

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Chair Judy Jacobson, on February 2, 1993, at 12:00 noon.

ROLL CALL

Members Present:

Sen. Judy Jacobson, Chair (D)
Sen. Don Bianchi (D)
Sen. Chris Christiaens (D)
Sen. Gerry Devlin (R)
Sen. Gary Forrester (D)
Sen. Harry Fritz (D)
Sen. Ethel Harding (R)
Sen. Bob Hockett (D)
Sen. Greg Jergeson (D)
Sen. Tom Keating (R)
Sen. Dennis Nathe (R)
Sen. Chuck Swysgood (R)
Sen. Larry Tveit (R)
Sen. Eleanor Vaughn (D)
Sen. Mignon Waterman (D)
Sen. Cecil Weeding (D)

Members Excused: Senator Franklin, Senator Aklestad, Senator Beck, Senator Lynch

Members Absent: None

Staff Present: Terry Cohea, Legislative Fiscal Analyst
Lynn Staley, Committee Secretary

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

Committee Business Summary:

Hearing: HB 93, SB 232
Executive Action: SB 94

HEARING ON HB 93

Opening Statement by Sponsor:

Representative David Ewer, House District 45, sponsor, said HB 93 would provide the Department of Administration statutory authority to finance a program to monitor federal monies, which need has arisen through an act of Congress that we are required to comply with. HB 93 would provide a statutory appropriation to comply with the act. A tracking system would be put in service by the Department of Administration of federal monies coming into Montana and track them so that the state can stay on top of it and make sure monies are not taken prematurely for federal programs; also the federal government will pay when they are supposed to. Another part of HB 93 will make a change in the way the state is currently using its bank for depository services. It will enable the Department of Administration to contract out services based on hard dollar costs. He said it was his understanding that when the Board of Investments went out to get bids on compensating balances, they only got one bid. He noted the state would know what they are bidding on and money could be saved there. He concluded that we are currently losing investments on \$25 million.

Proponents' Testimony:

Connie Griffith, Administrator, Department of Administration Accounting and Management Support Bureau, testified in support of HB 93. (See Exhibit 1 attached)

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Christiaens questioned if the interest in this would change since there was only one bank interested in this account last time.

Ms. Griffith said she did not know how many other banks were interested. The banks would be more in favor of the hard dollar, being able to set their own fee than trying to use a compensating balance.

Senator Keating questioned if this is the result of a recommendation in the legislative auditor's audit in the handling of the funds through the bank.

Ms. Griffith acknowledged that part of it is associated with audit recommendations. Because compensating balances are required, a recommendation has not been made in the auditor's office but there is a concern on that.

Senator Swysgood asked how this was previously handled without a statutory appropriation.

Ms. Griffith said interest earnings were reduced and would be recorded as revenue. She noted the interest earnings would be less than \$648,000. By using the statutory appropriation, they are eliminating the problem. When the general fund experiences budget problems and there are reductions, they cannot reduce what they are required to pay to the bank.

Senator Weeding asked if there was any indication they get a favorable interest rating with the banks because of this money that they are able to capitalize on.

Ms. Griffith said the situation with using hard costs is that the bank and the Department of Administration can negotiate fixed costs which the banks seem to favor because they are able to determine what they will charge. She noted the bank is not earning a lot in having the money in there.

Senator Weeding said if the general fund will earn \$232,000 a year, the bank must be able to earn that much.

Ms. Griffith said the Department of Administration is not earning \$232,000. They would be reducing FDIC costs incurred and also incurred by the bank and reducing collateral and administrative costs that are passed on to the Department of Administration; the Department of Administration is covering costs that the bank is incurring.

Closing by Sponsor:

Representative Ewer closed.

HEARING ON SB 232

Opening Statement by Sponsor:

Senator Waterman, District 22, sponsor, stated she is presenting SB 232 at the request of the Board of Regents which would create a lump sum appropriation to be allocated by the Board to the university system. She indicated SB 232 is an opportunity to stop micro-managing. If we are to make the cuts that are being presented, it is critical that we give the university system the flexibility to allocate the resources that they have remaining.

Proponents' Testimony:

John Hutchinson, Commissioner of Higher Education, in stating his support of SB 232 noted that Montana uses a line item appropriation to the units and programs within those units. SB 232 would give the Board of Regents a sum of money which they would have authority to manage, distribute and allocate to the

campuses. Mr. Hutchinson said the Board of Regents desires this approach because of response flexibility. There could be physical plant expenditures, unexpected personnel expenditures and if money is available to the Regents, they can through a contingency fund make available to those various units sums of money that will allow them to respond without the Board having to ask for a supplemental. There is also the opportunity to respond to opportunity if there is a lump sum appropriation, for example a federal government grant requiring a quick response but requiring some state matching money; the Regents could make those monies available to match. Other examples could be certain private funds becoming available, new programs becoming important and necessary and those monies could be made available.

Mr. Hutchinson said another important aspect of SB 232 is it allows the Regents to link planning to budgeting. At the current time even though they can do long range planning, the legislature must provide the funds for the plans the Regents might want to put in place. He said incentive funding has been discussed by the Regents, and lump sum funding would aid this area. It puts a real emphasis on the Regents setting some priorities and would allow them to put some "teeth" behind the priorities they set.

Another important aspect of SB 232 is it would provide flexibility in critical periods of difficult funding such as is currently present. Priorities change depending on available money, and SB 232 would allow managing recisions if needed in the future. Regarding actual working of SB 232, the budgeting and legislative process would be essentially the same as it always has been. The appropriation made by the legislature to the Regents would become advisory. The Regents wouldn't be held so tightly to the lines in the budget if conditions required that items be changed. Regarding concerns by some that the Board of Regents may favor one institution or campus over another, he noted the Board offers full support to all of the units. No unit receives any greater or lesser favor among them. They look upon the whole system, support it and work to assure fair treatment among the campuses. He concluded that no campus would be compromised as a result of some kind of lump sum funding that would come to the Regents nor would they willy-nilly strip money from one campus and give it to another. Those inter-campus raids would not occur. He noted the bill would be only for the next biennium. Therefore, the legislature could then see if they were successful in managing their allocated monies.

Dr. Hutchinson stated they have already demonstrated their ability to manage money well with respect to vocational technical centers and that widespread transfers from one to another did not take place when they were given lump sum funding by institution in the past. They understand they have to be accountable to the legislature for the expenditure of funds and if there are variations from what might be laid out in the appropriations bill, it would be their obligation and responsibility to come to

the legislature to explain their actions. He concluded there is good rationale to support lump sum funding and it would not significantly disrupt the process currently in place for making these appropriations. There are securities and assurances whereby the legislature would know that the Regents would not mismanage these monies by "doing violence to any one campus or center".

Todd Mitchell, an Eastern Montana College student, speaking on behalf of the Montana Associated Students, stated his support of SB 232 in that it would provide more flexibility in fiscal management of the university system by the Board of Regents. He stated it allows the Regents authority to find innovative ways to deal with the challenges that the university system faces. He added that the Regents should expect that the legislature on behalf of Montana citizens which the university system is serving will make them accountable for the decisions that are made. He hoped if the Regents are granted lump sum funding that they will become more inclusive in their decision-making process in that they will draw on the expertise that is held in the faculty, staff and students in the system so they can hopefully create an atmosphere of dialogue where the best quality decisions can be made. He concluded they are in support of Governor Racicot and in the assertion of the Commission on Education for the 90's and Beyond that lump sum funding should be given to the Board of Regents.

John McCarthy, Associated Students of the University of Montana, stated his support of SB 232. (See testimony attached as Exhibit 2).

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Keating noted with regard to new section 1 of SB 232, the lump sum going to the Regents and funds being allocated in accordance with the appropriations act. He understands the remarks made regarding the fairness of the current Board of Regents in dealing with all units of the university system. He noted he does not like the parochialism in the legislature either and stated he is an advocate of lump sums but he understands the problem of budgeting when there is not enough money to go around. He can foresee in the struggle to dispense money for priority programs throughout the university campuses that the Board of Regents would suddenly become a very political issue in that the parochialism would come forward in those attempting to be appointed to the Board of Regents in order to provide for units

in their particular area. He asked Commissioner Hutchinson to comment on that issue.

Mr. Hutchinson said there have been efforts attempted in the past to get individuals appointed to the Board of Regents. He acknowledged the concern of Senator Keating and noted there could be a possibility of some increase in that political process of attempting to secure appointment. He questioned that that in and of itself might not be necessarily bad. He commented that once a member is appointed to the Board and is charged with the responsibility of managing the whole of the enterprise, those Regents try very hard to be fair and understand the responsibility to be a statewide responsibility. He said in contrast legislators have specific districts to support, and he does not think individual Board of Regents members favor one campus over another even though they might come from a community where that campus is located.

Senator Keating said if the legislature was allowed to determine the lump sum of each university unit so that within SB 232 instead of a lump sum to the Regents there would be a lump sum by campus as established by the legislature in the budgetary process, then the parochialism would be fought out in this atmosphere and the Regents would be in charge of running each unit in accordance with the money they had. He noted the only other way he could imagine a lump sum working as proposed in SB 232 would be to have a single president and the entire university system a single system with one head that is "a loving father that is not going to cheat on any of the children". Other than that, the legislature should be allowed to exercise its parochialism and determine what amount should go to each unit and not make the appropriation advisory as to each unit's amount and hold the Regents to that amount of money for that particular unit; but within that, the administrator of that unit is free to use that money to the best of the delivery of the system. He asked Commissioner Hutchinson to comment on that proposal.

Mr. Hutchinson said the way the Regents would manage it would be as described by Senator Keating; if the money came in as a lump sum to the Regents and the legislature indicated how it would be distributed, the Regents would follow that as closely as they could and a lump would be given to the campus with that president being charged with the responsibility for management of that money. The lump sum by institution model would in his judgment be better than what currently exists, although that model does not permit the Regents to do what he has described, i.e., their ability as a system to respond to opportunities or crises on an individual campus. He noted, however, that it would give more flexibility to the individual campus presidents and center directors to manage their budgets which is better than what currently exists.

Senator Nathe said with regard to lump sum funding in prior years, a feeling existed in the legislature to move to formula

funding in that the smaller units were not receiving the same consideration as the two larger units. What has come about as the result of formula funding is that three of the smaller units are now closer to their peers than the bigger colleges have ever been, and the two larger colleges have been penalized. He questioned if there is something besides individual lump sum funding that Commissioner Hutchinson felt could be inserted in SB 232 to ensure that if this concept was adopted that the Board of Regents would not have a tendency to play games. He concluded that the Regents track record in the 1980's has not engendered a lot of confidence by the legislature in them making a decision and sticking to it.

Mr. Hutchinson said other than statements, notices or letters of intent to accompany the appropriations which would provide much of the needed security. He noted the Regents understand that they have to adhere to the legislature's advice, although they don't want to be bound absolutely by it if unforeseen situations or opportunities arise. If there was an appropriations bill that looked much the same as it does now with statements of intent and if it is the will of the legislature to put it in lump sum to an institution, there would be a great deal of security. He said with regard to the vocational technical centers, there has not been a raid from one institution to another.

Senator Jacobson asked if that was a lump sum by institution. Mr. Hutchinson said that was correct. Senator Jacobson said in that event, one could not be raided for the other.

Mr. Hutchinson said that was true. He noted there was a \$150,000 contingency sum made available to be used as transitional money. That amount was lost in one of the special sessions. That would give the required security for the legislature.

Senator Swysgood said regarding lump sums to individual units and Mr. Hutchinson noting that would not give them the required flexibility to meet unknown emergency situations, unless there is the contingency fund in either of the budgets and unless he is going to rob from one of the units to meet those emergencies, nothing has been effected differently under a full lump sum with the assurance that Mr. Hutchinson has given that they will not take "from Peter to pay Paul". He felt Mr. Hutchinson was saying if it is all given to the Regents and an emergency arises on one of the campuses that he will be able to handle it whereas if the legislature gives a lump sum to individual units, the Regents won't be able to handle that because there is not flexibility. Senator Swysgood concluded his feeling that unless the Regents are given contingency monies in either of the proposals, it cannot be handled by the Regents unless they are taking away from one unit to meet that emergency.

Mr. Hutchinson said he felt in practice what would happen is contingencies would be set up or as the Regents engaged in a long range planning process and priorities were established, they would come to the legislature and state where they would like to have the funds placed in terms of their desired special projects. Or a contingency would be set aside for some federal monies that might come up. That would be done and the legislature would be apprised of this in advance. The lump sum to institution would be workable if the Regents could be assured that there would be some contingency fund set up as a part of it. As it currently is structured, the budgets are strictly campus based which is what they would try to get away from.

Senator Jergeson questioned if Dr. Hutchinson saw any downside from this proposal.

Mr. Hutchinson said it was his feeling this was an upside operation and the only downside would be if the Regents were unresponsive to the will of the legislature.

Senator Jergeson said he is concerned about the opportunity that would exist with lump sum funding for legislators to avoid their responsibility in the budgeting process for what happens in the university system.

Mr. Hutchinson felt there was a strong likelihood that some of that will happen. He said he did not view it as an avoidance of responsibility by politicians, but an acceptance of appropriate and constitutional responsibility by the Board of Regents to do that management. The Regents recognize that and realize there will sometimes be unpopular decisions that they have to make. They view it primarily as the legislature's responsibility to make available to higher education that sum of money which they deem appropriate, and it is the responsibility of the Regents along with Commissioner Hutchinson and the campuses to manage that money in a responsible way.

Chair Jacobson said it was her feeling the committee was not ready to act on SB 232 and asked the concurrence of Senator Waterman in leaving the bill open and continuing discussion on it at a later meeting. Senator Waterman concurred.

EXECUTIVE ACTION ON SB 94

Discussion: Senator Keating said the Department of Social and Rehabilitation Services prepared amendments to SB 94 which he presented to the committee. (See Exhibit 3)

Motion/Vote: Senator Keating moved to AMEND SB 94.


The motion to amend SB 94 CARRIED with Senator Christiaens opposed.

Vote: Senator Keating moved SB 94 DO PASS AS AMENDED.

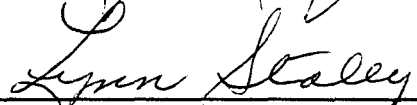
The Do Pass as Amended motion for SB 94 CARRIED with Senator Vaughn voting NO.

ADJOURNMENT

Adjournment: 1:05 p.m.



JUDY JACOBSON, Chair



LYNN STALEY, Secretary

JJ/LS

ROLL CALL

SENATE COMMITTEE FINANCE AND CLAIMS

DATE 2/2/93

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON	✓		
SENATOR FRANKLIN			✓
SENATOR AKLESTAD			✓
SENATOR BECK			✓
SENATOR BIANCHI	✓		
SENATOR CHRISTIAENS	✓		
SENATOR DEVLIN	✓		
SENATOR FORRESTER	✓		
SENATOR FRITZ	✓		
SENATOR HARDING	✓		
SENATOR HOCKETT	✓		
SENATOR JERGESON	✓		
SENATOR KEATING	✓		
SENATOR LYNCH			✓
SENATOR NATHE	✓		
SENATOR SWYSGOOD	✓		
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN	✓		
SENATOR WEEDING	✓		

F08

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 3
February 2, 1993

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 94 (first reading copy -- white), respectfully report that Senate Bill No. 94 be amended as follows and as so amended do pass.

Signed: Judith H. Jacobson
Senator, Judy H. Jacobson, Chair

That such amendments read:

1. Title, line 7.

Following: "ASSISTANCE;"

Insert: "AMENDING THE LAW RELATED TO EMERGENCY GRANTS FROM STATE FUNDS TO COUNTIES;"

2. Title, line 8.

Following: "SECTIONS"

Insert: "53-2-323,".

Following: "53-3-307".

Insert: ", "

3. Page 1.

Following: line 22

Insert: "Section 2. Section 53-2-323, MCA, is amended to read:

"53-2-323. Emergency grants from state funds to counties. Except when a county has transferred its public assistance and protective services responsibilities to the state under part 8 of this chapter, a county may apply to the department for an emergency grant-in-aid, and the grant shall be made to the county upon the following conditions:

(1) The board of county commissioners or a duly elected or appointed executive officer of the county shall make written application to the department for emergency assistance and shall show by written report and sworn affidavit of the county clerk and recorder and chairman of the board of county commissioners or other duly elected or appointed executive officer of the county the following:

(a) that the county will not be able to meet its obligations under law to provide assistance to the needy of the county or meet its proportionate share of any public assistance activity carried on jointly with the department;

(b) that all lawful sources of revenue and other income to the county poor fund will be exhausted;

(c) that all expenditures from the county poor fund have been lawfully made; and

(d) that all expenditures from the county poor fund have been reasonable and necessary, according to criteria set by the department in rules adopted for that purpose, for the county to meet its obligations under law to provide assistance to the needy.

(2) Within 10 days of receipt of the application and affidavit, the department shall determine whether the county poor fund will be depleted and shall give notice to the county of the department's intention to deny or allow the grant-in-aid. Before a grant-in-aid for any fiscal year may be made to a county under this section, any money credited during that fiscal year to the depletion allowance reserve fund from the sources provided by 7-34-2402(2) shall be transferred to the county poor fund to be used for lawful poor fund expenditures. The amount of the grant-in-aid shall be determined after all sources of income available to the poor fund, including the depletion allowance reserve fund transfers, have been exhausted.

(3) Within 10 days of receiving notice from the department that a grant-in-aid will be made to the county, the board of county commissioners or other duly elected or appointed executive officer of the county shall adopt an emergency budget. There is no requirement of notice and hearing for that emergency budget. The emergency budget shall state the amount required to meet the obligation of the county and shall allocate that whole amount among the various classes of expenditures for which the grant was made.

(4) Upon receipt and approval of the county emergency budget, the department shall issue a warrant to the county treasurer of the county for the total amount stated in the approved emergency budget.

(5) The grant-in-aid received by the county shall be placed in an emergency fund account to be kept separate and distinct from the poor fund account. All expenditures from the emergency fund account shall be made by a separate series of warrants or checks marked as emergency warrants or checks.

(6) The grants-in-aid from the department may be used only for public assistance activities lawfully conducted by the county, including but not limited to medical aid, hospitalization, and institutional care. No part of a grant-in-aid may be used, directly or indirectly, to pay for the erection or improvement of any county building or for furniture, fixtures, appliances, or equipment for a county building.

(7) Grants-in-aid may not be used to reimburse counties for expenditures relating to medical assistance provided under Title 53, chapter 3, if the expenditures were incurred as a result of eligibility standards greater than that allowed by law for state-assumed counties or if medical expenditures were incurred as a result of providing medical services other than inpatient or outpatient hospital services, physician services, and prescription drugs necessary to treat a person's serious medical condition.

(78) In the event the county poor fund is replenished by other lawful sources of revenue, the county shall issue warrants to meet its obligations from the county poor fund until such time as that fund is again so depleted that warrants can no longer lawfully be drawn on that account. Upon depletion of the county poor fund, the county may again make disbursements from the emergency fund account as provided in subsection (5). At the close of the county fiscal year, the county shall return to the department any amounts remaining in the county poor fund and the emergency fund account, but the remaining amount to be returned may not exceed the total amount of the emergency grant-in-aid for that fiscal year.

(89) Any amount which is unlawfully disbursed or transferred from the emergency fund account or used for a purpose other than that specified in the grant-in-aid shall be returned by the county to the department."

Renumber: subsequent sections

-END-

HOUSE BILL NO. 93

TESTIMONY OF THE
DEPARTMENT OF ADMINISTRATION

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 2/2/93
BILL NO. HB 93

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

Madame Chairwoman, and members of the committee, for the record my name is John McCarthy and I speak in support of Senate Bill 232 on behalf of the Associated Students of the University of Montana.

A lump sum appropriation to the Board of Regents to manage the Montana University System is critical to the well being of higher education in Montana. The wide spread belief of this philosophy is reflected in both Governor Racicot's amendments to the executive budget and the Cross Roads report as released by the Montana Education Commission for the Nineties and Beyond.

As Montana continues to struggle with its financial difficulties it becomes necessary for the legislature to explore new ways of getting more out of the money it invests. Senate Bill 232 is a viable a venue for accomplishing this. By allowing the Board of Regents more flexibility in its fiscal affairs, the managers in the Montana University System will be able to apply innovative, money saving techniques to their managerial tasks. For the legislature not to use these resources is both wasteful and an inefficient use of tax payers money.

The Board of Regents' "Commitment to Quality" initiative requires a de-coupling from the current enrollment-based funding formula. ASUM has supported, and continues to support, the Commitment to Quality initiative as a means to address serious budget imbalances in the Montana University System. While lump-sum funding is not the only means for de-coupling from the current formula, ASUM believes it is the most effective method. In the spirit of the Regents' Commitment to Quality agenda and The Commission for the 90's Report, We urge a do pass recommendation for Senate Bill 232.

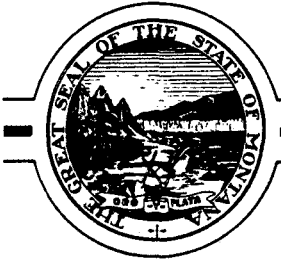
SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

DATE SB 232

DATE 4/10/92

DEPARTMENT OF
SOCIAL AND REHABILITATION SERVICES



MARC RACICOT
GOVERNOR

PETER S. BLOUKE, PhD
DIRECTOR

STATE OF MONTANA

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Amendment to Senate Bill #94
(RE: County Medical Assistance)
Introduced Copy

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 2/2/93

FILE NO. SB 94

1. Page 1, line 7.

Following: "ASSISTANCE;"

Insert: "AMENDING EMERGENCY GRANTS FROM STATE FUNDS TO COUNTIES;"

2. Page 1, line 8.

Following: "SECTIONS"

Insert: "53-2-323"

3. Page 2.

Following: line 6

Insert: "Section 3. Section 53-2-323, MCA, is amended to read:

"53-2-323. Emergency grants from state funds to counties. Except when a county has transferred its public assistance and protective services responsibilities to the state under part 8 of this chapter, a county may apply to the department for an emergency grant-in-aid, and the grant shall be made to the county upon the following conditions:

(1) The board of county commissioners or a duly elected or appointed executive officer of the county shall make written application to the department for emergency assistance and shall show by written report and sworn affidavit of the county clerk and recorder and chairman of the board of county commissioners or other duly elected or appointed executive officer of the county the following:

(a) that the county will not be able to meet its obligations under law to provide assistance to the needy of the county or meet its proportionate share of any public assistance activity carried on jointly with the department;

(b) that all lawful sources of revenue and other income to the county poor fund will be exhausted;

(c) that all expenditures from the county poor fund have been lawfully made; and

(d) that all expenditures from the county poor fund have been reasonable and necessary, according to criteria set by the department in rules adopted for that purpose, for the county to meet its obligations under law to provide assistance to the needy.

(2) Within 10 days of receipt of the application and affidavit, the department shall determine whether the county

poor fund will be depleted and shall give notice to the county of the department's intention to deny or allow the grant-in-aid. Before a grant-in-aid for any fiscal year may be made to a county under this section, any money credited during that fiscal year to the depletion allowance reserve fund from the sources provided by 7-34-2402(2) shall be transferred to the county poor fund to be used for lawful poor fund expenditures. The amount of the grant-in-aid shall be determined after all sources of income available to the poor fund, including the depletion allowance reserve fund transfers, have been exhausted.

(3) Within 10 days of receiving notice from the department that a grant-in-aid will be made to the county, the board of county commissioners or other duly elected or appointed executive officer of the county shall adopt an emergency budget. There is no requirement of notice and hearing for that emergency budget. The emergency budget shall state the amount required to meet the obligation of the county and shall allocate that whole amount among the various classes of expenditures for which the grant was made.

(4) Upon receipt and approval of the county emergency budget, the department shall issue a warrant to the county treasurer of the county for the total amount stated in the approved emergency budget.

(5) The grant-in-aid received by the county shall be placed in an emergency fund account to be kept separate and distinct from the poor fund account. All expenditures from the emergency fund account shall be made by a separate series of warrants or checks marked as emergency warrants or checks.

(6) The grants-in-aid from the department may be used only for public assistance activities lawfully conducted by the county, including but not limited to medical aid, hospitalization, and institutional care. No part of a grant-in-aid may be used, directly or indirectly, to pay for the erection or improvement of any county building or for furniture, fixtures, appliances, or equipment for a county building.

(7) Grants-in-aid may not be used to reimburse counties for expenditures relating to medical assistance provided under title 53, chapter 3 if such expenditures were incurred as a result of eligibility standards greater than that allowed by law for state assumed counties or if such medical expenditures were incurred as a result of providing medical services other than inpatient, outpatient hospital services, physician services and prescription drugs necessary to treat a person's serious medical condition.

(78) In the event the county poor fund is replenished by other lawful sources of revenue, the county shall issue warrants to meet its obligations from the county poor fund until such time as that fund is again so depleted that warrants can no longer lawfully be drawn on that account. Upon depletion of the county poor fund, the county may again make disbursements from the emergency fund account as provided in

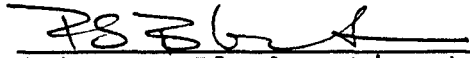
subsection (5). At the close of the county fiscal year, the county shall return to the department any amounts remaining in the county poor fund and the emergency fund account, but the remaining amount to be returned may not exceed the total amount of the emergency grant-in-aid for that fiscal year.

(89) Any amount which is unlawfully disbursed or transferred from the emergency fund account or used for a purpose other than that specified in the grant-in-aid shall be returned by the county to the department.

- End -

Rationale: The proposed amendment places limitations upon a county's request for a grant-in-aid from the state. State assumed counties are not permitted to provide medical assistance other than inpatient and outpatient hospital services, physician services and prescription drugs. SB 94 also allows counties to establish criteria which may be three times that allowed in state assumed counties. If non-assumed counties provide these services they should not be able to claim these expenses as a "grant-in-aid" claim against the state.

Submitted by:


Peter S. Blouke, Director
Department of Social and
Rehabilitation Services

DATE 2/2/93

SENATE COMMITTEE ON Finance - Claims

BILLS BEING HEARD TODAY: HB 93 SB 232

Name	Representing	Bill No.	Check One	
			Support	Oppose
<u>Leslie Mitchell</u>	<u>College Coalition</u>	<u>SB232</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Kim Kennel</u>	<u>ASUM</u>	<u>SB232</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>John McLaughlin</u>	<u>ASUM</u>	<u>"</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Pat McTeery</u>	<u>ASUM</u>	<u>SB 232</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>John Hutchinson</u>	<u>OCHC</u>	<u>SB 232</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>D. W. Weaver</u>	<u>The U of M</u>	<u>SB 232</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Dawn Allen</u>	<u>WISU Mid Univ.</u>	<u>SB 232</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Connie Gifford</u>	<u>Dir Admin</u>	<u>HB93</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY