

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By CHAIRMAN PETE STORY, on APRIL 5, 1989, at
8:00 A.M.

ROLL CALL

Members Present: Senator Gary Aklestad, Senator Loren
Jenkins, Senator Esther Bengtson, Senator Matt Himsl,
Senator Paul Boylan, Senator Tom Keating, Senator Judy
Jacobson, Senator Pat Regan, Senator Fred Van
Valkenburg, Senator Dennis Nathe, Senator Greg
Jergeson, Senator Gerry Devlin, Senator Richard
Manning, Senator Sam Hofman, Senator Lawrence Stimatz,
Senator Ethel Harding, Senator Pete Story

Members Excused: Senator H.W. "Swede" Hammond, Senator
Larry Tveit

Members Absent: None

Staff Present: Clayton Schenck, LFA

Announcements/Discussion: None

HEARING ON HOUSE BILL 583

Representative Francis Bardanouve, District 16, presented HB
583. He said this was an attempt to get better control
of the appropriations process and review the
administrations operation costs. He noted it would not
affect the tourism program nor would it remove money
from the affected agencies.

Proponents: None

Opponents:

Vern Sitter, Helena
Gordon Carlson, Coach House in Helena
John Carroll, Manager of the Sheraton Hotel in
Great Falls
Cadice Baron, Executive Director of Butte Chamber of
Commerce and Gold West
Mike Gabol, Executive Vice President of Great Falls
Area Chamber of Commerce submitted written
testimony. (Exhibit # 2)
Randy Gamer, West Glacier Flathead Valley, Board of

Directors of Glacier Country

Monte Sealy, Roundup

Edythe Cleary submitted written testimony (Exhibit #3)

Gary Stuntwell, Montana Chamber of Commerce

David Hemion submitted written testimony (Exhibit #4)

Darla Joyner, Executive Vice President of Yellowstone Chamber of Commerce.

Testimony:

Greg Bryant (179) from the Governor's Tourism Advisory Council, which administrates the tourism bed tax, spoke in opposition to the bill. He said the council was concerned that the bill as presented affects more than just administration. It allows the legislature to use money, that was intended to be used solely for tourism promotion, without a lot of input from the Tourism Advisory Council.

Claudette Morton, Executive Secretary of the Board of Public Education, addressed section 5 of the bill concerning fees for teacher and specialist certification. She represented 22,000 educators who pay fees because they want an advisory council that would look at the issue of teacher education, certification, ongoing renewal of certification, advocacy, and for standards for the profession. She noted that SB 89, which raised the fee to \$3.00, had passed this session. She recommended that they amend out section 5.

Elmer Frame, President of the Campground Owners of Montana - submitted written testimony. (Exhibit #1)

Bonny Tippy, Montana Innkeepers, said that she was suspicious of what would happen with the money.

Questions from the Committee:

Claudette Morton responded to a question from Senator Jenkins that the total cost of the fee was \$5.00, with \$3.00 designated for the council and \$2.00 for administration of certificates.

Senator Jenkins inquired about the difference of the language where the money is to be used for expenses or for certification standards and practices.

Ms. Morton replied that a concern that the teachers have is a budget which will show how they are going to use the money, but if more revenue is needed they will simply take money out of the travel fund because it is not earmarked.

Senator Jenkins then asked Ms. Morton if the money in the account must be used for expenses of certification standards as it says very clearly that it has to be used for that purpose.

Ms. Morton replied that the laws had been changed.

Bonny Tippy said that the title of the bill did say - administrative expenses-, which are all of the monies that are being spent for out-of-state tourism promotion by the Department of Commerce, so the simple little administrative bill is most of the money.

John Wilson (723), Montana Promotion Division, said that the way this bill is written is that it takes 75% of the bed tax and removes it from statutory appropriation. He said that 75% amounts to 3.5 Million dollars and it is the complete marketing and promotion budget.

Chairman Story said that he wanted to point out to everyone that in the language that remains, the appropriation must be transferred to an account in the state's special revenue fund to the credit of the Department of Commerce. He said in order for anyone to use the money for another purpose it would require another bill in a future session. He further noted that the legislature would have to appropriate that special account every 2 years, which would put them into the business of administering and operating the promotional and travel bureau.

Senator Keating pointed out that while the alcohol tax had been statutorily appropriated for rehabilitation, that statutory appropriation had been completely ignored in the appropriation process and the alcohol tax money had been used for other purposes.

Senator Jenkins expressed concern if they pass the bill the way it is there will be no appropriation for the next two years.

Senator Bengtson inquired as to what had precipitated the introduction of the bill.

Representative Bardanoue replied that the Finance Committee had precipitated the bill in order to have a good government bill that would control expenses and help the legislature to run efficient government.

Representative Bardanoue closed by stating that the bill would keep a tight rein on expenditures of agencies.

HEARING ON HB 619

Representative Bardanouve stated he was introducing the bill at the request of OBPP. He explained the bill and noted that it allows the affected agencies to spend more money so they can do more work in the prison industry. He remarked that money cannot be spent unless it is authorized by the legislature.

(Tape 1-B)

Questions from the Committee:

Representative Bardanouve responded to a question concerning the time element that it would cover anything as far back as October or November in that department.

Senator Keating inquired if some of the appropriations for fiscal year '89 had already been spent.

Representative Bardanouve replied that they can't spend any of that money until it is approved by the legislature, and if they have, it would be in violation of law.

Senator Nathe asked if the policy regarding federal funds, was the same as for the general fund.

Representative Bardanouve replied that if federal funds come in they are required to spend that money first and then revert to the general fund dollars, although that was not the policy in all cases.

Representative Bardanouve closed. (423)

HEARING ON HOUSE BILL 555

Representative Bardanouve explained the bill. He said it is a loan bill, paid with interest, and contains absolute security, he stated. He explained that the Indian school on the south end of Ft. Belknap Reservation, were found guilty of the administration making illegal loans to themselves or to their friends and created shortfall of revenue. Since the Reservation has no private land ownership there is no base to raise any revenue. The federal government sent out an overpayment and the school board spent the money. The overpayment was found and now it is owed back to the federal government. He said the money was used in the school to hire more teachers and spent on operations, but they had no means of paying it back. They were in a real crisis. There was about 88 young people trying to

get an education. They can't transfer since they already had to ride the bus 35-40 miles if they go to Harlem, 1/3 of the day spent on the road. They are negotiating with the feds to pay this back. But until the federal money comes in they need \$127,000 loan for the balance of the year to pay teachers salaries.

Proponents:

John Pearson, high school principal and a junior high principal at Hays Lodge Pole school, testified in support of the bill. (Exhibit #5) There are bi-cultural and bi-lingual needs of the students and they need a hand of help, he said.

Claudette Morton, Board of Public Education, testified in support of the bill. She said that the board was aware of the situation. The state does bear some responsibility for the situation since the audits were not done, she stated. Steps to correct this and make sure that this will not happen again are being taken. It is not the fault of the children.

Senator Jergeson commented that the school board association supports the bill as well. He pointed out that the federal government kept sending out checks. If the school were forced to close, the debts of the school district would follow the kids to other schools, he noted.

Loretta Holly, chairman of the school board, asked the committee for support of the bill. She pointed out that if they don't get the money they will have a 30% dropout rate.

Questions from the Committee:

Senator Van Valkenburg asked what OPI was doing to make sure that this sort of thing doesn't happen again.

Kathy Fabiano, OPI, replied that Senate Bill 203 was as an appropriations to provide a better reporting and accounting, so that the reports that OPI gets from them will be more consistent.

Robert Fox, trustee for the school district, closed on the bill. He believes that the future lies with the children. If the kids have to be bussed there will probably be a big percentage of dropouts and it is the school districts duty to seek any help for the children.

HEARING ON HOUSE BILL 390

Representative Gary Spaeth introduced HB 390. He explained that the bill requires a mandatory two year prison term for the sale of cocaine. He pointed out the seriousness of cocaine and crack and the war on drugs. The bill would send the right kind of message. Two years is already on the books.

John Connor, County Prosecutor's Services Bureau, Department of Justice, testified in favor of the bill. His office provides training and trial assistance to county attorneys throughout the state and operate a two person bureau in terms of providing drug trial assistance. He was a bit skeptical when he heard all of the scare rhetoric about the drug problem in this state. It is severe, however, and with an increase, in the number of drug cases in Montana. People involved are people that wouldn't have anything to do with the drug trade 15 or 20 years ago. He thought that the measure makes a lot of sense, and has some valuable deterrent potential. Deterrent value is as significant as fiscal impact. He thought that the problem was on the increase.

Opponents: None.

Representative Spaeth closed.

HEARING ON HOUSE BILL 563

Representative Spaeth (368) explained that this was the appropriation of the oil overcharge revenues. He told the committee about what the bill did and didn't do. The counties supported it. He explained what the bill did. (see Exhibit #6.)

Proponents: None.

Opponents: None.

Questions from the Committee:

Senator Nathe asked if the money spent will then be shown under section 6. Van Jamison, from DNRC, replied that the numbers should match up.

Senator Nathe wanted to know what happened to stripper wells. Van Jamison replied that in the early stages of distributing the overcharge monies, the Department of Energy went by company basis. There was different

criteria for all of the different pots of money, so they consolidated all of the crude oil cases into the stripper well settlement agreement. There is only one set of criteria for crude and one set for refined.

Representative Spaeth closed.

EXECUTIVE ACTION

HB 390

Senator Nathe moved house bill 390.

Senator Van Valkenburg said that house bill 390 puts more people in prison. He commented that passing the law will not make Montana known as a tough place to be busted in, if there aren't some people out there actually doing the busting.

The question was called. The motion passed.

HB 555

Senator Devlin moved House Bill 555.

The question was called. The motion passed with one No vote by Senator Boylan.

HB 563

Senator Devlin moved to do pass HB 563.

Senator Regan (601) asked for an explanation of the knapweed problem.

Senator Story explained knapweed is vehicle born. It is a rapid dangerous invader, he said.

Senator Jenkins pointed out that biological control over knapweed is what is needed.

The question was called. The motion passed unanimously.

HB 619

Chairman Story explained that HB 619 would appropriate money to various state agencies that would normally be done by budget amendment. Senator Jenkins moved to do pass HB 619.

The question was called. The motion passed unanimously.

HB 742

Chairman Story explained that house bill 742 takes the steps and percentages out of the law. The percentage was put in HB 100 at a payment level of 42% so this would present a conflict if this is not acted on. Senator

Keating moved to do pass HB 742.

The question was called. The motion passed unanimously.

HB 554

Chairman Story explained that House bill 554 always put a million in for Governor's disaster and this time it was doubled to two million.

Judy Rippingale explained that this was the emergency money for the governor and is a statutory appropriation. The governor could have 1 million previously, but is now changed so he can have 2 million dollars if some emergency comes up. The emergency money was never counted as an expenditure or against the ending fund balance. If the governor spent 2 million, the fund balance next session would be 2 million dollars less.

Senator Story noted that this was a sore point last fall with the firefighters. Judy Rippingale replied that last fall it had to do with the budget amendment law. That is different than this emergency statutory appropriation, she explained.

Senator Jenkins asked if the money could be used for fires. Judy Rippingale replied that if the governor declared an emergency and then chose to use his emergency money for fires, he could use up to 2 million. He would need to come in for a supplemental if it was over 2 million.

Senator Nathe asked if the fire situation was entirely a budget amendment. Judy Rippingale replied that last year the fire thing was a different presentation to the Finance Committee. She explained that at the time the Finance Committee had it before them, the Governor had not declared any emergency and was not proposing to use this money. Schwinden tried to raise this to 5 million.

Senator Regan didn't think that it made any difference whether it was at 1 million or 2 million. She moved that they pass the bill as is.

The question was called. The motion passed with Senator Boylan voting no.

HB 452

Senator Keating questioned whether his proposed amendment from a prior day had been approved.

(Tape 2-B)

Senator Keating explained that when social workers were added to the department four years ago they became eligible for medicaid payments and they drew \$200,000 in the biennium. Professional licensed counselors will not add any additional cost to the budget, he said. What drives the appropriation are the number of caseloads. There is a pool of money for these services. He pointed out that there shouldn't be a fiscal impact and in fact should be an offset. The counselors will be eligible for medicaid payments in areas where a real doctor or psychiatrist is located since the people will go them to get services and pay more money and this could be used as an alternate service.

Senator Nathe asked if Hospice was being included. Senator Van Valkenburg replied that hospice indirectly can qualify for medicaid payments and that is how they get paid, however they are being paid out of medicare.

Senator Story noted that without hearing from the department and without getting a little more from it, he was reluctant to move in that direction just from an informal discussion.

Senator Regan asked if they could hold the bill until they see what rules does with the hospice bill. If this qualifies as a finance bill, then certainly the bill sitting in rules does too.

House Bill 452 is on hold.

HB 44

Representative Mercer asked the LFA to present the bill. Judy Rippingale explained HB 44 was a method to handle the subfunds that were in a negative balance with no way to pay back. The Department of Administration is responsible for all agencies, except the university system. The bill separates the loan accounts from just the Department of Administration. The Commissioner of Higher Education, on page 2, line 15-25; page 3, line 3-8, allows the university system to not do so much paperwork in terms of reporting all of the loan transactions that take place. It will also allow a person to look at the state accounting records and see exactly what the financial condition of each account is. Line 16, that is to parallel for the Board of Regents the same authority that the Department of Administration has for granting an extension for one year. On the bottom of page 3, line 25, and the top of page 4, corrects an accident that happened in last

time's legislation where the student accounts had to pay interest on their balances. She explained that designated funds had to pay interest and that was not the intent of the legislation as people testified later. This reverses an accidental action of last time and will hopefully stop a lawsuit from being filed. Page 4, line 11-21 is going to put in some reporting requirements. The loans that are having problems and have to have an extension will be given to the Finance Committee so that they can look at those loans and the method that they have to pay off the loans, getting themselves out of their financial condition is due by september 1, so that there is adequate time for the committee to look it over. On the bottom of page 5, the university system is to maintain its positive fund balance. It was to make it distinct between the universities and the Department of Administration. They have 7 working days to straighten out any problems with payments.

Judy Rippingale explained that this law would cover the restricted fund and the restricted fund is primarily federal money.

Proponents:

Jack Noble, Commissioner of Management and Fiscal Affairs, said that he agreed with Judy Rippingale on the bill in its entirety and offer no amendments to the bill. He outlined six objectives that are set forth that this bill accomplishes. 1. It brings university, county practices, and state law into concurrence. 2. State accounting procedures and applications should reflect the actual cash position of each accounting entity at year end. 3. Procedures should protect the cash solidity of the sub-fund, so that other funds, general fund for instance are not subsidizing the accounts interest free. 4. procedures should encourage proper and aggressive management with cash by institutional managers. 5. The law should discourage managers from impairing accounts as the procedures are in there that accomplish that objective. 6. The law should include a provision that requires the institution to report to the legislature on the status on negative accounts and propose actions that will be taken to restore the solvency of the accounts. (480)

Opponents: None.

Questions from Committee members:

Senator Jergeson asked about the stricken language on page

6, looking at it appears that while it is stricken from the university while the previous sub-section SRS has allowed to continue.

Judy Rippingale replied that the language that you see stricken at the bottom of page 6, is not in current law right now. It is language that the universities had proposed. They wanted to see how it works and see what the problems are. SRS does have a loan credit for special revenue and the legislature chose to approve that.

Judy Rippingale explained that if they are going to have a negative cash balance in their restricted fund they will need to have a loan. Into that restricted fund and that provision is in here. If they continue to have a loan over two consecutive fiscal year ends, that will be brought to the finance committee's attention and that problem will be brought up for review as to what is causing that and what the problem is and what can be done to solve it.

Senator Jergeson asked if the language was to see how the bill was going to operate, and then determine whether or not there was a problem. He suggested that if that approach is used then the committee should see how the rest of the bill will operate in respect to the other funds, before attaching these kinds of conditions.

Judy Rippingale replied that right now not only are the restrictions that are in HB 44 as it applies, they do not have what this language would have allowed. The people working on this bill had some reservations about it.

Senator Jacobson asked about auditing the funds.

Judy Rippingale replied there have been audits of the university system, continuously.

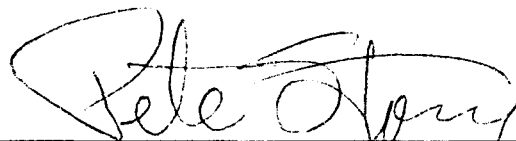
Senator Jacobson pointed out that the problem was that there was no one really in charge of saying that a negative balance was good or bad. The law was somewhat unclear about how it was to be handled. The commissioners office was aware of some negative cash balances that had been held over for sometimes as long as 5 years. They need accountability. There is an easier way to look at those accounts.

Judy Rippingale closed.

Senator Jacobson moved that HB 44 do pass.

Senator Jergeson said that he did not have a full understanding of what the bill did.

The question was called. The motion passed with Senator Jergeson voting no.

A handwritten signature in cursive script, appearing to read "Pete Story", is written above a horizontal line.

PETE STORY, CHAIRMAN

PS/dt

FCS405

DAILY ROLL CALL

FINANCE AND CLAIMS

COMMITTEE - 1989

DATE 4-5-89

NAME	PRESENT	ABSENT	EXCUSED
Senator Gary Aklestad	✓		
Senator Loren Jenkins	✓		
Senator Esther Bengtson	✓		
Senator Matt Himsl	✓		
Senator Paul Boylan	✓		
Senator Tom Keating	✓		
Senator Judy Jacobson	✓		
Senator H.W. "Swede" Hammond		✓	
Senator Pat Regan	✓		
Senator Larry Tveit		✓	
Senator Fred Van Valkenburg	✓		
Senator Dennis Nathe	✓		
Senator Greg Jergeson	✓		
Senator Gerry Devlin	✓		
Senator Richard Manning	✓		
Senator Sam Hofman	✓		
Senator Lawrence Stimatz	✓		
Senator Ethel Harding	✓		
Senator Pete Story	✓		



Exhibit

CAMPGROUND OWNER'S ASSOCIATION OF MONTANA

SENATE FINANCE AND C

EXHIBIT NO. 1

DATE 4-5-89

BILL NO. HB 583

P.O. Drawer A

St. Regis, Montana 59866

President:
Elmer Frame '89 - '91
El-Mar KOA
3695 Tina Avenue
Missoula, MT 59801

April 4, 1989

Vice-President:
Pat Syring '89 - '91
Rocky Mountain Campgrd
Jardine Route, Box 10
Gardiner, MT 59030

Senate Finance Committee

Secretary-Treasurer:
Ruby Pierce '86 - '90
Campground St. Regis
P.O. Drawer A
St. Regis, MT 59866

Chairman Story & Members of the Committee:

My name is Elmer Frame. I am President of the Campground Owners' Association of Montana. On behalf of the campground Owners, I respectfully ask that you delete the accommodations tax from HB 583.

Board of Directors:

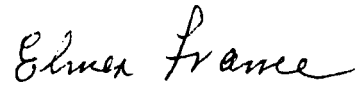
Bud McClure '89 - '91
West Glacier KOA
Box 215
West Glacier, MT 59936

Campground owners supported the accommodations tax legislation because of the statutory appropriation provision. It works, please leave it as supported by campgrounds, hotel-motels, and as passed by the legislature.

Don Thiesen '87 - '91
Sunrise Campground
31842 Frontage Road
Bozeman, MT 59715

Respectfully,

Buck Jones '88 - '90
Lionshead Resort
Star Route Box 17
W. Yellowstone 59758



Elmer Frame,
President C.O.A.M.

Ed Pierce '87 - '91
Campground St. Regis
P.O. Drawer A
St. Regis, MT 59866

EF/lis

Kim Smith '85 - '90
Helena KOA
5820 North Montana
Helena, MT 59601

TESTIMONY

2
SENATE
EXHIBIT NO. 2
DATE 4-5-89
BILL NO. HB 583

The Great Falls Area Chamber of Commerce urges you to support an amendment to House Bill 583 which will remove the bed tax from this legislation.

In the 1987 session we supported the passage of the bed tax in order to fund a Montana Tourism Promotion effort. Our support was based on a membership survey which revealed that 65.8% of our membership favored a statewide room tax "providing it is used for tourism promotion." When asked if they would support such a tax if it were used for other purposes - such as local government - our member support declined dramatically.

The bed tax has now been in effect for about a year and a half. We have strong evidence that the tourism promotion being accomplished with the bed tax money is working. Bed tax collections in Great Falls were up 16.5% in the first quarter of FY 1989 (July 1, 1988-September 30, 1988) as compared to the previous year and increased a dramatic 35% from October 1, 1988 through December 31, 1988. Bed tax collections in our 13 county tourism region, Russell County, were up

Ex. #2

4-5-89

31% in the second quarter of FY 1989, and the State's collections increased by 12% overall.

We believe these figures represent a strong increase in visitation which may be attributed to the tourism promotion efforts made possible by the bed tax. We also believe this success translates directly into more jobs and a stronger economy. In order to carry on our success we must maintain our tourism promotion funding intact and protect it against "raids" by other interests and causes. We also need the ability to plan our tourism marketing efforts with confidence and continuity. We therefore urge you to support continued statutory appropriations status for bed tax funds. The system we have now is working - help us to preserve it.

Mike Labriola
MIKE LABRIOLA
EXECUTIVE VICE PRESIDENT
GREAT FALLS AREA CHAMBER
OF COMMERCE



Montana's
CUSTER COUNTRY

SENATE FINANCE AND CLAIMS

3
CREDIT NO. 3

DATE 4-5-89

Route 1, Box 1206A • Gardin, Montana 59034 • (406) 665-1671

BILL NO. HB 583

MEMORANDUM

TO: Finance and Claims Committee
FROM: Edythe McCleary, Executive Director
DATE: April 4, 1989
SUBJ: House Bill 583

This is to register my concerns about House Bill 583 which would remove the statutory appropriation for the Accommodations Tax.

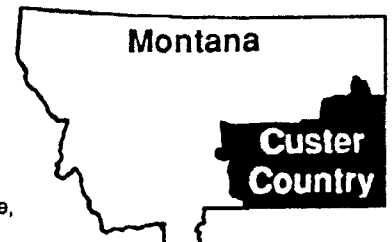
I realize that such action would not affect our regional budget at this time, but it could seriously affect our effectiveness. Thanks to the Accommodations Tax and the way it is being administered and utilized by Travel Montana, the regional organizations and Chambers of Commerce, tourism increased immediately and is continuing to increase.

Those involved in the tourism industry are working together as a team--a very effective and accountable team. We are only now in our second year of utilizing the funds provided by the Accommodations tax.

It's working!!

Please let it continue to work, as it is. Amending the Accommodations Tax out of House Bill 583 will allow the program to continue to achieve.

Thank you for your consideration.



4

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 4
DATE 4-5-89
BILL NO. HB 583

STATEMENT BY DAVID HEMION
EXECUTIVE DIRECTOR
HELENA AREA CHAMBER OF COMMERCE
SENATE FINANCE AND CLAIMS COMMITTEE
APRIL 4, 1989
RE: HB 583

The Helena Area Chamber of Commerce is opposed to HB 583 as written. The Chamber would ask that the appropriations from the accommodations tax remain under statutory designation as governed under current law.

The marketing efforts supported by the accommodations tax have been highly successful. The Chamber can see no reasonable purpose to be served by changing the law. If HB 583 is not amended, a great measure of uncertainty will be introduced into the development of effective marketing strategies, strategies which require long-term, multi-year implementation to harvest results.

The Chamber supports an amendment to this legislation to exclude the accommodations tax.

DRHNEWS04.001

#5

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 5

DATE 4-5-89

BILL NO. HB 555

HAYS-LODGE POLE SCHOOLS

In recent years, School District #50 has been under poor management. It can be said that the school district has filed inaccurate federal applications for financial assistance, overspent its budgets repeatedly, hired employees at inflated salaries, made enormous loans to employees that have become uncollectible, allowed employees to embezzle school funds, paid employees for work that was never performed, and failed to enforce accountability district wide.

Between 1983-87, a conspiracy existed in the district. This conspiracy defrauded the school out of thousands of dollars. Loans were granted to employees with and without board approval. Also, duplicate payroll checks were issued by the inner-office staff. As of today, five individuals have been charged with this wrong doing. Four were employees and one was a trustee. The persons owe the school district \$121,062. The court charged the four employees with \$56,492. The individuals have been sentenced to repay the school \$56,492. At this time, none of the persons are working and restitution seems non-existent. However, three of the employees have turned over a total of \$11,000. in retirement funds to offset their "loans". An insurance policy on the school did not exist to cover the losses.

As surplus revenue was arriving from Washington, D.C., the school seems to have gone on a spending spree. A system of checks and balances was not in place to counter the spending. Little communication was used to convey needs and finances between the administration and accounting department.

The 1987-88 high school budget was roughly \$710,000. However, the school unwisely spent \$135,000. beyond that figure. Money it did not have. During the months of April, May, and June, the school was in a deficit situation. Each month the debt grew larger, until it reached \$135,000. at the end of June.

Meanwhile, the school district was expecting its spring 874 payment. But because of the past overpayments, there wasn't going to be another payment for the FY88.

A drop in enrollment over the past several years has meant a decrease in revenue from both the state and federal financing systems. Revenue is either generated by the number of enrolled students or the number attending school on a daily basis, depending upon whether it is federal or state financing.

During this period of time, services should have been cut back to a lesser amount so that it would reflect the revenue in the school budget. But this did not happen.

The blame for this whole affair rests primarily with the school district and its officials charged with handling finances. It has been negligent in its management responsibilities. But, they should not bear all of the blame. State and national authorities who looked after federal 874 applications are at fault. County staff members are at fault for allowing the debt to be carried into the new school fiscal year.

Late in September, the County Commissioners and Treasurer refused to allow the school district to increase its debt beyond the ceiling of \$175,000. A special meeting was put together in Hays, gathering state, county, and local officials to formulate a plan of action. A temporary solution was to transfer \$150,000. from the elementary school to the high school to repay its debt for not paying its fair share the past several years. At the same time, the county agreed to register warrants up to the \$100,000. figure.

In October, district officials traveled to Washington D.C. with

Ex. # 5
4/5/89

representatives from the O.P.I. and the Fort Belknap Indian Reservation to negotiate a repayment plan. The Montana congressional representatives were very helpful in successfully completing this endeavor.

The school is open today and operates on 874 funds received in November and equalization payments from the county.

There still is a dispute as to how much money the school district owes the federal government. Calculations by local and state personnel differ from those used by the Department of Education. This is an issue the district will resolve with time.

The immediate problem this year is to find additional money to complete the fiscal year. At present the district is short \$211,460. If a spring federal 874 payment as calculated is paid, the shortage of dollars will be reduced to \$127,682. The latter number is the amount necessary to meet obligations this fiscal year.

The question of finances for 1989-90 rests with the board of trustees. The trustees and the community desire a program equal to the one that has been offered to students in recent years. To accomplish this goal, \$100,470 in additional revenue will be necessary for the high school.

The district has changed. There is a new superintendent, business manager, principal, and five new trustees. Let us hope that solutions can be found so an isolated high school in Montana which serves Native Americans can stay open and continue to educate its students.

COURSE OF ACTION

Ex #5
4/5/89

November 1987 Notification of High School 874 overpayment \$65,858.00

May 1988 Notification of Elementary 874 overpayment \$248,777.00

July 1988 New Superintendent arrives
Trustee removed
High school overpayment discovered \$35,622.00
Elementary school overypayment discovered \$159,227.00
Inform O.P.I. - Bob Stockton

August 1988 Inform O.P.I. - Lynda Brannon; County Superintendent
Carol Elliot
Four employees fired for embezzlement

September 1988 Contact John Forkenbrock, Washington, D.C.,
National Association Impact Schools
Contact Fort Belknap Education Dept., Loren Stiffarm
Montana Indian Impact Schools notified
Meeting with Lynda Brannon; and attorney Chip Erdmann
Contact Ed Argenbright, O.P.I. Superintendent
Meeting with county commissioners; and Tribal Council
Preliminary 874 payments requested

October 1988 Meeting with Fort Belknap Tribal Council
Meeting in Hays with county, state, local representatives
Trustees resign
Elementary payment received into high school
Washington, D.C. - meeting with Dept. of Education
officials
- meeting with Congressional delegations
Meeting with O.P.I. and legislative council representatives
New trustees begin service
High school debt reduced to \$63,000.00

November 1988 Request early payments from State Board of Education
Desperate request for 874 funds; funds arrive same
day (Nov. 7)
postpone request for early state payments

December 1988	Extra preliminary payment arrives and is returned after requested by Department of Education officials. Trustees confer with U.S. Department of Education on amounts owed and repayment plan
January 1989	Confirmation on overpayments and when repayments must begin
January 1	Request additional state financial help (\$127,682.00 grant)
January 1989	High school debt increased to \$84,603.00
February 1989	5 year repayment plans approved by Department of Education with 7% interest
February 1989	Request U.S. Congress to waive interest and extend repayment plan to 10 years
March 1989	District appeals \$119,181.00 special education funds

Ex. 5
4/5/89

HIGH SCHOOL 1988-89 BUDGETS

REVENUES

General Fund	\$601,550.00	State	\$127,583.00
G.F. deficit	135,035.00	County	151,728.00
Transportation	87,059.00	Feds	181,673.00
Comp. Insurance	15,000.00	Other	166,200.00
	<u> </u>		<u> </u>
	\$838,644.00		\$627,184.00

\$838,644.00

Budget 1988-89

-627,184.00

Revenue

\$211,460.00

Shortage

\$265,450.00

Federal 874 Entitlement

-181,672.00

874 Preliminary Payment made in November

\$ 83,778.00

Balance due; spring 1989

\$211,460.00

Revenue Shortage

- 83,778.00

Spring 874 Payment, or loan from Board Investments

\$127,682.00

requested from State Grant

Exhib. H6

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 6

DATE 4-5

BILL NO. HB 563

OIL OVERCHARGE ESTIMATES

Prepared 3/10/89

Oil Overcharge Revenues		Oil Overcharge Appropriations HB563	
Unappropriated Balance of funds and interest earned as of 3/9/89	1,326,776	Attorney Fees and Costs	35,000
Unspent Project Funds and interest from HB621	76,009	Low-income Home Weatherization	900,000
Getty Oil Payment (late spring 1989)	357,570	Biological Weed Control	150,000
Texaco Payment (late summer, early fall 1989)	412,790	Low-income Energy Assistance	100,000
Getty Oil Payment (late spring 1990)	178,785	Transloading Facility	300,000
TOTAL	2,351,930	State Building Energy Bond Program	550,000
		Local Governments	235,000
		Institutional Conservation Program	950,000

HB 583
4/5/89

WITNESS STATEMENT

NAME Rep Ben Cohen BILL NO. HB 583
ADDRESS Box 21 State Capitol DATE 4/5/89
WHOM DO YOU REPRESENT? Community of Whitefish
SUPPORT _____ OPPOSE _____ AMEND X

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Please delete Sec 3.

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
Vern Sitter	Montana Inkeeper Assn	583		X
Ray Brumby	MIWA	583		X
Edythe McHenry	Custer Country, Inc.	583		X
Pamela Hoedel	Missoula CVB	583		X
ELMER FRAME	CAMPground Owners	583		X
Rob Moravick	Msle Chamber	583		X
Kay Foster	Billings Chamber	583		X
Bruce W. Goerer	MSBA	555	X	
Smoke Elser	M. P. G. A.	583		X
Dave Galy	Dept of Admin	619	X	
	etc	619	✓	
Ray Hoffman	DHES	619	✓	
JOHN FOUTH	OBPP			
BOB KITCHENBREED	✓			
Jim Zubon	SPS	563	✓	
John Dossman	SPS	619	✓	
John May	SPS	619		
Harry Harsens	MDOH	619	X	
JESSE MUIRO	MDOH	619	X	
Bill SALISBURY	MDOH	619	X	
Karen Munro	Admin.	619/4	X	
Maurie Eicholtz	Admin	619	X	
Willard W. Wynn	Mutual V Center	HB 619	X	
Msgr Ellen Beukel	G.F. No-Tech	HB 619	X	
LEO STEINBECK	OBPP	HB 619		

COMMITTEE ON Finance : Claims

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Bonnie Tapp	Montana Innkeepers	583		X
John Carroll	Sheraton Great Falls	583		X
MIKE LABRIOLA	GREAT FALLS AREA CHAMBER OF COMMERCE	583		X
DANDY GAYNES	GLACIER COUNTRY REG. TOURISM	583		X
Greg Bryan	GLACIER COUNTRY REGIONAL TOURISM ASSO.	583		X
Jack Noble	University System	HB 44		
" "	" "	HB 619		
Glen Leavitt	Western Mont College	HB 619		
John Connor	Dept of Justice MT. County Atty's Assn	HB 390		
Rick DeMARINIS	MT. LOCAL GOVT ENERGY OFFICE	HB 563	✓	
MONTY SEALEY	CUSTER COUNTRY Reg Tourism	HB 583		X
DARLA JOYNER	Yellowstone County Bd. Boraman Area CofC			X
Nancy Johnson	OPI	HB 619	✓	
Tom Livers	DNR C	HB 563	✓	
Karen Basclay	DNR C	HB 573	✓	
DAVID HEMION	HELENA CHAMBER	583		X
Mike East	Western Mont. Coll.	HB 619	✓	
Claudette Norton	Board of Public Ed	HB 555	✓	
" "	" " " "	HB 583		✓
Jordan B. Carlin	Coach House Motor Inn	583		✓
Paul Jones	Sold West Country	583		✓
JIM TULLWILER	MT CHAM COMMERCE	HB 583		✓

(Please leave prepared statement with Secretary)

