

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON INSTITUTIONS

Call to Order: By Rep. William Menahan, on January 19,
1989, at 8:15 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Taryn Purdy, Associate Fiscal Analyst

Announcements/Discussion: Taryn passed out new schedule.

The Dept. of Institutions indicated yesterday that the business manager for Montana State Hospital cannot be here for executive action on Thursday or Friday of next week. So it has been moved to Tuesday and Wednesday.

EARMARKED ACCOUNTS

Taryn handed out Exhibit 1. The Dept. of Administration has identified several accounts as unrestricted earmarked accounts, and have decided that they will revert the fund balance of all of the accounts at the end of the fiscal year. The committee needs to decide whether or not they wish to de-earmark these funds. The de-earmarkation will mean that the funds that are in here under state special revenue will now be funded with general fund and the revenue instead of going into this fund will go directly into the general fund with the State Treasurer.

The first two on the list are for Montana Developmental Center and these funds are closed accounts so the committee does not have to take any action on them. Others are canteen funds. As the funds are now set up they are self-supporting funds. The income that is collected from inmates or residents in the institutions when they buy various items in the canteen are placed into the account and money is expended out of the account when goods are bought to supply the canteen. It is essentially what used to be called a revolving account.

Rep. Menahan asked if every bit of money in that account is a profit made by the inmates and that is correct.

The profit goes into the general fund. All of the income that comes in from canteen items will be deposited directly into the general fund, if the committee wishes to de-earmark that.

Curt Chisholm, Director of Dept. of Institutions, answered a question from Rep. Menahan concerning the money the inmates think is theirs and their operation, and what will happen if the money goes to the general fund. Mr. Chisholm stated that there is a certain markup because of overhead that has to be paid for out of most of the canteen accounts. In the case of the prison they have inmates who work in the canteen and whose salary comes out of that markup. The revenue generated from the sale of the products is intended for their benefit and the intention is not to markup extravagantly because they are not trying to make a profit but to break even. As a result they have some cash reserves at times. Those cash reserves are intended to cover the overhead of the canteen, and to have cash reserves to replenish the inventory. At times the wholesale price of these items does go up and they need that cash to account for those kinds of contingencies.

At Montana State Hospital part of the supplemental request for authority only was to allow the hospital to spend about \$11,000 out of their cash reserves to reinvest that money back into the canteen.

Taryn referred to Exhibit 1, INSTITUTIONS SUBCOMMITTEE, the fund balances transferred to the general fund at the end of this year. The only way that this subcommittee or legislature can essentially stop that at this time is to put legislation in that actually restricts them from doing so, so the subcommittee at this point cannot say no you will not transfer those fund balances to the general fund unless the statutes are changed.

Sen. Aklestad observed that Exhibit 2 indicated that it looked like it cost more to operate the canteen at Montana State Prison than they collect in revenue.

Taryn explained that Table 1 (Exhibit 2) is taken right out of the supplemental financial schedules, which show all the revenue and expenditures in these accounts, and in those two years Montana State Prison shows more expenditures than revenue, which results in a diminishing of the fund balance in the account.

Senator Aklestad stated that if that is true then apparently the amount being charged for these services is not high enough to sustain an even cash flow.

Jim Currie, Administrator of Management Services Div., said that some of those institutions manage their cash balance on an ongoing basis, and if they have an excessive fund balance at the end of the year, they would lower their prices for a period of time in order to bring it down.

Rep. Menahan stated a couple years ago the grill was shut down at the hospital at Warm Springs and wondered why it could not be opened. Curt explained the reason the grill was shut down is that the civilians working there, are salaried out of the general fund. The grill was shut down to reduce the general fund FTE demands on the canteen. Generally, the patients did not use the grill all that much, it was more of a convenience to employees.

Rep. Grady asked Taryn if we really don't have anything to say about this biennium that it is going into the general fund anyway. Will it go into the next biennium?

Taryn responded that the issue is whether or not you wish to replace what is now classified as special revenue with general fund. The fund balance is one issue that has already been decided on, the other is whether or not to de-earmark the accounts.

Rep. Grady stated there should be some incentive out there for the institutions to maybe make a small amount of money, which would then be used to buy a piece of equipment. If they do not, it is eventually going to be a cost to the general fund anyway.

Rep. Peterson commented on the positive morale factor of the canteens, and suggested prices should be more in line.

Curt stated that a senior fiscal analyst indicated that what they want the committee to consider is not only de-earmarking these funds but to budget these operations out of the general fund and that really is what the proposal is. He used the Montana prison canteen as an operation that he thinks they need for all sorts of reasons. It's a morale issue for the inmates, it allows them or forces them to spend their own money on personal needs items they wouldn't have access to if it was not for the canteen. They do not want outsiders to send them things because that becomes a real security problem. If that canteen was de-earmarked and placed as a general fund obligation they are projecting to do about \$800,000 plus business in the course of 1 year that means they have to appropriate \$800,000 of general fund money to allow them to buy that amount of inventory to resell to the inmates. The concern he has is the impact on canteen operation.

Rep. Menahan asked if the inmates knew this was going back into the general fund would they steal more than they are stealing now. Curt did not think it would be an issue with the inmates. Their concern would be if they discontinued the canteen. They want them to spend their own money on things they need rather than the state supplying it. There is a problem wherein they benefit right now from the proceeds of that canteen, and he thinks they would want to recommend that if it was general fund totally that the inmates would still benefit from the canteen sale to a degree. That is an important aspect of that prison operation now.

Dan Russell, Administrator for the Corrections - Division, stated that if they have a markup of 3, 4 or 5% and after all the costs of the canteen are taken care of and that profit is reverted to the general fund, it would cause some problems with the inmates, and especially if there was no money going into their welfare fund. That fund benefits the general fund, as it funds a lot of purchases that might ordinarily have to be made with general fund.

Rep. Peterson moved that they do not de-earmark these canteen accounts in all the institutions.

Sen. Aklestad stated that they were more concerned about the prison and trying to keep up the morale than they were about the citizens they represent. As far as the money that is being re-instated if they were being subsidized then the money that is being used to buy mats etc. is state money. If you don't de-earmark this one then you are not going to de-earmark any of them in the state because this one will be easier. They have to justify the expenditures.

Rep. Menahan asked about subsidy and Dan Russell remarked that the only subsidy from the general fund to the canteen is when the general fund pays for some FTE. There is about an 8% markup on products in the canteen. It costs about 5% for the inmates to buy their supplies. That profit goes to the inmate welfare fund, which is being used for the benefit of the inmates. A lot of things they buy would otherwise have to be bought by the state. It is beneficial to them.

Rep. Peterson asked if they know how much that FTE costs, is there some kind of pay scale? She would be opposed to having a portion and she thinks this is a logical use of their own funds. The canteen system is better than what they had before.

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Sen. Aklestad made a substitute motion that the Institutions would be able to maintain their canteens as they do now but would not be able to sell the goods for less than cost. The motion passed.

ADJOURNMENT

Adjournment At: 9:25 a.m.


REP. WILLIAM MENAHAN, Chairman

WM/ms

1624.min

Exhibit 1

The following is a list of accounting entities for your subcommittee whose fund balances **WILL** be transferred to the general fund on June 30, 1989 in accordance with Section 17-2-111, MCA. Given that the fund balances revert each year, the Department of Administration and the Legislative Finance Committee have recommended that these accounts be de-earmarked and reclassified in general fund. The House Appropriations Committee has referred these recommendations to the appropriations subcommittees for consideration for de-earmarking.

Institutions Subcommittee

<u>A/E</u>	<u>Account Title</u>	<u>Agency Number</u>	<u>Agency</u>	<u>FY88 Fund Balance</u>
02035	MDC Donated Funds-Prevoc. Ctr.	6402	MT Developmental Center	-0-
02846	MDC Canteen	6402	MT Development Center	-0-
02914	OFA-Canteen	6404	Center for the Aged	11,844
02917	MSP-Canteen	6409	Montana State Prison	51,655
02918	SRYFC-Canteen	6410	Swan River Youth For. Camp	4,471
02919	SRYFC-Clothing Account	6410	Swan River Youth For. Camp	37,168
02920	Veteran's Home-Canteen	6411	Montana Veterans' Home	326
03113	Third-Party Reimb.-MVH	6411	Montana Veterans' Home	109,573
03932	Vet's Home Interest & Income	6411	Montana Veterans' Home	218
02921	MMS-Canteen	6412	Montana State Hospital	59,247
03933	MSH-Interest & Income	6412	Montana State Hospital	-0-

INSTITUTIONS AND CULTURAL EDUCATION SUBCOMMITTEE
EARMARKED ACCOUNTS

Exhibit 2

The following table shows revenue and expenditures in fiscal 1987 and 1988 of the state special revenue accounts identified by the Department of Administration.

Table 1
Revenues and Expenditures
Fiscal 1987-1988

Agency	Account	Fiscal 1987			Fiscal 1988		
		Revenue	Expenditures	Difference	Revenue	Expenditures	Difference
MT Develop. Center	Donated Funds - Prevoc. Ctr. Canteen	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
		-0-	-0-	-0-	-0-	-0-	-0-
Center for the Aged	Canteen	4,500	4,408	92	5,273	4,718	555
Montana State Prison	Canteen	484,040	489,900	(5,860)	602,172	626,581	(24,409)
Swan River	Canteen	23,062	22,925	137	24,558	25,051	(493)
	Clothing Account	24,032	24,627	(595)	23,189	27,338	(4,149)
Veterans' Home	Canteen	16,932	16,809	123	15,773	16,023	(250)
	Third Party Reimbursement	933,811	927,107	6,704	970,247	970,443	(196)
	Interest and Income	2,562	2,048	514	5,253	5,600	(347)
Montana State Hospital	Canteen	129,952	123,997	5,955	136,597	135,866	731
	Interest and Income	1,421	7,711	(6,290)	105	311	(206)

The following table shows the amount included in the executive budget and the LFA current level for each account in the 1991 biennium.

Table 2
LFA Current Level and Executive
1991 Biennium

Agency	Account	Fiscal 1990		Fiscal 1991	
		Executive	LFA	Executive	LFA
MT Develop. Center	Donated Funds - Prevoc. Ctr.	\$ -0-	\$ -0-	\$ -0-	\$ -0-
	Canteen	-0-	-0-	-0-	-0-
Center for the Aged	Canteen	7,335	7,335	7,335	7,335
Montana State Prison	Canteen	931,867	731,500	1,159,250	764,418
Swan River	Canteen	29,000	29,000	31,000	31,000
	Clothing Account	29,000	29,000	29,000	29,000
Veterans' Home	Canteen	20,764	20,764	20,764	20,764
	Third Party Reimbursement	950,000	926,247	950,000	935,568
	Interest and Income	5,600	5,600	5,600	5,600
Montana State Hospital	Canteen	145,304	145,304	145,817	145,817
	Interest and Income	311	311	311	311

1
2 INTRODUCED BY Sen. Albert B. Borman BILL NO. 78
3 BY REQUEST OF THE LEGISLATIVE FINANCE COMMITTEE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING STATE
6 SPECIAL REVENUE FUND ACCOUNTS THAT PERIODICALLY TRANSFER
7 THEIR UNOBLIGATED BALANCES TO THE GENERAL FUND; REQUIRING
8 MONEY IN THOSE ACCOUNTS TO BE DEPOSITED IN THE GENERAL FUND;
9 AMENDING SECTIONS 16-11-124, 17-2-121, 19-11-513, 19-11-514,
10 30-9-403, 30-10-115, 30-10-209, 33-2-708, 33-30-204, AND
11 33-31-212, MCA; REPEALING SECTIONS 17-2-122, 17-2-123,
12 19-12-302, AND 30-10-116 THROUGH 30-10-118, MCA; AND
13 PROVIDING AN EFFECTIVE DATE."

14
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 **Section 1.** Section 16-11-124, MCA, is amended to read:
17 "16-11-124. Disposition of license fees. (1) All
18 license fees collected under the provisions of this part
19 shall be deposited with the state treasurer in the
20 department's--cigarette--enforcement--account--in--the--state
21 special-revenue general fund.

22 (2) For the biennium beginning July 17, 1977, and--each
23 Each biennium thereafter, there shall be appropriated to the
24 department a--sum--deemed an amount justified and reasonable
25 to operate the department's cigarette enforcement division

1 providing--that--after--payment--of--all--pending--and--known
2 expenses--all--sums--so--appropriated--in--excess--of--\$7500--not
3 needed--for--the--administration--of--this--part--shall--be
4 transferred--to--the--state--general--fund--to--be--available--for
5 general--fund--purposes--Such--transfer--shall--be--made--within--15
6 days--of--the--last--day--of--the--biennium.

7 (3) All expenses charged against said--cigarette
8 enforcement--account the appropriation shall be justified by
9 itemized claims coupled with standard accounting reports."

10 **Section 2.** Section 17-2-121, MCA, is amended to read:

11 "17-2-121. Insurance-regulatory-trust-account Deposits
12 by insurance commissioner. (1) There is created in the state
13 treasury--an--account--within--the--state--special-revenue-fund
14 designated--"insurance-regulatory--trust--account"--to--which
15 must--be--credited--all All fees, and miscellaneous and
16 examination charges, but--not--fines, or penalties, or and
17 those amounts received pursuant to 33-2-311, 33-2-705, or
18 33-2-706, collected by the insurance commissioner pursuant
19 to Title 33 and the rules adopted thereunder must be
20 deposited in the general fund.

21 (2) The--money--so--received--and--deposited--in--the
22 insurance--regulatory--trust--account--may--be--paid--out--of--the
23 treasury--only--on--appropriation--made--by--the--legislature--as
24 provided--in--17-8-101--and--must--be--used--only--to--defray--the
25 expenses--of--the--insurance--commissioner--and--his--staff--in--the

VISITOR'S REGISTER

SUBCOMMITTEE

AGENCY (S) _____

DATE 1-19-89

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.