

MINUTES OF THE MEETING  
STATE ADMINISTRATION COMMITTEE  
MONTANA STATE SENATE

January 31, 1985

The fifteenth meeting of the State Administration Committee was called to order at 10 a.m. on January 31, 1985, by Chairman Jack Haffey, in Room 331 of the Capitol Building.

ROLL CALL: All the members of the Committee were present with Senator Farrell arriving late.

CONSIDERATION OF SENATE BILL 159: Senator Fuller was the sponsor of this bill entitled, "AN ACT TO INCREASE THE AMOUNT THAT A RETIREE MAY EARN IN COVERED EMPLOYMENT UNDER THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM BEFORE RECEIVING A REDUCTION IN HIS RETIREMENT ALLOWANCE; CHANGING THE RATE AT WHICH A RETIREE'S ALLOWANCE WILL BE REDUCED AFTER HIS EARNINGS EXCEED THIS AMOUNT; AMENDING SECTIONS..., MCA; AND PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE." Senator Fuller said that Larry Nachtsheim from the Public Employees Retirement System would explain the bill to the Committee. He said this is a unique opportunity and that everyone wins, and it is not going to cost us money, if this bill passes. Senator Fuller said that he thought this bill should pass.

PROPOSERS: Larry Nachtsheim, Administrator for the Public Employees Retirement System, supports this bill. There is very little amendment to this bill. We possibly added 6 or 7 words to pages 6 and 7, changing from fiscal year to calendar year, and increasing the amount of money a retired employee can make. Currently a public employee covered under PERS can earn \$3,500. Most of our specialists could earn more than that.

Tom Schneider, Public Employees Retirement System, supports this bill.

OPPOSERS: There were no opposers to this bill.

COMMITTEE QUESTIONS: Senator Mohar asked if this was a fairly common practice for people to retire and then go back to work for a few years. Mr. Nachtsheim replied that less than 100 people do this. It is usually people coming in to help for instance during tax time, or the counties used to hire extra people during the three months that they licensed cars. Senator Harding remarked that just recently she had the opportunity to look into this bill for a constituent and I feel that this a good bill.

Senator Fuller closed by saying that there were 3,000 proponents in favor of this bill, but he offered to come to the hearing for them so they wouldn't crowd the room. SENATE BILL 159 is closed.

EXECUTIVE ACTION ON SENATE BILL 159: Senator Manning moved that SENATE BILL 159 do pass. Senator Conover called question and the Committee voted unanimously that SENATE BILL 159 DO PASS.

CONSIDERATION OF SENATE BILL 147: Senator Haffey withdrew as Chairman of the Committee in order to present this bill. Senator Jack Haffey, Senate District 33, is the sponsor of this bill entitled, "AN ACT TO PROVIDE THAT INTEREST EARNED ON INVESTED CASH BALANCES IN THE DESIGNATED SUBFUND IS RETAINED WITHIN THE SUBFUND; AMENDING SECTION..., MCA; AND PROVIDING AN EFFECTIVE DATE." Senator Haffey told the Committee that as they look through the bill they will see that the language is somewhat technical and they may have questions, but in my own terms, I would like to tell you what this bill is intended to do. This is a means through which units in the university system can establish a fund to allow them to help finance the continuing need to change and upgrade their computer hardware. What the system has now is fees charged for these computer services. These fees are put into a fund, interest is earned on this fund and it flows into the state's coffer. This bill asks that the university system retain that interest and rely on it to upgrade their equipment. The University system receives loans from the Department of Administration, and they pay no interest on these monies. There is an amendment that will be offered that would require that when those loans come due that interest be paid on the loans to the Department of Administration. This completes the circle. Senator Haffey further said that here is what it does. I have been on a subcommittee handling these requests for a number of years. These requests are in the millions. If this bill passes, it would help reduce those continued high level of requests. We all understand the evolution of computers and how hard it is to keep up with changing technology. This would be a step towards that end.

PROPOSERS: Jack Noble, Deputy Commissioner and Manager of Fiscal Affairs for the University System, supports this bill. Mr. Noble said that from a students' viewpoint, the necessity for computer knowledge has quickly transcended nearly all disciplines. He further stated that this bill provides us with an alternative that, in the long-run, will alleviate large block requests for computer mainframing. It will provide a means and an incentive to accumulate funds for computer replacement over time, much like the private sector does. Mr. Noble said that the centers currently operate by charging an amount to computer users that recovers the operating cost of the center. He felt that these fees could be raised even higher, to help pay for a replacement and update factor. Mr. Noble said this bill will also change the funds of student organizations to be retained by the student organizations. At present, the state legislative auditor has recommended that they are state funds and should be accounted for on state ledgers. If this bill passes, students will get to save their interest income, which they do now. (Attached hereto marked Exhibit "B" and by this reference made a part hereof.)

Richard Mockler, Montana College Coalition, supports this bill. Mr. Mockler said that each quarter students taking over a minimum number of credits must pay an activity fee. This fee goes to the student governments which use it for a wide variety of educational, cultural and recreational programs and events. It is not an optional fee. At present the interest on these funds is retained by the Associated Students, which seems fair. Senate Bill 147 would journalize this situation allowing students to retain the interest earned on our own money. I can think of no more compelling argument than the basic fairness of that, and I ask that you give this bill a favorable recommendation. (Attached hereto marked Exhibit "E".)

Terry Minnow, Montana Federation of Teachers, supports this bill.

OPPONENTS: There were no opponents.

COMMITTEE QUESTIONS: Senator Manning asked what kind of interest money we are talking about approximately. Mr. Noble replied that he believes in terms of fiscal note 10%. The fiscal note was missing so Valencia picked up copies for everyone. Senator Haffey felt that the fiscal note was incorrect and did not show what the impact would be if the University System paid interest on the loans made by the Department of Administration. He asked that a proper fiscal note be requested from the Senate President's Office before this goes to the floor. Senator Mohar wanted to know if in raising these fees they would be charging more to the state agencies or students. Mr. Noble said that the charges to the students would not be increased. The only one that he could think that it might effect would be the graduate student who needed a large number of hours on the computer. Senator Hirsch said he had a problem with charging state agencies and then putting the money back into the general fund, when the state owns the University System and the computers. Senator Harding said that this sounds like a trade-off among the funds. It just depends on how you get the funds to do this. Mr. Noble said that's right. We think this is how the private sector would go about it. Senator Tveit said that this bill would circumvent the legislative process and give them \$300,000 to use in house for this need. Mr. Noble said that they would come for that much less, but state would be paying in smaller increments.

SENATE BILL 147 is closed.

Senator Haffey entered a copy of the bill with the amendments listed on page 4. (Attached hereto marked Exhibit "D" and by this reference made a part hereof.) Senator Haffey asked that we defer action on this bill until Friday so everyone could think it over. Senator Manning made a motion that the amendments be adopted. The Committee voted unanimously that the amendments to SENATE BILL 147 be adopted. Valencia Lane, staff Attorney, explained them to certain members of the Committee, and said that the amendments do what they were meant to do.

The meeting was adjourned at 10:45 a.m.

  
SENATOR JACK HAFFEY, CHAIRMAN





Exhibit "A"  
SB-147  
1-31-85

Testimony in Support of S.B. 147

Senator Jack Haffey  
January 31, 1985

The purpose of this bill is to provide the campuses of the Montana University System with the authority to retain interest earned on invested cash balances that are contained in the designated subfund accounts of their accounting system.

The primary reasons for wanting the change in law are:

1. The campuses want to establish a computer replacement sinking fund in their computer services account. The sinking fund would reduce the need for large multi-million dollar budget requests for computer mainframes by enabling the campuses to earn interest on accumulated cash balances within these accounts.
2. Student governments within the University System could conform to the legislative audit recommendations regarding the accounting for student funds without losing interest on their invested cash balances that they historically have been able to retain under previous accounting methods.

First of all, let me provide a definition of a "designated sub-fund". The higher education accounting system operates under a separate fund structure prescribed under generally accepted accounting principles for colleges and universities. Within the higher education fund structure, the designated funds operate similarly to the revolving fund accounts of the state.

Currently, the campuses operate computer service centers within the designated subfunds that charge the various departments for the use of the computer. The service charge system recovers the cost of operation for the computer centers but charges do not include cost recovery of computer hardware nor do the service charges include a factor for replacement of computer hardware. Because the designated subfunds cannot retain interest earned on fund balances, there is little incentive or practical ability to create a sinking fund that could accumulate funds for major computer equipment replacement. When obsolescence of equipment occurs, the campuses are forced into seeking large sums of capital replacement funds from the legislature. Four campuses have requested computer equipment in the total amount of \$2.7 million for next biennium. Because of the size of the request, the legislature has difficulty finding the money. Computer capability for a college or university has become as important as library resources in providing educational quality for a broad spectrum of disciplines. It is essential that the campuses find a better way to keep pace with computer technology.

If each campus can create interest earning sinking funds, they will be able to acquire equipment replacement moneys annually in smaller increments. While a large portion of the added computer service charge will be born by the operating budgets of the current unrestricted funds, a portion of the cost will be paid by auxilliary enterprises, federal contract research grants, and other non-general fund sources. Thus, the state general fund will not be requested to fund the entire amount of the mainframe replacements.

Regarding the student government funds, the student organizations feel that they should be able to continue to retain the interest earnings on their student government funds. While the campuses have historically accounted for these funds in agency fund accounts, the transfer of these funds to designated funds as per recommendations of the legislative auditor<sup>1</sup> would cause the students to lose significant interest earnings as part of their budget. Allowing the designated funds to retain interest would alleviate this problem.

In 1984, SBAS records indicate that the students earned approximately \$62,000 in interest income. This money will be lost to the students if all the funds are retained within the designated fund accounts.

Representatives from the university system are here to speak on behalf of the bill.

<sup>1</sup> U. of M's audit report for fiscal year ending June 30, 1981 states: (Page 22)

"During fiscal years 1979-80 and 1980-81, ASUM received mandatory student fees of \$343,648 and \$426,145, respectively. These fees are recorded only in the Agency Fund. As state moneys, these fees should be recorded on SBAS in the Unrestricted General Operating Fund as revenue."

RECOMMENDATION #13

WE RECOMMEND THE UNIVERSITY RECORD IN THE UNRESTRICTED GENERAL OPERATING FUND ALL MANDATORY STUDENT FEES.

Exhibit "B"  
S.B. 147  
1-31-85

Testimony in Support of S.B. 147

Jack Noble  
Deputy Commissioner for Management and Fiscal Affairs

We requested Senator Eaffey to introduce this bill because he sits on the education subcommittee of appropriations and is familiar with the size of the requests from the campuses for funds to keep pace with growing computer technology.

From a students viewpoint, the necessity for computer knowledge has quickly transcended nearly all disciplines. Computer access on campus has been a critical issue in recent years and it has been a constant struggle for the campuses to keep pace with student demands and changing technology.

This session we have requested funds to upgrade and expand current computer capability as follows:

MSU	\$1,062,274
U of M	1,000,000
EMC	335,000
Tech	<u>309,500</u>
TOTAL	<u>\$2,706,774</u>

We believe, as in the past, that it will not be difficult to justify the need and the desirability of expanding our computer capability. We recognize, however, that it may be extremely difficult for the legislature to come up with \$2.7 million up front.

This bill provides us with an alternative that, in the long-run, will alleviate large block requests for computer mainframing. It will provide a means and an incentive to accumulate funds for computer replacement over time. Much like the private sector does.

The current operating level of our computer service centers for 1984-85 is as follows:

Computer Service Centers - 1984-85

MSU	\$1,480,876
U of M	1,364,926
EMC	531,800
Tech	446,000
NMC	277,523
WMC	<u>1,500</u>
TOTAL	<u>\$4,102,625</u>

The centers currently operate by charging an amount to computer users that recovers the operating cost of the center. Nothing is built into the charge that covers depreciation of existing mainframes or provides for replacement of mainframes. The charges would be re-established to generate a replacement factor. This would require approximately a 10% cost add-on to current charges. The additional amount would be placed in reserve and earn interest. The accumulated balances would be used to offset major replacement requirements.

Volume II of the legislative analyst's budget analysis speaks to this as an alternative method of funding computers on pages 828 and 829. We feel that it is important to provide the campuses with the interest earnings on accumulated cash balances if the method is going to be successful. .

Appendix "C"  
DB-147  
1-31-85

STATE OF MONTANA

REQUEST NO. FNN139-85

FISCAL NOTE

Form BD-15

In compliance with a written request received January 21 19 85, there is hereby submitted a Fiscal Note for S.B. 147 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 147 provides that the interest earned on invested cash balances in the university system's designated subfunds be retained in the designated subfunds rather than be credited to the state's general fund.

ASSUMPTIONS:

1. The interest earned on STIP investments for FY86 and FY87 will be 10.75% and 10.90%, respectively.
2. Senate Bill 117 will pass, thereby including designated subfunds of Montana's postsecondary Vocational-Technical Centers as well as the University System.
3. Ten percent of excess cash in the designated subfund will not be invested in order to leave a reserve available for immediate needs.

REVENUES:

	FY86	FY87	Biennium
General Fund	\$ (171,933)	\$ (174,332)	\$ (346,265)
Designated Subfund	171,933	174,332	346,265

*David L Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: JAN 25 1985

DB 147

NAME: Richard W. Mockler DATE: 1/31

ADDRESS: P.O. 9453 Missouri, mt. 59807

PHONE: 444-7712

REPRESENTING WHOM? Missouri College Coalition

APPEARING ON WHICH PROPOSAL: SB 147

DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENT: Each quarter students taking over a minimum number of credits must pay an activity fee. The fee goes to the student governments which use it for a wide variety of educational, cultural and recreational programs and events. It is not an optional fee. At present the interest on these funds is retained by the associated students, which seems fair. SB 147 would formalize this situation allowing students to retain the interest earned on our own money. I can think of no more compelling argument than the basic fairness of that and ask that you give this bill a favorable recommendation.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Exhibit "A"  
SB-147  
1-31-85

49th Legislature

LC 0875/01

LC 0875/01

*Senate* BILL NO. 147  
*Haffey*

1 INTRODUCED BY \_\_\_\_\_  
2  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT  
5 INTEREST EARNED ON INVESTED CASH BALANCES IN THE DESIGNATED  
6 SUBFUND IS RETAINED WITHIN THE SUBFUND; AMENDING SECTION  
7 17-2-107, MCA; AND PROVIDING AN EFFECTIVE DATE."  
8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
10 Section 1. Section 17-2-107, MCA, is amended to read:  
11 "17-2-107. Accurate accounting records and  
12 interaccount loans. (1) The department of administration  
13 shall record receipts and disbursements for treasury funds  
14 and for accounts within treasury funds and shall maintain  
15 records in such a manner as to reflect the total cash and  
16 invested balance of each fund and each account. The  
17 department of administration shall adopt the necessary  
18 procedures to insure that interdepartmental or  
19 intradepartmental transfers of money do not result in  
20 inflation of figures reflecting total governmental costs and  
21 revenues.  
22 (2) When the expenditure of an appropriation is  
23 necessary and the cash balance in the account from which the  
24 appropriation was made is insufficient, the department of  
25 administration may authorize a transfer, as a temporary loan

1 bearing no interest, of unrestricted moneys from other  
2 accounts, provided that there is reasonable evidence that  
3 the income provided for the remainder of the fiscal year  
4 will be sufficient to restore the amount so transferred and  
5 provided the loan is recorded in the state accounting  
6 records. The loan must be repaid before the end of the  
7 fiscal year unless it is extended under the criteria of  
8 subsection (3) or by specific legislative authorization. No  
9 account shall be so impaired that all proper demands thereon  
10 cannot be met even if the loan is extended.  
11 (3) No loan may be extended into the next fiscal year  
12 unless it is for the sole purpose of:  
13 (a) repairing or replacing property damage covered by  
14 insurance; or  
15 (b) payment of expenses which will later be reimbursed  
16 by:  
17 (i) contractual receipts due from federal revenue;  
18 (ii) receipts due to the auxiliary and restricted  
19 subfunds; or  
20 (iii) receipts due to the loan fund.  
21 (4) These loans may be extended into the next fiscal  
22 year if the department of administration receives sufficient  
23 written justification therefor from the borrower. A loan  
24 extended beyond the fiscal yearend must be repaid within 1  
25 calendar year of the date the loan is approved. Under



INTRODUCED BY

1 unusual circumstances the director of the department of  
 2 administration may grant one extension of a loan for up to 1  
 3 year. The department of administration shall prepare a  
 4 written justification and proposed repayment plan for each  
 5 loan extension authorized and shall furnish a copy of the  
 6 written justification and proposed repayment plan to the  
 7 house appropriations and senate finance and claims  
 8 committees at the next legislative session.

9 (5) Any loan from the general fund or the university  
 10 current <sup>(D)(d)(i)(C),</sup> unrestricted subfund to funds designated in  
 11 subsections (1)(d)(1)(D), and (1)(d)(11) through (1)(d)(VI)  
 12 of 17-2-102 shall bear interest at a rate equivalent to the  
 13 previous fiscal year's average rate of return on the board  
 14 of investment's short-term investment pool. Except for  
 15 investment earnings on restricted donations and the  
 16 designated subfund, all designated-and restricted subfund  
 17 investment earnings are credited to the state general fund.

18 (6) No accounting entity may have a negative cash  
 19 balance at fiscal yearend. The department of administration  
 20 may, however, allow any entity to carry a negative balance  
 21 at any point during the fiscal year subject to the following  
 22 restrictions:

23 (a) Accounting entity negative cash balances may not  
 24 exist more than 7 working days in the funds provided in  
 25 subsections (1)(a) through (1)(c) of 17-2-102.

1 (b) Units of the university system must maintain  
 2 positive cash balances in the subfunds provided in  
 3 subsections (1)(d)(1)(A) through (1)(d)(1)(D) and (1)(d)(11)  
 4 through (1)(d)(VI) of 17-2-102."  
 5 NEW SECTION. Section 2. Effective date. This act is  
 6 effective July 1, 1985.

-End-

Proposed Amendment S.B. 147  
 Introduced Bill

Page 3, Line 11

Following: "subsections"  
 Insert: "(1)(d)(i)(C),"  
 Following: "(1)(d)(i)(D)"  
 Insert: " , "

# STANDING COMMITTEE REPORT

.....January 31 19 85.....

MR. PRESIDENT

We, your committee on **STATE ADMINISTRATION**.....

having had under consideration.....**SENATE BILL** No. **159**.....

first reading copy ( white )  
color

**INCREASE AMOUNT RETIREES MAY EARN UNDER PERS WITHOUT REDUCTION  
IN BENEFITS**

Respectfully report as follows: That.....**SENATE BILL** No. **159**.....

DO PASS

**REPRINTED**

.....  
Chairman.