

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman William E. Farrell, on January 20, 1989, at 10:00 a.m. in Room 331 of the State Capitol.

ROLL CALL

Members Present: Senator Hubert Abrams
Senator John Anderson, Jr.
Senator Esther Bengtson
Senator William E. Farrell
Senator Ethel Harding
Senator Sam Hofman
Senator Paul Rapp-Svrcek
Senator Tom Rasmussen
Senator Eleanor Vaughn

Members Excused: None

Members Absent: None

Staff Present: Eddy McClure

HEARING ON HB 37

Presentation and Opening Statement by Sponsor:

Representative Ben Cohen reported that HB37 is a bill that would remove the requirement that the director of the Department of Health and Environmental Sciences be a physician. Representative Cohen indicated that, after passing the House, the bill was amended on the floor to require that the Director continue to consult with appropriate health care professionals in matters affecting public health, and it was also amended to require that one member of the board of the Health and Environmental Sciences be an M.D. He pointed out that the Governor would like to hire a professional administrator for the department. Many of the various divisions and bureaus in the Department of Health, some of which are only peripherally related to public health, require specialists in administrative positions who are not M.D.s, but specialists in other areas. The Department of Health does have, at present, 2 M.D.s on staff as bureau chiefs.

List of Testifying Proponents and What Group they Represent:

Robert A. Ellerd, Office of the Governor

Robert Johnson, President, Montana Public Health Association

Testimony:

Mr. Ellerd stated the administration supports this bill fully, the way it appears, and it has strong support of the Governor.

Mr. Johnson indicated that the Association designated this bill as its highest priority during the legislative process, although they did not know at that time that this bill would be introduced. He indicated the Association would like very much to have the administration appoint someone to head the State Department of Health who is a professional manager, and a good leader; a trained and experienced manager. They also would want that individual to understand and, if possible, be trained in public health. Mr. Johnson stated that, in the past, the law has required that the department director be a physician, and no other qualifications have been placed on that appointment. What has happened, in the past, is there have been very good physicians lead the public health effort in Montana, but the multi-million dollar corporation that the Health Department represents needs some professional management. If the State of Montana were able to offer approximately twice as much as it offers right now for that kind of leadership, Mr. Johnson indicated he did not think it would be necessary to talk about this bill. The state could recruit nationally, and could hire a physician who would also have all of the other credentials, including a proven track record for effective management. The state does not offer that much money; it offers much less than the average physician in Montana earns. Consequently, that position is not a very easy position to fill. With this bill, that position can be filled with an adequate leader who can do a very good job of seeing to it that the State Health Department is run in a business-like and effective manner.

Closing by Sponsor:

Representative Cohen thanked the committee for the opportunity to present this bill, and stated that he thinks it is time for the State of Montana to move ahead in the Department of Health with a professional administrator, someone with the qualifications of a top-notch administrator.

Chairman Farrell announced the hearing on HB37 as closed.

HEARING ON SB 95

Chairman Farrell announced that there was a problem with Legislative Information and public notice of the previous hearing on this bill, so a new hearing was scheduled. He further announced that the sponsor of the bill, Senator Rasmussen, had to present another bill at this time, and waived his right to an opening statement, which he presented at the previous hearing. Chairman Farrell indicated this second hearing would begin with testimony from proponents to SB95, and he reiterated that Senator Rasmussen has previously made his opening statement.

List of Testifying Proponents and What Group they Represent:

Tom Schneider, Montana Public Employee Association
Ray Brandewie, Montana Innkeepers Association
Dixie Lee Elliott, Elliott Inn, Billings
Lou Erck, Redwood Lodge, Missoula
Maizie Fink, VIP Motel, Livingston
Robert Dompier, Heritage Inn, Great Falls
Alan Nixon, Colonial Inn, Helena
Aavo Taaler, Jorgenson's Holiday Motel, Helena
Michael Hayes, Outlaw Inn, Kalispell
Gordon Carlson, President, Helena Innkeepers
George Buzzas, Sheraton Hotel, Great Falls
Soren DeTienne, Park Plaza Hotel, Helena
Vern Sitter, President, Montana Innkeepers Association

Testimony:

Mr. Schneider stated he is in support of SB95, and indicated he would have liked to have heard the sponsor's opening statement. Mr. Schneider stated that nothing has been done in this area for 10 years, and it is a problem that continues to escalate. Mr. Schneider then reported that, this past year, the Association received letters from 3 motel chains to distribute to their members stating the motels would not be able to honor State rates, and employees covered by this law would have to pay the difference out of their own pocket. Mr. Schneider indicated there is no question that, over the past 10 years, the motel industry has subsidized State travel to a certain degree and, in some cases, the employees themselves. He further indicated that, now we find the employees subsidizing travel to a greater degree. He added that this concerns him because we have what is called a wage freeze, which is really not a wage freeze. It is a wage decline, because the only thing that has been frozen are wages themselves. The heat bills, the light bills, the phone bills, and everything else, have not been frozen, and continue to go up. Mr. Schneider stated people, who are forced to travel through their jobs, also are having to pay for the motels they are

staying in, and that is just another thing that comes off the frozen wages. Mr. Schneider stated that he does not think it is fair, and that we have to take a look at doing something about it. He noted the increase in this bill is substantial but, if a \$1 per room, per year increase had been granted in the last 10 years, that is all that would be needed. The last increase was \$1, 10 years ago, and Mr. Schneider stated now we are faced with having to make a substantial jump in how much money is reimbursed for lodging. Mr. Schneider further stated he realizes it is a problem, and he knows the State has financial problems, but that we can't continue to feel that the employees should not only spend nights away from home doing their job, but should also have to spend money out of their pockets to have the pleasure of spending those nights away from home. Mr. Schneider pointed out that the fiscal note is probably accurate, but that every time the reimbursement for travel has been increased in the past, the appropriation committees have not gone back into the budgets for that particular biennium and put more money in to cover the cost of the increased reimbursements. He indicated he thinks they have to, in some cases, for bureaus that are on the road all the time, and can not cut back on travel, because it is an auditing program that the State is reaping the benefits of doing the audits, tax wise, or something of that nature. He noted that what usually happens is the departments simply have to eat the increases by restructuring their travel, putting priorities on their travel, and reducing travel to the extent that they have to increase the amount of reimbursement. Mr. Schneider then stated that he feels the fiscal note is accurate because, 2 years down the road, the budget will reflect an increase made now but, at the present time, the majority of the travel will just simply be realigned, and will not be an added expense to the budget. He added it certainly will be welcome relief to the people who have to travel.

Testimony:

Mr. Brandewie reported that his daughter, who is a State employee is divorced, 26 years old, and works for the SRS as an eligibility technician, and the SRS requires her to come to Helena several times a year for seminars and training, etc. Mr. Brandewie added that her day care expenses are \$500 per month and, although she has a fairly decent job, it does not allow \$500 a month for that, and also to dig in her pocket if she comes to Helena. He stated that he does not think the State should be balancing its budget on its employees. Mr. Brandewie indicated that the innkeepers do not get 1/3 off from Montana Power, but the State is asking them to give it a break, and he thinks the State should either rearrange its priorities, and maybe send people out to do the training in the other communities, or pay the bill. He indicated he thinks it is unfair to continue to ask private industry and

State employees to subsidize the innkeepers. If the State can't afford to do it, they should not do it. If they are going to do it, they should pay for it.

Testimony:

Ms. Elliott reported she is also on the board of the Montana Innkeepers Association, and thanked Chairman Farrell and the committee members for re-hearing this bill to allow them to attend and testify. She further stated that the last time the rate was adjusted was in 1981, from \$21 to \$24. She indicated that, in 1981, \$24 was a respectable rate for most of the properties in Montana, although it was a discounted rate for some of the properties. And, although inflation has been relatively moderate since that time, if you compound the consumer price index, today, the \$24 rate would be equivalent to \$32.30. She noted that by 1991, it would be \$35.30. Ms. Elliott stated that, when Montanans travel out of the state, they are allowed \$50 per night, and \$75 per night in certain designated other cities. She further stated that some states, Idaho in particular, doesn't have any hotels that charge \$50. Ms. Elliott indicated representatives of other innkeepers from around the state have prepared comments on different aspects of why the committee should support SB95. This written testimony is attached as Exhibit 6.

Testimony:

Mr. Erck commented that the Montana lodging industry, hotel people and motel people, requested the 4% bed tax to try to make their good industry a better industry, and bring more outside money into Montana. He noted it is working great, and is generating about \$5 million annually for that purpose. He further noted it also eliminated about \$1.25 million per year in expenses from the State general fund, because the people that are being taxed to stay at the hotels and motels are supplying that money. Mr. Erck pointed out that customers are being taxed, at the request of the innkeepers, who asked the State not to spend general fund money for that purpose. The innkeepers feel they have done what they can to make it easier, but that the State is being subsidized by their industry.

Testimony:

Ms. Fink stated the current rate represents a 50% discount for lodging at meeting and convention hotels and, in media advertising, incentives of this magnitude are targeted for travelers in the public sector. She reported there is public resentment against innkeepers because of the special rate given to State employees. Furthermore, she indicated, the \$24 rate is lower than budget motels charge regular corporate

travelers, and maybe even their regular customers. Ms. Fink stated the federal rate is set at \$40 and, although the impact of the proposed \$35 State rate would increase the total travel expense to the State of Montana by \$.5 million, half the added cost would be reimbursed by the Federal Government through grants. She noted most hotels will selectively determine when they will or will not accept State travelers or, more importantly, a group or convention requesting the State rate and, what often happens is, not only will the hotel turn down the business, but the town loses it as well. She indicated the profit margin in the food business is so low that banquets and resulting restaurant trade can not make up for the low room rate. Therefore, the hotel elects to refuse State business in hopes of more acceptable bookings.

Testimony:

Mr. Dompier noted that the Heritage Inn in Great Falls is one of those properties that, last year, ceased to offer the \$24 State rate. He indicated this was not because they wanted to, or because they felt they had to take a hard-line approach to have it changed, but that they were forced into it. He stated that, no matter how many times they took the pencil to it, the \$24 does not cover the cost; that there was no magic that they could do with that \$24 to make it cover the costs they have. Mr. Dompier indicated his is a large property, caters to meetings, and has some very high expenses. He reported that a year ago, his hotel raised their State rate to \$30 and, as a result, lost a lot of their State business. He noted they felt they had done what they could, for as long as they could, when the \$24 was no longer covering the cost, and they could no longer say the \$24 was better than nothing. Mr. Dompier added that, in their case, they were better off having nothing. The normal rate is \$52, and the \$24 is not even half the cost of their normal rate. He indicated they do give discounts to group business, and drop the rate to \$44 for groups. He stated the major properties around the State realize that the State needs them for seminars and meetings, but asks for some consideration so they can cover the costs. Mr. Dompier indicated that with a State group booked at the \$30 rate, more often than not, the hotel is asked to make up special budget menus because the State can not afford the normal banquet prices, nor can they afford to pay meeting room rent.

Testimony:

Mr. Nixon indicated he was sure some of the committee members may be thinking that, if the hotels can not live with the State rate, they should turn the business down. He noted that sometimes you can do this, but a conflict inevitably occurs, especially in regards to State group business. He asked what

would happen, if you are the only property in town that can accommodate a room block for the SRS or Department of Labor that needs 60 to 80 rooms at the State rate, as well as a meeting capacity for 100 to 150 people. Mr. Nixon said the hotel can not turn this business down without some type of repercussions, and that they get pressure directly from the Governor's office. He noted that it happened during Governor Schwinden's administration, and has already occurred with the current administration. Often, the Governor's office will contact the property directly and pressure them to honor the State rate for someone coming from out of state to speak or consult with their office. Mr. Nixon indicated the Governor's office, as well as various departmental offices, actually tout the \$24 rate to out of state businesses. He stated he has actually seen letters instructing people to insist upon the State rate. Mr. Nixon cited one example of this, which he indicated is not an isolated case, was when the \$1 million was allotted by the last Legislature for promoting the Super Collider program in the State of Montana. The Governor's office pressured the Colonial Inn to honor a \$24 rate to a large independent consulting firm from Denver when they came to the Capitol. Mr. Nixon pointed out this occurred during the height of the summer tourist season in 1987, that the consulting firm could well have afforded the going commercial rate during that time, and probably would have still felt they got a very good deal. Mr. Nixon stated it is difficult to be the bearer of bad news when you choose to decline the State business, whether it is an individual or a group. He stated they have found they stand a chance of falling from grace with the agency and, therefore, being denied the opportunity of future business from them.

Testimony:

Mr. Taaler addressed the issue of the abuse of the State rate. He indicated that, because of inflation, the State rate of \$24 has become such a discounted rate that people are misusing it, and abusing it. First, Mr. Taaler indicated, state employees travel on weekend pleasure, especially to Bozeman and Missoula for sporting events, and it seems they think that whenever they have their state card in their pocket, they feel they may be entitled to the State rate. Mr. Taaler reported the hotel has no way of controlling whether state employees are on business or pleasure. He noted that Legislators campaigning for elected office, insist they qualify for State rate, even though it is not for the purpose of doing business with or for the State. Mr. Taaler indicated the rate is so attractive that cities and counties, as well as many associations, have piggy-backed on the \$24 rate and it seems that anyone who can associate themselves at all with the State, even by the thinnest thread, will request the State rate. Mr. Taaler stated the State has, in essence, price fixed against the

hotel industry, and the pressure on the hotels by the State, as well as many associations, and city and county governments, is immense. He noted that, if a hotel turns down these requests, they are often threatened with being blackballed. A small bureaucracy sees a large bureaucracy, like the State of Montana, take advantage of an industry, being the hospitality industry, by establishing an unreasonable price on its goods and services, and the small bureaucracy assumes it is all right for them to try, as well. Mr. Taaler stated that increasing the State rate may not cure the abuse of everyone piggy-backing on the rate, but the rate will be more liveable, economically, and also more fair for the motel industry.

Testimony:

Mr. Hayes stated he represents the Innkeepers of the Flathead Valley, and indicated it is probably no secret that, if a room is occupied versus not occupied, there are direct costs that are incurred for the property. He noted those costs vary slightly among the various hotels, but it costs about \$12.30 for just the cleaning of the room, providing soap, cleaning chemicals, paper supplies, laundrying of linen, water use by guests, and the usage of power for lights and climate control. Mr. Hayes added this does not include the costs of supervisors, management, replacement and repair, costs of materials, mortgage payments, let alone real estate taxes. For many hotels, especially larger convention hotels, that cost exceeds \$24 per occupied room. Mr. Hayes further stated that some convention hotels, like the Outlaw Inn, have costs closer to \$40 per occupied room. He indicated it is correct to think that state employees can stay at a less expensive place, but a lot of the State business is group meetings, which requires large blocks of rooms and meeting room space. Mr. Hayes stated that he feels a meeting is more effective when it is held in appropriate surroundings that are comfortable, that the hotel tries to provide those surroundings, but it is expensive to do so. Mr. Hayes then asked why is it that, when the State of Montana buys computers or automobiles, they are willing to pay a price that is above the cost of the manufacturer and distributor, allowing for some kind of profit. But, he noted, when it comes to hotel accommodations, the State expects to pay less than cost. Mr. Hayes added that, if the cost of computers or automobiles increased by 50%, the State simply buys less, or goes without. He further indicated they would not mind if State employees travelled less, if the rate was fair. Mr. Hayes suggested the state would not want to get in the business of lodging their employees, and noted that he feels everyone would agree that need is best filled by private businesses. To illustrate, Mr Hayes suggested that, if the State did offer lodging, it would approximate to the relationship recently publicized about the State janitorial services costing about twice as much as private services. Therefore,

he indicated, lodging rates the State would charge would probably be about \$50 a night, and that is conservative. Mr. Hayes indicated he agrees that the janitorial service pay, at minimum, or near minimum wage, is terrible, and that they can not live on that. He suggested that a janitor working for the State should be paid a wage that is at least liveable, but so should a janitor, maid, maintenance employee, or desk clerk at a hotel. Mr. Hayes indicated that, just because these people work for a free enterprise system business does not mean they should be financially penalized. Mr. Hayes pointed out that, if the State pays only \$24 for a room, the hotel maids, janitors, desk clerks, etc., are the ones who suffer from the near minimum wage, as well as the unprofitable hotel. Mr. Hayes suggested the conflict that occurs is that conventional wisdom is not applied equally to both the bureaucratic case and the private sector.

Testimony:

Mr. Carlson indicated he would like to bring 3 items to the attention of the committee. He stated that, no matter how good a manager you are, it is pretty hard to control hospitalization; they can drop it, but then have to pass the wage on to the employees. Another thing that can not be controlled is taxes; they seem to increase. He indicated the third item, at least in Helena, is the water, sewer, and other utility increases. Mr. Carlson cited the recent water increase in Helena this last year due to the requirement for a new treatment plant. He stated the increased cost to the hotels was between \$.54 and \$.79 per occupied room. He added they now are being faced with a sewer problem. A section of the sewer has to be replaced, and that cost will be passed on to the people in Helena. Mr. Carlson indicated these are the 3 things that, no matter how good a manager they are, can not be controlled.

Testimony:

Mr. Buzzas stated that, in the past 5 years, the hotel/motel industry has had financial problems, and several hotels and motels have closed. Mr. Buzzas cited some examples. He further indicated there is hardly a single hotel or motel convention property in the State of Montana that is not heavily leveraged, and which has not been subject to some sort of financial re-structuring in the past 4 years. He indicated that the State of Montana further serves as an economic depressant to the hotel/motel industry with a \$24 State rate. Mr. Buzzas added that, with the other agencies and associations that adopt these expense guidelines, it furthers the financial woes of the hotel industry. In addition to these problems, Mr. Buzzas reported the Federal and State governments assessed the hotel industry, in the past 2 years, with

hard-hitting taxation; FICA tax on tips, unemployment compensation tax on tips, removal of tips credits to wages, and proposed increase in minimum wages. With all this, Mr. Buzzas stated, the State of Montana continues to price-fix the goods and services of the hotel/motel industry, and they are at the point where they are asking for relief; in fact, begging for relief. He stated they would like to cater to the State people, they like the business and would like to accommodate them properly for their meetings and room accommodations, but it is getting to be a real problem. Mr. Buzzas added the hospitality industry has fared no better than the other phases of the Montana economy. He stated \$5 million is being spent to draw people to Montana in the tourist industry however, if the accommodations to properly take care of them are not available, or if the accommodations are allowed to be run down because they can't afford the upkeep of the carpeting and the rooms, and everything else that people need, he is sure that the \$5 million is down the drain.

Testimony:

Mr. DeTienne testified that he has been trying to expand his property for the last 4 years, they have been through the process of feasibility studies and appraisals, and have found that the biggest reason that they can not get financing on this property is because of the State rate. Mr. DeTienne added it reduces their ADR. He stated they are a high-occupancy hotel, and their feasibility study recommended the addition of rooms, indicating they had the capability of servicing it, and there was a need in the community. However, Mr. DeTienne stated, the study revealed their ADR was not strong enough to support the financing and expansion. At the present time, Mr. DeTienne stated, the number of rooms they rent to State employees is restricted however, when they fill up, they have probably 20% of their rooms billed at State rate, and it costs the hotel money to do business with the State. Mr. DeTienne indicated that, if they went ahead with the expansion, their property tax would increase \$100,000 per year. He suggested that, because of the State rate, and their not being able to go ahead with the expansion of the hotel, the county is losing \$100,000 per year.

Testimony:

Mr. Sitter indicated they are asking the committee to consider a change in the antiquate accommodations rate. He stated the hospitality industry has not fared any better than other phases of the Montana economy, and is a vital part of the State commerce and the tourist industry in Montana. He noted the hotel industry is one of Montana's largest employers, and is Montana's second largest industry. Mr. Sitter indicated they have the same interests, and share the same problems, as

this legislative body. He added they also benefit from the same successes. Mr. Sitter indicated they want to be helpful to the State by working in concert with them, and meeting their lodging needs and, obviously, this request is not motivated by ownership or greed, but is in response to the free market system of fairness in pricing. He stated it is their hope that the Legislature will move to resolve this State rate inequity.

Mr. Sitter indicated they have documented all the comments and statements that were made by the various innkeepers in Montana, and will pass this on to the secretary to distribute. Said document is attached as Exhibit 6. Mr. Sitter closed by saying they appreciate the time the committee gave them, they realize it has been lengthy, but feel that so much of this was an educational process for them, and felt that this would be information the committee would need to make a proper decision.

Questions from the Committee:

- Q. Senator Rapp-Svrcek asked Mr. DeTienne what the term "ADR" meant.
- A. Mr. DeTienne responded "ADR" means "average daily rate".
- Q. Senator Rapp-Svrcek then asked how this is figured.
- A. Mr. DeTienne responded it is figured on the gross dollars of room rental divided by the number of occupied rooms.
- Q. Senator Rapp-Svrcek then asked Mr. DeTienne if the bank really told him that, because of the State rate, they would not finance his expansion.
- A. Mr. DeTienne stated that, in the feasibility study, the State rate was one of the things that was pointed out as being detrimental to future expansion. He noted one of the questions they asked about the expansion was what they expected to happen with the State rate. Mr. DeTienne further noted that, 2 years ago, during the Legislature, they raised their State rate to \$28.50 to get a sample of what it would do to them if they did not honor the State rate, and not have it become a factor in the feasibility study. He stated it is impossible for them not to have State people staying at their facility and, no matter bad the \$24 rate is, if they don't have that business, it makes their occupancy rates a lot worse.
- Q. Senator Hofman asked Mr. Hayes, when the Coal Council, or some organization like that, has a convention and asks

them to block rooms for their people, what kind of rate do they give them.

- A. Mr. Hayes responded that it depends on the situation. He noted that, with that particular group, they honor the State rate, which would be \$24. He added that the convention rate for large groups usually runs about \$44 and up, and they are getting more into the national and international convention market and are getting even better rates on group business.
- Q. Senator Hofman indicated the committee is hearing testimony about how tough it is out there, and that someone mentioned \$40 per room would probably be the overall expenses. He noted that, with a State rate of \$24, he could see where they are very definitely in trouble. However, Senator Hofman asked Mr. Sitter, if we raise that to \$35, are they still going to be trouble, and are they going to be back in 2 or 3 sessions asking for more money. Senator Hofman further asked how badly are they going to be impacted by that rate.
- A. Mr. Sitter responded that a survey done by the hotel school at the University of Nevada at Las Vegas indicated it costs, on an average in the United States, \$12.30. That is the difference in an unoccupied versus an occupied room. He noted that, as was mentioned earlier, that is only the real base to replace the soap bar, wash the linen, and for a maid to go in there. He noted the \$40, that was brought up as far as costs to operate, included the total operations to pay for all the employees, including the management and the cost of general operations. He added that, if you replace a heating and air conditioning unit on the roof, it generally runs anywhere from \$10,000 to \$50,000. Mr. Sitter indicated also that real estate taxes and, of course, the mortgage expense and interest on the mortgage add to the difference between the \$12.30 and the \$40. Mr. Sitter indicated he thinks that what some hotels are saying is that they still are continuing to accept the \$24 rate because it is better than zero. It offsets, at least the \$12.30 expense, so there is a little give in there, although it doesn't take care of the balance.
- Q. Senator Hofman then asked Mr. Sitter if the pressure by State government is a real prevalent problem.
- A. Mr. Sitter indicated he does not think it is a real big problem, but it occurs occasionally. It is not rare, and it is not often, but does occur occasionally. Mr. Sitter also mentioned, but stated they do not mean to be in any way derogatory toward Governor Schwinden or Governor

Stephens, they do put pressure, and already it has happened in this administration. He added, it is not a question of what party you belong to, it is just that the State rate is \$24 and, because of the budget, that is all being piggy-backed. Mr. Sitter added this is understandable, and he would probably do the same thing. He stated that, yes, there is a lot of pressure to honor the rate. Mr. Sitter reported that he received a letter in November from Governor Schwinden. He noted it was only a 2 sentence letter, addressed to him, and was asking him to please honor the State rate to a gentleman who tried to get in and was blacked out. the gentleman was a speaker at one of the sessions for the State. The letter was signed by Governor Schwinden. Mr. Sitter indicated that Governor Schwinden's intentions were good, but it was because the Legislature only allows \$24 and, for whatever reason, he wanted this particular gentleman to stay at the hotel that Mr. Sitter is involved in. Mr. Sitter indicated it was not a question of a convention block; he was just one individual, but, yes it does happen.

- Q. Senator Anderson pointed out the fiscal note indicated this will create a difference of \$741,000. He noted that, in the breakdown, it indicated \$192,000 from the general fund plus the state special fund, and asked Mr. Schneider to explain in more detail what this entails.
- A. Mr. Schneider responded that he did not prepare the fiscal note, but that what they probably did was go back to the travel budgets of the agencies that are funded out of general fund, state special, federal, proprietary, and multiplied the room cost, under the current per diem, versus the room cost out of what this bill does, and put in the increase.
- Q. Senator Anderson then asked if, in all reality, it all comes out of the general fund.
- A. Mr. Schneider responded that is not the case. It would come out of whatever fund that agency is funded out of and, if it were a totally federally funded agency, any increase in travel would come out of federal funds. Mr. Schneider stated he is sure that this is accurate in that people who travel out of the general fund would cost the State this much money. He noted the question is whether it really would or wouldn't because, if the Appropriation, or Finance and Claims Committees no not put additional money in to pay for the additional travel, then it wouldn't be any more than it is today. He noted

they could selectively put money in some budgets, and not in other budgets, and control travel to a certain degree.

Q. Senator Rasmussen indicated he has been looking at the fiscal note, and asked Mr. Schneider about the state special fund, as it breaks down, what is that.

A. Mr. Schneider responded that would be those that are earmarked, Fish and Game, Highways; those that are funded out of state monies, but other than general fund monies.

Q. Senator Rasmussen then asked what is proprietary.

A. Mr. Schneider responded he did not know what agencies are proprietary.

Q. Senator Rasmussen asked anyone if they knew what that related to.

A. There was no answer to Senator Rasmussen's question.

Chairman Farrell announced the hearing on SB95 as closed.

ADJOURNMENT

Adjournment At: 11:00 a.m.


WILLIAM E. FARRELL, Chairman

WEF/mhu
SB95.120

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: January 20, 1989

NAME	PRESENT	ABSENT	EXCUSED
HUBERT ABRAMS	✓		
JOHN ANDERSON, JR.	✓		
ESTHER BENGTON	✓		
WILLIAM E. FARRELL	✓		
ETHEL HARDING	✓		
SAM HOFMAN	✓		
PAUL RAPP-SVRCEK	✓		
TOM RASMUSSEN	✓		
ELEANOR VAUGHN	✓		

EXHIBIT NO. 1

DATE 1/20/89

BILL NO. HB 37

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Robert Wilson

DATE: 1-20-89

Address: ~~Robert Wilson~~ Wilson

Phone: ~~443-1260~~ 443-1260

Representing whom? Governor's Office

Appearing on which proposal? # 37

Do you: SUPPORT? _____ AMEND? _____ OPPOSE? _____

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.

EXHIBIT NO. 2

DATE 1/20/89

BILL NO. HB 37

In Support of HB37

Submitted by Robert R. Johnson, President
Montana Public Health Association
316 N. Park
P. O. Box 1723
Helena, Montana 59624
443-1010 ext 357

Montanans want effective and efficient government. The best way, maybe even the only way, this can be accomplished is through the selection of the most effective Department Directors and supervisory staff possible. We need strong leadership that is well trained in their specialty, experienced in management and capable of making the tough decisions necessary to get the job done.

The Institute of Medicine, an arm of the National Academy of Sciences, recently conducted a study of Public Health in America and published a November, 1988¹ report of the findings. The report carried recommendations that call for greater emphasis on managerial and leadership skills in Public Health directors. "Health Department Directors should have management competence as well as technical/professional skills." (pp 155)

The Montana Public Health Association conducted a study of its own during 1987 and 1988 to determine the future of Montana's Public Health. It conducted a series of strategic planning sessions in which participated a broad array of state and local public health professionals. A telephone survey was also conducted which, among other things, asked what was needed to improve Montana's response to her Public Health needs. The overriding response was a call for stronger public health leadership with management training and experience.

The present law precludes this from happening. The going rate for the kind of leader we need, one who must also meet the licensed physician requirement, costs roughly twice the present compensation offered by the State.

We support HB37 because the bill would make it possible for Montana to gain the strong, capable public health leadership it needs without pushing the salary of the State Health Department Director beyond the State's ability to pay.
Thank you.

Robert R. Johnson
President
Montana Public Health Association

¹The Future of Public Health, National Academy Press, Washington, D.C., November, 1988

EXHIBIT NO. 3

DATE 1/20/89

BILL NO. HB 37

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Robert R Johnson DATE: 1/20/88

Address: 316 S Park
Helena, Mont. 59601

Phone: 442-0050

Representing whom?
Montana Public Health Assoc.

Appearing on which proposal?
HB 37

Do you: SUPPORT? AMEND? OPPOSE?

Comments:
Montana needs strong, capable Public Health leadership. The present law does not allow this to happen. The present requirement that the Health Dept Director be a physician places emphasis on medical expertise & not on leadership and management capabilities. The requirement should be reversed. The Director must be a trained & experienced Public Health Manager & leader. The Medical expertise needed in Health Dept

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programs can be purchased through contract or other employees.

EXHIBIT NO. 4

DATE 1/20/89

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Tom Schneider

DATE: 1/20/89

Address: Box 716
Helena

Phone: 442-4600

Representing whom? M PEA

Appearing on which proposal? SB 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

EXHIBIT NO. 5

DATE 1/20/89 STATE ADMINISTRATION COMMITTEE

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

Dieter Lee Elliott

1-20-89

Address:

Elliott Law

1345 Mallowney Lane, Bellingham

Phone:

252-2584

Representing whom?

Elliott Law and MIKA

Appearing on which proposal?

SB 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

HISTORY AND AGE OF STATE RATE

The State Rate was initially enacted by the Legislature to control costs of lodging of state payrolled employees by establishing a set amount for hotel/motel rooms. This was the method that allowed for the control of the budget for travel expense.

The last time this rate was fixed was in the 1981 Legislative session. Prior to that, it was \$21.00 and was adjusted to the rate of \$24.00. This \$24.00 rate has been in effect for the last 8 years.

In 1981, the \$24.00 rate was a respectable rate considering the average cost of lodging at that time in the State of Montana.

Although inflation has been relatively moderate, if you compound the Consumer Price Index that has been published by the Federal Government, the \$24.00 rate would be equivalent to \$32.30 in 1989 dollars and by the time you meet again in 1991, it would equal \$35.27.

Keep in mind that compounding the \$24.00 rate from 1981 still does not mean that a \$35.00 rate is a fair rate because the \$24.00 rate in 1981 was still a discounted rate.

Now, with that in mind, what happens when a Montana State employee is required to travel out of state? The lodging cost for a Montana State employee traveling out of state is established at \$50.00 per night and as high as \$75.00 per night in designated cities even though some neighboring states (eg. Idaho) don't even have many hotels that charge that much.

This is the heart of the issue, and the following Innkeepers will present further information for your consideration as to why you should support Senate Bill #95.

FEDERAL RATE AND DISCOUNTS

SENATE STATE ADMIN.

EXHIBIT NO. 6

DATE 1/20/89

BILL NO. SB95 p22

The current rate represents a whopping 50% discount for lodging at meeting and convention hotels. You may have noticed that no where in media advertising do you encounter incentives of this magnitude targeted for travellers in the public sector. Further, the \$24.00 rate is lower than budget motels charge their regular corporate travellers.

By comparison, the Federal rate is set at \$40.00. Although the impact of the proposed \$35.00 state rate would increase the total travel expense to the State of Montana by about a half million dollars, half of the added cost would be reimbursed by the Federal Government through Grants, etc.

As you would probably have anticipated, most hotels will selectively determine when they will or will not accept a state traveller or more importantly, a group or convention requesting the state rate. What often occurs is that the hotel and the town is forced to turn down the business even though they certainly want to do business with the state. By the way, the profit margin in the food business is so low that banquets and resulting restaurant trade cannot make up for the low room rate. Therefore, the hotel elects to refuse the state business in hopes that a more acceptable booking will follow.

SENATE STATE ADMIN.

EXHIBIT NO. 6

DATE 1/20/89

BILL NO. SB 95 293

HERITAGE INN

As a matter of general information, we, at the Heritage Inn, Great Falls, established a state rate of \$30.00 early last year. We simply discovered that the \$24.00 rate was not meeting our expenses and was simply not controllable.

(do some explaining, Bob)

PRESSURE

Yes, I'm sure some of you may be thinking that if we cannot live with the state rate, we should turn the business down. What if you are the only property in town that can accommodate a room block for SRS or the Department of Labor that needs 60-80 rooms at state rate and a meeting capacity of 100-150 people? Do you really believe that that hotel can say no with no repercussions?

Or what about the many times that the Governors office (and it has happened with the Schwinden and already the Stephens office) contacts a property and pressures us to honor the state rate for someone that is coming from out of state to speak or consult with their office. The Governors office as well as the various departmental offices actually tout the \$24.00 to out of state businesses.

Even when the million dollars was allotted by the last Legislature for promoting the Super Collider Program to come to Montana, the Governors office pressured the Colonial Inn to honor the \$24.00 state rate to a large consulting firm from Denver when they came to the capitol. This, I might point out, occurred during the height of the summer tourist season in 1987. The consulting firm could have well afforded to pay the going Corporate rate and still feel it received a good bargain compared to rates in other areas that they traveled.

ABUSE

SENATE STATE ADMIN.

EXHIBIT NO. 6

DATE 1/20/89

BILL NO. 5695 PAS

Because of inflation, the state rate of \$24.00 has become such a discounted rate that abuse of the intended program has been ramped.

First, the state employee themselves travel on weekend pleasure, especially to Bozeman and Missoula, when major sporting events are held. We have no way of controlling what state employee is on business or pleasure. Even Legislators who were campaigning for elected offices were insisting that they qualified for state rate even though it was not for the purpose of doing business with or for the state.

The rate is so attractive that cities and counties as well as many Associations have piggy backed on the \$24.00 rate. An example of many Associations who reimburse their personnel the state rate is:

Centennial Commission

Montana Education Association

Montana Association of Counties

City Officials - Montana League of Cities and Towns

School Board Association

Montana Fire District Association

Montana Association of Elementary School Principals

Montana Association of Conservation Districts

Montana Association of Supervision and Curriculum Development

Montana Coroners Association

Montana Sheriffs and Peace Officers

Montana Judges Association

Justice of Peace

Courts of Limited Jurisdiction

etc, etc, etc

(TURN PAGE)

They have in essence price fixed against our industry. The pressure on the hotels by the state as well as many associations and city and county Government is immense. If a hotel turns them down, they often get threatened of being blackballed.

If a small Bureaucracy see's a large Bureaucracy, like the State of Montana, take advantage of an industry, being the Hospitality Industry, by establishing an unreasonable price on its goods and services, the small Bureaucracies assume it is all right (whether legal of moral) to do the same thing.

Increasing the state rate may not cure the abuse and everyone piggy backing on the rate, but it will be more liveable economically and also more fair.

COST TO SERVICE A ROOM

SENATE STATE ADMIN.

EXHIBIT NO. 6

DATE 1/20/89

BILL NO. SB95 027

It's probably no secret that if a room is occupied versus not occupied, there are direct costs that occur for the property. Those costs vary slightly among the various hotels, but one can say that it cost \$12.30 for just the cleaning of the room, providing soap, cleaning chemicals, paper supplies, laundering of linen, the water used by guests and usage of power for lights and climate control. This does not include the cost of supervisors, management, replacement and repair costs of materials, mortgage payment, let alone real estate taxes.

For many hotels, especially the larger convention hotels, those costs exceed \$24.00 per occupied room. Some convention hotels have costs of \$40.00 plus, per occupied room.

You are correct if you are thinking "but the state employee can stay at a less expensive place." However, don't forget that a lot of the state business is group meetings and require large blocks of rooms and meeting room space.

Why is it that if the State of Montana wants to buy computers or automobiles, they are willing to pay a bid that is above the costs of the manufacturer and distributor allowing for some kind of profit, but when it comes to hotel accommodations, they expect it to be below cost?

If the cost of computers or automobiles increase in cost by 50%, the state would simply buy less or increase revenues to pay for it.

We would not mind if the state travelled less, if they were more fair with the rate they paid us.

We want to do business with you, we want to help the State of Montana.

(TURN PAGE)

Of course the state would not want to get into the business of lodging their employees. Everyone would agree that that is a need best fulfilled by private businesses. To illustrate, if the state did operate a hotel, it would probably approximate the relationship recently publicized about the state janitorial services costing almost twice as much as the privatized ones. Therefore, the lodging rates that the state would charge would be at least \$50.00 per night and probably in excess of that.

Please understand that we agree with you, that janitorial service paid at minimum or near minimum wage is terrible. A janitor working for the state should be paid a wage that is at least liveable. But so should a janitor or maid or maintenance employee or desk clerk at a hotel. Just because they work for a free enterprise system business, does not mean they should be financially penalized. Our point again, being, if the state pays only \$24.00 for a room, the hotel maids, janitors, desk clerks, etc are the ones who will suffer with the near minimum wage as well as the unprofitable hotel.

In essence, the conflict that occurs is that conventional wisdom is not applied equally to both the bureaucratic case and the private sector.

"STATE-OF-MONTANA-HOSPITALITY INDUSTRY"

SENATE STATE ADMIN.
EXHIBIT NO. 6
DATE 1/20/89
BILL NO. SB95 pg 9

In the past 5 years, the hotel/motel industry has had difficult financial problems.

Several motels and hotels have closed.

FSLIC has inherited the problems of 2 major properties in recent months. A few weeks ago, another major property was taken over by an insurance company lender. Wednesday of this week, a major property (120 rooms) in Kalispell area closed.

You should be aware that there is not a single leveraged hotel/motel/convention property in the State of Montana that has not been subject to some sort of financial restructuring or workout in the past 4 years.

The State of Montana further serves as an economic depressant to the hotel/motel industry with it's \$24.00 state rate. With the other agencies and Associations that adopt the expense guideline furthers the financial woe's of the hotel/motel industry.

In addition to those problems, the Federal and State Governments assessed our industry in the past two years with hard hitting taxation.

1. FICA tax on tips
2. Unemployment compensation tax on tips
3. Added Workmans Compensation tax on tips
4. Removal of tip credit to wages
5. Proposed increase in minimum wages

With all of this, the State of Montana continues to price fix the goods and services of the hotel/motel industry.

CLOSING

What we are desiring to do is to have you consider a change in this antiquated accommodations rate. There has been a lot of water under the bridge, so to speak, in the last 8 years. The hospitality industry has fared no better than the other phases of the Montana economy.

The hotel industry is a vital part of the State Commerce and the tourist industry in Montana. It is one of Montana's largest employers and shares in Montana's second largest industry.

We have the same interests and share the same problems as the Legislative Body. We both benefit from the same successes. We want to be helpful to the State by working in concert with them to meet their lodging needs.

Obviously, this is not motivated by ownership greed. This is in response to a free market system of fairness in pricing. It is our hope that the Legislature will move to resolve this state rate inequity.

EXHIBIT NO. 7

DATE 1/20/89

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: LOU ERCK DATE: 1/20/89

Address: 8060 HWY 93 N.
MISSOULA, MT 59802

Phone: 721-2110

Representing whom?
REDWOOD LODGE

Appearing on which proposal?
SB 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:
We who operate lodging industry voluntarily requested that our customers be taxed 4% to be used to promote travel and tourism in Montana. Approximately \$5 million is being spent to bring even more outside money to the state, this money at the request of Montana innkeepers, completely replaces the state travel budget in excess of \$1.2 million which now ~~is~~ zero. This is a saving of

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this amount to the General fund.

SENATE STATE ADMIN.

EXHIBIT NO. 8

DATE 1/20/89

STATE ADMINISTRATION COMMITTEE

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Maize Dent

DATE: 1-20-89

Address: Rt 62 Box 3053
Liverington MT

Phone: 406 222 3600

Representing whom?
V.P. Motel Montana Innskeepers Assn.

Appearing on which proposal?
Senate Bill # 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:
I wish to see the state rate raised

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

EXHIBIT NO. 9

DATE 1/20/89

BILL NO. SB95

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Robert Dangler DATE: 1/20/89

Address: 1700 FOX FARM ROAD
GREAT FALLS

Phone: 761-1900

Representing whom?
Heritage INN

Appearing on which proposal?
SB 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:
I am a full-time employee of the
state and I am not a lobbyist
and I am not being paid to
testify on behalf of anyone
other than myself.

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EXHIBIT NO. 10

DATE 1/20/89

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: ALAN NIXON

DATE: 1/20/89

Address: 1080 STRANDERRY DR.
HELENA, MT 59601

Phone: 444-7568

Representing whom?
COLONIAL INN / HELENA MT

Appearing on which proposal?
SENATE BILL 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

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EXHIBIT NO. 11

DATE 1/20/89

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

AAVO TAALER 1-20-89

Address:

6144 HWY 12 W.
HELENA, MT. 59601

Phone:

Representing whom?

JORGENSEN'S HOLIDAY MOTEL

Appearing on which proposal?

SB 95

Do you:

SUPPORT?



AMEND?

OPPOSE?

Comments:

EXHIBIT NO. 12

DATE 1/20/89 STATE ADMINISTRATION COMMITTEE

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

MICHAEL Hayes

DATE:

JAN. 20, 1989

Address:

191 Quothy Rd So.
Somers, Mt. 59832

Phone:

957-3877

Representing whom?

Outlaw Inn

Appearing on which proposal?

S.B. #95

Do you:

SUPPORT?

AMEND?

OPPOSE?

Comments:

Written Statement Submitted

EXHIBIT NO. 13

DATE 1/20/89

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

Jordan B. Corbin

1-20-89

Address:

900 N Jackson
Helena, Mont. 59601

Phone:

442 6080

Representing whom?

Helena Innkeepers

Appearing on which proposal?

SB 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

SENATE STATE ADMIN.

EXHIBIT NO. 14

DATE 1/20/89

STATE ADMINISTRATION COMMITTEE

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

GEORGE BUZZAS

1/20/89

Address:

SHERATON HOTEL
400-10th. AVE SO.
GREAT FALLS, MONT

Phone:

727-7200

Representing whom?

SHERATON HOTEL

Appearing on which proposal?

SENATE BILL 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

NEEDED BADLY IN MONTANA

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EXHIBIT NO. 15

DATE 1/20/89 STATE ADMINISTRATION COMMITTEE

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: SOREN DeTienne DATE: 1/20/89

Address: PARK PLAZA HOTEL
22 N LAST CHANCE Gulch Helena, MT

Phone: 443-2200

Representing whom?
PARK PLAZA HOTEL

Appearing on which proposal?
SB 95

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

SENATE STATE ADMIN.

EXHIBIT NO. 16

DATE 1/20/89

STATE ADMINISTRATION COMMITTEE

BILL NO. SB95

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

VERN SITTER

1-20-89

Address:

BW Colonial Inn

2301 Colonial Dr

Phone:

Helena MT. 59601

Representing whom?

MONTANA INNKEEPERS ASSN.

Appearing on which proposal?

Sen. Bill # 95

Do you:

SUPPORT?

AMEND?

OPPOSE?

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.

EXHIBIT NO. 17

DATE 1/20/89

BILL NO. SB 95

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

Ruby J. Erick

1/20/89

Address:

4825 N. Riverside
Missoula, Mt. 59802

Phone:

721-0990

Representing whom?

Riverside Street Inn

Appearing on which proposal?

SB 95

Do you:

SUPPORT?

AMEND?

OPPOSE?

Comments:

I feel we need a state rate for Motel
that is more in line with my regular
commercial rate.

Ruby J. Erick

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

DATE: January 20, 1989

NAME	REPRESENTING	BILL #	Support	Oppose
Ruby Rich		95		
John P. Pappas	SHERATON HOTEL	95	X	
Mary Ann Pappas	SHERATON HOTEL	95	X	
Don Erick	Redwood Lodge	SB 95	X	
Robert Dom pizza	Heritage Inn	SB 95	X	
Michael Kizer	Outlaw Inn	SB 95	X	
ARVO TAAJER	JORGENSENS	SB 95	X	
Jordan B. Coyle	Wadden Oak Home	SB 95	X	
Nina Lee Elliott	Elliott Inn Bellings	SB 95	X	
VERN SITTER	COLO DIAL INN Helena	SB 94	X	
Robert Johnson	MontPulHealth Care	HB 37	X	
Soren DeTienvie	Park Plaza Hotel	SB 95	X	
Margi Reid	D. J. P. Motel	SB 95	X	
Sharon King	CREWIE INN	SB 95	X	
self	self	HB 37	X	
Prof. Jeff Juvie	MIKA	SB 95		
Tom Schneider	MPFA	SB 95	X	
BAN Gritz	self.	HB 37		

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