

**MINUTES**

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

**COMMITTEE ON FINANCE & CLAIMS**

**Call to Order:** By Senator Judy Jacobson, Chair, on December 1, 1993, at 8:30 a.m.

**ROLL CALL**

**Members Present:**

Sen. Judy Jacobson, Chair (D)  
Sen. Eve Franklin, Vice Chair (D)  
Sen. Gary Aklestad (R)  
Sen. Tom Beck (R)  
Sen. Don Bianchi (D)  
Sen. Chris Christiaens (D)  
Sen. Gerry Devlin (R)  
Sen. Gary Forrester (D)  
Sen. Harry Fritz (D)  
Sen. Bob Hockett (D)  
Sen. Greg Jergeson (D)  
Sen. Tom Keating (R)  
Sen. J.D. Lynch (D)  
Sen. Chuck Swysgood (R)  
Sen. Daryl Toews (R)  
Sen. Larry Tveit (R)  
Sen. Eleanor Vaughn (D)  
Sen. Mignon Waterman (D)  
Sen. Cecil Weeding (D)

**Members Excused:** Senator Harding

**Members Absent:** None

**Staff Present:** Clayton Schenck, Legislative Fiscal Analyst  
Lynn Staley, Committee Secretary

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

**Committee Business Summary:**

Hearing: SB 11, HB 1  
Executive Action: HB 1

**HEARING ON SENATE BILL 11**

**Opening Statement by Sponsor:**

Senator Greg Jergeson, Senate District 8, sponsor, said in recent

years candidacies around the country at the national, state and local levels have been predicated on the concept of somehow reinventing government. Our current special session is a result of that kind of political movement. He said in visiting with the people of his district, they want to reduce spending in Helena first - cut administrative costs, not services. Having served on the Natural Resources and Commerce subcommittee in the 1989 and 1993 sessions, it is those agencies he is the most familiar with. He said he has been concerned with the Department of Commerce for some time because it is sometimes the department of odds and ends. If you can't figure out where to put something, you put it in the Department of Commerce. He noted after getting some press coverage on his ideas, there were no comments from the public and very little response from the agencies in state government. The Secretary of State's Office was the only agency that called to talk about the ideas and said they would be interested in working with him. They convinced him they had found ways to effectuate savings and administrative costs and maintain the provision of the services that are currently provided by the Department of Commerce. Working with the Secretary of State's Office, he suggested where various functions in the current Department would go. Local government audits would go to the Legislative Auditor which is recommended by the Governor in his budget message. Local government services would go to the Secretary of State, aside from the local government audit. The rationale for this is that the Secretary of State already has connections with local governments. Banking regulations would go to the State Auditor. The Board of Investments works closely with the State Treasurer on a regular basis, and his proposal moves the Montana Board of Investments to the Department of Administration where the State Treasurer is located. Consumer Affairs to the Attorney General. Travel Promotion to the Governor's Office. Senator Jergeson continued explaining basic areas he would propose changing. He said there will be a fiscal note presented for SB 11. He is convinced substantial savings can be made by the movement of functions to other agencies. The savings in SB 11 will be made in Helena, and the services will still be provided around the state. Some FTE's will be eliminated which the public is demanding.

#### Proponents' Testimony:

Doug Mitchell, representing the Office of Secretary of State, said the delay of the fiscal note is their fault and he apologized for not having the information the budget office needed earlier. He said their office had previously come up with suggestions to streamline government and save money. Although nobody is excited about the proposal to eliminate jobs or departments, very few agencies of state government are as acutely aware of the current situation as is the office of Secretary of State. He said their office has seen thousands of signatures of people in Montana who have demanded to take their government back. He thinks their department can create some cost savings. The fiscal note they submitted to the budget office for their

portion asks for a budget that is 20.5 FTE's smaller than that appropriated by the 1993 regular session to the Department of Commerce for the same functions. It is smaller by \$710,000 in personal services in agencies that would be sent to the office of Secretary of State. That figure is a little inflated because there are already changes that have been made such as 8.5 of the 20.5 FTE are in a proposed bill to give the Legislative Auditor the local government audit functions. The department offered 1 FTE reduction and agreed with the subcommittee language for 4 additional FTE reduction. There are some substantial reductions already being made by the department. 20.5 is an accurate reflection of the difference between the 1993 budget and what the department would ask for. He noted some of these savings would be generated regardless of the passage of Senate Bill 11, which he wanted to point out to the committee. He added they are trying to do this now to restructure government, or at least streamline government, so savings can be effectuated without eliminating services to the public. Regarding transferring the services to the Secretary of State, there has not been found a better agency for the services. The only way it makes sense is to eliminate the entire Department of Commerce. If the department retains the functions that don't transfer, they would need a director and a deputy director, and there would not be the savings.

Dave Hunter, State Auditor's Office, commented relative to SB 11 transferring banking regulations to the State Auditor. Banking, securities and insurance are getting closer together as those industries begin to overlap. SB 11 makes sense from a regulatory standpoint with regard to banking. If banking regulations are transferred to the State Auditor's office, they could absorb the centralized services and the legal support which would relate to cost savings. He said the fiscal note submitted by their office is consistent with regard to banking regulations. He concluded that their portion of the fiscal note eliminates .25 FTE and absorbs the centralized administration clause.

#### Opponents' Testimony:

Jon Noel, Director of the Department of Commerce, presented testimony in opposition to SB 11 (Exhibit 1) and urged the committee to give the Governor's task force time to do their work and present solutions to the next regular session. Mr. Noel presented information received by his office relative to the elimination of the Department of Commerce (Exhibit 1A).

Jim Richard, White Sulphur Springs, Montana, testified in opposition to SB 11 (Exhibit 2).

Gary Buchanan, a previous director of the Department of Commerce, and chairman of the Restructuring Government Committee, said Senator Jergeson did respond to the people in identifying costs of administration. He said the Department of Commerce was

created from three existing cabinet level departments in 1981. He added that change is needed, particularly in the regulatory area. Work needs to be done in consolidating the regulatory aspects of government as well as in cutting the costs. He asked the committee to slow down and do their homework. There is a lot of opportunity here and he would like to have the legislature, the task force and people in general look at a larger restructure. Many states don't have an elected state auditor or secretary of state. It may be that consolidating those two offices could save as much or more money. A lot of the movement nationally is to consolidate more and more under the executive, regardless of who is in charge. Although this is a good first discussion, larger issues need to be looked at. He said he would be willing to meet with Senator Jergeson, the Secretary of State and anyone else about ideas that could contribute towards a more significant reorganization and save money.

Pat Rawlings Corn, president of Rawlings Manufacturing in Missoula, Montana, and also representing two other manufacturing firms in Missoula and a retail store in Polson, said they are opposed to the immediate changes in the Department of Commerce. They would ask the committee to take a little more time. Their feeling is that the Department of Commerce is one of the most personal state agencies they have had contact with. She said her company markets nationally and internationally and they very often have marketing concerns or other questions. They get timely and immediate response from the Department.

David Owen, Montana Chamber of Commerce, stated the task force should have some time to study the matter. If we are going to invite investment into this state and are going to have a coordinated approach and help some local communities, we need a high profile place to announce that partnership. That has been an extremely important part of the Department of Commerce. He presented copies of letters that were faxed to them from the Bozeman and Belgrade Chambers of Commerce (Exhibits 3 and 4).

Rebecca Marquardt, Townsend, Montana, stated her opposition to SB 11. She said she is a new small business, and within the last 10 months that she has had contact with the State Commerce Department, she has opened up new areas. She has been put in contact with the Japanese delegation and is now exporting to Japan. She said she could not have done this without the support, backing and information that was given to her by the Commerce Department.

Fred Flanders, President of the Valley Bank in Helena, said the division of Financial Institutions was attached to the Department of Commerce. It was a logical, effective connection and worked well. There does not appear to be a need to change that. The discussion about other financial services, insurance companies and securities being regulated by the Auditor's Office, it would make sense that those functions be transferred to the Department of Commerce. He hoped that could be accomplished.

Roger Tippy, appearing for the Montana Independent Bankers Association, said the financial division was studied in the last interim, placed on a sounder footing, and the Independent Bankers Board feels it should stay there. They feel this matter should be discussed over a period of months and not be the sort of decision made at this time.

Bob Pyfer, Vice President for the Montana Credit Union League, said they are not here to oppose SB 11 but to inform the committee about their experience with the state chartered credit unions and the financial division. Over the last 10 years they have had great progress with the Financial Division in terms of improving the quality of examinations for the state charter credit unions. He said they are concerned that they don't see any setback or loss of ground they have gained over the last several years in terms of improving the regulatory process. He concluded with their concern for continuity.

Beth Baker, Department of Justice, said they do not oppose the concept of SB 11. They have a great interest in improving government efficiencies and to streamline and consolidate functions. She said they have done that recently with a liquor and gambling investigation and they are studying the consolidation of legal services right now. The Department of Justice has some concerns with SB 11 as it is written. She said they didn't get their portion of the fiscal note until this morning so they haven't had a chance to review it to know how it will affect them. The bill does transfer several functions to their agency, and they are concerned that those functions remain consistent with their mission as well as being adequately funded. The Horse Racing Board is transferred to the Department. It is not clear whether the Board of Pharmacy is transferred to them, but some functions under the pharmaceutical boards responsibilities are transferred. As she understands it, those boards now share staff and legal services and she doesn't know what would happen to those staff in the transfer. She noted the Department of Justice couldn't absorb those with their current resources. She concluded that they are willing to work with Senator Jergeson, the Secretary of State's office and the Governor's task force to come up with places where they can streamline and improve.

Keith Colbo, representing the Montana Tourism Coalition and Montana Private Capital Network, as well as a former Commerce Director, said he would agree with Mr. Buchanan's testimony. He said they are very happy with the current operating programs. In considering change like this, a philosophical question to be addressed is should regulation be done by an elected official or is it better done by an appointed official.

Dick King, Executive Director of Bear Paw Development, said they support the task force and the discussion of reorganizing government. They want to be involved and have the opportunity to comment because there is much that the Department of Commerce

does that affects local government and small communities. They feel the special session is too short a time frame. He concluded that the continuity and commitment of the Department of Commerce has enabled communities in Montana to have access to a very important federal program than can help them solve problems.

Gerry Loendorf, representing the Montana Consumer Finance Association, said this is a regular session bill and not a special session bill. He said there is the question of responsibility of elected officials and in researching a bill such as this, we need to look at the whole of the executive structure in making these type decisions.

Stuart Doggett, Montana Innkeepers, said they do not oppose the idea but they are concerned with the Travel Promotion Division. This has developed into a world class, first class operation. Their industry came forward to help develop with others and collect funding that generates the revenue for that program. There is the question if we put this agency under new administration, would it delay or hinder that review of itself.

Jo Alice Mospan, State Director for the United States Small Business Administration. She said they are based in Helena, but serve the entire state of Montana. She asked the committee to seriously look before doing away with the Department of Commerce as they are very important to small businesses in Montana. She said her agency makes a grant of over \$300,000 a year to the Department of Commerce, and she is not sure it would be approved if it were to go anywhere other than that department.

Mike Mospan, Chapter Chair of Helena Chapter of the Service Core of Retired Executives, a volunteer organization that provides business counseling support to existing businesses and new business start up. He stated his opposition to SB 11 as a taxpayer and a citizen. He would like to see the task force look at the agencies overall before considering isolated agencies on a case by case basis.

#### Questions From Committee Members and Responses:

Senator Jacobson asked Senator Jergeson if any services were being eliminated.

Senator Jergeson said no services are being eliminated in this bill. Services would continue to be provided under another agency.

Senator Beck asked if the bill is trying to help our fiscal problem and if the Secretary of State's office was working on the fiscal note.

Senator Jergeson said the Budget Office was preparing the fiscal note and the various agencies have been asked to respond to their portion of the bill.

Senator Beck asked if it was correct that the Secretary of State's office figured they could save around \$710,000.

Senator Jergeson said that includes the savings involved with moving the local government audit to the legislative auditor.

Senator Beck questioned that portion of that savings.

Mr. Noel said it was \$268,000.

Senator Beck said that leaves approximately \$450,000 that the Secretary of State's Office could save by taking over the positions Senator Jergeson recommended in the bill.

Senator Jacobson said the committee will not vote on this until a fiscal note is received.

Senator Beck asked if the Secretary of State absorbed these positions, could he absorb the \$440,000 budget reduction within his office and the same thing would be accomplished without getting rid of the Department of Commerce.

Senator Jergeson said the Secretary of State's office has to provide central management savings to those functions in his particular office. The Department of Commerce has to provide central management services to theirs. The Secretary of State believes they can provide, given the current central management, those same services the Department of Commerce is now providing for the functions that would be moved.

Senator Beck asked if there was a duplication of services.

Senator Jergeson said every agency has central management.

Senator Beck said it is his experience that once they have assumed the new duties, they come back to the legislature and say they don't have enough FTE's. If they currently have enough FTE's to handle this and do it right, maybe there could be some reduction in the Secretary of State's office.

Senator Jergeson said he appreciated the question and asked if Mr. Mitchell wanted to respond.

Mr. Mitchell said if the Secretary of State's office was closed today, you could get \$400,000 savings by sending all the work to the Department of Commerce, but the basic thing you need to do is eliminate a department in its entirety. When you pay a Jon Noel and a Mike Cooney for administering divisions, you by definition duplicate that.

Senator Beck said there has to be more study. He questioned why the savings aren't there already. The only positions they are going to save on are maybe the director and the assistant director. We are discussing \$450,000, and he knows they don't

make that kind of money.

Mr. Mitchell said those positions are included in the savings. When the fiscal note is available, the savings will be demonstrated.

Senator Swysgood asked Mr. Mitchell why in the fiscal note they would use something that was being transferred to the Legislative Auditor as a cost savings.

Mr. Mitchell said they put it in their fiscal note under other agencies because it was already a plan within the governor's budget book, so they assumed those savings. They showed those figures so they would know there would be a savings whether or not they passed Senate Bill 11.

Senator Tveit said on page 187, section 155 of Senate Bill 11 regarding function transfers, the functions of the Department of Commerce that relate to planning and economic development and science and technology are to be transferred to the Secretary of State. If these departments are transferred, the Secretary of State will not be able to handle that whole area without several FTE's and he questioned how many FTE would be needed.

Senator Jergeson said it has to do with the various moves and functions in the bill. If a proposal has to be put in bill form and presented to the legislature, it is then available for amendment. If the Secretary of State's office was not the appropriate place, an amendment could be made to find another department or agency where it would be appropriate.

Senator Hockett asked if the International Trade Organization was included.

Senator Jergeson said he did not intend with SB 11 to reduce the foreign trade office. He did not think it was an identifiable function on its own.

Mr. Noel said the amount that has been identified by the Secretary of State in the fiscal note, as he understands it, is \$710,000. Mr. Mitchell has identified the fact that a good deal of that is already gone. It will not be saved as a result of SB 11. It has already been taken out, and that is approximately \$250,000. The exact amount on moving the audit function is \$268,000. The difference is the amount in question as to whether that can be saved, or what portion of it. It is \$210,000 or less. He contended the real savings would be less than \$100,000.

Senator Hockett said he was concerned about the morale of the state employees.

Senator Jergeson said these regular special sessions we have had in the last few years have probably institutionalized low morale among state employees. He said if we were to pass SB 11 largely

as it is, he was not concerned about looking in the next regular session as to whether that would be a great problem. It might give greater impetus to Mr. Buchanan's study. He is sure the task force will do a marvelous job, but unless the legislature shows the desire to make some changes the studies come up with, it will be for nothing.

Senator Devlin questioned why, if the Secretary of State's office has been looking into this for some time before Senator Jergeson came up with SB 11, it took so long for a fiscal note.

Mr. Mitchell said they do not have a large staff and they have one individual responsible for this. Until SB 11 came in final format, they were still putting all the information together.

Senator Christiaens asked Mrs. Mospan to explain her statement that if the Department of Commerce is eliminated, grants would no longer be available.

Mrs. Mospan said they may be in jeopardy. The Department of Commerce was grandfathered in by a law passed by Congress to receive certain grants. Most grants in other states go to the university system. The law specifically says it is given to the Department of Commerce.

Senator Christiaens said since the function will not cease, could it not be amended or modified.

Mrs. Mospan said that could happen but she could not guarantee something getting approved by Congress.

Senator Christiaens asked who writes the grant.

Mrs. Mospan said it is the Department of Commerce, with the help of the Small Business Administration.

**Closing by Sponsor:**

Senator Jergeson closed on Senate Bill 11. He thanked the committee for their attention to the bill. Every issue faced in this special session to bring the budget into balance and every cut we will be asked to make when the budget bill gets to the Senate probably has 10 or 20 good reasons not to make the cut. He said SB 11 is just one little bill, one issue, and asked the committee to think about the choices they have to make in the legislature. There will be a multitude of reasons not to make cuts, but there is one very good reason we have to make those choices, and that is that to bring the budget into balance. He would hope the study would be very good, but feels we have to find a way to assure the public that a study would accomplish something. He doesn't think the public has a lot of faith in studies. He concluded that we have to make some decisions in this special session, and we have to show the public that we do have the will to do something of this magnitude.

HEARING ON HOUSE BILL 1

Opening Statement by Sponsor:

Representative Tom Zook, House District 25, said HB 1 is the feed bill, which totals approximately \$737,000 for 21 days.

Closing by Sponsor:

Representative Zook closed on House Bill 1.

EXECUTIVE ACTION ON HOUSE BILL 1

Motion/Vote: Senator Keating moved House Bill 1 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:15 A.M.

  
\_\_\_\_\_  
SENATOR JUDY JACOBSON, Chair

  
\_\_\_\_\_  
LYNN STALEY, Secretary

JJ/ljs

# ROLL CALL

SENATE COMMITTEE FINANCE & CLAIMS

DATE 12/1/93

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 SWYSGOOD	✓		
SENATOR TOEWS	✓		
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN	✓		
SENATOR WEEDING	✓		

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
December 1, 1993

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 1 (third reading copy -- blue), respectfully report that House Bill No. 1 be concurred in.

Signed: \_\_\_\_\_

*Judy H. Jacobson*  
Senator Judy H. Jacobson, Chair

Madam Chairman - Members of the Committee

My name is Jon Noel - I am presently the  
Director of the Department of Commerce

For the past 24 years I have been involved in restructuring of business to restore or improve profitability. This has always involved reducing the cost of organizations that had become bloated and inefficient, and refocusing on customer expectations. I have had the opportunity to learn the process in some of the largest corporations in this country, under some the finest Chief Executives. It has become my specialty, the way I have earned my living as a consultant for the five years prior to being appointed to my present position.

I have learned over the years that some things are obvious and easy to do. I call that "picking the low hanging fruit." The cost of making a mistake at this level is low in relation to the savings that can be achieved. Rarely is there the risk of a catastrophic mistake. These things can be done with limited knowledge of the business or organization. Moving too quickly beyond this level, before thoroughly analyzing and understanding how an organization works, its

culture and what its customers are looking for can result in disaster.

Secretary Cooney looked at an organization chart and a budget for the Department of Commerce and identified reductions ,which he has publicly claimed could be as much as \$750,000. I assume that he felt these cuts could be made without jeopardizing service.

In part, I agree with him. In fact \$250,000 of the cuts he has identified have already been made and approved by the joint committee for our budget. Primarily they include eliminating 3 Division Administrators and several lower level management positions.

The remaining \$500,000 is more questionable. His number includes more than \$250,000 of savings from moving the local government audit function to the Legislative Auditor and reducing the size of the staff by "privatizing" more of the audits. In my view this is not a savings to the taxpayer who foots the bill for local government audits. These audits are required by both state and federal regulations. State government has been one party bidding on these audits, along with private sector firms. It is safe to assume that

the state only wins when it is the low bidder. Increased "privatization" of this function will not save the state any money because all audit costs are paid by local government. It will not save local government any money because the requirement for the audit remains. Removing an entity that has been the low bidder in the past may actually increase the cost for some audits.

The remaining \$250,000 is less clear. We have not seen the fiscal note on this bill. I am concerned, however, that because the bill speaks only to those functions that exist in the Department by statute, the fiscal note may show a savings as a result of the entire administrative function not being transferred because it does not exist by statute. This administrative function in the Department of Commerce, which in the private sector would be referred to as overhead consisting of such functions as management, accounting, personnel, data processing, budgeting, is the lowest percentage of total FTEs for any agency in state government.

Given the size of the Department and the number of functions involved, I do not believe that all of these administrative functions could be

absorbed with no additional cost on the part of other Agencies.

My opinion, backed by 24 years in the private sector and nine months in the Department of Commerce, is that if the Department of Commerce were to be disbanded and distributed to other agencies in a form that would maintain current levels of service, the total savings would be considerably less than \$100,000.


Put in simple terms, we have already picked the "low hanging fruit." There is a great deal more to do but this will have to involve multiple agencies. Now things get harder. The way that we can reduce cost without impairing, and preferably improving, service is to examine all of the Departments to identify areas of duplication or similar services and determine if restructuring would be of benefit. This is a difficult task at best and made much more difficult if the Departments in question are not reporting to the same branch of government.

There are economic development, business regulation, and local government service functions in Departments other than Commerce. Perhaps these need to be combined in some

manner. Making recommendations with respect to these issues is the task of the Governor's recently announced task force to renew government. That process should not be preempted or made more difficult by an action taken now which clearly does not address the real issues and, in my opinion, cannot reduce cost without seriously jeopardizing performance..

I urge you to give the Governor's task force time to do its work and present real solutions to the next regular session.

InterOffice Memo

To: Governor Marc Racicot  
From: Jon Noel; Director   
Department of Commerce

Date: November 12, 1993

Subject: Secretary of State Proposal - Eliminate the Department of  
Commerce

---

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1 A

DATE 12/1/93

BILL NO. SB 11

As you requested, I have analyzed the proposal of the Secretary of State to eliminate the Department of Commerce by moving programs to various other agencies - primarily those of other elected officials with the bulk of the programs moving to the Secretary's office. I am presuming at this point that the bill draft introduced by Senator Jergeson (LC75) reflects the plan outlined by the Secretary of State. We have been given that indication by the Secretary of State's Office in a meeting held with the Lieutenant Governor. The Proposal offered by the Secretary of State provides two basic reasons why the reorganization should be accomplished during the special session - money and efficiency. I have examined their proposal and find it to be deficient on both counts. My reasoning is presented below.

I: MONEY

The latest information received from the Secretary of State's Office assumes credit for reducing positions in government by 18.5 with corresponding reductions in funding of anywhere from \$500,000 to \$750,000. All we currently have to go on is a faxed spreadsheet provided by the Secretary of State's Office which shows reductions of 18.5 positions with some indication of where those positions are located.

THE FACTS:

The personnel reductions identified by the Secretary of State's Office in their proposal fall into three main categories which include; 1. *Reductions already identified by the Department of Commerce*; 2. *Reductions identified in the Executive Budget for the Special Session*; and 3. *Reductions of existing positions - primarily in the Director's Office.* The following analysis shows that the Secretary of State's proposal standing by itself will save slightly over \$20,000 with an increase in general fund expense of \$62,311.

**- DEPARTMENT OF COMMERCE/EXECUTIVE BRANCH REDUCTIONS -**

**A. Already Identified Commerce Reductions - (August 3 memo to Governor)**

	General Fund	Proprietary	State Special
Administrator - Economic Development	(59,561)		
Manager - International Trade	(46,369)		
Economic Dvlpmnt. Prog. Specialist - (Note 1)	(38,250)		
Micro Business Program Off. - (Note 2)			(36,545)
<b>TOTALS:</b>	<b>(\$144,180)</b>	<b>\$0</b>	<b>(\$36,545)</b>

Note 1 - This position is under consideration to be used as a sixth Regional Development Officer. State coverage is weak for this function with only five regional people.

Note 2 - The Micro Business Advisory Council and the Legislative Liaison Committee may not want to eliminate this position - the Department is still analyzing this position.

**B. Executive Budget Reduction Recommendations - 1993 Special Session**

	General Fund	Proprietary	State Special
Local Govt. Audit - 8.5 Positions (Note)		(268,923)	
<b>TOTALS:</b>	<b>\$0</b>	<b>(\$268,923)</b>	<b>\$0</b>

Note - See LC27 - "Transfer Local Govt. Audit to Legislative Auditor's Office"

**C. Already Planned Commerce Reductions due to Early Retirement**

	General Fund	Proprietary	State Special
Administrator - Management Services		(50,065)	
Administrator - Business Reg. Assistance		(60,648)	
Add Weights & Measures Program Mgr. (Note)			37,000
<b>TOTALS:</b>	<b>\$0</b>	<b>(\$110,713)</b>	<b>\$37,000</b>

Note - A manager of Weights & Measures will need to be created when the Administrator position is eliminated. The Administrator manages this program along with the rest of the division. The manager position was eliminated last session. The program consists of 7 field inspectors (grade 12), 1 lab technician and a secretary.

**D. Total Reductions**

	General Fund Decrease	Proprietary Decrease	State Special Increase
<b>Total By Fund:</b>	<b>(\$144,180)</b>	<b>(\$379,636)</b>	<b>\$455</b>

	Decrease
<b>Total All Funds:</b>	<b>(\$523,361)</b>

**- SECRETARY OF STATE PROPOSAL -**

**A. Reductions due to Secretary of State Proposal**

	General Fund	Proprietary	State Special
POL Attorney			(36,027)
Director		(65,756)	
Deputy Director		(63,920)	
Chief Legal Counsel		(47,716)	
<b>TOTALS:</b>	\$0	(\$177,392)	(\$36,027)

**B. Increased Costs Due to Secretary of State Proposal**

	General Fund	Proprietary	State Special
Legal Contracts - POL (note 1)			36,027
Economic Development Manager (note 2)	59,561		
Financial Division - Legal (note 3)			65,000
Reduction in Force Payouts (note 4)	2,750	29,250	
<b>TOTALS:</b>	\$62,311	\$29,250	\$101,027

Note 1 - This position was created by the last legislature at the request of a number of POL Boards because of the legal backlog in the POL Bureau. Elimination of this position would require contracts with outside counsel at an even greater expense. Attorney's in the Bureau have backlogs of 60 to 100 cases.

Note 2 - All management positions have been eliminated in this division. Eliminating the Director and the Deputy Director who are proprietarily funded will require the re-creation of the management position eliminated by the Department of Commerce.

Note 3 - The Chief Legal Counsel for the department is eliminated above. This individual acts as counsel for the Financial Division. This division was given authority to hire an attorney during the last session which the department has not filled. Elimination of the Chief Counsel will require the hiring of the vacant attorney position in the State Auditor's Office. In addition, the Secretary of State's Office will have to hire or contract for counsel for representation of the following programs - Montana Capital Companies, Micro Business, Travel Promotion, and Economic Development. The Attorney General may incur costs for the assumption of duties related to Indian Affairs, Horse Racing and Consumer Protection.

Note 4 - Reduction in force payouts are for the Director, Deputy Director, and Chief Counsel for the agency.

**C. Total Reductions**

	General Fund Increase	Proprietary Decrease	State Special Increase
<b>Total By Fund:</b>	\$62,311	(\$148,142)	\$65,000
<b>Total All Funds:</b>			Decrease (\$20,831)

## II: EFFICIENCY

The primary reason for improved efficiency cited by the Secretary of State relates to the issue of combining areas which provide similar services to the public.

"The basic theory behind this undertaking is the streamlining of government to put similar services under one heading. In so doing, the state can effectuate short and long term savings, particularly at the management, financial administration and legal levels."

The proposal goes on to say that;

"the office conducted a review of state agencies that conduct similar operations. As a result of that review, the agencies listed above (Department of Commerce, Historical Society, State Library) were identified as presenting significant opportunities for real savings in the form of streamlined government."

Having reiterated the focus of what the Secretary of State's proposal includes, we can now discuss the real issue and one that truly does what the Secretary says he desires to accomplish.

### *THE FACTS:*

The issue of business licensing and regulation which plays so prominent a role in the proposal offered by the Secretary of State is indeed an issue ripe for analysis. During September of this year, this agency forwarded to you several proposed "initiatives" for reinventing government. One of those proposals suggested that business regulation which occurs in a number of state agencies needed to be studied so that proposed legislative changes could be recommended to the next regular session of the legislature. Unfortunately, the Secretary's proposal would have the legislature "reorganize" only a few of those similar programs to accomplish the worthy objective of "reinventing government." Business licensing and regulation takes place not only in the Department of Commerce but also in the following agencies;

The Departments of Agriculture; Family Services; Fish, Wildlife & Parks; Health & Environmental Sciences; Corrections & Human Services; Justice; Labor & Industry, Livestock; Natural Resources & Conservation; Public Service Commission; Revenue; State Lands; and Transportation. (See "Montana Business Licensing Handbook")

A better example than that offered by the Secretary of State would be the licensing requirements for a grocery store. A typical grocery store opening business in the state of Montana would require the following licenses and permits;

Department of Revenue: Beer & Wine Retailers License

Department of Revenue: Cigarette Dealers License

EXHIBIT 1  
12-1-93  
SB 11

Department of Health & Environmental Sciences: Food Purveyor's License

Department of Livestock: Egg Dealers License

Department of Commerce: Weighing Device License

Department of Livestock: Meat Establishment License

Secretary of State: Assumed Business Name or Corporation License

*(This list assumes that the store would not be building a new building which may require zoning review, building permits and licenses, water and sewer review etc.)*

If a serious effort is made at reinventing government to make it responsive to the citizens of the state and to make it cost effective, then some study of the issues, procedures, clients, effectiveness and organization of numerous agencies will be required. The Secretary of State should be invited to participate in the analysis to truly improve the organization and service of state government. This will require some study and then concerted action on behalf of all of our elected leaders in Montana. One of the most serious mistakes we can make is to prematurely assume that a minor reorganization such as that proposed by the Secretary of State will in fact improve government efficiency. To our consternation, we may find ourselves undoing this proposal in less than a years time while having spent considerable time, energy and money in a fruitless effort.

This same issue extends to a number of "functions" carried on within state government including economic development programs, infrastructure programs for water, sewer and housing, natural resource functions... all of these issues need to be studied and acted on. Yet, the Secretary of State's proposal includes functions related to all of these issues without the essential, dispassionate, scientific analysis to do it the right way instead of the expedient way.

### III; CONCLUSION

State government operations need to be analyzed, efficiencies can then be realized, and the citizens of Montana will be well served. This is a process that requires some commitment on the part of all of us including the Secretary of State's Office. Let's do it right the first time!

CC: Lt. Governor Rehberg, Dave Lewis

Enclosures: 1. Budget Reduction Memo - Noel to Governor - August 3, 1993; 2. Executive Budget Proposal/Department of Commerce; 3. Bill Drafting Report - LC27; 4. Secretary of State spreadsheet showing eliminated FTEs; 5. Montana Business Licensing Handbook

**MONTANA DEPARTMENT OF COMMERCE**  
**Economic Development and Small Business Development Programs**

Activity Highlights / January - November 1993

---

**Frank Products Company** - Manufacturing company produces machined plastic parts for health care and aerospace industry. Relocated from Syosset, NY, to Belgrade, MT, during Summer of 1993.

Recruitment program provided assistance in selecting community, establishing contact with community agencies for local and financial help; provided tax planning assistance. Company constructed new 20,000 square foot facility west of Belgrade. Currently employs 27 full-time workers.

Financing assistance was provided by the CDBG economic development program. Financing included \$153,925 from CDBG, \$130,600 from SBA 504, and \$163,250 from a bank.

**Water Chef, Inc.** - Manufacturing company producing water coolers. Started operations in Havre in 1993. Currently employs 38, with plans to expand and add an additional 20,000 square feet of manufacturing space. Employment is projected to reach 100 jobs by April, 1994.

The Recruitment program provided assistance with tax planning.

Staff in Helena and Havre worked closely for many months with Water Chef. The company was established with total capital of \$2.2 million, consisting of \$552,000 from the Montana CDBG program, \$320,000 from the EDA, \$200,000 from a local bank, \$300,000 from Hill County, and \$900,000 in private equity.

**Arctic Windows** - Manufacturing company producing vinyl household windows. Relocated operations from Calgary, Alberta, to Great Falls in February 1993. Relocation staff put prospect in contact with local agency for facility location, and discussed taxes and workers' compensation in detail. The company employed 20 at peak.

**J. Burns Brown Operating Company** - natural gas well operating company moving headquarters from Tyler, Texas, to Havre. Relocation program staff met with company early in their consideration to discuss tax environment, business finance programs. The total project was for \$681,600 with \$300,000 from a CDBG loan, \$175,000 from bank, \$160,000 equity, and \$15,000 from Hill County. Began construction of 6,000 square foot facility of September, 1993. Company anticipates 30 permanent employees.

### Helena Lead Center

Ford Motor Company, Harlem. Completed \$280,000 deal, including \$190,000 bank/SBA; \$50,000 Bear Paw Development revolving loan fund, and \$40,000 equity.

Spectrum Pool Products - SBDC staff assisted in packaging \$250,000 building loan. Company anticipates 12 new jobs in 18 months.

Broadwater Printing, Townsend - Staff assisted in securing additional financing in addition to previous \$350,000 package.

### Bozeman Subcenter

SBDC staff at the Bozeman subcenter provided assistance to 20 businesses, with projected jobs numbering 81. Lenders provided a total of \$1,693,500 to these projects. These businesses include health technicians, clothing manufacturers, restaurants, attorneys, auto service shops, plastic manufacturer, and several retail stores.

### Billings Subcenter

SBDC staff at the Billing subcenter provided assistance to:

A western apparel manufacturer received a \$12,500 microbusiness loan to be used for clothing design, the opening of a retail outlet, and some national marketing assistance.

A small manufacturing firm obtained a \$300,000 operating line of credit to handle a significant increase in volume of new orders. SBDC assistance included refinement of the business plan, new cash flow figures, and assistance with the bank loan application process.

Other SBDC clients included a cosmetics firm, aerobics studio, and engineering, manufacturing and construction firms.

Staff at the subcenter successfully organized and conducted a state-wide small business conference, which attracted over 1,000 small business representatives from Montana and northern Wyoming. Highlights included presentations by Montana's Governor and two Senators.

Butte Subcenter

Technical and loan packaging assistance recipients included the Lavender Brush painting firm in Butte, Prime Time Video rental in Deer Lodge, Mountain View TV and Satellite in Ennis, Books, Etc. in Deer Lodge, and Ma Barnes Country Store near Dillon.

Havre Subcenter

Staff at the Havre subcenter participated in the establishment of Water Chef this year. Other assistance was provided to a timber cutting company, a variety store, a car dealership, and several manufacturing firms.

Kalispell Subcenter

Staff assisted in business plans and loan packaging for a clock repair shop, a countertop manufacturer, a spray-in truck bedliner franchise, and a wood protective treatment business -- all in Kalispell. Also provided assistance to Roma's Kitchen in Bigfork.

The subcenter received \$42,000 in grant monies to purchase 17 lap top computers and software programs. Staff will use the equipment to expand business training programs in the Kalispell region.

Missoula Subcenter

With SBDC assistance, an existing Missoula restaurant secured SBA financing for \$66,000 for reorganization and equipment.

A camera shop in Missoula, a chiropractic office in Lolo, and a bronze foundry in Choteau are included in the service success stories of the Missoula subcenter.

Sidney Subcenter

Staff at the Sidney subcenter assisted several small businesses in Glasgow, Sidney, Ashland, Forsyth, Fort Peck and Miles City.

...CONTINUED...

SENATE COMMITTEE ON FINANCE & CLAIMS

December 1, 1993

Due to the length of this exhibit, the original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

**BUSINESS SERVICES, INC.**  
**Jim and Barbara Richard**  
**16 W. South Street, Box 508**  
**White Sulphur Springs, MT 59645**  
**Ph. 406-547-2289 FAX 406-547-3824**

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

DATE 12/1/93

BILL NO. SB 11

*Consultants in  
Economic Development*

*Community Development  
and Planning*

November 30, 1993

Senate Finance and Claims Committee  
Judy Jacobsen, Chair  
Room 108  
State Capitol, Helena, MT 59620

Dear Committee:


We strongly urge you to vote no on Senate Bill 11. The Montana Department of Commerce is too important to be targeted for reorganization during the crisis-ridden special session now convened.

The DOC is handling programs that are crucial to the current economic situation in Montana. We are facing a critical housing shortage, and virtually all the housing programs are handled by Commerce. Economic development, now under the Department of Commerce, is crucial, with escalating housing costs and the preponderance of low-paying service jobs.

The proposal set forth in Senate Bill 11 would effect no significant cost savings to State government. The Department has undergone a reorganization in the last six months, producing all possible savings and economy. The proposal would simply change the name and the administration, not the cost or the number of staff persons required to run the operations.

If State government is to be reorganized, the most appropriate arena for scrutinizing the Department of Commerce for possible changes would be with the task force now being organized by Governor Racicot. Please do not even consider the upheaval of a department as important to the people of this state as Commerce, during a crisis management session, when there is no justification.

Sincerely,

  
Jim and Barbara Richard

# Belgrade Chamber of Commerce



November 29, 1993

Dear Senate Finance and Claims Committee:

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE

12/1/93

BILL NO.

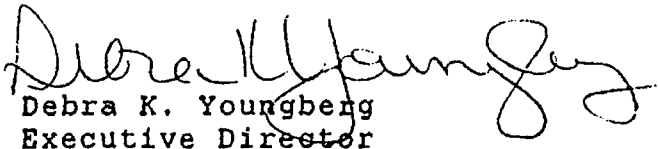
SB 11

I am opposed to Senate Bill 11 and urge you take a hard look at the consciences of restructuring all of Montana's Economic Development agencies in a matter of weeks. This would be a horrible mistake. What has taken years to build would be destroyed over night. The Business Development Division is so vital to the growth of Montana's business and communities. With their help, Belgrade has received several Community Block Grants, and with the programs they offer they helped us move in the right direction to promote our community and as you have probably heard of the growth in our area, it's working!

I suggest that this measure be studied at length before taking any forward action. The Department of Commerce needs to stay in tack the way it is. I have the utmost respect for the Department of Commerce and it's staff. They work very hard for Montana.

Again, I urge you to vote no on Senate Bill 11, it is bad for businesses, bad for our communities, it is **BAD FOR MONTANA!**

Sincerely,

  
Debra K. Youngberg  
Executive Director

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 4

DATE 12/1/93

BILL NO. SB 11



November 30, 1993

TO: Members of the Senate Finance and Claims Committee:

Judy Jacobson, Eve Franklin, Gary Aklestad, Tom Beck, Don Bianchi, Chris Christiaens, Garry Devlin, Gary Forrester, Harry Fritz, Ethel Harding, Bob Hockett, Greg Jergeson, Tom Keating, J.D. Lynch, Dennis Nathe, Chuck Swysgood, Larry Tveit, Eleanor Vaughn, Mignon Waterman, Cecil Weeding

FROM: Darla Joyner, Executive Vice President, Bozeman Area Chamber of Commerce, Bozeman

PLEASE! It's hard to believe that SB11 is being given any chance of life.

This is not the time to dismantle what has become one of the most important departments in the State of Montana's future. If we are to continue to build a future, let's put our money where it can do some good. This department as well as many other state agencies need to be reviewed and looked at for efficiencies and effectiveness. This is part of doing good business.

But when we talk about placing this department under the Secretary of State, I can't believe you're serious. If anything, regulatory functions would better be served elsewhere, but the function of a "commerce" department is, in my mind, very defined - to support and promote the state of Montana in the area of commerce. Where else can we make a difference in the future economics of Montana?

Please don't give serious discussion to this issue as a cost saving measure of any consequence. It could be the final spike in a coffin when you could be assisting in giving this state and our business community the opportunity for a future - hopefully, a bright one.

Thank you for your consideration.

DATE 12/1/93SENATE COMMITTEE ON Finance - ClaimsBILLS BEING HEARD TODAY: SB 11, HB 1

Name	Representing	Bill No.	Check One	
			Support	Oppose
Jon Noel	Dept Comm	SB 11		✓
Jim Richard		SB 11		✓
David Owen	Int chamber	SB 11		✓
Keith L. Colbo	Tourism, MTPriv Cap	SB 11		✓
Rebecca MARQUARD	Rebecca Jones	SB 11		—
MARK BYINGTON	MONTANA SWISS SPREADS INC	SB 11		—
Jo Alice Mospan	U.S. SBA	SB 11		✓
MIKE KUSPAN	SCORE	SB 11		✓
Pat Rawlings Corn	Rawlings Int'l	SB 11		✓
Jack H. Corn	Jack's Winery	SB 11		✓
Michael C. King	Bear Paw Dev.	SB 11		—
Andy Poole	Commerce			✓
Macl Drum	✓			
Ed Kennedy	Senate			
Doug Mitchell	S.O.S.	SB 11	✓	
Stuart Doggett	MT Inkspers	SB 11		✓

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 12/1/93SENATE COMMITTEE ON Finance & ClaimsBILLS BEING HEARD TODAY: SB 11, HB 1

Name	Representing	Bill No.	Check One	
			Support	Oppose
Gary Buchanan	Self	SB 11		<input checked="" type="checkbox"/>
Roger Tippy	Mt. Idaho Bankers	SB 11		<input checked="" type="checkbox"/>
Ken Homan	Self	SB 11		<input checked="" type="checkbox"/>
Bob Pyter	MT Credit Union League	SB 11		<input checked="" type="checkbox"/>
Devin + Laerdorf	Art. Parents Time (over) 511	511		<input checked="" type="checkbox"/>
John Berg	MFPE	511		
Cl Harnack	ut Dept of Ag	511		
Beth Baker	Dept of Justice	SB 11		<input checked="" type="checkbox"/>
Angela Fultz	Sec. of State	SB 11	<input checked="" type="checkbox"/>	

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY