

## **MINUTES**

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

#### **COMMITTEE ON FINANCE & CLAIMS**

**Call to Order:** By Senator Judy Jacobson, Chair, on December 3, 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 13, SB 14, SB 15, SB 16  
Executive Action: None

#### **HEARING ON SENATE BILL 13**

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

Senator Don Bianchi, Senate District 39, sponsor, said Senate

Bill 13 is at the request of the State Auditor. Currently if an individual loses a state warrant or check, they must post an indemnity bond twice the value of the refund or find two Montana landowner residents who will sign saying if the lost warrant is cashed, they will refund the state for that amount. He said several state programs, including the welfare department, have already been exempt from this law. SB 13 allows all agencies to be exempt, and something will be signed noting if there is a double cashing of the warrant that the agency itself will take the loss. He concluded that SB 13 will mean more efficiency for state government.

**Proponents' Testimony:**

Tom Crosser, Deputy for Fiscal Control and Management, State Auditor's office, testified in support of SB 13, saying their program is responsible for the production and distribution of state warrants. He said they support the bill from an efficiency standpoint. Currently the program issues about 1.5 million warrants per year. Many times warrants get lost in the mail because so much of the so called "junk mail" looks like a check, and people from out of state have a tendency to throw a check away. When that happens, the individual requests, and then the agency requests, a duplicate warrant. Currently when they do issue a duplicate, a stop payment is put out on the original warrant. If an individual cashes the original warrant when a duplicate has been issued, it is sent back to the agency that has cashed the warrant and not cashed at that point because of the electronic means they have to track it. They do not believe the risk in allowing the department to do this is great. One of the problems they have had is that the Department of Fish, Wildlife and Parks issues many out of state warrants for over \$300 for license applicants. Because the current rule requires them to post a surety of instate residence, department employees have actually put that surety up for out of state residents which is an undue hardship on the Department of Fish, Wildlife and Parks.

Dave Mott, Fish, Wildlife and Parks Department, said Senator Bianchi and Mr. Crosser have covered the benefits. He said every year his department will issue several thousand refunds to hunters that apply for licenses and most that are over \$300 are non residents. When they lose a warrant, it is a complicated process for them to get it back. He added that he is usually the person that signs his personal property so the people can get their replacement refund rather than having them go through the double posting of the bond. They feel there is little or no exposure to the department as they can get the warrant cancelled and a second one reissued.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Devlin questioned the type of savings that were being made.

Mr. Crosser said although they do not know what the savings will be in terms of postage, materials, etc., he believes there will be long term savings, not only in postage and materials, but in time. It will be an efficiency measure that will make programs more productive.

Senator Hockett said in his opinion the savings is not so much for the state, but frustration and time for the taxpayers.

Mr. Crosser said it was time consuming and sometimes expensive for the individual to go through the process.

Senator Aklestad asked concerning page 3, lines 10 through 12 of the bill, if there was also the potential it might cost money.

Senator Bianchi said there was the possibility that could happen, but felt if there was that concern, they wouldn't be asking for this change in existing law. The majority of the people are honest and when they say they have lost a warrant, they actually have lost one.

Senator Aklestad asked if there was the possibility that the original warrant would show on the books some way as not being cashed at that time and if so, the first warrant would become null and void before the reissuance of another one.

Mr. Crosser said that was correct. The original intent was before that capability existed. Years ago there was the possibility that the system would not catch those. With the computerization of the system, warrants can be cancelled very quickly so they know when the duplicate goes out, the original warrant is not valid. An agency that has been exempted is the Department of Social and Rehabilitation Services (SRS) and their benefits program. They have not experienced problems with that agency, so he does not believe it would be a problem for the Fish, Wildlife and Parks to do it also.

Senator Weeding questioned if the cashing agency potentially would get hurt if that cancelled warrant comes through and the treasurer rejects it.

Mr. Crosser said occasionally a person will lose a warrant and request a duplicate. The duplicate warrant is issued and is cashed by the person. If later the person finds the original warrant and cashes it, the treasurer sends it back to the cashing institution. The cashing institution then goes to the individual and advises them that a duplicate was issued was cashed. Usually the individual will acknowledge it and there is no problem.

Senator Tveit asked why SB 13 was being addressed in this special session and was curious as to how it got into the call of the

governor.

Mr. Crosser said while it is not an emergency, they look at it as an efficiency measure to cut down on paperwork.

Senator Jacobson said the legislative council made the decision that SB 13 did fit within the call.

**Closing by Sponsor:**

Senator Bianchi closed on Senate Bill 13, saying it would make government more efficient.

**HEARING ON SENATE BILL 14**

**Opening Statement by Sponsor:**

Senator Chris Christiaens, Senate District 18, sponsor, said Senate Bill 14 requested by the State Auditor involves electronic appointment and termination of insurance producers. When an insurance company hires a new agent, they are required to file with the state auditor's office, which currently is done by a check with every producer. There were 12,000 agents or producers who signed up last year and approximately 2500 terminated. Each time that occurs there is a separate filing of \$10 per person. Last year that meant about \$120,000 went to the general fund. He said with this particular change, companies will be able to do this electronically and will be able to write one check. There will be an increase for those companies who do not use the system from \$10 to \$15 as an encouragement for them to use the new electronic system. He noted there should be long term savings to the auditor's office. There will be an increase of approximately \$49,175 in the next year.

**Proponents' Testimony:**

Mark O'Keefe, State Auditor and Insurance Commissioner, testifying in support of SB 14, said the bill comes from the State Auditor's Office and the Governor's Office. The idea for SB 14 came from the insurance industry. It will allow their department to increase revenue by about \$49,000 a year while decreasing their general fund appropriation, which has already been done in HB 2 by \$25,000 a year. The actual fiscal impact of SB 14 is about a positive \$74,000 for the state. It would allow them to electronically do what they do now without all the paperwork.

Jacqueline Lenmark, representing the American Insurance Association, said they support SB 14 as it enables more efficiency for the companies and the state.

Larry Akey, representing the Montana Association of Life Underwriters, said they support Senate Bill 14 and believe it

will have a positive impact on the state.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Senator Beck asked Mark O'Keefe if they planned to reduce FTE's in the office.

Mr. O'Keefe said they have submitted their fiscal note to the budget office but it is not available to the committee right now.

Tom Crosser said the personal services budget is reduced by \$17,500 a year, which will be an ongoing savings. There is no FTE reduction. There was an addition in the final days of the regular session that added \$17,500 for an administrative assistant position. The FTE was not added back in that process so there is no FTE reduction but a \$17,500 reduction in personal services.

Mr. O'Keefe said that was for someone who handles checks. By cutting down on the number of checks being handled, they don't have to spend the \$17,500 for an FTE, however, they were never given an FTE.

Senator Waterman asked if the income comes from the increase in fees for those that choose not to file electronically.

Mr. O'Keefe said that is where the bulk of the fees would come from. There will be some added income because of the determinations for the companies. In the past, companies may have chosen not to notify of terminations because of the cost involved to them, even though they were supposed to by law. The terminations may actually increase to keep their files more current. As a result, that \$10 charge for termination will help increase that revenue so it is projected income.

Senator Waterman asked if the same thing could be achieved by not going to the higher fee.

Mr. O'Keefe said they are encouraging the companies to get the capability to do it electronically so it can be done nationwide that way. The goal of the National Association of Insurance Commissioners is to standardize what the industry does.

Dave Hunter, State Auditor's Office, said the \$5 provides an incentive to file electronically. The House Appropriations Committee has already taken \$25,000 out of their budget based on the assumption that a majority of companies will file electronically. If the bill were amended so the fee stayed the same, and companies continued to file by paper, their office would no longer have the staff, postage or associated costs to

deal with the paperwork. The proposal is predicated on the assumption that this will work.

Senator Waterman said she is not sure how this fits in with the position not to increase fees.

Senator Aklestad said he has the same concern that savings are not being effectuated. We are saving money by increasing fees. Those costs are passed onto the consumer. The Department will look good and the insurance company doesn't care because they can pass the costs on while the people will be paying the money.

Senator Christiaens said that may be in the short term, but in the long term everyone will be filing electronically and the savings will come. The \$25,000 immediately comes from the base of the Auditor's Office for the future, so this is an ongoing savings from the budget of that Department, and all taxpayers will benefit.

Senator Aklestad questioned if that would be the only savings because if everyone becomes efficient, the State wouldn't gain the \$49,000 because they wouldn't have the \$5.

Mr. O'Keefe said that was correct.

Senator Keating asked if there was a technical language change on page 2, line 18, or is there some significance to the word "when" required.

Mr. O'Keefe said he thought that was a Legislative Council language change.

Senator Keating asked regarding SB 14, pages 7 and 8, relative to adopting rules as a commissioner. He asked Mr. O'Keefe if that was part of his normal operation to make rules himself rather than a board.

Mr. O'Keefe said correct, they are technical rules advising companies what the rules are for electronic fund transfers. He also noted that there was a cost benefit study done for the industry on the issue of electronic fund transfer. Currently an insurance company spends an average of 26 minutes processing each appointment and termination. That information could be transferred to the insurance department electronically without any printing, mailing, etc., in about 6 minutes which is where the savings is for the company and consumer. If the industry didn't think it was cheaper, they would not have asked to have it done. The Auditor's Office thinks it is a cost savings for the consumer and the state.

Closing by Sponsor:

Senator Christiaens closed on Senate Bill 14 . He noted there is a time savings involved not only with the insurance companies

sending the information, but also for the Auditor's Office who manually open all of the letters and post each check.

### HEARING ON SENATE BILL 16

#### Opening Statement by Sponsor:

Senator Burnett, Senate District 42, sponsor, said he has no problem with state inspectors but with spending state money as there is a duplication when the same inspection is available from the U. S. Department of Agriculture (USDA). It can be noted in reading the law that all we are doing is removing the system. If the state wants to continue, they will have to finance it.

Chair Jacobson advised since The Governor's Budget Office was testifying at the present time in another committee, she would have opponents present their testimony first and then proceed with proponents.

#### Opponents' Testimony:

Cork Mortensen, Executive Secretary to the Board of Livestock, testified in opposition to SB 16 (Exhibit 1).

Les Graham, representing the Montana Dairymans Association and the Montana Meat Processors said this program was given to the state in 1987 by the legislature. There is no duplication between this and the federal program in the sense that duplication means there are two people following the same pattern and doing the same job, and that is not correct. The federal people come in periodically and review the process. There are not duplication of the rules because the state adopted federal rules by reference. The side benefits to this have allowed the Department of Livestock to have a reduction in some of their costs. There is a constant training program that goes on. When the Department of Livestock was given this program, they elected not to hire extra veterinarians. They use the veterinarians that are currently on staff and also employ local practicing veterinarians on a hourly contract basis. He said they have information from two states that the federal government will not take over if the state stops inspections. What usually happens is there are numerous closures of the small independent businessmen. When this program was taken over by the state, those plants that were under federal inspection were grandfathered in. When this program ceases to exist, the grandfather clause ceases with it so those plants will not be able to go back to the federal system without a tremendous cost.

Lucky Seibert, President of Montana Meat Processors Association said nationally there is a five percent reduction in meat processors in business every year. In 1987 in Montana there were 185 inspected custom exempt facilities. Since the state meat

inspection program, there are over 240 licenses granted in Montana for meat inspection. There are about 36 federal plants. The state meat inspection program is picking up and giving opportunity to new business. When the program is changed from state to federal, many plants cannot maintain the costs involved. The federal government will take over all state meat inspected plants. They will allow 18 months to develop a blueprint and another 18 months to meet the blueprint, which is where the cost comes in. During that time a loss in plants will not be seen, but it will be seen over a 3 year period. He concluded that the reason for keeping the program is that it generates money, and does not cost the state money.

John Youngberg, Montana Farm Bureau, testifying in opposition to SB 16, said there has been a proposal that the meat inspection program be taken out of the USDA and placed under direction of the Food and Drug Administration. A meat inspection process for Montanans implemented by Montanans is much more responsive to the needs of small businesses.

T. S. Laurens, packer/processor from northwest Montana, said he operates a state inspected facility in Whitefish and a federally inspected facility in Kalispell. He said in 1987 the industry was not aware of the state inspection program. He said the role of state meat inspection was to encourage a business to expand or be created with a state program that gave flexibility and quick response which is what they don't get from Washington, D. C. The federal program is designed on a basis of one size fits all. In Montana there are small businessmen who want to try new products, invest in a label or package. To get that done through Washington, D. C. will take months and hundreds of dollars. With state meat inspection they can take the raw materials and further process them, market them locally, make a dollar and create a few jobs. If a packer in Montana wants to slaughter cattle and have them graded as to quality, a USDA grader for one day is a minimum of \$900 to \$1200. The state of Montana has cross trained one of its inspectors who can now grade beef at a state inspected plant for \$38 an hour which is affordable. He said last year in his federal plant, he paid close to \$4,000 in overtime charges to the federal government. If he wants to operate for more than 8 hours a day, he has to pay \$40 an hour, whether the inspector is there or not. In Whitefish the state inspector works a 12 hour day. If the plant has to put in more hours, he adjusts his schedule. He concluded there is nothing duplicative about state meat inspection and federal meat inspection.

Jamie Doggett, representing the Montana Cattlemen, testifying in opposition, said SB 16 is not in the best interests of the state. She added they do not want to see more federal and less state and local government.

Raney Tschida, representing the Montana Public Lands Council and the Montana Association of State Grazing Districts, testified in opposition and said they are in favor of keeping the current



state meat inspection program as the program was designed to promote small business in Montana. The program provides jobs and services to rural areas and there is added value to Montana products. This is a cost share with the federal government. It helps provide a solid tax base for Montana.

Len Cornwell, rancher from Glasgow, Montana, representing the Montana Stockgrowers Association said they oppose the bill. He said it is very important to keep the small businesses operation and add value to the plants and added it is needed by the livestock producers of the state.

George Paul, Executive Director, Montana Farmers Union, testified in opposition to SB 16 (Exhibit 2).

#### Proponents' Testimony:

Dave Lewis, Director of the Office of Budget and Program Planning, apologized for not being present earlier. He said approximately \$600,000 of general fund was spent every biennium on state meat inspection. At the present time the federal program is responsible for the inspection of 40 slaughter processing plants in the state. They use 24 inspectors, 4 veterinarians and 1 relief veterinarian. If the state stopped doing meat and poultry inspections, the USDA would have no choice but to do all the inspections. He added they require a 30 day notice of the switch from state to federal inspection. He said they looked at the program from the perspective that there is an alternative; there is a federal inspection program and there is \$600,000 of general fund money at risk. He noted that states such as Idaho and North Dakota seem to be doing well with the federal program. He concluded that it is in the executive budget because it is a reasonable and responsible proposal.

#### Questions From Committee Members and Responses:

Senator Waterman asked for an explanation of the custom exempt option.

Lucky Seibert said it means that you are inspected on a quarterly basis and do only the processing for local farmer or rancher needs. You cannot do wholesale operations as direct sales to restaurants or cafeterias.

Senator Waterman asked if that was retail and not wholesale.

Mr. Seibert said it is a not for sale products under custom exempt. A retail program can be developed which is strictly from the producer to the home consumer.

Senator Waterman asked how many qualified for the program if the state program was eliminated.

Mr. Seibert said all of them would qualify for custom exempt.

Mr. Mortensen said there are currently 32 official plants in the state under the state program. These are plants that have an inspector on a daily basis for slaughter products that can go into retail or wholesale. There are approximately 160 custom exempt establishments.

Senator Keating questioned Les Graham about the money situation. He said from the testimony it appears that federal inspection is a greater cost of doing business than state inspection and asked if that was a fair statement.

Mr. Graham said the cost, other than the overtime costs, are more indirect. It's the cost of doing business with the federal government, so those costs are more indirect to the local businesses.

Senator Keating asked if these plants can do a greater volume and reduce the cost of overhead with a state inspector.

Mr. Graham said they would reduce the cost of overhead because they don't have to hire a facilitator.

Senator Keating questioned if it is cheaper to have state inspection, why are we spending general fund money and not receiving state special revenue as a part of the cost of doing business.

Mr. Graham said at this time the federal government will not allow user fee to do this. You cannot charge a user fee to a plant for inspection whether it is state, local or federal. He referred the committee's attention to a document to Mr. Mortensen from Lester D. Nordyke, USDA (Exhibit 3).

Senator Keating asked if we need the general fund money as match for the federal money.

Mr. Graham said yes. If the state inspectors go under federal, they receive about a 30 percent increase in salary.

Senator Keating said as he understands it, the customer is going to pay for it one way or another and if we can effect some efficiencies with the state system, it will be a reduced cost to the consumer, so the general fund is well spent.

Mr. Graham said that was his opinion, and he does not look at this as an agricultural program. Many plants, and there are now 35 rather than 32, are located in cities that is not an agricultural based product. It uses agricultural products to process, but the consumers and the business they do is not strictly an agricultural or livestock issue.

Senator Weeding questioned Mr. Lewis about the phasing-in program of state inspections and asked if there was any reciprocal plan for phasing out state inspections. He questioned if there was

any agreement with USDA that if the state did cease inspecting that the state could expect the same amount of federal inspectors as there are now cumulative state and federal.

Mr. Lewis said regarding the phasing-in issue, there are 18 months to get the plant blueprints approved in order to come under the federal inspection program. By the end of the 3 year transition period, the facility is required to match the blueprints. He said the impression their analyst has in talking to the federal inspection people in Billings is that the state inspectors would be hired by the federal government. They have had correspondence with state meat inspectors who are interested because the federal government pays about one third better than the state.

Senator Weeding asked if there was any assurance they would have the same amount of inspectors if it became USDA again.

Mr. Lewis said under federal government regulations, they have a requirement to make those inspections. They need staff to do that. There is no written contract that they are going to hire all of the inspectors. He said the federal program is responsible for the inspection of 40 slaughter processing plants in the state, and he assumed some of those have some kind of arrangements to handle production hours.

Senator Forrester asked Mr. Seibert about value added and the ability to do business in Montana, and if he had any personal experiences.

Mr. Seibert said as a federal plant he has had a lot of experience in sending to Washington, D. C. He has had an Italian Sausage label in Washington for three years. That is one of the things that happen. In the month of December 1992 in developing a particular flavor of sausage for a private company, it cost \$1100 to get a total of eight labels done. That is a cost that is very hard to pass on. Concerning the grandfather clause, that was back in 1968 when they started designating states as all federal. They allowed Small Business Administration (SBA) money for many of the plants to bring their plant into order with the federal government. The SBA money is not available now. The small plants that have the rail that is two inches too low or the door that is not wide enough are going to have to take the money out of their pocket and grandfathering is non existent.

Senator Fritz asked Mr. Paul, regarding his written testimony, if any of the 2 million pounds of meat imported through Sweetgrass was inspected at all.

Mr. Paul said only 144 pounds of the 2 million was inspected. It is stamped approved, although it is not inspected, and shipped to this state and other states.

Senator Fritz asked if the state inspection program has any role

to play in inspecting meat from Canada.

Mr. Mortensen said no they do not.

Senator Fritz said he was told the NAFTA agreement could result in large increases of meat imports from Canada and asked if the state meat inspection program would have anything to do with that.

Mr. Paul said the effect of NAFTA on imported meats is going to overwhelm the current system available in Montana as it will throughout the United States. That is a problem at the USDA level. They have eliminated a good portion of the import meat inspection program and the whole concept of federal meat inspection is on shaky ground at best.

**Closing by Sponsor:**

Senator Burnett closed on Senate Bill 16, advising the committee to not believe all the opposition testimony they heard. Custom slaughter cannot be shipped out of state; they cannot sell to anyone. The package must say "not for sale". It can be given away, but not sold. USDA in general makes a periodic inspection, and they allow the state to make periodic inspections of these custom plants. SB 16 has nothing to do with custom plants. He said it was not going to increase or decrease the custom plants. He indicated he has been selling meat for some 20 years and cannot get state inspection on it to cross state lines. State inspection must be within the state. Regarding labeling, he put a label on a hybrid package meat and got it back within a week. He said he has talked with the compliance officer of USDA many times and if a plant is functioning properly as far as cleanliness goes, there is no argument. He acknowledged that we should be granted good clean meat but concluded that the state can get along without state inspection.

**HEARING ON SENATE BILL 15**

**Opening Statement by Sponsor:**

Senator Jergeson, Senate District 8, sponsor, said this special session is faced with cuts in many programs, and he tried to envision changes that would create savings and not be felt as painful cuts for the public. The Montana Highway Patrol has stated it costs more to process the \$5 conservation speed limit fine than they get from it. He said the daytime speed limit is a federal mandate. If Montana had not been under a federal mandate and risked losing highway monies, there probably would not be a daytime speed limit. Since it costs the Montana Highway Patrol \$875,000 to enforce the daytime speed limit, that money is taken out of the pocket of the Montana taxpayer to subsidize violations of the law. Senate Bill 15 has been written with the hope of finding some savings. The fiscal note actually shows there might

be an increase in costs simply to print the coupon books, and he therefore may not sign the fiscal note. He concluded that SB 15 was written broadly enough so that it could be amended.

**Proponents' Testimony:**

None.

**Opponents' Testimony:**

John Connor, Attorney General's office, Department of Justice, said they don't necessarily oppose SB 15 but are appearing to point out some problems regarding the immediate effective date. He noted that the coupon books are not printed at this point and bids would have to be let. Their budget does not provide money now for this printing. Also, the books would have to be in some form that they could not be easily counterfeited. He asked the committee to consider extending the effective date of the bill to allow for a period of implementation. He also noted that Senate Bill 24, which is scheduled for hearing in the Senate, is in conflict with Senate Bill 15. He said Colonel Griffith of the Highway Patrol is present to answer questions.

**Questions From Committee Members and Responses:**

Senator Devlin questioned if the entire book of 10 tickets could be used if the fine was \$50.

Senator Jergeson said if the fine was \$50, the violation would have been for other than the daytime speed limit, and the coupon book would not be transferrable to other traffic violations.

Senator Lynch asked Colonel Griffith the cost of writing a \$5 speeding ticket.

Col. Griffith said it is approximately \$15.

Senator Keating asked if there is a presumption that if you exceed 10 miles above the fuel conservation limit that that would be considered a different violation than speeding.

Colonel Griffith said he did not know.

Mr. Connor said he does not think that is the case. Unless the vehicle operation is such that it carries over into the careless or reckless driving area, it is still that same fine. He said as they read SB 15, going in excess of 10 miles an hour over limit would require writing of a \$5 ticket. He thinks it would apply across the board for any speed, or SB 15 should be amended to provide additional penalties for speeds in excess of 10 miles per hour over the limit.

Senator Forrester said the way he understands it, very few people would use the coupon book as it says 10 miles an hour over the

limit. He said most patrolmen write tickets only when it is 10 miles an hour over the posted limit, and most people don't drive in excess of that.

Col. Griffith said most tickets they write are in excess of 10 miles an hour over the limit.

Senator Fritz asked how the \$15 per ticket is calculated.

Col. Griffith said they do not count the officer's time because he is out there anyway, so it is the cost of the ticket, taking the ticket to court, processing the ticket through the court, and tracking the ticket after it has been processed. Inventorying tickets takes time to process to make sure they are accounted for.

Senator Beck said it is his understanding that another bill that will be heard next week doesn't cover the cost of writing the tickets either.

Col. Griffith said that was correct, but he doesn't believe law enforcement should be self-supporting.

Senator Waterman asked Senator Jergeson if he would agree to increase SB 15 to cover the cost of printing.

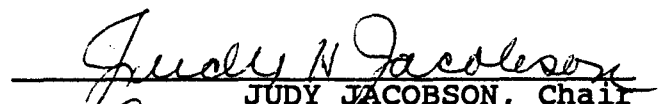
Senator Jergeson said it was not his intent to increase the cost of government by instituting a program that would cost more to operate, and that would have to be taken into account. SB 15 is constructed so there could be the coupon for the 10 mile range and another fine for violations in excess of that. He said the real issue is deciding whether or not to continue operating a system that costs the taxpayers money.

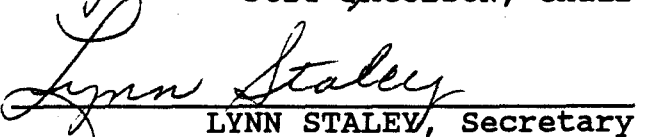
Closing by Sponsor:

Senator Jergeson closed on Senate Bill 15. He said it is hard to expect a law enforcement agency to not uphold the law. He noted that according to the fiscal note, this bill would not save any money and concluded it need not go any further unless there are changes the committee would like to make.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:25 a.m.

  
JUDY JACOBSON, Chair

  
LYNN STALEY, Secretary

# ROLL CALL

SENATE COMMITTEE FINANCE & CLAIMS

DATE 12/3/93

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

SB 16

*Cork*

SENATE FINANCE AND CLAIMS <sup>2/3/93</sup>  
EXHIBIT NO. 1  
DATE 12/3/93  
BILL NO. SB 16

My name is Cork Mortensen, Executive Secretary to the Board of Livestock, and the Board and I must rise in opposition to this bill for the following reasons:

1. Federal inspection is structured more for the larger plants in interstate commerce. State inspection is structured more for small plants involved with intrastate commerce.

2. Discontinuing an effective state inspection will cause considerable disruption and confusion to plants already operating in intrastate commerce and reverting back to federal inspection could cause additional costs to those plants.

3. Additional costs could mean some plant closures and reduced business which would mean the potential for loss of jobs for the plant owner, his or her family and employees.

4. It is important that these meat slaughter/processing businesses remain in operation. It is important for purposes of the local tax base, for employment and wage purposes and it is important for the convenience and economic advantages of the local livestock producer who can sell live animals to these plants and not have to ship them other places in or out of state. This adds value to locally produced livestock and assists the local livestock producer in continuing in business.



ENHIDIT 1  
12-3-93  
SB 16

We believe that state inspection provides the consumer and plant owners with a more responsive program. If someone has a question, a complaint or a concern they merely have to pick up the phone and contact the Helena office or local inspector, and we make every effort to satisfy that question, concern or complaint. With federal inspection they could end up contacting the bureaucracy in Washington, D.C.

I will close by pointing out to this committee that the state inspection program is funded on a 50 - 50 basis with state and federal funds.

I should be happy to respond to any questions this committee may have. Thank you.



# **MONTANA FARMERS UNION**

Frank "Bud" Daniels, President

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SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

DATE 12/3/93

BILL NO. SB 16

**George Paul, Executive Director  
Montana Farmers Union**

**Testimony on S.B. 16 before  
Montana Senate Finance Committee  
In Special Session  
Helena, Montana  
Dec. 3, 1993**

Montana supermarket shoppers do not get a duplicative extra measure of protection from state meat and poultry inspection.

They get the basic safeguard of wholesomeness from state scrutiny of slaughterhouses and processing plants.

This proposed measure to do away with state meat and poultry inspection jeopardizes the only official check on meat quality for Montana consumers.

Food safety is a right so basic it was the sense of Congress years ago that inspection be funded from general tax revenues, not from user fees on the meat plants. The state collects licensing fees on these installations, but the actual cost of inspection for freedom from adulteration is borne by government for the general public good. The federal government reimburses the state for one-half its annual costs for this essential service.

The State of Montana has done an admirable job for decades inspecting meat and poultry to make sure the consuming public is protected from spoiled, contaminated or diseased meat.

Montana Farmers Union opposes Senate Bill 16 because it removes a foundation safeguard to public food safety.

The state's inspection of the nine slaughterhouses and 26 other processing plants is the epitome of government working for the eating public. State inspection serves livestock producers too, saving them from the potential public relations black eye of bad meat reaching the kitchen table.

A presumption in this bill is that the federal government will take up the slack in meat inspection if the state drops its program.

But let's not bet on the come that there will be a federal meat inspection program in existence as we know it as long as the Clinton Administration persists in reinventing government.

We need to retain state meat and poultry inspection because the U.S. Department of Agriculture, in fact, may not fill the gap.

There has been a substantial weakening of federal inspection of meat imports. For example, only 144 pounds of meat out of 2 million pounds imported through Sweetgrass was physically inspected during a two-week period last month. Ground meat, prohibited from importation for decades, was reallocated toward the close of the Bush Administration and it is impossible for federal meat inspectors to determine if there is hair, bone, abscesses or other impurities in it.

Just as imported meat inspection is being unraveled, Montana Farmers Union is apprehensive the same lessening of consumer protection will come in domestic meat plant inspection over time.

Basically, the public health and safety of Montana residents is the function of their state government, not the federal government. While reorganization and reinvention are holding sway at federal level, it is not a good idea to be contemplating the phaseout of this successful state program.



United States  
Department of  
Agriculture

Food Safety  
and Inspection  
Service

Washington, D.C.  
20250

NOV 17 1993

Mr. E. E. Mortensen, Chief  
Meat Inspection Bureau  
MT Department of Livestock  
Capitol Station  
Helena, MT 59620

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 12/7/93

BILL NO. SB 16

Dear Mr. Mortensen:

This is an update to the Department of Agriculture's position on user fees for recovering the costs of State meat and poultry inspection. Although user fees have been discussed in recent legislative sessions, the Department's position remains the same.

As you know, the Federal Meat Inspection Act (FMIA) and Poultry Products Inspection Act (PPIA) provide for the establishment and effective enforcement of State inspection programs that are "at least equal" to the programs operated by the Federal Government under the FMIA and PPIA. Any State not having and enforcing an "at least equal" program is required to be designated by the Secretary of Agriculture and, 30 days after the publication of the designation, the requirements of the FMIA and PPIA become applicable to wholly intrastate operations in the State (21 U.S.C. 454, 661).

The provisions of Federal law applicable to meat and poultry inspection provide that the cost of inspection under the FMIA and PPIA shall be borne by the United States except for overtime and holiday work (21 U.S.C. 466, 469, 680, 695). Also, the legislative history of the FMIA and PPIA clearly shows the intent of Congress that Federal and State programs under these acts are not to be financed by direct or indirect user fees or taxes. Both the FMIA and the PPIA intend that the Federal share of funds used to finance the programs shall come from appropriations out of general revenue funds. The States also must provide for the cost of their share through appropriations out of general revenue funds, although it was not the intent "to preclude cooperation with State programs having as a part thereof a licensing system where there is imposed a nominal license fee..." (See Congressional Record, December 6, 1967, pages. 18041, H. 16346; House Report No. 1333 on H.R. 16363, 90th Congress, 2d. Session, page 11.)

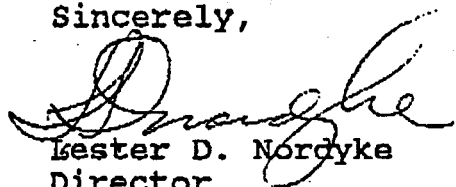
If the FMIA and PPIA were amended to permit the Federal Government to charge user fees for meat and poultry inspection, the States would be able to enact similar provisions for their inspection programs.

ENTRUST  
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SB 16  
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Mr. E. E. Mortensen

We hope this information is useful. If we can be of further assistance, please let us know.

Sincerely,



Lester D. Nordyke  
Director

Federal-State Relations Staff

DATE 12/3/93SENATE COMMITTEE ON Finance & CommerceBILLS BEING HEARD TODAY: SB 13 SB 14  
SB 15 SB 16

Name	Representing	Bill No.	Check One	
			Support	Oppose
<i>Less Graham</i>	Mont. West. Processors	16		✓
HERMAN J. SEIBERT	Mont. West. Proc.	16		✓
Cork Mortensen	Brd. of Livestock	16		✓
John Connor	Attorney General	15		
Lorna Frank	Mt. Farm Bureau	16		✓
Tom Crosser	State Auditor	13	✓	
MARC E NELSON	State Auditor	14	✓	
Greggeline V. Denmark	Am. Ins. Assoc	<del>13</del> 14	✓	
<i>Barry T. Scholz</i>	MT Stockgrowers Ass.	16	<del>✓</del>	✓
<i>Mark Rufe</i>	State Auditor	13-14	✓	
LARRY ALLEY	MT ASSOC OF LIFE UNDERWRITERS	14	✓	
Ted J. Doney	MT. DAIRYMEN'S ASSN.	SB 16		X
George Paul	Farmers Union	SB 16		X
Jim Burnett	SD #116	SB 16	✓	
Jim Pollock	Mont. Sheep Raisers Assn.	16		X
TJ LAURENS	MT. BEEF CCL MT ASSOC MEATPACKERS	16		✓

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 12/3/93SENATE COMMITTEE ON Finance & ClaimsBILLS BEING HEARD TODAY: SB 13, 14, 15, 16

Name	Representing	Bill No.	Check One Support Oppose	
Jamie Doacott	MIT Cathechism	S 16		✓
John Youngberg	Farm Bureau	S 16		✓

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY