

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Senator Judy Jacobson, on February 6, 1991, at 5:00 p.m.

ROLL CALL

Members Present:

Judy Jacobson, Chairman (D)
Greg Jergeson, Vice Chairman (D)
Gary Aklestad (R)
Thomas Beck (R)
Esther Bengtson (D)
Don Bianchi (D)
Gerry Devlin (R)
Harry Fritz (D)
H.W. Hammond (R)
Ethel Harding (R)
Bob Hockett (D)
Thomas Keating (R)
Richard Manning (D)
Dennis Nathe (R)
Lawrence Stimatz (D)
Larry Tveit (R)
Mignon Waterman (D)
Cecil Weeding (D)

Members Excused: Eleanor Vaughn (D)

Staff Present: Teresa Olcott Cohea(LFA).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: NONE.

HEARING ON SENATE BILL 215

Presentation and Opening Statement by Sponsor:

Senator John Harp told the Committee Senate Bill 215 was at the request of the Montana Health Facilities Authority. Senator Harp explained that Senate Bill 215 would create a capitol reserve account in order to establish an effective, low-cost means of financing construction and developments of health facilities in Montana. Senator Harp pointed to the Fiscal Note in which it indicates the long-range effects will lower the cost

to the borrowing health facilities by 50 basic points.

Proponents' Testimony:

Jerry Hoover, Administrator of the Health Facility Authority told the Committee Senate Bill 215 was not a "safety net" for hospitals and health care facilities. He explained it broadens the market for selling of bonds and making loans to hospitals. Mr. Hoover said that the ability to market these bonds in Montana through the Board of Investments a lower interest rate can be given, and at less cost.

Dave Lewis, Executive Director of the State Board of Investments cited Section 5 which allows the board to assist in financing for health facilities. He explained the board could enhance the Health Facility Authorities ability to get bond issues and lower the cost of monies for health facilities in Montana. Mr. Lewis told the Committee it also gives the Health Facility Authority the ability to not only negotiate with the out-of-state bankers, but to raise the cost of letters of credit to 250 basis points.

Jim Ahrens, President of the Hospital Association told the Committee Senate Bill 215 would permit Montana's hospitals to reduce their capital costs. He explained that often the facilities are forced to pay higher costs when borrowing money; and that rural hospitals are especially hard hit by costs.

Janice Reich with the Developmental Disabilities Division of the Department of Social and Rehabilitation Services spoke in support the Senate Bill 215. Ms. Reich told the Committee it would support non-profit corporations that provide services to individuals with developmental disabilities.

Opponents' Testimony:

NONE.

Questions From Committee Members:

Senator Aklestad asked Mr. Lewis if money could be lent under the current rule under the existing conditions of health facilities at this time. Mr. Lewis explained that the Board would use its usual review of collateral, and would seek the normal rates of return.

Senator Aklestad asked Senator Harp how the bonds would be backed up. Senator Harp explained they would be moral obligation bonds.

Terry Cohea referred the Committee to Section 4 where it provides that at anytime there is not enough in the capital reserve account to pay the bond, the Health Facility Authority notifies the Governor who is obligated to include a general fund

amount in the Executive budget necessary to fully fund the capital reserve account. The Legislature is not obligated to pay that amount making it a moral obligation.

Closing by Sponsor:

NONE.

HEARING ON SENATE BILL 229

Presentation and Opening Statement by Sponsor:

Senator Harry Fritz told the Committee Senate Bill 229 would allow the Judicial Branch the right of submitting their biennial budget directly to the Legislature. He explained the Judicial Branch should get the same right as the Legislative Branch by having its budget considered directly by the Legislature.

Proponents' Testimony:

Jim Oppedahl, Administrator of the Montana Supreme Court told the Committee Senate Bill 229 would allow the Judiciary to fulfill its obligation to submit a budget proposal. He explained it would not allow the Governor's Office to change the proposal. Mr. Oppedahl said the bill would allow the Legislature's General Government Sub-committee to analyze the Judicial budget proposals directly. He also explained Senate Bill 229 does not tie the hands of the Legislature.

Opponents' Testimony:

NONE.

Questions From Committee Members:

Senator Devlin asked Mr. Oppedahl if the budget had been changed by the Executive Branch. Mr. Oppedahl explained that it has been changed. Senator Devlin asked Mr. Oppedahl for an example made in this year's budget. Mr. Oppedahl told the Committee there have been a number of changes in terms of how the Governor's Office applies inflation, and an automation proposal of twelve personnel computers per year was changed to six.

Senator Devlin asked Mr. Oppedahl if the Legislative Fiscal Analyst would still review. Mr. Oppedahl told the Committee that was correct.

Senator Bengtson asked if there would be a separate office of budget and program planning. Mr. Oppedahl explained that there would not be any administrative changes and that it would be exactly like the Legislative budget is done.

Senator Devlin asked if since all other state departments

are responsible to the Governor's office, who would they be responsible to. Mr. Oppedahl told the Committee they would be responsible to the Supreme Court.

Closing by Sponsor:

Senator Fritz told the Committee the Governor's Office would still review and comment on the Judiciary's proposed budget. He explained it would eliminate unnecessary accounting paperwork. It would also allow the Judiciary Branch the same right as the Legislative Branch.

HEARING ON HOUSE BILL 38

Presentation and Opening Statement by Sponsor:

Representative Ed Grady told the Committee that House Bill 38 was a follow-up of the transfer of the bad debt collection program. He explained it allows for charges of services in collecting debts.

Proponents' Testimony:

Debbie Van Vliet, Administrator of the Fiscal Management and Control Division in the State Auditor's Office spoke from prepared testimony. (Exhibit #1)

Dennis Sheehy, Deputy State Auditor told the Committee House Bill 38 was amended by the Senate State Administration Committee to include that any excess funds will be carried over and used to reduce fees in future years. He explained that fees could be collected from Federal sources.

Opponents' Testimony:

NONE.

Questions From Committee Members:

Senator Nathe asked at what point the collection of child support would be referred to the Auditor's Office.

Ken Rudio explained that child enforcement is allowed to use the services of the Auditor's Office. In cases where monies are going through the system that can be applied to a debt, and there is a match, such as a person owing child support showing refund, the agency involved is notified.

Senator Nathe asked if the percentage taken as a fee is subtracted from the amount owed to the spouse or the children. Mr. Rudio told the Committee that the Federal government reimburses the Child Support Division for that cost.

Senator Bengtson asked if there was any comparisons since the Auditor's Office took it over from the Department of Revenue. Mr. Rudio explained the Auditor's Office is allowed access to all warrants. He told the Committee that \$65,000 more has been collected through the offset program than at the Department of Revenue for a similar period of time two years ago.

Senator Aklestad asked if any seed money would be needed to staff the program. Mr. Rudio told the Committee there are three staff now; and would propose an increase in FTE.

Senator Aklestad asked if there was a "trigger" amount at which time the monies would not be carried forward. Mr. Rudio explained the percentage of charge would be reduced.

Senator Jacobson told the Committee the reason the bill was brought to them was to address the issue of caps or limitations. She pointed out the increase in FTE from three to five, with an increase in the percentage to 17%. Mr. Rudio said it would be 17% for the first year and 15% the next.

Senator Jacobson asked how the Auditor's Office saw the Legislature interacting with the earmarked account.

Dennis Sheehy told the Committee the fee should be based on the next year's budget. He explained the General Fund support now going into Fiscal Control and Management would be used to start the program.

Senator Keating asked if the fund balance is carried forward it would mean a lesser appropriation in subsequent years. Mr. Sheehy explained that money could be appropriated, but if cash is not generated it cannot be spent. The appropriation may not decrease but the funds collected the next year would decrease because there would be an offsetting decrease in what was charged for the service. He explained that the modification would have to go through the Appropriation sub-committee at the regular budget hearing.

Senator Beck asked Mr. Sheehy why the amendment was proposed. Mr. Sheehy explained there was an effort not to have fund balances carry-over in special revenue and proprietary accounts.

Senator Jacobson asked Terry Cohea to suggest ways to tighten up the carry-over. Ms. Cohea explained the Committee could limit the fund balance that could be carried. She also explained this does not affect the appropriation level. She told the Committee that if the fund becomes large nothing in the bill requires the percentage to be lowered. She explained the Committee could do one of two things; a statement in statute could be that the fund balance cannot exceed X-amount, or a required percentage for the next year be set to generate amount equal to the appropriation minus the fund balance.

Mr. Sheehy told the Committee they would not be opposed to the language suggested by Ms. Cohea.

Closing by Sponsor:

Representative Grady told the Committee that Representative Swysgood also expressed concern in the same area. He said he did not object to the proposed amendment.

EXECUTIVE ACTION ON SENATE 105

Motion:

Senator Manning moved DO PASS on Senate Bill 105. (Exhibit #2)

Discussion:

Terry Cohea explained the bill passed last session appropriated \$2 million, but provided a 4 to 1 match ratio. Senate Bill 105 seeks to change to ratio to 2 1/2 to 1 which would allow the full \$2 million appropriation to be claimed. It will also extend the period for the appropriation one more biennium. She explained the Executive Budget assumed the full \$2 million would be given to McLaughlin Institute.

Amendments, Discussion, and Votes:

NONE.

Recommendation and Vote:

Voice Vote called. Motion to DO PASS CARRIED. Senator Jergeson voted NO.

EXECUTIVE ACTION ON SENATE BILL 215

Motion:

Senator Nathe moved DO PASS on Senate Bill 215.

Discussion:

NONE.

Amendments, Discussion, and Votes:

NONE.

Recommendation and Vote:

Voice Vote called. Motion to DO PASS CARRIED.

EXECUTIVE ACTION ON SENATE BILL 229

Motion:

Senator Manning moved DO PASS on Senate Bill 229.

Discussion:

NONE.

Amendments, Discussion, and Votes:


NONE.

Recommendation and Vote:

Voice Vote called. Motion to DO PASS CARRIED. Senator Devlin voted NO.

ADJOURNMENT

Adjournment At: 6:15 p.m.


JUDY H. JACOBSON, Chairman


LINDA CASEY, Secretary

JHJ/11c

ROLL CALL

FINANCE & CLAIMS COMMITTEE

DATE 2/6/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON CHAIRMAN	P		
SENATOR JERGESON, VICE CHAIRMAN	P		
SENATOR AKLESTAD	P		
SENATOR BECK	P		
SENATOR BENGTON	P		
SENATOR BIANCHI	P		
SENATOR DEVLIN	P		
SENATOR FRITZ	P		
SENATOR HAMMOND	P		
SENATOR HARDING	P		
SENATOR HOCKETT	P		
SENATOR KEATING	P		
SENATOR MANNING	P		
SENATOR NATHE	P		
SENATOR STIMATZ	P		

Each day attach to minutes.

ROLL CALL

FINANCE & CLAIMS COMMITTEE, CONTINUED

DATE 2/6/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR VVEIT	P		
SENATOR VAUGHN		A	
SENATOR WATERMAN	P		
SENATOR WEEDING	P		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 105 (first reading copy -- white), respectfully report that Senate Bill No. 105 do pass.

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

2-7-91

Adm. Coord.

1045

Sec. of Senate

281105SC.SJI

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 229 (first reading copy -- white), respectfully report that Senate Bill No. 229 do pass.

Signed: Judy H. Jacobson
Judy H. Jacobson, Chairman

191 2-7-91
And. Coord.

SD 2-7 1145
Sec. of Senate

281103SC.Sji

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 215 (first reading copy -- white), respectfully report that Senate Bill No. 215 do pass.

Signed: Judy H. Jacobson
Judy H. Jacobson, Chairman

2-7-91
Amd. Coord.

SB 2-7 11:45
Sec. of Senate

281057SC.Sji

TESTIMONY H.B. 38
State Auditor's Office
Debbie Van Vliet (444-5438)
February 6, 1991

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 2/6/91

BILL NO. HB 38

Madam Chairman, members of the committee, for the record, my name is Debbie Van Vliet. I am the Administrator of the Fiscal Management and Control Division in the State Auditor's Office.

I would like to begin my remarks with a brief description of the Bad Debt Program. The Bad Debt Program was moved from the Department of Revenue in January of 1990 to the State Auditor's Office. The program provides a debt collection service for all state agencies and the university system. The service consists of an internal collections program, offset program, and referral of state accounts to private collection agencies for a further collection effort. The section also provides a write-off service for all state receivables.

The main objective of HB 38 is to change the funding mechanism of the program from general fund to an internal service fund. An internal service fund accounts for the financing of goods or services provided by one department to other departments of state government on a cost-reimbursed basis. Since the Bad Debt Program's sole purpose is to collect debts for other state agencies, the internal service fund structure would apply to this program. The passage of this bill also provides the benefit of a general fund savings of \$170,000 over the next biennium. The program would be wholly financed through a service fee charged per collection. This service fee would not need to be added to agency budgets as the service is primarily used by agencies as a last attempt to collect receivables before writing them off of the Statewide Budget and Accounting System. The collection cost would be subtracted from the debt if collected and the balance would be returned to the agency.

Another advantage of converting to an internal service fund is a more equitable way of distributing the cost of collecting bad

debts. Currently, the program is totally funded by general tax dollars. However, in FY 1990 the program collected \$182,000 for the child support program, \$30,000 for federal financed student loans, \$46,000 for the Employment Security Department and \$220,000 for the Workers' Compensation Fund. These programs are partially funded through federal or other funding sources. This means that the general fund appropriation for the bad debt program provides support to collect federal and other revenue sources.

The percentage charge will be based on projected budgeted expenses needed to operate the program. If excess revenue is generated from the service fee in FY92 the surplus will be carried over to the FY93 budget and the percentage will be recalculated for that year.

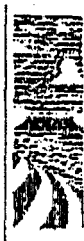
In conclusion, the proposed legislation would accomplish two objectives for the State of Montana:

1. The change in funding would more equitably distribute the costs of collecting bad debts to all funding sources including federal. Those who use the program, including the agencies who are federally funded, thus pay for the costs of their bad debt collection.
2. The change would also save the general fund an estimated \$170,000 over the next biennium.

The State Auditor urges this committee to give HB 38 a "do pass" recommendation.

I would like to thank the committee for the opportunity to speak and I will try to answer any questions you might have. Ken Rudio, who is the bureau chief of the Bad Debt Program, is also here to help answer any questions you might have.

DVV/amp(556)

McLaughlin
ResearchInstitute
for
Biomedical Sciences

February 4, 1991

The Honorable Gene Thayer
Montana Senate
State Capitol Building
Helena, MT 59620

Dear Senator Thayer:

This letter is in response to our telephone conversation this past weekend.

Even though the federal appropriation does not explicitly require a state match, award of the federal grant is contingent upon the availability of sufficient funds to complete and equip the new facility. The estimated cost of the construction project is \$6.9 million. To date, MRI has \$6.25 million available, which includes the \$1.25 million, 1-to-4 state match on federal funds. Although \$5 million has been directly appropriated to MRI for construction of a new facility, the federal government will only release grant funds when there is sufficient evidence that the project can be carried through to completion. The appropriation of this additional \$750,000 will ensure that sufficient funds are available to complete the project.

We should emphasize that the federal government will not fund "shell space" to be completed later. The additional \$750,000 is sufficient to equip two laboratories allowing recruitment of two additional investigators. Approximately \$600,000-\$800,000 per year in additional federal research grant revenue would come into the state, 80% of which would be spent in Montana. The addition of these two new scientific programs would also create 5-10 new jobs.

Contemplated in the future is the establishment of a spin-off, for-profit activity (Lewis and Clark Biologicals, Inc.) which would produce special strains of mice for sale to research entities throughout the west. The mouse strains would be developed at MRI and licensed to the producing company, which would, in turn, return royalty payments to MRI for each animal sold. This income source would not provide an immediate income stream, but is expected to develop over a five to seven year period. In addition, LCBI would have first right of refusal to development of any biotechnology patents generated by the non-profit research at the Institute. Every effort will be made to ensure that any profits resulting from our research remain in Montana.

The state appropriation significantly influenced the decision of Congress to appropriate \$5 million to MRI. The overwhelming vote in both State Houses was a very positive factor in emphasizing to the federal legislators the commitment towards biomedical research by the State of Montana. We believe that the demonstration of the state's tangible support for biomedical research might also influence for-profit biotechnology firms thinking of coming to Montana.

Sincerely yours,

George A. Carlson, Ph.D.
Scientific Director

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2DATE 2/6/91BILL NO. SB 105

GAC/gw

DATE 2/4/91

COMMITTEE ON Finance & Claims

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)