

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman ~~27~~ Jan Brown, on March 14, 1989, at 9:00 a.m.

ROLL CALL

Members Present: All present

Members Excused: None

Members Absent: None

Staff Present: Judy Burggraff, Secretary; Lois Menzies, Staff Researcher

HEARING ON SB 409

Presentation and Opening Statement by Sponsor: Sen. Delwyn Gage, Senate District 5, introduced the bill. Currently, the five members of the Board of Public Accountants serve concurrent three-year terms. This bill requires the members to serve staggered five-year terms and provides a mechanism to implement the staggered-term system. In addition, the bill provides a definition of the "practice of public accounting" for the purposes of the licensure and regulatory laws. The bill also provides that beginning July 1, 1997, a candidate for certification as a certified public accountant or licensing as a licensed public accountant must have at least 150 semester hours of credit.

Sen. Gage said that it is very difficult to earn 150 semester hours in four years. This will essentially add a fifth-year requirement for those who want to be come licensed or certified.

Testifying Proponents and Who They Represent:

Tom Harrison, Montana Society of Certified Public Accountants

Mike Holland, Legislative Chairman, Montana Society of Certified Public Accountants

Robert Bell, University of Montana

Proponent Testimony:

TOM HARRISON, representing the Montana Society of Certified Public Accountants, said that this bill resulted from a study by the Montana Society of Certified Public Accountants and also from a separate study undertaken by the Board of Public Accountants. Mr. Harrison said that the Board requested lengthening the Board terms and providing a definition of public accounting. The remainder of the bill is basically at the request of the Society. Both groups have studied the bill.

MIKE HOLLAND, Legislative Chairman of the Montana Society of Certified Public Accountants, presented written testimony (Exhibit 1) and a packet of materials entitled, "Why a 150 Hour Requirement?" (Exhibit 2).

ROBERT BELL, an intern for the Montana Society of Certified Public Accountants and a University of Montana student, presented written testimony (Exhibit 3).

Testifying Opponents and Who They Represent: None

Questions From Committee Members:

REP. NELSON asked how this bill would affect the senior citizens who are preparing tax returns for other senior citizens. Sen. Gage said that would be a determination that the Board would make. He said it is his understanding that those folks will not have to be licensed. This particular section of the bill does not say that they will have to be licensed. It says that "if you are now a licensed CPA or a licensed public accountant and are providing those services, you are determined to be in the practice of public accounting." Sen. Gage said that one of the concerns that he had was the Board might use this as a definition of a practicing public accountant in determining just what Rep. Nelson have voiced a concern over. He said that he was assured that was not the intention of this section of the bill.

REP. COCCHIARELLA asked if this would be a program that would be charged a "super tuition" by the Board of Regents. Don Habbe, from the University System, said the Board has taken no position on this particular bill and to the best of his knowledge there is no particular proposal before the Board or that is being contemplated for a special tuition for this program.

REP. ROTH asked if the additional 22 hours that would be required would be accounting credits. Mike Holland said they probably wouldn't be in accounting. The students are getting their accounting; what is lacking is their general education such as English courses, computer, finances and economics. Those courses are not being taken because they

have to devote too much time to their accounting courses. REP. ROTH asked why is the bill waiting until 1997 to implement this requirement. Mike Holland said that a committee of educators and CPAs arrived at that recommendation. He said he didn't recall why, except that it will give the universities enough lead time to consider whether they have any budget considerations. He said it will get the Montana students "on line" a little earlier than the national requirement.

REP. WESTLAKE asked if all licensed public accountants are university graduates. Mike Holland said that to be either a licensed public accountant or a CPA the law requires a university degree. There are some provisons for making exceptions to that. Sen. Gage said there were those that were "grandfathered" that may not be college graduates.

Closing by Sponsor: Sen. Gage said that Montana has the distinction of having one of the best business schools and graduates in the nation in the accounting fields. In some years, those who have taken the CPA exam after graduating from the University of Montana have been the tops in passing that exam. We think we need to stay in step with the nation so that graduates from that outstanding school won't have to go to another state that requires the additional hours and take additional credits before reciprocity is given to them in those states. We think it is a forward looking bill for the people that are going into the accounting field. He asked the Committee to concur in the bill.

DISPOSITION OF SB 409

Motion: REP. WHALEN moved SB 409 BE CONCURRED IN.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously.
Rep. Whalen will carry this bill on the House floor.

HEARING ON SB 60

Presentation and Opening Statement by Sponsor: Sen. Tom Beck, Senate District 24, introduced the bill. This is an agency bill requested by the Department of Administration. Under current law, the Department is required to review and approve all change orders up to \$5,000 involving contracts for the construction of a building costing more than \$25,000. This bill authorizes the Department to review and approve all change orders up to \$25,000; orders exceeding this amount must be approved by the Board of Examiners. In addition, the bill permits the Department to refer change

orders under \$25,000 that affect the project scope or other unusual change orders to the Board for its consideration.

Sen. Beck said that 90 to 95 percent of the change orders are between \$5,000 and \$25,000. All change orders, under current law, must go first to the Board of Examiners, then to the architects and the engineers and then to a number of people to make a change order. He said that this bill would speed up the process.

Testifying Proponents and Who They Represent: None

Testifying Opponents and Who They Represent: None

Questions From Committee Members:

REP. DEBRUYCKER asked if there is any limit to the number of change orders there can be. Sen. Beck said he does not recall there being a limit.

CHAIRMAN BROWN asked if there were any opponents to the bill at the Senate hearing. Sen. Beck said there weren't.

Closing by Sponsor: Sen. Beck said that this bill passed the Senate on a unanimous vote. He believes this is a good bill.

DISPOSITION OF SB 60

Motion: REP. CAMPBELL moved SB 60 BE CONCURRED IN.

Discussion: REP. PHILLIPS said that he was concerned about the bid coming in low, and then you can turn the job around into what you want with \$25,000 change orders.

REP. ROTH said that if the bill passes, and we go from \$5,000 to \$25,000 without the review process, it doesn't take very long before you're talking about real money. He said there shouldn't be much variation from the bid without a very valid reason. Rep. Roth said he felt they should go through the auditing process to do that.

REP. GERVAIS said he agreed.

Amendments, Discussion, and Votes: REP. NELSON said he is in agreement with \$25,000 being excessive, but that \$5,000 is too small due to the costs of materials, labor and so fourth. He moved to change \$5,000 to \$10,000.

REP. DEBRUYCKER said he would go along with the amendment. He thought that there should be a limit on the number of change orders made before they have to go through the audit process.

REP. WHALEN said he agrees, but he is concerned about the splitting of change orders. He said that "maybe right now they are getting around the \$5,000 limit by splitting the orders in half."

REP. COCCHIARELLA said that the bill states in (d) that the Department of Administration has to review and approve those changes and then the Board of Examiners can also review the changes if they seem to be out of line. So it seems that those change orders go through at least one review and possibly two reviews. It seems that the cap would not be necessary.

H. S. "Sonny" Hansen, a lobbyist for the State Architects, said that when a change order is offered for consideration in the Architects and Engineering Division, they review it, approve it and then try to get the Board of Examiners to approve it. That can take from six to seven weeks. By that time, during the construction process, things have ground to a halt. The contractors have been coming back and asking for extras because of delay in contract.

REP. WHALEN asked what checks are in the system that the Committee may not be aware of to keep contractors and the state government from getting out of hand. Mr. Hansen said that when a contractor is remodeling you run into a large number of change orders because you do not know what is in a wall. At that point, the contractor is asked to submit the prices, and they must be broken down as to material and labor. The function of the Architecture and Engineering Division is then to analyze that. The results of how a contract is administered is subject to audit. He said that there is a budget in the bid process, and at no time can the architects and engineers exceed that amount even with change orders.

REP. ROTH said he didn't understand how the change order system works as well as he should have. He said that he feels now that the amendment probably isn't necessary as long as they can't go over the actual value of the contract. This bill would just give them more freedom to make adjustments within the contract.

A roll call vote was taken on the amendment. The motion
FAILED 13 - 4.

Recommendation and Vote: The motion that SB 60 BE CONCURRED IN
CARRIED 15 - 3, Reps. DeBruycker, Nelson and Phillips voting
no. Rep. Campbell will carry this bill on the House floor.

HEARING ON SB 401

Presentation and Opening Statement by Sponsor: Sen. Joseph Mazurek, Senate District 23, Helena, introduced the bill at the request of the Board of Regents and the Commissioner of Higher Education. This bill permits the Board of Regents to request from any state or local government agency information that would assist in the collection of delinquent student loans. State and local government agencies must supply the Board with the requested information and any information regarding the location of the debtor. Furthermore, the bill specifically authorizes the Department of Revenue to furnish such information.

Sen. Mazurek said that the Montana University System operates a guaranteed student loan program as a middle man between the federal government, the local banker and the student borrowing the money. If the student defaults, the bank is not out the money because the Montana University System, through the federal guarantee program, has agreed to repay the bank. It is important that these loans are collected because the rate of reimbursement by the federal government to the state for the program is dependent upon the percentage of collection that the guaranteed student loan program has. As the rate of default increases, the percent of reimbursement that Montana receives from the federal government drops. The bill, as originally introduced, would have required the state and local government entities to provide relevant information regarding the location, income or property of the debtor. The Senate substantially limited the bill so that the only information that can be obtained from the Department of Revenue would be the location of a debtor.

Testifying Proponents and Who They Represent:

Leroy Schramm, Legal Counsel, Board of Regents

Proponent Testimony:

LEROY SCHRAMM, Legal Counsel with the Board of Regents, said the Board of Regents oversees the guaranteed student loan program. He said that the Board is obligated to buy any defaulted loans from the banks at face value. This is what keeps the whole program going. No bank would give a student loan to a 19 or 20-year-old student with no credit record or collateral unless the loan was guaranteed. Mr. Schramm said that every loan of the guaranteed student loan program that we buy is already in default. A good portion of what they are doing is not only applying to the federal government to get reimbursement for the loan, but they are obligated by the federal government to get the loan repaid. The first thing you have to do is find the debtor. This bill will assist us in doing that. If the default rate gets above five percent, then the federal government stops

reimbursing the Board of Regents the full amount. Then the state program begins to lose money. On the national level, the default rate is a big issue right now. Montana has a low default rate compared to most other states, and we would like to keep it that way.

Mr. Schramm said that the information from the Revenue Department is likely to be more correct than most other sources.

Testifying Opponents and Who They Represent: None

Questions From Committee Members:

REP. ROTH asked if only the name and address will be accessible from the Department of Revenue under this bill. Sen. Mazurek said yes.

REP. WESTLAKE asked if the bill only deals with students that have defaulted and are living in the state. Sen. Mazurek said yes.

REP. GERVAIS asked if the Department of Revenue has experienced any problems with privacy acts. Sen. Mazurek said not that he is aware of. The purpose of the statute is to give specific legislative approval so that "one doesn't run afoul of the privacy statutes."

REP. DEBRUYCKER asked if he had a student loan, defaulted and moved out of state then this bill would not try to find him. Sen. Mazurek said that regardless of where the student is, they would still try to find him/her. When we start the collection process in Montana, we want to zero in on students we have located. For students that we are unable to locate, we turn over the names to collection agencies, who have offices around the United States and have skip-tracing methods; they attempt to do the collection for us. REP. DEBRUYCKER asked if there is a statute of limitations on student loans. Sen. Mazurek said that he assumes that the standard statute of limitations on any written agreement would apply and that would be eight years from the date of default.

Closing by Sponsor: Sen. Mazurek said that if the default percentage drops to 10 percent, then the amount that can be collected from the federal government drops to 90 percent. The general fund then makes up the difference. If the state of Montana is loaning students money to go to college, they ought to pay it back. This bill will give the Board of Regents information that may assist them in their collection efforts.

DISPOSITION OF SB 401

Motion: REP. SPRING moved SB 401 BE CONCURRED IN.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously. Rep. Spring will carry the bill on the House floor.

HEARING ON SJR 5

Presentation and Opening Statement by Sponsor: Sen. Ethel Harding, Senate District 25, Polson, introduced the resolution. This resolution urges the Governor to join with the citizens of Montana and the department heads of state agencies to set aside one minute on June 14, 1989, at 7 p.m. eastern standard time to allow individuals to recite the Pledge of Allegiance and encourage them to participate in their local community's program honoring National Flag Day and the Pause for the Pledge Program.

Sen. Harding said the bill was brought to her by a high school student, Allison Hughes, from Polson who won a contest and had the opportunity to attend the nationwide program in Fort McHenry in Baltimore, Maryland, last year. Sen Harding said that there is a program in the state of Montana, in conjunction with the Governor's office and the Office of Public Instruction, to participate with school districts throughout the state. They select and send a high school student to Baltimore, Maryland, each year to participate in The Pause for the Pledge Program. It is held during the week of June 14.

Testifying Proponents and Who They Represent:

Terry Teichrow, Education Liaison, Office of Public Instruction

George Poston, United Veterans Committee

Valerie Larson, Farm Bureau

Hal Manson, American Legion

John Sloan, Commander of the Local Chapter, Military Order of the Purple Heart

John DenHerder, Department of Montana Disabled American Veterans

Proponent Testimony:

TERRY TEICHROW said he is the education liaison for the Pause for the Pledge Program in Montana. He said that in 1975, Public Law 99-54 was passed by Congress and signed by President Reagan. The law supports the Pause for the Pledge of Allegiance as part of the ceremony on June 14, which is national Flag Day. There is an organization in Baltimore that functions as the educational body that produces a program. A student from every state and a liaison are taken to Baltimore for a five-day historic program. It is all based around the United States history that occurred during the wars in the eastern part of the country and the defenses that we put up. The best part of the program is the support that the organization provides. It is a first-class program. The participants are treated as royalty. He asked for the Committee's support. Mr. Teichrow read Allison Hughes' letter as she was unable to make the hearing because of the weather (Exhibit 3A).

GEORGE POSTON, representing the United Veterans Committee, said that they are for this program. He said, "The Pledge to the Flag starts with experience. This is experience that brings these students respect for their flag. This brings respect for their country." He urged the Committee's support.

VALERIE LARSON, representing over 3,600 Farm Bureau members, presented written testimony (Exhibit 4).

HAL MANSON, representing the American Legion, said that they feel quite strongly about this bill. He said that they support any education we can give to the children, and the adults, in regards to patriotism and our country's flag and well being. We think this is a good program.

JOHN SLOAN, Commander of the local chapter of the Military Order of Purple Heart, the only Congressionally chartered organization, strictly combat wounded veterans, said that he strongly supports this bill and hopes that the Committee will act favorably upon it.

JOHN DENHERDER said he was from the Department of Montana Disabled Veterans. He said that he strongly supports SJR 5, and he hopes that the bill can be amended to put a flag in each classroom in the state of Montana.

Testifying Opponents and Who They Represent: None

Questions From Committee Members: None

Closing by Sponsor: Sen. Harding thanked the Committee for the hearing. She said that she was impressed when Allison Hughes wanted this resolution as it is great when young people become involved in government.

DISPOSITION OF SJR 5

Motion: REP. PHILLIPS moved SJR 5 BE CONCURRED IN.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously. Rep. Phillips will carry the bill on the House floor.

HEARING ON SB 427

Presentation and Opening Statement by Sponsor: Sen. Tom Rasmussen, Senate District 22, Helena, introduced the bill. In 1987, the Legislature enacted a "sunrise" law concerning the establishment of new boards that regulate and certify or license an occupation. This bill, requested by the Senate State Administration Committee, proposes several revisions to the "sunrise" law. For example, it exempts from review by the Legislative Audit Committee any agency, profession or occupation that is required to be licensed or regulated by federal law. The bill requires the Legislative Audit Committee to hold at least one public hearing on a proposal to establish a new board. It also reduces the application fee for review by the Committee from no more than \$6,500 to a flat \$500.

Sen. Rasmussen said he never felt that the "sunrise" law was correct, and he has wondered if it is even constitutional. He said no one went through this procedure in the interim between the 1987 and 1989 session. He said that there have been a lot of problems this session with different licensing bills getting "hung up" because of the "sunrise" law. He said he really thinks the best thing to do would be to repeal the "sunrise" law. Part of the problem is the \$6,500 fee that a group must come up with before they can start the process. He doesn't think it is fair that some people have to pay \$6,500 to get into the legislative process when everybody else just has a bill drafted to start the process.

Testifying Proponents and Who They Represent:

Michael Bergkamp, Naturopathic Association

Gene Huntington, Montana Dietetic Association

Proponent Testimony:

MICHAEL BERGKAMP, representing the Naturopathic Association, said that they support SB 427. His group attempted to go through the licensing process this year, but they couldn't afford the \$6,500 fee. They had to make a decision whether they could afford the fee or make a competent lobbying effort before the Legislature because they didn't have money to do both. They decided to go ahead and hire a good lobbyist, fly in the expert witnesses and carry out the legislative process. Mr. Bergkamp asked the Committee to consider the \$500 fee as being a much more appropriate and fair fee as it is something that everyone can afford. The way the fee is now, it actually limits groups like the Naturopathic Association that has limited funds. He asked the Committee for their support of the bill.

GENE HUNTINGTON, representing the Montana Dietetic Association, said we support this bill. Last session there was a bill that licensed nutritionists and created registered dietitians. As a result of that process, the dieticians became converts to the "sunrise" process and supported it in the last session. As a result of the systematic process that they went through with the Department of Commerce, their licensing didn't result in another board but was assigned to the Board of Medical Examiners. Mr. Huntington said we have supported the "sunrise" law and have opposed efforts to repeal it. He said that this bill is a good compromise and addresses some of the problems that may be difficult for people to comply with.

Testifying Opponents and Who They Represent: None

Testifying as Neither an Opponent Nor an Opponent:

John Northey, Legislative Auditor's Office

Testimony:

JOHN NORTHEY, from the Legislative Auditor's Office, said that there is no entity that completed the "sunrise" process during the last interim period. The current law requires a fee of up to \$6,500 to be paid to cover for the cost of the review to be conducted under the current law. The Attorney General ruled that fee is mandatory and cannot be waived by the Audit Committee. The Naturopaths came in and felt that they could not raise the fee so they couldn't comply with the "sunrise" law. He said he wanted to point out that the fiscal note that the Committee received is totally

inaccurate except for one aspect. It says fiscal impact, "none." That is true for the Department of Commerce, but the department has nothing to do with "sunrise." He said he does not know where the fiscal note came from. He said that his office, which is responsible for carrying out the functions under the "sunrise" law, was not contacted and a fiscal note was not requested from our office. He said that as the bill is currently structured, the Audit Committee would be required to hold a public hearing and then complete a report to the Legislature on the results of that hearing. The requirements for conducting an audit of the entity under the "sunrise" law would be deleted under this bill. The Committee would not have to go through the detailed findings that were required under current law. The amendments as proposed in this bill would throw that burden back on the applicant who would then come forward to the Committee with that information. The Committee would then make a report to the Legislature. It would streamline the process significantly; however, it is not without cost. There will still be cost to the office and to the applicant.

Questions From Committee Members:

REP. NELSON asked if the \$500 fee would be sufficient to cover the public hearings and the reports that would be required. Mr. Northey said that they would have to live with it. He said that they don't know as it would depend on the nature of the applications. He said that they will probably work with the Appropriations Committee if this bill passes to have some type of a line item appropriation put in the bill for these reviews.

REP. WESTLAKE asked if the fee would be deposited in the general fund. Mr. Northey said that it does not matter to the Auditor's Office if the fee goes to the general fund. The problem that the Auditor's Office ran into initially with the \$6,500 fee is that when an applicant comes in and wants the "sunrise" review performed, the auditor's staff and the Committee do the review and come up with a report to the Legislature. If the Legislature says, "this is crazy, we don't recommend it," you're never going to collect that money from the applicant."

Mr. Northey said he concurs with Sen. Rasmussen's comments concerning the constitutionality of the "sunrise" law. He said it is his personal professional opinion as an attorney that there is a question as to the constitutionality of the "sunrise" process because it puts prior restraints on any one of you introducing a bill the way the law is currently written. If you don't comply with "sunrise," you can't introduce a bill.

Closing by Sponsor: Sen. Rasmussen said that he concurs with any of the technical amendments that Lois Menzies recommends (Exhibit 5) as long as they don't change the substance of

this bill. He said that we have had a couple of bills just go through the house, which exempted some acts from "sunrise." He said he isn't sure as to where the "sunrise" law is right now as we appear to be able to ignore it whenever we want to. Sen. Rasmussen thinks that for at least the next two years that this bill would put some rationale into the system and asked for the Committee to concur in the bill.

DISPOSITION OF SB 427

Motion: REP. WHALEN moved SB 427 BE CONCURRED IN.

Discussion: None

Amendments, Discussion, and Votes: REP. WHALEN moved the sponsor's amendments (Exhibit 5). The motion CARRIED.

REP. NELSON said that he is concerned that \$6,500 is too high and \$500 "is a mere pittance" for the amount of work that could have to be done on the applications. REP. NELSON moved that line 23, page 8, be amended to \$2,000 and include a provision that the fee must be used by the Committee to pay the costs of the review and the unused portion must be refunded to the applicant.

REP. WHALEN said he agrees wholeheartedly with John Northey that this "sunrise" law is probably unconstitutional. He said it does represent a prior constraint on an individual being able to introduce legislation. For that reason, he said he opposes the amendment and supports whatever fee is in the bill until we can get it completely stricken from the books.

REP. WESTLAKE said he supports Rep. Nelson's position on this. He said it does have a value. It will cause people to really consider the importance of what they're trying to do. A couple of thousand dollars, with the reimbursement clause, will definitely protect the state against some frivolous type attempts. He said he "thinks there needs to be some kind of a handle on this thing."

REP. WHALEN said he doesn't think you can start charging people a fee to introduce legislation. He said that a single type of legislation has been singled out and penalized. This bill attempts to ameliorate some of the objectional parts of the "sunrise" process.

A roll call vote was taken on the amendment. The motion CARRIED 9 - 8.

Recommendation and Vote: REP. NELSON moved SB 427 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously. REP. NELSON will carry the bill on the House floor.

DISPOSITION OF HB 357

Motion: REP. WHALEN moved to take HB 357 OFF THE TABLE.

Discussion: REP. WHALEN said that he would like the Committee to further consider this bill. This is the bill that Rep. Phillips introduced to raise the salary of the State Auditor and Secretary of State. Initially that bill was assigned to a subcommittee. We never met. This bill ultimately was tabled. He said that he had talked with Rep. Moore and Rep. Phillips who are on the subcommittee this morning and we have some amendments to propose. We would like to raise the salaries of about a dozen elected officials by an approximate amount of \$100,000. In addition to that, he said, we would coordinate the passage of this bill with one of the state employee pay raise bills that had a meaningful amount of money in it. For convenience, we would like to coordinate it with Rep. Menahan's bill. REP. WHALEN said there is no question that elected officials need a pay raise. In virtually all categories, our people are at the bottom five percent as far as pay goes. There are people working, for instance, in the State Auditor's Office that are being paid \$15,000 more than the State Auditor is being paid.

CHAIRMAN BROWN said it is difficult for the Committee to deal with this bill without having the bill before them.


REP. ROTH said that he remembers the bill, and he thinks that everyone remembers the bill. He said he doesn't think it needs to be taken off the table.

REP. DEBRUYCKER asked Rep. Whalen if we give them the raise, where are we going to get the money. REP. WHALEN said he cannot answer that question specifically. He said we are in a position where we are going to have to be raising money to fund the school foundation program and to give state employees a raise. There is no question that the money will have to be raised. This bill only has a fiscal impact of about \$100,000 per year.

REP. WHALEN requested that Lois Menzies prepare the amendments for the bill and distribute a copy of the bill and the amendments for the Committee's next meeting.

ADJOURNMENT

Adjournment At: 10:47 a.m.



REP. JAN BROWN, Chairman

JB/jb

5914.min

DAILY ROLL CALL

STATE ADMINISTRATION COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date March 14, 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Jan Brown, Chairman	✓		
Rep. Helen O'Connell, Vice Ch.	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Ervin Davis	✓		
Rep. Floyd "Bob" Gervais	✓		
Rep. Janet Moore	✓		
Rep. Angela Russell	✓		
Rep. Carolyn Squires	✓		
Rep. Vernon Westlake	✓		
Rep. Timothy Whalen	✓		
Rep. Bud Campbell	✓		
Rep. Duane Compton	✓		
Rep. Roger DeBruycker	✓		
Rep. Harriet Hayne	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Rande Roth	✓		
Rep. Wilbur Spring, Jr.	✓		

STANDING COMMITTEE REPORT

March 14, 1989

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Mr. Speaker: We, the committee on State Administration report that SENATE BILL 409 (third reading copy -- blue) be concurred in .

Signed: Jan Brown
Jan Brown, Chairman

[REP. WHALEN WILL CARRY THIS BILL ON THE HOUSE FLOOR]

STANDING COMMITTEE REPORT

March 14, 1989

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Mr. Speaker: We, the committee on State Administration report that SENATE BILL 60 (third reading copy -- blue) be concurred in.

Signed: Jan Brown
Jan Brown, Chairman

[REP. CAMPBELL WILL CARRY THIS BILL ON THE HOUSE FLOOR]

STANDING COMMITTEE REPORT

March 14, 1989

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Mr. Speaker: We, the committee on State Administration report that SENATE BILL 401 (third reading copy -- blue) be concurred in .

Signed: Jan Brown
Jan Brown, Chairman

[REP. SPRING WILL CARRY THIS BILL ON THE HOUSE FLOOR]

STANDING COMMITTEE REPORT

March 14, 1989

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that SENATE JOINT RESOLUTION 5 (third reading copy -- blue) be concurred in .

Signed: Jan Brown
Jan Brown, Chairman

[REP. PHILLIPS WILL CARRY THIS BILL ON THE HOUSE FLOOR]

STANDING COMMITTEE REPORT

March 14, 1989

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that SENATE BILL 427 (third reading copy -- blue) be concurred in as amended.

Signed: Jan Brown
Jan Brown, Chairman

[REP. R. Nelson WILL CARRY THIS BILL ON THE HOUSE FLOOR]

And, that such amendments read:

1. Page 7, lines 15 and 16.

Strike: "of" on line 15 through "estimates" on line 16

2. Page 8, line 3.

Strike: "petitioners'"

3. Page 8, line 23.

Strike: "\$500"

Insert: "\$2,000. The fee must be used by the committee to pay the cost of the review, and any unused portion must be refunded to the applicant"

MONTANA SOCIETY OF CPA'S
TESTIMONY - SENATE BILL 409
ACCOUNTANCY REGULATION

- I. Lengthening Board terms
 - A. It takes Board members two years to become familiar with the issues, rules, and the nature of their jobs, leaving them one year to be an effective member.
 - B. There is a small bank of accountants who are both qualified and willing to serve as Board members.
 - C. For that reason, many, if not most, serve 2, 3-year terms, or 6 years.
 - D. Arguably, therefore, the bill reduces the Board members' terms from 6 years to 5.
- II. Definition of the "practice of public accounting"
 - A. The Board has encountered difficulties enforcing the accountancy statutes and its rules, because the law fails to define the practice of public accounting.
 - B. The proposed definition has general acceptance:
 1. It is currently in the administrative rules.
 2. It is the model language recommended by both
 - a. the professional organizations and
 - b. the National Association of State Boards of Accountancy.
- III. 150-hour education requirement
 - A. What
 1. The proposal would require a candidate for the CPA examination after July 1, 1997 to have 150 semester hours, compared to the "normal" 128 hours required for a Bachelor's degree.
 - B. Why
 1. The expansion of the body of knowledge required of CPA's has been referred to as an explosion; that's an understatement.
 2. The 150-hour requirement was adopted by the American Institute of CPA's, an organization of 250,000 CPA's, by an 82% vote.
 - a. Membership in the AICPA is a requirement for employees of most CPA firms, and increasingly required by clients and governmental agencies who hire or contract for the services of CPA's.
 - C. When
 1. The proposal has been advocated by CPA's since 1959.
 2. Seven states have already enacted the requirement.
 - a. Florida, Hawaii, Tennessee and Utah have already implemented the requirement.
 3. By the year 2000, 150-hours will be required for

AICPA membership.

4. **Our proposal would be effective for students graduating after July 1, 1997.**
- D. The proposal is supported by**
1. **The Montana Board of Public Accountants**
 2. **The Montana Society of Certified Public Accountants**
 3. **Accounting students**
 4. **Accounting faculty**
 5. **Just about everyone who has become familiar with the problem**
- E. Are there obstacles?**
1. **The proposal is advanced now so that the CPA's, the university administrations and the legislature will have adequate time to prepare for the expense and effort required to implement the proposal.**

MONTANA SOCIETY OF CPA'S

TESTIMONY ON THE 150 HOUR REQUIREMENT

What it will do:

- Allow Montana accounting students to broaden their education
 - in English, Computers, Economics, Finance, and general education
- Reduce pressure for students who now try to finish college in 4 years
- Allow Montana accounting graduates to compete for jobs
- Allow Montana accounting graduates to join their professional organizations
- Cost approximately \$170,000 per year if every accounting student completes the 150 hours

What it won't do:

- Require a Masters degree
- Change the requirements for a Bachelor's degree
- Require the universities to add courses or change curriculum
- Require the universities to add faculty
- Specify any specific curriculum
- Require students to remain in college more than one additional semester

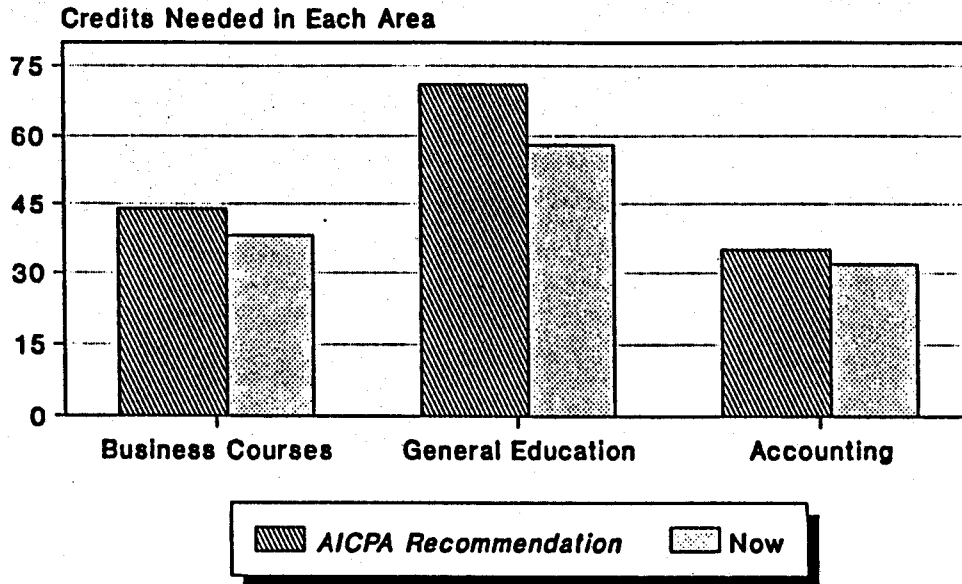
What if we don't:

- Montana accounting graduates will be unable to obtain licenses as CPA's in other states
- Our outstanding accounting schools will lose their excellence and will be reduced to graduating second class accountants
- Montana students will be motivated to attend out of state schools with professional accounting programs
- Montana CPA examinations will be overrun with nonresidents wishing to obtain a certificate as a professional designation, but who won't need to be licensed by another state

Help us plan ahead, help us prepare our professional accounting schools and future accountants. Thank you for your support of Senate bill 409.

1069

Why a 150 Hour Requirement? 150 Hour Education Proposal...

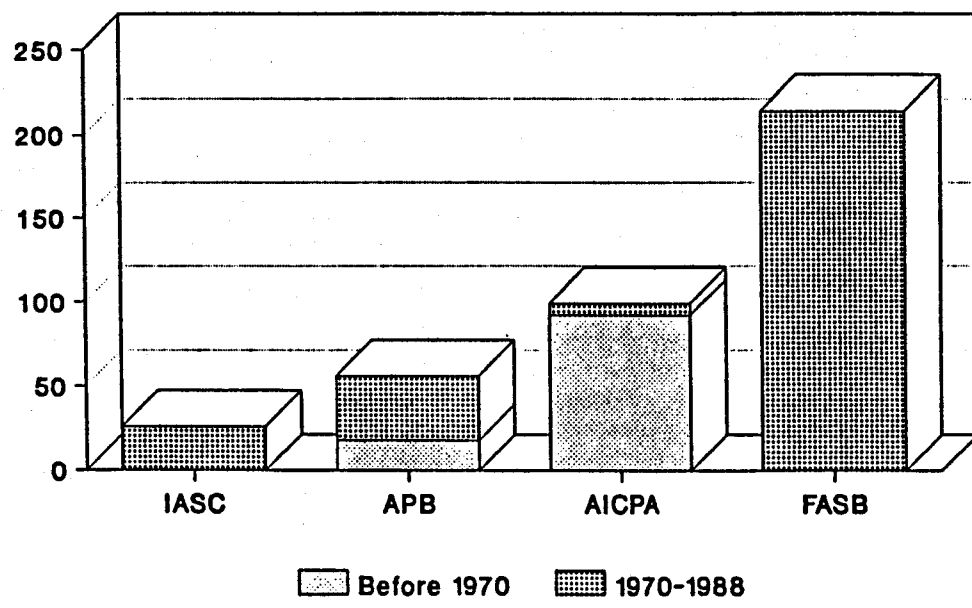


Now: 128 Semester Hours Total
AICPA Recommendation: 150 Hours Total

Ex #2

20/9

An Increasingly Complicated Field... Total Pronouncements to be Mastered



Data Table on Next Page

Ex #2
329

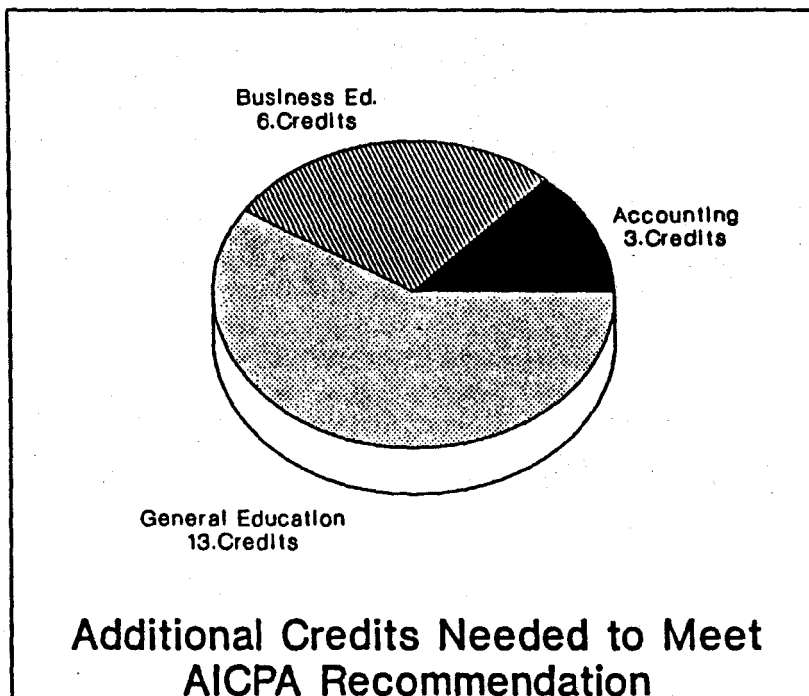
**Authoritative Pronouncements Issued
in Accounting and Auditing**

<u>Accounting</u>		<u>Before 1970</u>	<u>1970-88</u>
AICPA	Accounting Research Bulletins	51	0
	Standards of Accounting & Review	0	4
	Standards for Management and Advising Services	0	3
APB	Opinions	15	16
	Interpretations of Opinions	0	21
	Statements	3	1
FASB	Statements of Standards	0	99
	Interpretive Opinions	0	38
	Statements of Concepts	0	6
	Technical Bulletins	0	45
IASC	International Accounting Standards	0	26
<u>Auditing</u>			
AICPA	Statements on Auditing Standards	0	61
	Statements on Auditing Procedures	41	13
IFAC	International Acct. Guidelines	0	26
<u>TOTAL</u>		<u>110</u>	<u>359</u>

AICPA	American Institute of CPAs
APB	Accounting Principles Board
FASB	Financial Accounting Standards
ASC	International Acct. Standards Comm.

Ex #2
4 of 9

A Breakdown by Category...
Where is More Education Needed?



Ex. #
5 of 9

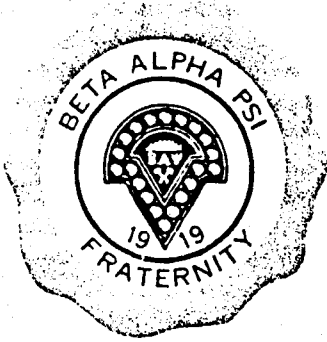
Educated Professionals... Minimal Cost

	Total by School		#Students		
MSU	\$27,670,172	/	9,248	=	\$2,992
UM	23,162,841	/	8,008	=	2,893
EMC	8,464,391	/	3,198	=	2,647
	<u>\$59,297,404</u>	<u>/</u>	<u>20,454</u>	<u>=</u>	<u>2,899</u>
					X 60 FYFTE
General Fund Expenditure				\$	173,940

Preliminary data suggests that accounting students would not have to attend for an additional full year. Most students are already attending for 14 quarters (4 2/3 years) before graduation.

March - 9 1989

ex #2
6 of 9



BETA ALPHA PSI

The National Accounting Fraternity

Delta Kappa Chapter

Beta Alpha Psi
U of Montana
School of Business
Missoula, MT 59812

March 1, 1989

Mr. Rob Bell
Montana Society of CPA's
P.O. Box 138
Helena, MT 59624-0138

Dear Mr. Bell:

As president of Beta Alpha Psi, I am writing in response to the proposed 150 semester hour requirement to become a certified public accountant in the state of Montana. Beta Alpha Psi is a national accounting fraternity composed of the most outstanding accounting students in the country. Approximately seventy students belong to the Beta Alpha Psi chapter at the University which represents about one half of the students in the University's accounting curriculum.

The members of Beta Alpha Psi are in support of the proposed requirement. We feel the requirement will allow a Montana certificate to remain desirable. Additionally, with the incorporation of this requirement into the University's accounting curriculum, the accounting program will maintain its present status in the state of Montana and the country.

Sincerely,

Duane A. Portwood
President, Beta Alpha Psi

DAP/mjb

Ex #
02
7067

DONALD J. MCMILLAN
110 South Bozeman Avenue
Bozeman, MT 59715
406-586-3914

March 8, 1989

Mel McFetridge
Assistant Professor
College of Business
Montana State University
Bozeman, MT 59717

Dear Mr. McFetridge:

As we discussed, please present my comments concerning the proposed five year education certification requirement for practicing accountants in Montana (Senate Bill 409).

I received a B.S. degree in Metallurgical Engineering from Montana School of Science & Technology in 1961. Following that, I worked twenty-five years in the aluminum reduction industry, twenty-two years in a management capacity.

Starting winter quarter of 1986, I returned to Montana State University and will receive my B.S. degree in Business Accounting, the end of winter quarter, 1989. In May of this year I will take the CPA examination.

I think you will agree that I represent a unique perspective of higher education. I want to take this opportunity to reflect my opinion concerning the proposed five year education certification requirement. However, I first want to compliment the accounting staff at MSU for providing me with what I feel is a solid foundation in accounting.

After weathering the rigors of the MSU accounting curriculum, I can testify that the accounting material covered is extensive and obviously growing each year at a tremendous rate. It is very difficult to absorb such volumes of material in a four year program. Most students I talked to take over four years now! I feel more learning time will be needed in the future to adjust to this fast growing pace of accounting material.

As an experienced manager observing students, the greatest weakness I see is their reading, writing and speaking skills. More time is needed in this area to compliment their technical skills. The ability to articulate and communicate in the business world is critical.

Ex. #2
8 of 9

I strongly urge our state lawmakers to accept and implement Senate Bill 409. Montana schools now produce credible and qualified accountants. However, I feel the State of Montana should enhance quality of accounting practice for our state. Also, enhanced preparation of our state accounting graduates is necessary to allow them to be more competitive in the workplace.

Students are more perceptive and serious concerning their education and career goals than most people may think. A serious student will quickly observe that he will be better prepared and able to compete in the business world, if he is part of a five year program versus a four year program. Quality in the market place will be of just as much importance to the university system as it is to the business world.

In closing, I would like to also mention some factors not often considered:

1. Many students work partime.
2. Many students are married and have families. Sometimes both are working toward a degree.
3. Many students are on financial aid.
4. Many students are single parents with children.

This is not an easy struggle for them and course structure does not accommodate them very well. I feel the proper approach to a five year program will make this a more realistic learning environment for them. Don't forget this market, it is growing and for the most part they are serious and enhance the learning environment for higher education.

I should also mention that I am one of the fortunate. Married, family raised, don't have to work, and have ideal study conditions. However, it still was a demanding experience.

Sincerely,



Donald J. McMillan

ex. #
989

March 8, 1989

Montana Legislators
Helena, MT

Dear Legislators,

It has been brought to my attention that a bill has been presented to you to change the Accounting Program at Montana State University to a five year program from the present four year program. As a sophomore currently enrolled in the Accounting Program I fully support such a change. By the time this plan takes affect I will have graduated. However, I would still like to take this opportunity to give you a student's perspective of this plan and the benefits of the five year program.

Even though the Accounting Program is now officially a four year program, it will take me and the majority of my classmates four years and two quarters to receive a degree. Most accounting majors take the CPA Exam upon graduation. In order to take the review courses for this exam at the appropriate time, we presently have a choice: attend summer session or stretch the "four year program" over five years. Neither choice is bad or good in itself. It simply is a decision we make to suit our goals and needs.

Another reality of our world is that the business community and how it operates is forever changing. Today's accounting students must adapt to these changes. There is a greater focus on International Business, the Financial Accounting Standards Board (FASB) is continually publishing new standards concerning the technical aspect of our field, and the job market is becoming more and more competitive. It is becoming very difficult to learn the material that we need in this competitive world within the four year time frame. One can only take so many classes each term. The AICPA has recognized this and has taken steps to require graduation from a five year program of its new members after the year 2000.

Montana State University has an excellent Accounting Program. One of the best in the nation as evidenced by the students' success on the CPA Exam over the past ten years. This is why, as a native Montanan, I chose to attend MSU instead of going out of state to attend university. One of the best accounting programs in the nation was, and still is, in our own backyard. However, the cliché "if it ain't broke, don't fix it" doesn't hold true in this case. We must adapt to continue to be competitive in the future.

Sincerely,

Gary R. Englert
Gary R. Englert

Vice President-Beta Alpha Psi/Accounting Association

EXHIBIT 3
DATE 3-14-89
FILE 409

NOTES FOR HEARING

102

Mr. Chairman, Members of the Committee:

1) Introduce self

Intern for MSCPA & Student at the University of Montana
Both capacities speaking today.

2) Once a business major at UM

Changed my major because of exactly the dilemma this bill
addresses.

As a business finance student, found that I was not taking
many classes outside the business school. Not learning about
the complicated world which surrounds every company.

As you well know, Politics, and many other fields--
technology, communications, ethics-- all affect the business
environment. Yet, my education as a Finance major only
touched on what I consider to be cornerstones for any public
or private sector enterprise. This problem is even more
pronounced for accounting students. Their tight graduation
requirements and challenging course load allow them time for
only minimal class experience outside the school of
accounting.

The 150 hour requirement would alleviate the strong pressures
to graduate in four years, and would thus free acct students
up to take classes outside the limits of their profession's
focus.

But that is not the only benefit of this bill. Last Saturday
in Missoula, I had the chance to speak with a friend of mine--
Doug Nicholson-- about the 150 Hour requirement. As an
accounting student, Doug strongly supported the idea of
increasing the credit hours required to graduate. He said "I

am under so much stress" I just wish I had time to do all my accounting.

This bill would allow Doug and other acct majors to spread their difficult course work over additional semesters. By reducing the pressures put on them by an extremely challenging accounting curriculum, students could learn better in the classes they are taking.

In fact, the only reason a student might not support this bill, would be the additional cost of extra time spent at school. However, compare this with the "price" of not being able to compete in a highly educated, professional work force, or worse yet, compare it to the cost of not being able to get licensed in states other than Montana. Suddenly the "cost" of one extra semester seems pretty small.

*FURTHER - MOST STUDENTS ARE TAKING AROUND
150 anyway - 138 - 12 credits from seniors*

This is an excellent bill. It keeps Montana's graduates in pace with the rest of the nation and the accounting profession. All the students I have spoken with have agreed with this bill. In fact, we expect to receive letters of support from both MSU and UM's accounting students within the next few days.

I strongly urge you to give this bill a do-pass. It will be a step forward for both students and the accounting profession.

EXHIBIT 3A
DATE 3-14-89
~~SER~~ 5

February 10, 1989

Senator Ethel Harding
Montana Senate
State Capitol
Helena, MT 59620

Dear Senator Harding and Committee Members:

I apologize for not being in Helena to be before your committee and to personally lend support for the resolution regarding Flag Day and the Pause For The Pledge Program.

I had the opportunity to represent Montana at National Flag Day activities last June in Baltimore, Maryland. This was an extraordinary experience for me and one that I wish each Montana student could enjoy. It was with that thought that this resolution is presented, because it can help make the citizens of Montana more aware of the ceremony that takes place in Baltimore, Maryland, as well as the ceremony which will take place at our State Capitol next June 14th.


It is difficult for me to express in a letter the sense of patriotism that was felt while at Fort McHenry and the sense of pride that I felt in representing Montana. Our flag is the symbol which we all recognize, and, it expresses clearly the freedoms that we enjoy here in the United States.

I think it is important for all of us to take a few minutes of our time on June 14th to stop and contemplate the importance of those freedoms. The Pause For The Pledge Program is the best way that we can all honor the flag and the freedoms that it represents.

The resolution before you is an excellent way for the Montana Legislature to express support for the Pause For The Pledge Program. It gives a positive signal to all our citizens of Montana the significance of the flag and the sacrifices that have been made over our long history to keep the flag of freedom flowing over this nation and the free world.

Again, I would like to express my sincere apology for not being able to appear before your committee. I would hope that you and your committee would support and pass this resolution in the Montana Senate. Thank you very much for your time and consideration.

Sincerely,


Allison Hughes
Polson High School Junior
4016 Eli Gap Road
Polson, MT 59860



SECRET 4
DATE 3-14-89
MONTANA FARM BUREAU FEDERATION SJR 5
502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

BILL # SJR 5; TESTIMONY BY: Valerie Larson
DATE 3/14/89; SUPPORT yes; OPPOSE

Madam Chairman, members of the Committee, for the record, my name is Valerie Larson, representing 3600 Farm Bureau members from throughout Montana.

Madam Chairman, I'm here today to urge the adoption of Senate Joint Resolution 5. Farm Bureau encourages a greater effort on the part of adults to set an example which will help instill a sense of pride and patriotism in our young people.

We feel the results of this Resolution will help to do this.

Madam Chairman, Farm Bureau urges adoption of Senate Joint Resolution 5.

Thank you for your attention.

SIGNED: Valerie Larson

EXHIBIT 5
DATE 3-14-89
SB 427

Amendments to Senate Bill No. 427
Third Reading Copy

For the House Committee on State Administration

Prepared by Lois Menzies
March 14, 1989

1. Page 7, lines 15 and 16.

Strike: "of" on line 15 through "estimates" on line 16

2. Page 8, line 3.

Strike: "petitioners'"

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

BILL NO. SB 401

DATE March 14, 1989

SPONSOR SENATOR MAZUREK

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Bill Lanan	Guaranteed student	X	
Stan Farmer	Loan program ASHGRI	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER
STATE ADMINISTRATION COMMITTEE

BILL NO. SJR 5

DATE March 14, 1989

SPONSOR SENATOR HARDING

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Valerie Larson	Farm Bureau Chgoeau	X	
George Poston	United Veterans Com.	X	
John M. Decker	Deploy MT DAX	X	
John Sloan	MOPH	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

COMMITTEE

DATE March 14, 1989

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

ROLL CALL VOTE

STATE ADMINISTRATION

COMMITTEE

DATE 3-14-89

BILL NO. SB 66

NUMBER 1

NAME	AYE	NAY
Jan Brown		✓
Bud Campbell		✓
Vicki Cocchiarella		✓
Duane Compton		✓
Ervin Davis		✓
Roger DeBruycker	✓	
Floyd "Bob" Gervais		✓
Harriet Hayne		✓
Janet Moore		✓
Richard Nelson	✓	
Helen O'Connell		✓
John Phillips	✓	
Rande Roth		✓
Angela Russell		✓
Wilbur Spring, Jr.		✓
Carolyn Squires		
Vernon Westlake	✓	
Timothy Whalen		✓

TALLY

4 13

Judy Burggraf
Secretary

Jan Brown
Chairman

MOTION: on the amendment to amend \$25,000 to
\$10,000.

ROLL CALL VOTE

STATE ADMINISTRATION

COMMITTEE

DATE 3-14-89 BILL NO. SB 427 NUMBER 1

NAME	AYE	NAY
Jan Brown		✓
Bud Campbell	✓	
Vicki Cocchiarella	✓	
Duane Compton	✓	
Ervin Davis		✓
Roger DeBruycker		✓
Floyd "Bob" Gervais		✓
Harriet Hayne	✓	
Janet Moore		✓
Richard Nelson	✓	
Helen O'Connell		✓
John Phillips	✓	
Rande Roth	✓	
Angela Russell		✓
Wilbur Spring, Jr.	✓	
Carolyn Squires		
Vernon Westlake	✓	
Timothy Whalen		✓

TALLY

9 8

Judy Burgett
Secretary

Jan Brown
Chairman

MOTION: To change \$500 to \$2,000.

