

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **DICK SIMPKINS, CHAIRMAN**, on January 12, 1993,  
at 9:00 a.m.

#### **ROLL CALL**

##### **Members Present:**

Rep. Dick Simpkins, Chairman (R)  
Rep. Wilbur Spring, Vice Chairman (R)  
Rep. Ervin Davis, Vice Chair (D)  
Rep. Pat Galvin (D)  
Rep. Harriet Hayne (R)  
Rep. Gary Mason (R)  
Rep. Brad Molnar (R)  
Rep. Bill Rehbein (R)  
Rep. Sheila Rice (D)  
Rep. Sam Rose (R)  
Rep. Dore Schwinden (D)  
Rep. Carolyn Squires (D)  
Rep. Jay Stovall (R)  
Rep. Norm Wallin (R)

**Members Excused:** Rep. Beverly Barnhart; Rep. Bob Gervais

**Members Absent:** None

**Staff Present:** Sheri Heffelfinger, Legislative Council  
Dorothy Poulsen, Committee Secretary

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

##### **Committee Business Summary:**

Hearing: HB 93; HB 99  
Executive Action: HB 71; HB 86; HB 93

#### **HEARING ON HB 93**

##### **Opening Statement by Sponsor:**

**REP. DAVID EWER**, House District 45, Helena, introduced HB 93 by request of the Department of Administration. The bill has two purposes, both requiring a statutory appropriation. First, HB 93 responds to the Cash Management Improvement Act (CMIA), passed by the U.S. Congress in 1991, which requires that states and the

federal government monitor the exchange of federal and state funds and any interest received on these monies. **REP. EWER** stated that in the past, states participating in federal programs would not always receive the federal funds when the program was initiated and had to use state monies in anticipation of receiving federal funds. At the same time the federal government charged that states used federal monies prior to when they were scheduled to be spent in lieu of state funds. In both cases, the respective governments lost revenue from interest on their monies. According to **REP. EWER**, CMIA was passed to address these problems by requiring that states monitor when federal monies are spent and the interest earned on federal money as well as calculating the interest due from the federal government when a state is not reimbursed on a timely basis. The Act has provisions for terminating federal assistance if the states do not comply.

**REP. EWER** stated that HB 93 establishes an accounting system that enables the State of Montana to comply with CMIA and provides the means to pay for this ongoing method of accounting through a statutory appropriation. The federal government has recognized that the state will incur costs in establishing this monitoring system and does allow the state a credit offset of up to \$50,000 on interest owed the federal government to cover administrative expenses.

**REP. EWER** stated that the second purpose of HB 93 is to enable the Department of Administration to bid out depository banking services. Currently, the state's depository banking services (checking account services) are bid in "soft dollars." That is, the state does not receive bids for specific fees for individual transactions. Instead, banking service costs are paid through a compensating balance arrangement wherein a predetermined dollar amount is left in the State's bank account, and the bank pays a fixed interest rate on the money. These interest earnings cover the banking service costs. According to **REP. EWER**, the state is currently keeping more than \$25,000,000 in compensating balances. This money is idle; that is, it is not being invested by the State of Montana. **REP. EWER** asserted that the Board of Investments could invest the \$25,000,000 compensating balance for a return greater than the cost of depositor services, as shown on the fiscal note for HB 93.

**REP. EWER** continued that having banks bid on specific charges for banking services would allow better monitoring of banking costs to the state. Additionally, more banks may be willing to bid on such services; most recently, only one bank bid on the banking services contract using the compensating balance method.

**Proponents' Testimony:**

Connie Griffith, Administrator, Accounting Management Support Division, Department of Administration, offered written testimony supporting **REP. EWER'S** opening statement. **EXHIBIT 1**

Opponents' Testimony: None

Informational Testimony: None

Questions From Committee Members and Responses:

REP. WALLIN asked Ms. Griffith whether there were federal programs which would be affected by the CMIA other than those listed on page 4 of her written testimony. She responded that there were other programs; the list includes only the programs that must be monitored in the first year. The only programs to fall under CMIA are those programs for which the State of Montana receives \$3,000,000 or more from the federal government. Other programs not scheduled for implementation in the first year must be implemented in the second year of the Act.

REP. WALLIN asked whether HB 93 would need to be reintroduced to cover the other programs. Ms. Griffith responded no; other programs will fall into the implementation of the Act and thus the implementation of HB 93.

REP. GALVIN asked Ms. Griffith how the state will save \$232,000 and whether the bill would require changes in FTE's. Ms. Griffith stated that at this time no FTE changes are required by HB 93. With reference to the savings of \$232,000, she referred to the fiscal note, page 2. She said the state would save \$50,000 in collateral costs and \$57,500 in FDIC charges. In addition, the state would be earning approximately 0.5% higher interest from investments by the Board of Investments. REP. GALVIN verified that the additional interest would return to the state and Ms. Griffith concurred.

REP. SIMPKINS asked Ms. Griffith whether the Department of Administration needed a statutory appropriation in order to transfer funds. Ms. Griffith responded that the Department is asking for statutory appropriation rather than general fund appropriation in order to have the flexibility needed to pay the interest owed the federal government and to pay state banking services costs without affecting the limited general fund appropriations. REP. SIMPKINS clarified that the state is not incurring any debt with HB 93.

Closing by Sponsor:

REP. EWER stated that the statutory appropriation is very important for both parts of HB 93 but critical for complying with the federal government and CMIA.

EXECUTIVE ACTION ON HB 93

Motion: REP. SPRING MOVED HB 93 DO PASS.

Discussion:

REP. ROSE asked REP. EWER what the banking services costs would be. REP. EWER responded that he did not know. He asserted that the state would be better off with multiple bids for specific fees.

REP. SIMPKINS asked REP. EWER whether there was the possibility that some costs might be associated with the banking bid which would be offset by the increased income from investing the \$25,000,000 compensating balance. REP. EWER responded that clearly the Board of Investments could make more money on the money used as the compensating balance, and there would be lower administrative costs and lower FDIC and collateral charges by changing the method of paying for general depository banking services. He is unable to quote specific costs, but presumes they will be lower.

REP. WALLIN asked REP. EWER whether the CMIA acts like a repurchase agreement in which the federal government could call for their money at any time. REP. EWER responded that he would refer the question to Ms. Griffith. He then reiterated that the purpose of the bill is to have the ability to track funds. He noted that the fiscal note states that there would be no significant impact of this portion of HB 93. At this time it is unclear whether there would or would not be an impact, depending upon the extent to which the state has been able to take advantage of using federal funds in the past.

REP. STOVALL asked REP. EWER whether CMIA would pressure the federal government to give the state money on a timely basis. REP. EWER responded that he was unsure of the effects of the federal act. Ms. Griffith stated that CMIA has specific requirements on the methods and timing of receipt and payment of monies and also requirements for federal reimbursement. By approving a specific method for receiving federal money, the need for any interest to be incurred by either the state or the federal government should be eliminated.

Vote: HB 93 DO PASS. Motion carried unanimously with REP. GERVAIS and REP. BARNHART voting yes by proxy. **EXHIBITS 2 AND 3**

REP. SIMPKINS distributed a letter he had drafted to Mike Cooney, Secretary of State, asking the Secretary for assistance in acquiring recommendations from the Election Advisory Council on changes to the deadline for voter registration. REP. SIMPKINS drafted the letter in response to HB 79 which requested a decrease in the closure date for voter registration from 30 to 20 days. He stated that he would like to see the Secretary of State become more actively involved in issues related to voter registration. **EXHIBIT 4**

REP. SQUIRES asked REP. SIMPKINS whether this letter would preclude any further discussion or consideration of other bills

introduced during the current session with regard to voter registration. **REP. SIMPKINS** responded absolutely not. He stated that he would like to have the advice of the Council on these issues. **REP. SQUIRES** expressed concern that the comprehensive recommendation to send these issues to the Election Advisory Council for their advice would taint the attitude of the committee toward upcoming legislation related to voter registration.

**REP. RICE** suggested that to address **REP. SQUIRES'** concern, the committee should delay acting on the letter until later in the session. **REP. SIMPKINS** responded that he had drafted the letter solely in response to the testimony on HB 79, and that he wanted the Secretary of State to be involved in these issues. **REP. RICE** said that she shared **REP. SQUIRES'** concern that the committee might decide to table every bill related to voter registration because they had asked the Secretary of State to deal with the issues for the next session. **REP. SIMPKINS** agreed to postpone sending the letter. **REP. SQUIRES** thanked **REP. SIMPKINS** for addressing her concern.

#### HEARING ON HB 99

##### Opening Statement by Sponsor:

**REP. BARDANOUVE**, House District 16, Harlem, introduced HB 99 by request of the Computer Planning Committee to revise the laws relating to the data processing responsibilities for the state. A special subcommittee was authorized by the House Joint Resolution No. 48 passed by the 52nd legislature to study the management of information processing technology in Montana. In their report, the "Summary Report House Joint Resolution 48" (hereafter referred to as "Summary Report"), the subcommittee recommended the revisions included in HB 99. **EXHIBIT 5**

**REP. BARDANOUVE** stated that HB 99 provides a better way of managing the state's computers by enabling the Department of Administration to review and approve the acquisition of computer software. He emphasized the necessity of acquiring compatible systems for the statewide network. He noted that the Office of Public Instruction (OPI) and Montana University System are exempted under the bill except when their actions would affect the central computer center or the statewide data network.

##### Proponents' Testimony:

**Mike Trevor**, Administrator, Information Services Division, Department of Administration, stated that the Information Services Division (ISD) has two functions: (1) ISD provides central mainframe and communication services (data networks and the telephone system); and (2) ISD has responsibility for the control and coordination of information systems within the Department of Administration. House Bill 99 addresses the

control/coordination responsibility. **Mr. Trevor** stated that the Department of Administration supports HB 99. The bill, however, does create additional work for the department and therefore requires additional FTE.

**Mr. Trevor** explained that as other agencies increase their use of technology to become more efficient, there will be an increasing need for planning, coordination, and management of the information systems by the Department of Administration. Although the Department will therefore require three additional FTE, he noted that planning and coordination will benefit the state in the long term through (1) increased sharing of information systems by state agencies; (2) the acquisition of compatible software; and, (3) minimizing the need for staff by other agencies through their use of increased technology.

**Mr. Trevor** pointed out that the language changes in HB 99 were coordinated with individual agencies and the Data Processing Advisory Council, a steering group attached to the Department of Administration.

**Scott Buswell, Assistant Superintendent for Educational Technology, Office of Public Instruction,** stated that the Office of Public Instruction wants to be on record in support of HB 99.

**Jack Ellery, Deputy Director for Operations, Department of Revenue,** stated that the "Summary Report" was an excellent study for planning the application of technology in state government. He praised the level of coordination and cooperation among state agencies which has occurred as the result of ISD's services. **Mr. Ellery** stated that in 1988, the Department of Revenue networked all the county offices into the mainframe computer. Since then, the Departments of Justice and Social and Rehabilitative Services (SRS) have also networked with county offices using the same networking application. **Mr. Ellery** concluded that HB 99 was an excellent piece of legislation; and that, both as a state employee and a private citizen, he encouraged the adoption of HB 99.

**Kirsten Graham, Data Processing Manager, Department of Labor and Industries,** stated that she was also chair of the statewide Data Processing Managers' Group (DPMG). The data processing managers implement technology within the various departments and have discussed this legislation at length. The DPMG does support HB 99, as does the Department of Labor.

**Bob Marks, former Director, Department of Administration,** stated that as a concerned taxpayer, he supported HB 99. Although the bill asks for additional FTE's, he considered the money well-spent. He explained that the study undertaken by the interim subcommittee was motivated by the legislature's desire to have a better understanding of the state's computer services. He noted that the state has made a significant investment in technology and that the final recommendations from the "Summary Report" are

designed to contain costs and increase management and coordination in the information services.

**John Hutchinson, Commissioner of Higher Education**, asked to be on record in support of HB 99.

Opponents' Testimony: None.

Informational Testimony: None.

Questions From Committee Members and Responses:

**REP. GALVIN** noted in the "Summary Report" that **Andrea Bennett** was opposed to the legislation recommended by the subcommittee and wondered whether **Mark O'Keefe** had comments on the legislation.

**REP. BARDANOUVE** responded that **Ms. Bennett** was opposed to the transfer of the payroll, personnel, position control and warrant writer systems to the Department of Administration; however, he does not believe she was opposed to the provisions of HB 99.

**REP. RICE** asked **Mr. Trevor** whether HB 99 would give the Department of Administration the authority to decide who within a particular department would receive a personal computer (PC).

**Mr. Trevor** responded that the Department of Administration's involvement would be limited to standardizing PC's; the Department has even assisted agencies acquire PC's. The Department does not judge the needs of other agencies although ISD does help them in planning their needs; the Legislature approves acquisition through appropriation of funds.

**REP. RICE** asked **Mr. Trevor** to delineate the functions of the additional FTE's. **Mr. Trevor** responded by referring to page 11, "ISD's Costs to Implement HJR48 Recommendations" of the "Summary Report." The functions of the three additional personnel would include policy-making, planning and coordination; the standardization and acquisition of software and hardware; and contract review.

**REP. DAVIS** asked **Mr. Trevor** whether the Department could take advantage of vacancy savings rather than increasing staff. **Mr. Trevor** responded that the current staff was at a minimal level and that, in fact, the Department was seeking restoration of FTE identified in the 5% cuts during the 1992 special session of the legislature. Without more FTE's, **Mr. Trevor** stated that the Department would have to reduce services. **REP. DAVIS** suggested that perhaps there would be statewide vacancy savings which would allow transfer of personnel to the Department of Administration rather than hiring three new employees. **Mr. Trevor** stated that other agencies, to do their work more efficiently, would probably place higher priority on their information services positions than other positions.

**REP. SQUIRES** asked **Mr. Trevor** about difficulties that the Departments of Labor and SRS have had with compatibility of

computer software. **Mr. Trevor** responded that ISD strives to maximize compatibility and has been reasonably successful with database software on the mainframe. The needs of some departments, however, may preclude total compatibility in software applications. He stated that compatibility is lacking mostly on PC's.

**REP. WALLIN** asked **Mr. Trevor** whether increasing the security of computer systems had been addressed. **Mr. Trevor** responded that another bill, HB 38, specifically addresses that issue.

**REP. MOLNAR** asked **Mr. Buswell** why OPI was exempted from HB 99. **Mr. Buswell** responded that OPI must communicate with over 500 school districts who have various computer software and hardware systems. **Mr. Buswell** stated that OPI tries to coordinate with the state system but must also respond to the school districts. **REP. MOLNAR** asked **Mr. Buswell** whether there was some attempt to standardize school district systems. **Mr. Buswell** responded that OPI is trying to work toward standardization.

**REP. ROSE** asked **Mr. Trevor** whether counties would be required to change their computer systems to be compatible with the state. **Mr. Trevor** responded that no major changes would be required by the counties.

**REP. REHBEIN** asked **Mr. Buswell** whether OPI was more compatible with the school districts or the state system. **Mr. Buswell** stated that OPI tries to be more compatible with the Department of Administration. He continued that when OPI makes a software selection, they try to choose software that will be compatible with both school districts and the statewide system, so far as possible.

**REP. STOVALL** asked **Mr. Trevor** whether there would be any cost savings for counties under HB 99. **Mr. Trevor** responded that the potential for savings existed because of the standardization of systems.

**REP. SCHWINDEN** asked **Jill Olson, Legislative Auditor's Office**, whether the money for the additional three FTE's for the Department of Administration would increase the efficiency of government overall. **Ms. Olson** stated that the Legislative Auditor's Office is supportive of efforts toward ensuring compatibility, and that probably the Office would be supportive of the additional FTE's. **REP. SCHWINDEN** asked **Ms. Olson** if she thought that spending the additional funds now for these three positions would result in net savings in the long term. **Ms. Olson** said yes, she thought so.

**REP. SIMPKINS** asked **REP. BARDANOUVE** whether a fiscal note was required for HB 99 since it would require additional spending. **REP. BARDANOUVE** stated that a fiscal note had been prepared, but the State Administration committee has not requested one. **REP. SIMPKINS** asked **REP. BARDANOUVE** whether HB 99 would need to be



sent to the Appropriations committee. **REP. BARDANOUVE** answered that HB 99 did not need to go to Appropriations because HB 99 does not require additional spending; the Department of Administration would have to go to Appropriations to request additional funding for the three new FTE.

**REP. SIMPKINS** asked **REP. BARDANOUVE** whether executive action on HB 99 should be delayed until other bills, such as HB 38, are heard. **REP. BARDANOUVE** stated he did not think it necessary to delay action on HB 99, but that decision was for the committee to judge. He continued that even without additional funding for FTE's, HB 99 was valuable as law because it gives the Department of Administration some power to oversee the acquisition of computer software systems.

**REP. SIMPKINS** asked **Mr. Buswell** whether OPI, as a legislated department, should be included in HB 99, rather than exempt, in order that OPI could begin centralizing their data flow with the Department of Administration. **Mr. Buswell** responded that when the Department of Administration makes decisions, they do so on the basis of working with state agencies and do not consider the presence of over 500 school districts. OPI has tried to become more compatible with the Department of Administration, for example, eliminating their Honeywell equipment and acquiring IBM equipment, and converting to state-standardized software. OPI must strive to have their systems compatible with both school districts and state government agencies.

Closing by Sponsor:

**REP. BARDANOUVE** closed by expressing his appreciation for the fine hearing HB 99 had received. He proceeded that serving on the subcommittee had provided a good education for him and shown him the good work relationship that existed among all the agencies. **REP. BARDANOUVE** pointed out that computers have resulted in revolutionary change to which government has been slow to respond. In Montana, the first computer system, for SRS, cost \$12,000,000. **REP. BARDANOUVE** said that initially he was very concerned and critical about the cost of the system; but that because of the quality of leadership of **Mr. Trevor** and other state government personnel, the system functioned well and proved to be economical for the state.

**REP. BARDANOUVE** concluded that the state has made a tremendous investment in computerization and that currently the need is for more supervision. Although the savings from planning and coordination are not always obvious, these savings may be tremendous. He praised the cooperation of the agencies and the professionalism of the personnel. **REP. BARDANOUVE** urged the committee to give favorable consideration to HB 99.

EXECUTIVE ACTION ON HB 86

REP. SIMPKINS distributed copies of the proposed amendments to HB 86 drafted by Sheri Heffelfinger at the request of REP. HANSON. EXHIBIT 6

REP. SIMPKINS reported that REP. MARIAN HANSON had met with the Secretary of State's Office and that the amendments had the concurrence of the Secretary of State's Office. Ms. Heffelfinger described the effects of the amendments. She stated that the only difference between these amendments and those previously discussed in committee was amendment 4 which inserts "on a form prescribed by the secretary of state" following "state" on line 21, Page 4. This change was requested by the Secretary of State in order that the Secretary could produce a form to be signed by candidates after changes of address verifying that candidates were still qualified for office.

Motion: REP. MASON MOVED HB 86 DO PASS.

Motion/Vote: REP. HAYNE moved to amend HB 86 as proposed by REP. HANSON'S amendments. Motion carried 15 to 0 with REP. GERVAIS and REP. BARNHART voting by proxy. REP. WALLIN was absent. EXHIBITS 2 AND 3

Motion: REP. STOVALL MOVED HB 86 DO PASS AS AMENDED.

Discussion:

REP. MOLNAR expressed his concern about candidates having their residential addresses published and their inability to keep this information private.

REP. DAVIS responded that while he appreciated the concern of REP. MOLNAR, candidates were seeking public office. As such, REP. DAVIS suggested that it was not appropriate for candidates to be secretive about their residential addresses.

REP. GALVIN suggested that REP. MOLNAR'S question comes under civil disobedience laws such that an event must first occur before retaliatory action can be taken.

REP. SQUIRES asked whether HB 86 affected only candidates in multi-county districts. Ms. Heffelfinger responded that it would affect anybody running for legislative office.

REP. RICE asked Ms. Heffelfinger whether there was some way in which a candidate could request confidentiality for protection purposes. REP. RICE stated that she was carrying anti-stalking legislation this session, the purpose of which is to prevent events from happening. Ms. Heffelfinger suggested that perhaps the Secretary of State could be required not to make the information available to the general public without a particular type of request. She stated she was unsure, at this time,

whether such a provision would conflict with other statutes regarding public information.

REP. SIMPKINS pointed out that voter registration is a public document which requires a street address. Other documents such as driver licenses, voter registration cards, and forms filed with the Secretary of State and the Commissioner of Political Practices, all have the candidate's street address. To keep someone's address confidential would require much more than changes to HB 86. REP. SIMPKINS continued that candidates have the right to request the Secretary of State not publish their addresses, and the Secretary of State does not currently publish addresses. Ms. Heffelfinger stated that she was aware of a bill regarding the creation of a statewide list of registered electors with a provision that social security numbers not be published on the list. Thus, even though the Secretary of State would have the social security information, the Secretary could not publish that information. She stated that she did not know if the same kind of restriction could be applied to residential addresses.

Vote: HB 86 DO PASS AS AMENDED. Motion carried unanimously with REP. GERVAIS and REP. BARNHART voting by proxy. EXHIBITS 2 AND 3

#### EXECUTIVE ACTION ON HB 71

Motion: REP. RICE moved to have the committee draft a resolution to replace HB 71. The motion was ruled out of order because the committee had not yet acted on HB 71.

Motion/Vote: REP. WALLIN MOVED TO TABLE HB 71. The motion passed 15-1 with REP. GERVAIS voting no and REP. BARNHART voting yes by proxy. EXHIBITS 2 AND 3

Motion/Vote: REP. GALVIN moved that the committee request a bill draft of a joint resolution to encourage gender and racial parity on each board of election judges similar to EXHIBIT 7. The motion was seconded. The motion carried 15 to 1 with REP. WALLIN voting no and REPS. GERVAIS, BARNHART, and RICE voting by proxy. EXHIBITS 2, 3 AND 8

ADJOURNMENT

Adjournment: 11:07 a.m.

  
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DICK SIMPKINS, Chair

  
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DOROTHY POULSEN, Secretary

DS/DP

# HOUSE OF REPRESENTATIVES

STATE ADMINISTRATION

COMMITTEE

ROLL CALL

DATE

1/12/93

NAME	PRESENT	ABSENT	EXCUSED
REP. DICK SIMPKINS, CHAIR	✓		
REP. WILBUR SPRING, VICE CHAIR	✓		
REP. ERVIN DAVIS, VICE CHAIR	✓		
REP. BEVERLY BARNHART		✓	
REP. PAT GALVIN	✓		
REP. BOB GERVAIS		✓	
REP. HARRIET HAYNE	✓		
REP. GARY MASON	✓		
REP. BRAD MOLNAR	✓		
REP. BILL REHBEIN	✓		
REP. SHEILA RICE	✓		
REP. SAM ROSE	✓		
REP. DORE SCHWINDEN	✓		
REP. CAROLYN SQUIRES	✓		
REP. JAY STOVALL	✓		
REP. NORM WALLIN	✓		

HOUSE STANDING COMMITTEE REPORT

January 12, 1993

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Mr. Speaker: We, the committee on State Administration report that House Bill 86 (first reading copy -- white) do pass as amended .

Signed: Dick Simpkins  
Dick Simpkins, Chair

And, that such amendments read:

1. Title, line 10.

Following: line 9

Strike: "DECERTIFY AND"

2. Title, lines 12 and 13.

Following: "RESIDENCE;" on line 12

Strike: "EXCEPTING" on line 12 through "NOMINATION;" on line 13

3. Title, line 14.

Following: "13-10-208,"

Strike: "13-10-325,"

4. Page 4, line 21.

Following: "state"

Insert: "on a form prescribed by the secretary of state"

5. Page 5, line 25.

Following: "state shall"

Strike: "decertify the candidate and shall"

6. Page 6, line 2.

Following: "withdraw"

Insert: "as provided in 13-10-325"

7. Page 6, lines 3 through 17.  
Following: line 2  
Strike: section 4 in its entirety  
Renumber: subsequent section

8. Page 7, line 12.  
Following: "state shall"  
Strike: "decertify the candidate and shall"

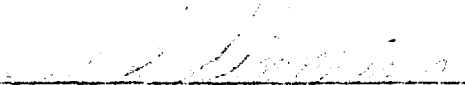
9. Page 7, line 14.  
Following: "withdraw"  
Insert: "as provided in 13-10-325"

HOUSE STANDING COMMITTEE REPORT

January 12, 1993

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that House Bill 93 (first reading copy -- white) do pass.

Signed:   
Dick Simpkins, Chair



HOUSE BILL NO. 93

TESTIMONY OF THE  
DEPARTMENT OF ADMINISTRATION

**TITLE:** "An act providing for the statutory appropriation of certain treasury funds to pay for general depository banking services and to allow the state treasurer to repay federal funds and interest to the United States Treasurer; amending Sections 17-3-106, 17-6-101, and 17-7-502, MCA; and providing an effective date."

The Department of Administration has requested this legislation to provide for the statutory appropriation of General Fund moneys to pay required interest to the federal government and to pay general depository banking service costs in "hard dollars".

Section 1 of this legislation provides the state treasurer with the authority to pay required interest to the federal government. In 1991, Congress passed the Cash Management Improvement Act (CMIA) in order to ensure greater efficiency, effectiveness and equity in the exchange of funds between the federal government and the states. Prior to passage of the CMIA, states were allowed to retain for their own purposes any interest earned on federal funds transferred to a state "pending its disbursement for program purposes." Federal agencies had expressed concerns, however, that states were drawing down federal funds well in advance of the time those funds were needed to redeem checks causing the federal government to lose interest earnings. At the same time, states had expressed concerns about having to pay out their own funds in advance of receiving funds from the federal government causing them to lose interest earnings until reimbursed.

The CMIA requires the Secretary of the Treasury to regulate and enforce timely disbursement by federal agencies, to negotiate and monitor agreements with the states to achieve the efficient transfer of funds, and to prescribe regulations governing the transfer of funds for program purposes. The act requires states to calculate interest earned on federal funds received and not disbursed on a timely basis. It also requires the calculation of interest due from the federal government when a state is not reimbursed on a timely basis. The net interest due is calculated and paid to the state or federal government, as appropriate.

The amount of interest the State may have to pay in any one year cannot be estimated at this time. Based on the funding method used for the receipt of federal funds, the ability of the State to offset administrative costs incurred to implement and monitor the CMIA against interest costs payable to the federal government, and the ability to offset interest owed to the State by the federal government against the interest owed to the federal government, the cost to the State of this legislation may be minimal. However, under the CMIA, the State would be required to pay any net interest

owed to the federal government. A statutory appropriation provides the flexibility needed to pay the interest without affecting the limited general fund appropriations already authorized. Nonpayment of the interest to the federal government or the inability to pay because of severe restrictions in general fund appropriation authority could jeopardize the future receipt of federal assistance.

The CMIA takes effect July 1, 1993, with the first interest payment occurring no later than March 1, 1995, for the fiscal year ended June 30, 1994.

Section 2 of this legislation provides the state treasurer with the flexibility to pay State banking services with hard dollars. Currently, banking service costs are paid through a compensating balance arrangement wherein a predetermined dollar amount is left in the State's bank account, and the bank pays a fixed interest rate on the money. This interest earnings cover the banking service costs.

The Department believes the Board of Investments can invest the cash which is currently left in the State's bank account at a higher rate of interest than what is offered by the bank. A comparison of interest rates offered during the last two years through the bank and Board of Investments shows the Board of Investments' rates average 1/2 percent higher. The average cash balance left in the State's bank account currently to cover banking service costs is \$27,000,000. If a balance of approximately \$2,000,000 remained to cover uncollected funds (deposits which haven't cleared), the remaining \$25,000,000 could be invested by Board of Investments at increased interest earnings of \$125,000.

Also, the current State banking contract is priced at soft dollar costs which affects both FDIC and collateral costs as they are based on the depositor's bank balance. The cost for FDIC is .23% of the existing bank balance, which would result in savings of \$57,500 on a \$25,000,000 reduction in the bank balance. The bank is also required to cover deposit balances with collateral in the event of a bank failure. Our current depository bank quoted an estimated annual savings of \$50,000 in collateral charges if the State's bank balance decreased by \$25,000,000.

This legislation will require the Department of Administration to receive a statutory appropriation to pay banking service costs with hard dollars. The banking charges amount to approximately \$648,000 annually or \$54,000 per month. The apparent increase in expenditures would be offset by a corresponding increase in investment earnings. In addition, the General Fund will realize an increase of approximately \$232,500 in investment earnings as a result of the reduction in FDIC and collateral charges along with investing these funds at a higher interest rate.

This legislation would go into effect when the current bank contract expires on September 30, 1993.

SECTION BY SECTION DESCRIPTION

TITLE: "An act providing for the statutory appropriation of certain treasury funds to pay for general depository banking services and to allow the state treasurer to repay federal funds and interest to the United States Treasurer; amending Sections 17-3-106, 17-6-101, and 17-7-502, MCA; and providing an effective date."

Section 1 of this act amends Section 17-3-106 by incorporating existing law into a new subsection 1 and adding a new subsection 2 to authorize the state treasurer to return funds and interest to the Federal Government per federal law or any specific grant through a statutory appropriation.

Section 2 of this act amends Section 17-6-101(5) M.C.A. This section allows the State Treasurer to pay general depository banking service costs from the General Fund through a statutory appropriation.

Section 3 of this act amends Section 17-7-502(3) M.C.A. This section creates a statutory appropriation in the General Fund from which the State Treasurer may pay interest to the federal government and the cost of general depository banking services.

Section 4 of this act provides an effective date of July 1, 1993.

# CASH MANAGEMENT IMPROVEMENT ACT

MAJOR FEDERAL ASSISTANCE PROGRAM	CFDA NO.	STATE ADMIN AGENCY	EXPENDITURES FY 1990
1 Medical Assistance Program	93.778	SRS	129,624,057
2 Highway Planning & Construction	20.205	Transportat	97,097,925
3 Family Support Payments	93.020	SRS	31,460,577
4 Pell Grant Program	84.063	U System	17,703,120
5 Chapter 1 Programs	84.010	OPI	12,148,551
6 Job Training Partnership Act	17.250	L & I	11,186,731
7 National School Lunch Program	10.555	OPI	9,243,453
8 Low-Income Home Energy Assistance	93.028	SRS	9,143,529
9 Social Services Block Grant	93.667	SRS	8,909,577
10 Unemployment Insurance	17.225	L & I	8,741,533
11 Women, Infants, Children Suppl. Food Pro	10.557	DHES	7,404,039
12 Rehabilitation Services	84.126	SRS	5,822,574
13 Food Stamp Administration Costs	10.561	SRS	5,515,890
14 Special Education	84.027	OPI	51,588,997
15 Alcohol, Drug Abuse & Mental Health Serv	93.992	Corrections	3,024,531
TOTAL			408,615,084

Programs required to be reported under the Cash Management Improvement Act in the first year of implementation.

## BANK DEPOSITORY EARNINGS AND FEES

MONTH/YEAR	INTEREST EARNINGS	INTEREST RATE	TOTAL COSTS	FIXED COSTS	VARIABLE COSTS	OTHER COSTS
DECEMBER 1991	58,114	4.43	51,010.01	28,722.50	21,997.23	290.28
JANUARY 1992	40,517	4.03	51,669.52	27,912.22	23,448.02	308.82
FEBRUARY 1992	42,770	4.06	52,321.03	27,912.50	24,105.03	303.50
MARCH 1992	47,264	3.98	58,640.40	31,757.50	26,342.40	540.50
APRIL 1992	53,030	3.73	58,857.74	27,912.50	30,000.72	944.32
MAY 1992	61,746	3.82	54,532.32	27,912.50	26,029.12	590.70
JUNE 1992	61,674	3.76	58,696.75	30,247.50	27,861.55	587.70
JULY 1992	63,733	3.25	50,743.56	27,912.50	22,367.16	463.90
AUGUST 1992	76,507	3.30	52,868.68	27,912.50	24,463.59	492.59
SEPTEMBER 1992	56,984	3.22	52,397.09	33,357.50	20,466.89	572.70
OCTOBER 1992	50,980	3.10	54,505.06	27,912.50	20,524.11	6,068.45
NOVEMBER 1992	61,599	3.09	51,856.17	27,912.50	22,068.79	1,874.88
TOTAL	674,918		648,098.33	347,384.72	289,674.61	13,038.34



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

EXHIBIT 2

DATE 1/12/93

HB 93

1/12/93

I Rep. Donais give my  
Proxy vote to Sen Davis  
for all bills & Amendments  
This date in state cap.

Rep. Donais

HB 93 - Yada Yes (Vote)

HB 86 - Amend 1. Yes

HB 86 as amended Yes

HB 71 - Yada No

Resolution -  
Committee - (Yes)

JAN 12 - 1993

I give my proxy to

Carolyn Squires for all motions, bills  
amendments and executive action of any sort

Bunny Barnhart

EXHIBIT 3  
DATE 1/12/93  
HB 93

January 11, 1993

The Honorable Mike Cooney  
Secretary of State  
State Capitol  
Helena, MT 59620

Dear Secretary Cooney:

In every session, legislation concerning the deadline for voter registration is presented to the House Committee on State Administration. This is an important issue with valid concerns raised by both proponents and opponents.

The main difficulties that this committee has in addressing voter registration is the capability of each of the 56 counties to implement the proposed changes. I would appreciate your working with the Election Advisory Council on this matter. Recommendations by the council to change the deadline for registration would be of assistance to this committee in future legislative sessions.

I am enclosing a copy of H.B. 79, which proposes to decrease the close of voter registration from 30 days to 20 days prior to an election date. This bill is a typical example of proposals presented each session. If a change to the deadline for voter registration is feasible, the advice from the council would be of assistance to this committee in future legislative sessions.

Thank you for your attention to this matter.

Sincerely,

Dick Simpkins  
Chairman, State Administration Committee

DS:vn  
Enc.

EXHIBIT 4  
DATE 1/12  
(HS 79)

# SUMMARY REPORT HOUSE JOINT RESOLUTION 48

A Report Prepared for the  
*53rd Legislature*  
by

Lois Steinbeck  
Senior Fiscal Analyst  
January 4, 1993

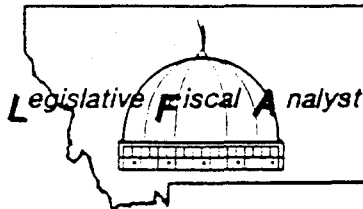


EXHIBIT 5  
DATE 1/12/93  
P.B. 99

Amendments to House Bill No. 86  
First Reading Copy

Requested by Rep. Marian Hansen  
For the Committee on House State Administration

Prepared by Sheri S. Heffelfinger  
January 12, 1993

1. Title, line 10.  
Following: line 9  
Strike: "DECERTIFY AND"
2. Title, lines 12 and 13.  
Following: "RESIDENCE;" on line 12  
Strike: "EXCEPTING" on line 12 through "NOMINATION;" on line 13
3. Title, line 14.  
Following: "13-10-208,"  
Strike: "13-10-325,"
4. Page 4, line 21.  
Following: "state"  
Insert: "on a form prescribed by the secretary of state"
5. Page 5, line 25.  
Following: "state shall"  
Strike: "decertify the candidate and shall"
6. Page 6, line 2.  
Following: "withdraw"  
Insert: "as provided in 13-10-325"
7. Page 6, lines 3 through 17.  
Following: line 2  
Strike: section 4 in its entirety  
Renumber: subsequent section
8. Page 7, line 12.  
Following: "state shall"  
Strike: "decertify the candidate and shall"
9. Page 7, line 14.  
Following: "withdraw"  
Insert: "as provided in 13-10-325"

EXHIBIT 6  
DATE 1/12/93  
HB 86



# Draft Copy

Printed 2:41 pm on January 8, 1993

LC01.ADM

\*\*\* Joint Resolution No. \*\*\*

Introduced By \*\*\*\*\*

By Request of \*\*\*\*\*

A Joint Resolution of the Senate and the House of Representatives of the state of Montana to encourage gender and racial parity on each board of election judges.

WHEREAS, Article X, section 1 of the Constitution of the State of Montana recognizes the need to preserve the cultural heritage of Native Americans; and

WHEREAS, Article II, section 4 of the Constitution of the State of Montana protects the dignity of each individual and guarantees equal protection of the laws to all persons regardless of race or sex; and

WHEREAS, the Montana Legislature has enacted laws to encourage racial and gender parity in committee, board, and staff appointments; and

WHEREAS, participation in the election process, including serving as election judges, is the right and duty of each elector in order to ensure fair representation in government.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the governing body of each county, the central committee of each political party, and each election

7  
1/12/93  
71

# Draft Copy

Printed 2:41 pm on January 8, 1993

administrator is strongly encouraged to seek gender and racial parity when selecting election judges for each precinct.

BE IT FURTHER RESOLVED, that the Secretary of State send copies of this resolution to the governing body of each county, the county central committee of each political party, and each election administrator.

-END-

{Sheri S. Heffelfinger  
Researcher  
Montana Legislative Council  
(406) 444-3064}



*The Big Sky Country*

MONTANA HOUSE OF REPRESENTATIVES

1/12/93

Ervin Davis has  
voted on the  
Joint Resolution  
proposed.

Shulkin

~~HB 71~~ ~~Table yes~~  
(Resolution - yes)  
by Committee

COMMITTEE 8  
DATE 1/12/93  
HB 71

HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

State Administration COMMITTEE

BILL NO. 99

DATE 1/12/93 SPONSOR(S) Baranov

PLEASE PRINT

PLEASE PRINT

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Mike Trevor	Dept. of Admin / ISD	✓	
Jim Olson	Reg. Auditor	✓	
<del>Doug Birmingham</del>	<del>US West</del>		
Scott Russell	Office of Public Inst	✓	
Bob Mankel	id	✓	
BRENDA HASKMAN	DEPT OF REVENUE	✓	
JACK ELLERY	" " "	✓	
John Hutchinson	Comm. of Higher Ed.	✓	
Kirsten Graham	DEM	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS  
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

**HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER**

STATE ADMINISTRATION COMMITTEE BILL NO. 93  
DATE 1/17/92 SPONSOR(S) Ewer

**PLEASE PRINT**

[illegible]

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.