GAAP.

MOM manual 2, and the related ICC index specify requirements under 17-1 and 17-2.

#### MCA Section 17-2 entitled ACCOUNTING

17-2-102 Treasury Fund Structure. designates the accounting entity structure which must be used by all state agencies.

17-2-103(3) Identification or segregation of funds. specifies that federal grants must be identified by a separate accounting entity.

17-2-106(3) Creation and abolition of new accounts. specifies that funds from several sources in the same agency may establish an account to receive, hold, and disburse the agency funds, and regulate the transfer of funds into the account.

17-2-107 Accurate Accounting Records and Interaccount loans. (1,2,3,4,5) Covers loans between accounting entities, (6) provision for no negative cash balances in an account.

17-2-108 Expenditure of non-General Fund money first.

17-2-109 Requires Access to all department financial records and preparation of financial reports on demand.

17-2-110 Fiscal Year end Financial reports, and closing books.

17-2-201 Contingent revolving accounts.

#### MCA Section 17-3 entitled FEDERAL REVENUES AND ENDOWMENTS

17-3-105 Governor authorized to accept federal funds - designates a state agency.

17-3-108 Expenditure - approved budget amendment.

17-3-110 SWCAP.

17-3-111 Requirement to have a Federal Cost Allocation Plan.

17-5-1501-1529 Governs the Economic Development Board bonding function.



17-6-201 Unified Investment program

17-6-203 Separate Investment of funds.

17-6-3XX Montana Instate Investments.

17-7-XXX the BUDGET ACT

17-8-XXX Limits on disbursements and expenditures.

17-8-101 Appropriations

17-8-103 Expenditures in excess of appropriation unlawful.

17-8-201 Authorization for disbursements

17-8-202 Preaudit and transmittal of claims. All state agencies shall submit copies of all claims to the department of administration. The agency shall retain the original.

1/14/87  
Commerce  
Dept,

## DATA PROCESSING

The following outline discusses positions related to the Department of Commerce's Management Services Division and services needed to directly support all divisions using the Department's Management Information System. A total of 2.2 FTE's are used to maintain existing databases and programs for the department. 90% of these positions' time is spent in maintenance with the remaining 10% used for development of new databases and programs.

Support is maintained on these software applications presently running on the Management Information System:

1. Word Processing
2. Electronic Spreadsheets
3. Electronic Mail
4. Relational Data Base
5. SBAS on-line inquiry system
6. UNIX shells
7. Montana/Alberta Travel Promotion System
8. Board Member database
9. Lead follow-up system for Business Assistance
10. Legislative Bill Status information system
11. Montana Manufacturers Directory
12. Montana Products Guide
13. Milk Control Audit system
14. Department-wide Budgeting
15. IRS 1099 reporting
16. System link to State's mainframe computer
17. Commerce payroll preparation database.
18. Movie Location/Production Services database.
19. Backup support and assistance with Professional and Occupational systems including databases for Social Workers, Optometrists, Hearing Aid Dispensers, Landscape Architects, Mortician's, Pharmacy's, Pharmacists, Engineers, Land Surveyors, Architects, Horse Racing, Chiropractors, Plumbers, Speech Therapists, Veterinarians, Private Investigators, Cosmetologists, Nursing Home Administrators, Radiation Technicians, Psychologists, Accountants, Dangerous Drug Dispensers, Acupuncturists, Realty, Nursing, Polygraph Examiners, Dentists, Medical Doctors, Denturists, Physical Therapists, Barbers, and Emergency Medical Technicians.

System usage is maintained for 3 processors, 71 terminals, 11 personal computers that are directly attached, 12 printers, and necessary modems, line drivers, and multiplexors.

Implementation of the above applications and hardware has allowed the department to eliminate 9 FTE's without creating a tremendous workload to divisions affected. Programs have been removed for the State's mainframe computer which will result in an

approximate saving to the department of \$100,000 a year.

Duties of the 2.2 support FTE's, by position, are as follows:

Data Processing Manager

1. Independently study agency programs and operations to determine those areas where automation would improve efficiency and productivity.
2. Coordinate and conduct Data Processing Steering Committee meetings to set priorities for automation and develop suggested automation projects.
3. Develop short and long range data processing plans.
4. Develop and maintain disaster recovery plans.
5. Assign and periodically review security levels and the departments systems and mainframe computer.
6. Conduct training on new and existing application packages for department employees.
7. Maintain department data processing budgets.
8. Supervise data processing staff.
9. Assure that the departments minicomputers, including it's operation, security, storage, software, hardware, scheduling and prioritization is consistent with the overall agency well-being.
10. Develop new databases where needed.
11. Assist data processing staff with support of above listed applications and hardware.
12. Maintain payroll processing database.
13. Assist Management Services Manager where needed.
14. Oversee and assist department-wide Users Groups.
15. Maintain data processing equipment inventories.
16. Test new software applications before placing them in production mode.
17. Install and test new equipment upon arrival.
18. Analyze existing mainframe programs for possible downline loading to departments system.

Programmer/Analyst (Special Revenue Account)

1. Maintain existing mainframe programs including Governors Invite-a-friend system, Travel Promotion programs, County Profiles and various programs for Census and Economic Information, Section 8 Housing programs, Weights and Measures SLICS system, PPP database, and other programs not presently on the departments mini.
2. Maintain above listed applications.
3. Maintain and down load SBAS information from the mainframe to the departments mini monthly.
4. Maintain and download Bill Status Information off the mainframe when Legislature is in session.
5. Build IRS 1099 reporting systems.
6. Develop and maintain new UNIX shells as needed.
7. Develop new applications as needed by the various divisions within the department.

Programmer/Analyst (.2 position)

1. Act as backup to above positions when needed.
2. Assist in maintaining above listed applications.
3. Build specialized databases when needed.
4. Assist in development and/or maintenance of mainframe applications with other programmer/analyst position.
5. Perform system backups when needed.
6. Act as liaison with Relational Database supplier.
7. Answer database related questions from various division employees. Assist in design and development.

The following outline discusses positions related to the Department of Commerce's Management Services Division and services needed to directly support all divisions using the Department's Management Information System. A total of 2.2 FTE's are used to maintain existing databases and programs for the department. 90% of these positions' time is spent in maintenance with the remaining 10% used for development of new databases and programs.

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14. Department-wide Budgeting
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16. System link to State's mainframe computer
17. Commerce payroll preparation database.
18. Movie Location/Production Services database.
19. Backup support and assistance with Professional and Occupational systems including databases for Social Workers, Optometrists, Hearing Aid Dispensers, Landscape Architects, Mortician's, Pharmacy's, Pharmacists, Engineers, Land Surveyors, Architects, Horse Racing, Chiropractors, Plumbers, Speech Therapists, Veterinarians, Private Investigators, Cosmetologists, Nursing Home Administrators, Radiation Technicians, Psychologists, Accountants, Dangerous Drug Dispensers, Acupuncturists, Realty, Nursing, Polygraph Examiners, Dentists, Medical Doctors, Denturists, Physical Therapists, Barbers, and Emergency Medical Technicians.

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3. Develop short and long range data processing plans.
4. Develop and maintain disaster recovery plans.
5. Assign and periodically review security levels and the departments systems and mainframe computer.
6. Conduct training on new and existing application packages for department employees.
7. Maintain department data processing budgets.
8. Supervise data processing staff.
9. Assure that the departments minicomputers, including it's operation, security, storage, software, hardware, scheduling and prioritization is consistent with the overall agency well-being.
10. Develop new databases where needed.
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DEPARTMENT OF COMMERCE  
PERSONNEL ADMINISTRATION  
DUTIES AND RESPONSIBILITIES

1. Duties of the Personnel Officer:

Overall: The Personnel Section is responsible for the development, implementation and evaluation of the following programs. Classification, EEO/Affirmative Action, Recruitment/Selection, Sexual Harassment, Grievance Resolution, Discipline Handling, Policy Development, Organizational Analysis, Performance Appraisal, Training, Benefits Administration, Counseling and Placement.

Administrative Duties:

- A. Determines program goals and develops plans independent upper management.
- B. Plans the nature, content and extent of the work operations for achievement of short and long-term objectives.

Programmatic:

- (A) CLASSIFICATION: Implements and monitors agency actions under the State Position Classification System.
  - 1. Develop, implement, evaluate Department Policy and procedure. Unique to the Department of Commerce.
  - 2. Train department managers/supervisors/staff in writing position descriptions; use of class specifications and related quantitative factoring systems, e.g. E.M.E.S.
  - 3. Review positions and determine allocation.
  - 4. Initiates series/class reviews within the Department.



5. Responsible for assuring internal equity among all Department positions.
6. Work with managers/supervisors to determine ways to achieve desired results.

- realignment of duties
- restructuring vacant positions
- organizational structure of div/bur/section

(B) EEO/AFFIRMATIVE ACTION: Develop, implement, monitor evaluate EEO/Affirmative Action Plan for the Department of Commerce.

1. Assess agency statistics and develop a plan to overcome deficiencies.
2. Consults with State Personnel to assure validity and reliability of Agency Plan.
3. Serve as Agency EEO Officer. Conducts investigations into discrimination complaints to determine validity and recommends courses of action. Interprets EEO rules and advises management of EEO related problems. Consults with management/staff on the rights and responsibilities.

(C) RECRUITMENT/SELECTION: Develops, implements, monitors and evaluates Agency Policy and procedures.

1. Approves all recruitment and selection methods, processes and substantive content-prior to job offer.
2. Performs in-depth training for managers/supervisors on recruitment/selection techniques, skills and practices and legal issues.
3. Plans for staff needs and develops special recruitment for hard to fill positions.

(D) SEXUAL HARASSMENT: Develop, implement, monitor and evaluate Agency policy and procedure.

1. Serves as EEO Officer. Performs investigations.
2. Trains managers/supervisors on: What is sexual harassment; The variety of ways, insinuations, biases that make/create sexual harassment. How the process works in regard to investigating a

complaint.

(E) GRIEVANCE RESOLUTION: Develop, implement, monitor and evaluate Agency Policy and procedure.

1. Performs investigations into alleged grievances.
2. Recommends course of action to management/Director.
3. Coordinates and assures completion of grievances run through the State Grievance Procedures.
4. Assures completion of Department of Commerce Internal Grievance procedure.

- counsel grievant as to steps, timelines, and all other critical elements.
- counsels management on all phases of the grievance, including preparation of the case, witnesses, questions and related strategies.
- trains managers/supervisors on grievance policy internal and statewide. How to avoid grievances and what constitutes a grievance.

(F) DISCIPLINE HANDLING: Develop, implement, monitor and evaluate Agency policy and procedures.

1. Trains managerial/supervisory staff on interpretation and application of policy and procedures.
2. Counsels all employees on discipline handling policies and procedures.

(G) MANAGEMENT/ORGANIZATIONAL ANALYSIS:

1. Analyze and recommend staffing patterns, job design, redesign relative to existing and perceived organizational relationships and changes.
2. Participates with management in the design and development of programs relative to such personnel areas as: classification, grievances, EEO/Affirmative Action, Benefits, etc.

(H) TRAINING/STAFF DEVELOPMENT: Develop, implement, monitor and evaluate Agency policy and procedures.

1. Develop techniques to assess needs of all Department of Commerce staff and implement those needs into an Agency-Wide training/staff development program.
2. Secure training resources based upon employee need.
3. Develop, deliver and evaluate training provided to managers, supervisors and staff in such areas as:
  - performance appraisal
  - coaching for improved work performance
  - how to supervise and manage
  - interpersonal communication
  - phone etiquette
  - report writing
  - dealing with employee complaints
  - motivation
  - conflict resolution
  - planning for effective staff meetings

(I) PERFORMANCE APPRAISAL: Develop, implement, monitor and evaluate Agency policy and procedures.

1. Conduct ongoing training for managers/supervisors on how to develop, administer and evaluate performance appraisals.
2. Counsels employees on performance problems and advises managers of techniques for motivating and improving performance and handling performance problems.
3. Research, develop and recommend performance appraisal instruments that make performance clearer and easier to administer and better accepted by managers and employees.

(J) BENEFITS ADMINISTRATION: Supervises the administration of all benefits activities, such as: payroll, insurance benefits, position control, and all related areas; sick, annual leaves, retirement, etc.

1. Develops a comprehensive employee benefits program.
2. Develop, implement and evaluate orientation/exit interview program for new and existing employees, regarding benefits and related personnel issues.

3. Automate all benefits programs.

(K) PLACEMENT: Develop, implement, monitor and evaluate Agency policy and procedures.

1. Coordinate the recruitment for all temporary, intermittent, and intern employees for the Department of Commerce. Screen and refer.
2. Develop list of occupational resources in which to draw suitable candidates from.

(L) POLICY DEVELOPMENT: Develop, implement, monitor evaluate Agency policies and procedures that relate to the efficient running of the Agency.

1. Coordinate department review of proposed statewide and internal policy and procedures.
2. Participate in the creation and revue of policies and procedures that originate in other divisions.

(M) COUNSELING: Coounsels employees regarding career, social and emotional concerns.

1. Refers to appropriate referral sources if needed. (AAA, Al-a-non, etc).
2. Develops professional contacts in a variety of community resources.

2. Duties of Personnel Technician: (this position is supervised by the Personnel Officer).

(A) Payroll:

1. Liaison between Department and other agencies to maintain consistent payroll information by meeting with other agencies and knowledge of policies and procedures.
2. Maintains balance with pre-payroll register, agency totals and computer totals to assure correct payments and deductions by sentinelled of the PPP system and

employee wishes.

3. Prepares bi-weekly payroll to insure employees are paid correctly and to check for errors and violations of State and Department policies by using knowledge of PPP system, employees time sheets and proper procedures.
4. Process changes for all new hires, transfer, promotion, demotions and terminations to insure accurate and timely PPP procedures.
5. Implements policy and procedure changes and updates as needed by State of Montana, Department of Commerce, management and myself in order to more accurately and efficiently process payroll according to prescribed methods.
6. Trains agency personnel in payroll activity to guarantee that payroll will always be ready by Central Payroll's deadline.

(B) POSITION CONTROL:

1. Formulates and submits all input and corrective documents for classification and position control to provide for efficient and accurate processing,
2. Participate in the preparation of budgeting documents to insure the correct information is used by meeting with management, adhering to policy rules and regulations and verifying PPP information for Budgeting Administrative Officer.
3. Acts as liaison to State Personnel to maintain consistent position data by communication with other agencies, processing correct data and knowledge of the correct procedures.

(C) INSURANCE/PERS:

1. Liaison for Department with other agencies to insure correct information and rapid processing.
2. Enrolls all employees in both PERS and Insurance as it is an employee benefit.
3. Calculates, prepares and verifies all insurance premiums and self-pay premiums and changes to insure accurate and consistent coverage by using state insurance guidelines and meeting with other agencies' insurance representatives.

4. Answers inquiries relating to insurance, taxes, PERS and deferred compensation to inform the employee.

(D) PERSONNEL RECORD KEEPING:

1. Determine type of personnel and training information needed for use within the Personnel/Position Control/ Payroll system and within the Department to develop a systematic approach toward collection of data, to submit only accurate information and by using communication skills, obtaining needed documentation and knowledge of required procedures.
2. Formulate personnel and training records system, including personnel files, position files, grievances, hearings etc., to insure prompt retrieval and accurate information.
3. Prepares and routes forms, logs, turnaround documents and paperwork related to personnel to insure correct processing.

3. Authority to Administer Personnel functions is covered throughout the Montana Codes Annotated.

More specific Personnel areas are covered in Volume III, Personnel Policies and Procedures of the Montana Operations Manual.

4. Rationale and support for Agency Personnel Functions, Department of Commerce.

**History:** Prior to my arrival at the Department of Commerce, the Department was sued regarding a wrongful discharge. This action cost the Department approximately \$187,000.

This action caused the Department to look at the existing Personnel function and determine its viability to the Department. At that time, the Personnel Operation was mainly a payroll activity. It was determined that what the Agency needed was a Personnel Operation strong in the following areas:

Discipline Handling	Training
Performance Appraisal	Benefits Administration
Classification	Recruitment/Selection
Sexual Harassment	Grievance Administration
Counseling	Placement
EEO/Affirmative Action	Policy Development

An individual with the skills and background in the above areas was selected. Policies and procedures were required to be written, implemented, monitored and constantly evaluated.

Top priority was the training of all managers/supervisors and employees.

Since this individual has been hired, policies and procedures have been developed, implemented and are now being monitored for the above areas. Training, advising and counseling managers is an ongoing function. A trained specialist is required on a daily basis to serve the needs of the Department.

It is critical that the Department of Commerce have a trained Personnel Manager available at all times. Every State Agency is unique, and has unique needs. State Personnel management works best in a decentralized management context due to specific agency needs. It is important to have someone at the 'grass-roots' level and not have to rely on a centralized resource. The major centralized resource, State Personnel, provides advice only on personnel related matters, and because of their involvement with all agencies, cannot respond quickly to individual agency needs. For State Personnel to provide the kind, variety and promptness of services outlined to all State Agencies, their staff would have to more than quadruple.

## WHAT IS CONSUMER AFFAIRS?

There are four distinct areas. . . .

I. Consumer Affairs.     \$   \$   \$   \$   \$   \$   \$   \$

- a. the market place -- anywhere money changes hands
- b. for services or products -- from two-bit tooth brushes to \$80,000 tractors. It involves the quality, the price and the promises, both written and made orally by the seller or the manufacturer or through advertising by either.
- c. you exercise your consumer knowledge and judgment every day of your life. If you get a cold hot dog at the stand upstairs, what do you do? That's consumer affairs.

II. Consumer protection.

- a. state and federal laws regulating the market place:
  - 1. credit, truth-in-lending, debt collection
  - 2. pyramids and other Ponzi schemes, chain letters
  - 3. warranty laws
  - 4. repossession
  - 5. odometer fraud
  - 6. bait and switch
  - 7. false advertising
  - 8. "white collar crime"
- b. our cases -- complaints I open and investigate -- about 2,000 a year. . . a drop in the bucket.

III. Consumer legal actions.

- a. investigative demands
- b. temporary restraining orders
- c. permanent injunctions
- d. assistance to county attorneys

IV. Consumer advice -- Preventive consumer protection



I. Section 30-14-501

Enforce "Personal Solicitation Sales Law". Three day right to cancel contracts you sign in your home, or sales made by telephone, providing the seller contacts you first.

Example: We get a lot of complaints where a magazine solicitor will contact a consumer, via the phone, selling hundreds of dollars worth of subscriptions to the consumer. Then when the consumer changes their mind about purchasing, and want to cancel, some of these companies refuse to cancel. The consumer then comes to our office for help. After looking into these cases it becomes apparent that there generally wasn't a written contract signed to consummate the deal, or the contract does not have the "right to cancel" provision in it.

After this is pointed out to the business, they concede and cancel the account. On the average these accounts are for \$350.00 to \$400.00 in value.

Of course, this law applies to all door-to-door sales, and telephone solicitors (vacuum cleaners, house siding, industrial cleaner sales, any sale over \$25.00). We get a lot of complaints in this area, and have been very successful in resolving them.

- II. Montana has no postal inspector located in the state. Our inspector is in the Seattle office, and therefore the people of Montana do not have easy access to their office. Our office handled numerous mail order complaints.

(1) International Marketing Service - At the present time we are collecting money from a defunct company who solicited approximately 350 individuals for a total of \$18,000.00 worth of orders. We have been able to recover close to \$10,000.00 of this money and there is an excellent possibility we will collect the balance within the future. The business is currently repaying the consumer, via this office, at \$400.00 per month.

(2) Another example was the International Porcelain Company. There were 320 consumers, involving \$16,250.00. We got the orders filled.

It should also be noted if the postal inspector gets involved in these cases, they go for indictments not restitution. We try to get restitution.

- III. There is no Better Business Bureau in the State of Montana. Consumers, as well as small Montana businesses, call this office, in lieu of a BBB, inquiring about companies and their offers. Over the years we have established quite a file concerning some of these companies. If we don't have information, we send inquiries to our counterparts and other states Better Business Bureau to get reports. Whenever we receive written reports on these companies we forward them to whomever inquired.

- IV. It should be noted that this office also has provided assistance to numerous small Montana businesses that have had poor dealings with other out of state businesses.

(1) Example. Montana as well as other states, has been plagued with solicitors selling specialty items, such as pens, key chains, etc. They also offer free prizes for making orders usually in the \$400.00 range. Usually the prizes are misrepresented, or are not worth anything. We have secured refunds for several of these small businesses, or if we cannot get cooperation with the out-of-state company we refer the complaint to the postal or consumer offices in the area they are located in.

(2) We received over 80 calls in December, alone, inquiring about these specialty companies. I'm sure we discouraged these people from doing business with these companies. Estimated savings is thousands of dollars.

(3) I kept a partial list of the names of some of these businesses and what type of offer they have.

Brint, these are just a few areas of service that they might not be aware of. If you need anymore information, please advise.

We field approximately 50 to 70 calls a day. This also includes the phone calls that the citizen's advocate submits to us. I asked the citizen's advocate about her log on consumer affairs calls. She stated we ranked 5th as to the number of calls she receives of all the state agencies.

Unfair Practices Act

Proprietary School Act

# DEPARTMENT OF COMMERCE



TED SCHWINDEN, GOVERNOR

1424 5TH AVENUE

## STATE OF MONTANA

(406) 444-4313 444-4313

HELENA, MONTANA 59620-0401

### CONSUMER PROTECTION

July 1, 1985 -

Total Number of Complaints Opened - 2,215  
 (800 complaints submitted but forms never returned for processing)  
 Total Number of Complaints Closed - 1201  
 Total Number of Complaints Pending - 214  
 \$ Amount of Recovery - \$460,230.41

Investigative Demands Issued - 6

Consumer Alerts - 10

### Time Share Complaints Breakdown -

		Pending		#	Closed	Amt.
Big Sky	- 22	-	\$ 4,400.00	11		\$2,403.95
Fairmont	- 91	-	81,900.00	33		\$18,272.95
Stoneridge	- 36	-	7,200.00	1		200.00
Pend Orielle	- 5	-	1,000.00			
Travel Management	- 1	-	200.00			
		155	\$94,700.00	45		\$20,876.90

\$94,700.00 will be recovered after closed. \$20,876.90 has already been recovered.

### Complaints Received

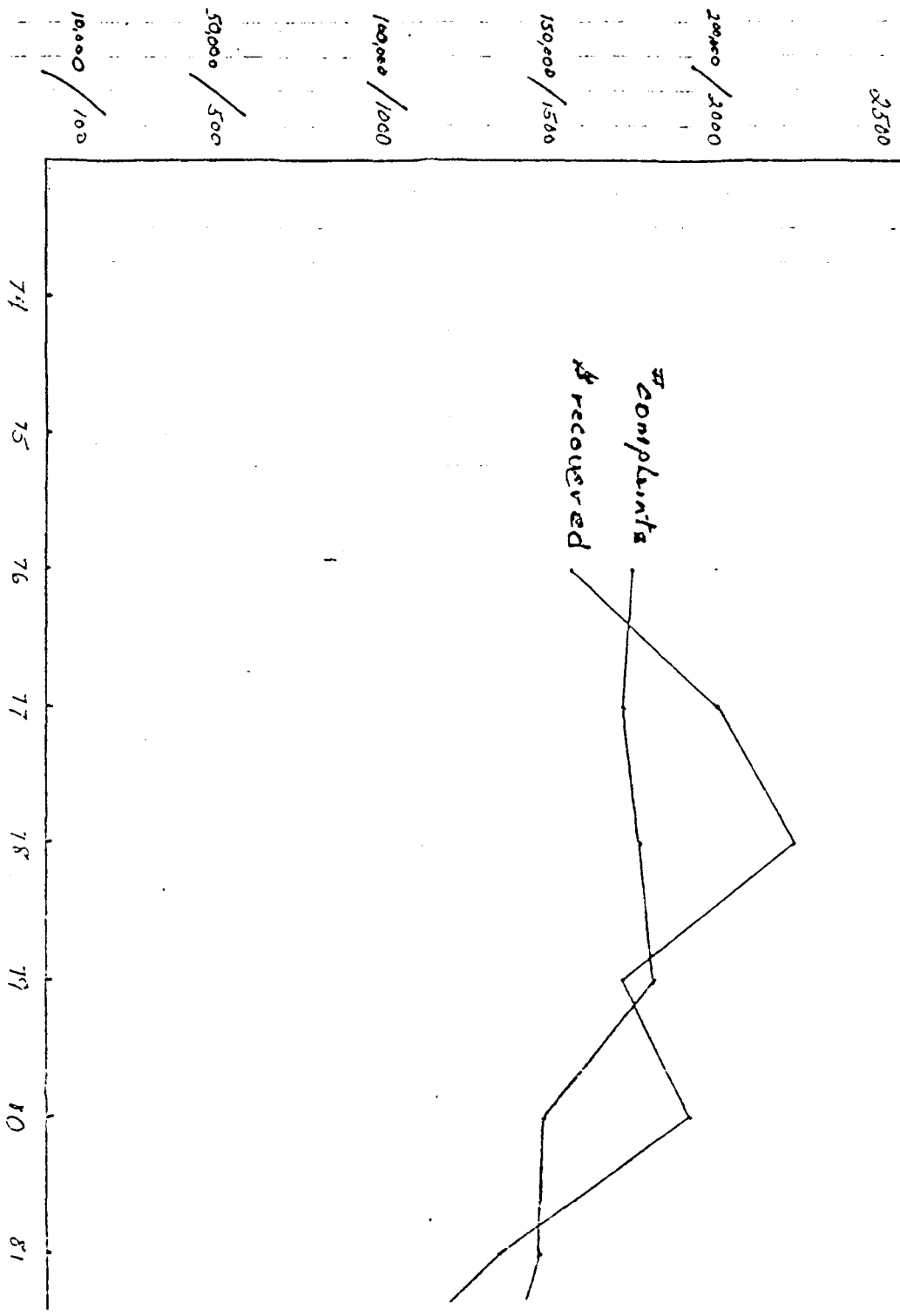
Letters - 255  
 Telephone - 394  
 In Person - 61  
 Referrals - 33  
 Citizen's Advocate - 47

Correspondence answered, but not directly related to complaints filed - 2,201

National Marketing Service - 315 individuals involved - \$8,000.00.

NUMBER COMPLAINTS OPENED

AMOUNT RECOVERED



# DEPARTMENT OF COMMERCE



TED SCHWINDEN, GOVERNOR

1424 5TH AVENUE

STATE OF MONTANA

(406) 455-5777 444-4313

HELENA, MONTANA 59620-0401

CATEGORY	NUMBER OF COMPLAINTS
1 Advertising	37
a Bait and Switch	5
b Deceptive	22
c Merchandise not available	8
d General	2
2 Appliance Purchase or Repair	12
3 Automobiles	50
a General	9
b New Car Sales Practices	5
c Repair and Service Problems	26
d Used Car Sales Practices	8
e Warranty Problems	2
4 Billing Practices	39
5 Boats, Motorcycles, Motor Homes, or Snowmobiles	1
6 Book, Magazine, Record, or Tape Clubs	396
7 Cable T.V.	2
8 Cleaners	2
9 Clothing	7
10 Club and Organizations	3
11 Collection Agencies	4
12 Construction	16
13 Dance, Date, or Health Studios	0
14 Defective Merchandise	19
15 Door-to-Door Sales	0
16 Failure to Furnish Merchandise (other than mail order)	231
17 Farm Equipment	0
18 Finance, Insurance, Investments, or Mortgages	11
19 Floor Coverings	0

20 Funeral Homes and Cemeteries		0
21 Furniture		10
22 Hearing Aids		3
23 Household Repair or Service		6
a General	3	
b In-Door	2	
c Insulation	0	
d Painting	1	
e Roofing	0	
24 Jewelers or Jewelry		1
25 Kitchenware		1
26 Landlord/Tenant		2
27 Mail Order		437
a Defective Merchandise	92	
b Failure to Deliver	339	
c Refusal to Make Refunds	5	
28 Mobile Homes		5
29 Moving and Storage		0
30 Nursery		1
31 Office Equipment or Supplies		2
32 Patents		0
33 Pest Control		0
34 Photography		8
35 Purchase Plan or Francises		2
36 Radio, Stereo, or Television		12
37 Real Estate		0
38 Services (General or Professional)		39
39 Warranty Problems		56

Age	1995-96	1994-95	1993-94	1992-93
13-30	- 112	122	134	127
31-40	- 116	127	139	117
41-50	- 72	74	53	115
51 - 60	- 67	70	68	188
Over 60	- 84	90	88	203
102 - Handicapped		56	44	60
15 - Minority		15	14	12

### PREVENTIVE CONSUMER PROTECTION

This office receives numerous other questions and inquiries regarding offers that Montana citizens received from firms offering prizes.

An example of this is the winning of a free boat and motor (Marine Surplus). All you have to pay is a processing fee of \$200.00. We get an average of 25 calls a week on these types of offers.  $25 \times 52 = 1300$  calls a year.  
 $1300 \text{ calls} \times \$200.00 = \$260,000.00$ .

So a conservative estimate of money saved consumers through preventive consumer protection for this fraudulent offer would be \$260,000.00. That's only one offer.

Some other areas we cover are the Fair Debt Collection Practices Law, Landlord/Tenant, envelope stuffing and the free legal advice, just to name a few.

It's difficult to actually document how much this office really saves Montana consumers.

We save consumers several thousands of dollars by warning them not to deal with suspicious or fraudulent consumer offers or business opportunities.

Advertising Concepts - We just helped several businesses in getting advertising on telephone book covers. The company promised 1,000 covers to be distributed, when actually 300 were delivered. We got partial refunds for these businesses.

Telemarketing Companies - Call people up and offer discounted vacation packages. These companies are from out-of-state and are only calling for travel agencies. They request MasterCard and Visa Card Numbers. Travel packages do not include air fare from Montana. Some are finding that accommodations are not available, either. So far we have had inquiries regarding 40 companies.

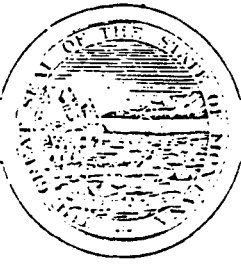
North American Electronics Warehouse - Offer an electronic piano for \$12.47. The piano is the size of a cassette tape. Company is not delivering.

We are still having inquiries regarding the pen companies and vitamin companies.

Job Service companies - \$100.00 to \$395.00. They state will send listings of jobs available. Usually the jobs were never there or when people contact these companies, positions are filled. (Overseas Unlimited) Also, there seems to be a delay in sending this information.



# DEPARTMENT OF COMMERCE



TED SCHWINDEN, GOVERNOR

1424 9TH AVENUE

## STATE OF MONTANA

(406) XXX-XXXX 444-4311

HELENA, MONTANA 59620-0401

### UNFAIR PRACTICES ACT

July 1, 1985 - May 31, 1986

Complaints received and investigated	-	34
Complaints in Violation	-	3
Pending Complaints	-	6

### PROPRIETARY SCHOOL ACT

July 1, 1985 - May 31, 1986

Revenue Generated - \$1,760.00

Number of Initial School Licensed	- In State	- 7
	Out of State	- 0
Number of Renewed School Licensed	- In State	- 21
	Out of State	- 1
Number of Initial Permits	- In State	- 11
	Out of State	- 13
Number of Renewed Permits	- In State	- 12
	Out of State	- 14
Schools Terminated	- In State	- 3
	Out of State	- 0
Agents Terminated	- In State	- 6
	Out of State	- 10

Dispersed 121 copies of school transcripts from defunct schools to former students.

EXHIBIT 12  
DATE 1/16/87  
.. Commerce  
Dept.

**BUDGET PRESENTATION**  
**BUSINESS REGULATION DIVISION - DEPARTMENT OF COMMERCE**

**GENERAL**

**ORGANIZATION**

The Division consists of the Building Codes Bureau, Milk Control Bureau, Professional and Occupational Licensing Bureau and Weights and Measures Bureau. All bureaus are self supporting from fees charged for their services with the exception of the Weights and Measures Bureau which is general funded but generates approximately one half of its revenue needs from fees charged, which in turn is deposited in the general fund.

In addition the division has the Business and Licensing Division Support program which consists of the division administrator and the related budget.

**REORGANIZATION**

The Department of Commerce implemented a reorganization of the Business Regulation Division in FY86. This reorganization was the result of the 1985 Legislative Session's transfer of the Building Codes Division from DOA to DOC and the need to improve the efficiency of the Professional and Occupational Licensing Bureau's operation coupled with audit reports suggesting needed changes to meet the objectives of the Executive Reorganization Act of 1971.

The reorganization has resulted in less division overhead charges for the subject bureaus and boards as well as more efficient operations of the programs. For example POL Bureau Division overhead charges were reduced by approximately \$30,000.

**AUTOMATION**

The division is in the process of automating as much of its operation as possible. Included to date in the automation program is the professional licensing process, milk pricing and related processes, and budgeting functions for all bureaus.

The benefits of the automation process are reduced time in processing work resulting in less cost, less chance of errors, as well as more efficient service to the public.

As the automation process continues the time savings appears to be multiplying as more indirect benefits are being discovered. Since the process is currently being implemented full cost savings have not been realized to date.

## **BUSINESS AND LICENSING DIVISION SUPPORT**

### **PURPOSE**

To administer and coordinate the activities of the Building Codes, Milk Control, Professional and Occupational Licensing and Weights and Measures Bureaus.

### **ORGANIZATION**

The work unit consists of the division administrators position, with funding provided by charges made to each of the bureaus in the division based, for the most part, on the time spent by the administrator on each of the programs.

### **BUDGET ISSUES**

Personal Services - Since there is only one position in this operation, vacancy savings is a critical issue. The remainder of the budget is at an absolute minimum to carry out the program requirements.

## **BUILDING CODES BUREAU**

### **PURPOSE**

To establish and enforce the statewide building code to safeguard the public from hazards inherent in the construction of buildings, recreational vehicles, and factory-built buildings.

The Bureau also includes the Electrical and Plumbing Boards, which license electricians and plumbers in the state and enforces the related licensing laws and rules.

### **ORGANIZATION**

The bureau consists of the Building Standards, Mechanical Safety and Electrical Safety Sections as well as the Electrical and Plumbing Boards.

The staff consists of 29 employees.

### **ACTIVITIES**

Permits:	13,700
Inspections:	27,600
Plan Reviews:	750
Miles Traveled:	550,000

Scheduled vehicle replacement is critical to the Bureau due to the 550,000 miles that must be covered in a year to complete required inspections.

## **BUDGET ISSUES**

Generally the Bureau has always had a difficult time meeting all statutory requirements with the staff and funding available. The size of the state makes travel time a major factor in attempting to cover all projects thoroughly.

In past legislative sessions HB 500 contained wording that allowed the Bureau to add three additional inspectors by budget amendment, upon adequate justification. The option has not been used to date but in order to minimize the impact of an increased work load we have requested that wording be continued.

During the FY 87 budget reductions, this bureau lost one plan reviewer position left vacant because of inadequate revenue and was forced to create a vacancy in a second plan reviewer position. If a 4% vacancy savings is implemented, this plan review position will remain vacant resulting in a reduction of plan review capabilities by 50% and a turnaround time of one to two months compared to one to two weeks experienced with adequate staff.

In FY 86 the bureau reviewed plans for \$24 million worth of construction. In that year a one month delay in construction, based on 10% inflation, would have cost the building owners \$200,000.

The importance of an adequate building codes program becomes very prevalent when observing the impact of lack of inspections. In Montana there exists two condominium buildings three stories in height, each containing 61 units, closed by the owners because of major code problems. Not only has the owner's original investment been placed in jeopardy but also the loss of rent on the units is being experienced. Further, the adverse publicity for the resort is extremely detrimental. The danger to life-safety and the dollars involved in this example are tremendous.

This program operates on funding paid by the construction industry and others regulated by state statute. The activities of the Bureau directly affect the life-safety of building occupants.

## **MILK CONTROL BUREAU**

### **PURPOSE**

To regulate the production, transportation, processing, storage, distribution and sale of milk to guarantee an adequate supply of healthful milk to the consuming public at the least possible cost.

### **ORGANIZATION**

The staff consists of eight employees.

## ACTIVITIES

Milk Plant Audits Every 3 Months - 40

Investigations - 30

Cost Studies - 6:

Other - Issue licenses, administrative assessments, hearings, price announcements

## BUDGET ISSUES

The Bureau has one vacant auditor's position as a result of budget reductions in the current fiscal year. This position will be left vacant in FY 88 and 89 if the 4% vacancy savings is implemented.

The consequence is that numerous complaints may go unchecked, or will be delayed until staff is in the area of origination doing an audit. Follow ups after initial contacts in investigations may be nonexistent.

Personal contacts in settling audits may be limited as well, which could increase the difficulty in settling audit disputes.

## PROFESSIONAL AND OCCUPATIONAL LICENSING BUREAU

### PURPOSE

To provide the administrative and clerical services required by professional licensing boards regulating professions to protect the health, welfare and safety from malpractice.

### ORGANIZATION

The bureau consists of Bureau Administration, Administrative Services Pool, Automation Services Pool, twenty eight licensing boards and one licensing program.

The staff consists of 5.28 board direct employees, 23.03 bureau direct employees. In addition there are 151 board members.

The Bureau activities per year are the issuance of 4,200 new licenses, 52,000 license renewals and the processing of 550 complaints.

### BUDGET ISSUES

The FY 87 budget reductions have placed staffing and operational funding at an absolute minimum. To accommodate FY 87 budget reductions, the POL Bureau Chief position was eliminated. Because of workload demands from that position coupled with the loss of one administrative assistant associated with Horse Racing to the Lottery Division and the transfer of the Passenger Tramway Board to the Division, this FTE is critical. We have reclassified the bureau chief downward position to an administrative assistant for FY 88 & 89. Through efficiencies and internal reorganization it is hopeful we can make the new structure workable.

The Division is requesting a \$75,000 appropriation authority reserve to offset unanticipated legal expenditures, which can adversely impact boards' budgets. This reserve would also be available to other bureaus within the Division because their budgets are likewise at a level that unanticipated legal expenditures could cause a need to eliminate services.

## **WEIGHTS AND MEASURES BUREAU**

### **PURPOSE**

To license, inspect, test, and calibrate all weighing and measuring devices used in commercial and often times noncommercial transactions. The bureau also calibrates all weights and measures for private service and testing facilities.

In addition the Bureau is responsible for enforcing laws and regulations relating to quantity of all prepackaged commodities.

### **ORGANIZATION**

The staff consists of twelve employees.

In addition to the Bureau's office it also maintains the state weights and measures laboratory.

### **ACTIVITIES**

Weighing Devices Tested	7240
Measuring Devices Tested	6780
Packages Checked	4100
Weights Calibrated	1150
Measures Calibrated	50
Miles Traveled	135,000

### **BUDGET ISSUES**

The impact of weights and measures programs on the financial well being of society is extremely important.

For example there are over 3,000,000 cattle weighed over licensed stockyard scales in Montana annually. These scales are calibrated and licensed by the Bureau each year, with federal livestock scales tested twice each year.

According to figures obtained from the Federal Packers and Stockyards Administration \$765 million in transactions are conducted over scales tested by the Bureau. The financial impact of 1% error alone would amount to a \$7,000,000 loss.

Personal Services - The Bureau through FY 87 budget reductions has been forced to leave two inspectors positions vacant. Considering an inspector normally tests 100 devices per month, the additional testing for the remaining staff is 2400 tests per year. As a result the Bureau will not be able to meet its statutory obligations. The implementation of the proposed FY 88-89 4% vacancy savings will cause continued vacancy of these two positions.

These vacancies have a direct relationship to the USDA memorandum of agreement which allows us to inspect, test and calibrate all packer and stockyard scales. Without the agreement the time and cost of service to industry for regulation will increase.

Equipment - The Bureau's ability to carry out required services is directly related to vehicles condition. The affect of the high mileage vehicles is the inability to reach the location of the devices to be tested, lost hours to complete the work load, and cost of repairs which defray the funds available to carry out the actual testing.

Our concern is the impact of our inability to meet statutory requirements and maintain federal certification of the laboratory and federal testing programs.

The state laboratory is certified by the National Bureau of Standards to calibrate all of the states weighting and measuring devices.

#### **SUMMARY**

The operations of the Business Regulation Division are regulatory. As such, the operation is at times perceived to be anti-business.

We believe, however, that regulatory and economic development efforts can not only coexist but are mutually reinforcing. Our mission is to protect the general public and business alike from the inherent hazards financial and health, that exist in building construction, malpractice of unqualified professionals, faulty measuring and weighing devices, and milk products.

We are dedicated to the need to provide the statutory protection at the least amount of cost and inconvenience to the public.

## VISITOR'S REGISTER

NATURAL RESOURCES

SUBCOMMITTEE

AGENCY(S) Department of CommerceDATE 1/16/87

DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
W. James Kembel	Business Regulation Division DOC		
Sandy Courtage	Commerce		
Nowell Anderson	DOC		
Jack Nielson	Commerce		
Joan Bennett	Ind Housing		
D.L. CLAYBORN	INDIAN AFFAIRS		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.



# VISITOR'S REGISTER

AGENCY (S)

SUBCOMMITTEE

DATE \_\_\_\_\_

DEPARTMENT

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT  
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.