

MINUTES

**MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION**

Call to Order: By **CHAIRMAN ETHEL HARDING**, on March 2, 1995, at 10:00 A.M.

ROLL CALL

Members Present:

Sen. Ethel M. Harding, Chairman (R)
Sen. Kenneth "Ken" Mesaros, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Mike Foster (R)
Sen. Don Hargrove (R)
Sen. Vivian M. Brooke (D)
Sen. Bob Pipinich (D)
Sen. Jeff Weldon (D)

Members Excused: None.

Members Absent: None.

Staff Present: David Niss, Legislative Council
Gail Moser, Committee Secretary

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

Committee Business Summary:

Hearing: HB 331, HB 337, HB 321
Executive Action: HB 331 BE CONCURRED IN
HB 337 BE CONCURRED IN
HB 325 BE CONCURRED IN AS AMENDED
HB 321 BE CONCURRED IN

{Tape: 1; Side: A; Approx. Counter: 27.8}

HEARING ON HB 331

Opening Statement by Sponsor:

REP. DEBRA KOTTEL, House District 45, Great Falls, explained SB 331 did not affect the restoration of the Capitol Building or the amount of money put towards restoration. She stated SB 331 would simply specify that interest earned on money donated to the Capitol Restoration Project would go to the Project. She stated

using the interest earned on private donated funds on anything other than the restoration would be an ethical breach.

Proponents' Testimony:

Connie Griffith, Administrator of Accounting & Management Support Division of the Department of Administration, stated the issue of interest earned on donation accounts was already generally addressed in state statute. House Bill 331 would specifically provide for the Capitol Restoration Project.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. JEFF WELDON asked what was currently being done with the interest on the donations. REP. KOTTEL replied the interest was currently being held in advance. She added if HB 331 passed, the interest would go into the Capitol Restoration account.

Closing by Sponsor:

REP. KOTTEL closed without further comment.

EXECUTIVE ACTION ON HB 331

Motion/Vote: SEN. WELDON moved that HB 331 BE CONCURRED IN. The MOTION CARRIED UNANIMOUSLY on oral vote. SEN. STEVE DOHERTY will carry the bill on the Senate floor.

HEARING ON HB 337

Opening Statement by Sponsor:

REP. JOHN COBB, House District, Augusta, referred to a book entitled Partnership Plan - Federal/State Joint Audits of the Medicaid Program, written by Jane Gibbs Brown, Inspector General. He explained HB 337 requested that one of the state's departments perform audits with the federal government. He further explained the federal auditors had come to the state and informed them of medicare/medicaid audits which had been performed in other states. The federal auditors reported finding ways to save millions of dollars. HB 337 would allow the state to compel the federal auditors to assist in the cost of the auditing procedure.

REP. COBB explained the legislative auditors would participate in the program and the final decision of what to do with auditing results and suggested changes would be the decision of the state. He stated if HB 337 passed, the bill would be taken to the federal government and used to compel them to pay the costs of the audits. He noted the audit could be performed without HB 337 but HB 337 was necessary to compel the federal government to bear the costs. He reported the fiscal note reflected a pilot audit done to check the accuracy of the federal auditors' claims. The pilot audit had uncovered \$1 million.

Proponents' Testimony:

Bob Olsen, Montana Hospital Association, explained the Association's interest in publicly funded health care services was that truly legitimate and necessary services be fully funded by the government. He noted a lot was heard about waste, fraud, and abuse. He added the public must be satisfied that the oversight was in place and providers were being scrutinized for legitimacy of services before the full funding for necessary services could be secured from the government. He stated there were already federal audits and it made good sense for the state to partner in the audits, and in the event illegitimate services or an abuse of practice is discovered, that should be fair ground for the government to put a stop to the occurrences.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. MIKE FOSTER referred to Representative Cobb's explanation that the programs were 2/3 federal funding and 1/3 state funded and asked if the \$164,000 shown on the fiscal note was the total amount discovered or just the state's portion. **REP. COBB** stated the total found in the audit was \$1 million. The assumption was made \$500,000 could be collected, \$164,000 was the state's 1/3.

SEN. DON HARGROVE noted the costs of conducting the audits shown on the fiscal note were not additional costs since the auditors would be conducting an audit of someone either way. **REP. COBB** agreed that was accurate. He added the only question would occur if the federal government refused to pay 100% of cost. In that case, the agency or the auditors would have to pay. He explained the worst case scenario would be the SRS having to pay the federally unreimbursed portion. He further explained the legislative auditors do performance audits and have money in their budgets for financial audits.

SEN. MACK COLE asked who would determine which audits would be done. **REP. COBB** stated the state had the final say. He added if the legislative auditors were not involved and the SRS contracted

for the audits, the state would still have the final decision on what would be done with the results of the audit. He explained federal auditors would not necessarily help with the actual auditing.

Closing by Sponsor:

REP. COBB closed without further comment.

EXECUTIVE ACTION ON HB 337

Motion/Vote: SEN. FOSTER moved that HB 337 BE CONCURRED IN. The MOTION CARRIED UNANIMOUSLY on oral vote.
SEN. GREG JERGSON will carry the bill on the Senate floor.

EXECUTIVE ACTION ON HB 325

Discussion: Mr. Niss handed out amendment HB032501.ADN (EXHIBIT 1), and explained the amendment would mandate the tax-exempt status of the organizations allowed to mail information through the Department.

Motion/Vote: SEN. HARGROVE moved TO ACCEPT AMENDMENTS TO HB 325. The MOTION CARRIED UNANIMOUSLY on oral vote.

Motion/Vote: SEN. VIVIAN BROOKE moved that HB 325 BE CONCURRED IN AS AMENDED. The MOTION CARRIED UNANIMOUSLY on oral vote.
SEN. HARGROVE will carry the bill on the Senate floor.

HEARING ON HB 321

Opening Statement by Sponsor:

REP. DAVID EWER, House District 53, Helena, explained HB 321 was provided for under the Department of Administration's Bond Validating Act. He further explained the Department of Administration requests the bill each session to validate bonds issued by local governments and the state as of the date of the passage each session. He informed the Committee validating made potential discrepancies in issued bonds incontestable. He summarized that HB 321 provided security to bond holders.

REP. EWER reported most states provided security to bondholders in one way or another. He illuminated in the State of Texas all bonds were brought to the Attorney General's Office to be looked over and after a waiting period they would be declared incontestable. He assured the Committee the bonds issuing community was very cognizant of the due process involved and bondholders rarely bought bonds without consulting scrupulous bond council.

Proponents' Testimony:

Connie Griffith, Department of Administration, handed out a letter from Bond Council, Mae Nan Ellingson (EXHIBIT 2). She explained HB 321 was a legal procedure which had been done every session since 1935. She added it was the state's way of validating their bonds. She referred to Exhibit 2 and noted the letter explained why the process could not be done prospectively. She stated the legislative process was a more efficient way of validating bonds than going through the legal process.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. WELDON asked Connie Griffith if HB 321 would validate any bonds which were considered problematic. Ms. Griffith replied there had never been problematic bonds in Montana.

CHAIRMAN ETHEL HARDING asked if the date of passage of HB 321 would be inserted into the bill. Ms. Griffith replied that was correct.

Closing by Sponsor:

REP. EWER closed without further comment.

EXECUTIVE ACTION ON HB 321

Motion/Vote: SEN. BOB PIPINICH moved that HB 321 BE CONCURRED IN. The MOTION CARRIED UNANIMOUSLY on oral vote.
SEN. FOSTER will carry the bill on the Senate floor.

ADJOURNMENT

Adjournment: 10:40 a.m.



SENATOR ETHEL HARDING, Chairman



GAIL MOSER, Secretary



TINA PRICE, Transcriber

EMH/gem/tp

MONTANA SENATE
1995 LEGISLATURE
STATE ADMINISTRATION COMMITTEE

ROLL CALL

DATE _____

THU 3-2-95

[illegible]

SEN:1995
wp.rollcall.man
CS-09

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 2, 1995

MR. PRESIDENT:

We, your committee on State Administration having had under consideration HB 331 (third reading copy -- blue), respectfully report that HB 331 be concurred in.

Signed: Ethel M. Harding
Senator Ethel M. Harding, Chair

PN
SE Amd. Coord.
Sec. of Senate

DOHERTY
Senator Carrying Bill

491111SC.SPV

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 2, 1995

MR. PRESIDENT:

We, your committee on State Administration having had under consideration HB 337 (third reading copy -- blue), respectfully report that HB 337 be concurred in.

Signed: Ethel M. Harding
Senator Ethel M. Harding, Chair

QV
SA Amd. Coord.
Sec. of Senate

ERGESSON
Senator Carrying Bill

491113SC.SPV

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 2, 1995

MR. PRESIDENT:

We, your committee on State Administration having had under consideration HB 325 (third reading copy -- blue), respectfully report that HB 325 be amended as follows and as so amended be concurred in.

Signed: Ethel M. Harding
Senator Ethel M. Harding, Chair

That such amendments read:

1. Title, line 13.

Following: "OF"

Insert: "CERTAIN"

2. Page 4, line 6.

Following: "party"

Insert: "with tax-exempt status under section 501(c)(3) of the Internal Revenue Code, as amended,"

-END-

SA Amd. Coord.
Sec. of Senate

HARGROVE
Senator Carrying Bill

491116SC.SPV

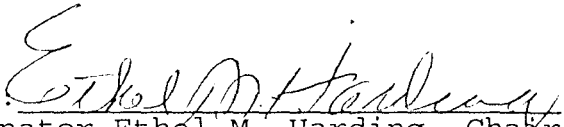
SENATE STANDING COMMITTEE REPORT


Page 1 of 1
March 2, 1995

MR. PRESIDENT:

We, your committee on State Administration having had under consideration HB 321 (third reading copy -- blue), respectfully report that HB 321 be concurred in.

Signed:


Senator Ethel M. Harding, Chair


Amd. Coord.
Sec. of Senate


Senator Carrying Bill

491115SC.SPV

SENATE STATE ADMIN.

EXHIBIT NO. 1

DATE 03-02-95

BILL NO. HB325

Amendments to House Bill No. 325
Third Reading Copy

Requested by Sen. Hargrove
For the Committee on State Administration

Prepared by David S. Niss
March 1, 1995

1. Title, line 13.

Following: "OF"

Insert: "CERTAIN"

2. Page 4, line 6.

Following: "party"

Insert: "with tax-exempt status under section 501(c)(3) of the
Internal Revenue Code, as amended,"

DORSEY & WHITNEY

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATION

127 EAST FRONT STREET

SUITE 310

MISSOULA, MONTANA 59802

(406) 721-6025

FAX (406) 543-0863

NEW YORK

WASHINGTON, D. C.

ORANGE COUNTY, CA

FARGO

LONDON

BRUSSELS

MINNEAPOLIS

ROCHESTER, MN

BILLINGS

GREAT FALLS

DES MOINES

DENVER

MAE NAN ELLINGSON

January 30, 1995

Representative Dick Simpkins, Chair
 State Administration Committee
 Montana House of Representatives
 Capitol Station
 Helena, MT 59620

VIA FACSIMILE

Representative Matt Denny, Vice Chair
 State Administration Committee
 Montana House of Representatives
 Capitol Station
 Helena, MT 59620

Re: HB/231

Dear Representative Simpkins and Representative Denny:

We currently act as bond counsel to the State of Montana and several of its agencies, as well as many of the local communities. I thought it might be appropriate to provide you with some additional information regarding the Bond Validating Act that is before your Committee. I am sorry that I was not able to attend the hearing.

The Bond Validating Act has been enacted by every Montana legislature since 1935 in an effort to assure that deficiencies in proceedings relating to statutory requirements are periodically corrected to eliminate the risks of delayed challenges to bond issues. It has as its purpose to protect investors who lend their money to Montana state and local governments and to add some certainty and finality to the public's business.

Most states have some form of bond validating procedure; some are legislative in nature and similar to Montana's, and some are judicial where the

DORSEY & WHITNEY

Representative Dick Simpkins

Representative Matt Denny

January 30, 1995

Page 2

issuing jurisdictions are required to bring court cases to get the bonds validated in addition to complying with the normal statutory procedures. A legislative approach is generally considered more efficient and cost effective than the multiple court proceedings that would be required if an action had to be brought for every bond issue.

Bond validation cannot occur before the bonds have been issued, and that is why it is necessary to have the legislature when it meets validate the bonds issued from the date of the last act to the date of this act. This cannot be done prospectively.

We hope this is of some assistance, but if you have any questions, please do not hesitate to give me a call.

Very truly yours,



Mae Nan Ellingson
Dorsey & Whitney P.L.L.P.

MNE:lmc

Dorsey & Whitney P.L.L.P. is a
Professional Limited Liability Partnership

DATE Thur 03-02-95

SENATE COMMITTEE ON STATE ADMINISTRATION

BILLS BEING HEARD TODAY: HB 321 / HB 331 / HB 337

EXEC AZT HB 325

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
CONNIE GRIFFITH	DEPT. OF ADMINISTRATION	321	X	
" "	"	331	X	
BOB OLSEN	MHA	HB 337	X	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY