

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & LABOR

Call to Order: By **CHAIRMAN BRUCE T. SIMON**, on January 3, 1995,
at 10:00 AM.

ROLL CALL

Members Present:

Rep. Bruce T. Simon, Chairman (R)
Rep. Norm Mills, Vice Chairman (Majority) (R)
Rep. Robert J. "Bob" Pavlovich, Vice Chairman (Minority) (D)
Rep. Vicki Cocchiarella (D)
Rep. Charles R. Devaney (R)
Rep. Jon Ellingson (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. David Ewer (D)
Rep. Rose Forbes (R)
Rep. Jack R. Herron (R)
Rep. Bob Keenan (R)
Rep. Don Larson (D)
Rep. Rod Marshall (R)
Rep. Jeanette S. McKee (R)
Rep. Karl Ohs (R)
Rep. Paul Sliter (R)
Rep. Carley Tuss (D)
Rep. Joe Barnett (R)

Members Excused: None.

Members Absent: None.

Staff Present: Stephen Maly, Legislative Council
Alberta Strachan, Committee Secretary

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

Committee Business Summary:

Hearing: HB 52
Executive Action: None

TAPE 1, SIDE A.

HEARING ON HB 52

Opening Statement by Sponsor:

REP. DEB KOTTEL, HD 45 stated this bill was an act exempting the
Census and Economic Information Center (CEIC) of the Department

of Commerce for copy service fee limitations. It also requires the copy service fees to be deposited in a special revenue account to be used by the Center to update its computer equipment, compile and produce statistical data and provide for planning activities for conducting the decennial census. This bill would amend section 90-1-101 of the MCA. CEIC or the Department of Commerce is the information gateway for Montana individuals and organizations that are seeking comprehensive, economic and demographic distribution. The statutory authorization for CEIC is found in MCA. The MCA states in part, the Department of Commerce shall maintain a central depository of information including computer retrievable files concerning significant characteristics of the state, its people, its economy, land and physical characteristics. It shall also analyze the decennial information to state, federal, local agencies and to the public.

CEIC has been the lead agency for state data center programs and recently the business industry data center program. These programs provide sources of data and information, professional expertise to this state's central economy and to the state's business development and local program administration. CEIC also processes the 1990 decennial census tapes and provides appropriate support services necessary to distribute this data. The department supports a 27- member network. The purpose of this network is to make economic and demographic data readily available to Montana business and development users. There were 3400 information requests and 33 of these requests come from the Montana business sector with another 33% coming from the government sector. This bill would establish a special revenue account with income from the sale of data products.

Currently, income from such sale is deposited directly into the general revenue fund. Revenues in this special account would be used for the purchase of computers, software, computer processing and electronic information network systems. Sen. Gregg Jergeson amended HB 2 for the removal of CEIC programs from 100% general funding to 100% proprietary funding. This proposal was reversed by the conference committee on the last day of the session. One hundred percent of the general funds were restored. The Department of Commerce interpreted these actions to indicate that the CEIC program should move away from 100% general funding. Therefore, this bill is being presented for the creation of the special revenue fund in accordance with the Legislature's desires. This account will have the spending authority of \$15,000 per year with receipts to be used for the updating of computer equipment, for the compiling of statistical compendia and for providing the planning of census data for the year 2000. CEIC would be sustainable in a proprietary environment. Local and state government budgets would not be able to absorb the costs that would be necessary to fund data and research services. The users of the private spending sector have a negative business message to the local businesses in the state. The CEIC state data program is integral to an informed handling in the operation

of state government administration as well as local government which needs to comply with federally mandated programs. These programs, at the local level, require local government to use data not only to comply with the programming but also to apply and compete successfully for federal dollars by defunding CEIC programs and making its proprietary development projects defunded. This bill is a movement towards a temporary, mandated or capped funding of \$15,000 which would set the state's special revenue account.

Proponents' Testimony:

John Noel, Director, Department of Commerce, submitted some statistics **EXHIBITS 1 and 2.** According to the charts there is a significant utilization of the information by the business sector. A substantial portion of the business sector are private sector consultants who are doing grant applications for local governments. This budget request has about 18% less general fund than the last biennium. There has been less general funding each year and therefore the ability to start a process of charging for this information is critical in the program's ability to continue to provide services.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. COCCHIARELLA questioned line 16 "charge persons requesting copy services" and requested clarification. She asked who this might include. **Ms. Jan Clack, Administrative Officer, Census and Economic Information Center Program** stated the CEIC has been charging for some of their services since 1990. The money collected varies every year depending upon the nature of the requests and it has never reached \$15,000. The CEIC has taken in \$1900 this year. It is felt that if CEIC is requested to charge exemptions from some of the existing statutes in order to charge additional money to meet the goal of the \$15,000.

REP. COCCHIARELLA then asked if it were the cities and counties and businesses who need the information to apply for grants and if everyone was charged the same amount for these services. **Ms. Clack** stated yes to this question. **REP. COCCHIARELLA** asked why a classified grade 14 salary was used as a gauge for charging the fees. **Ms. Clack** stated the electronic data that is generated involves more than a copy job that is in the clerical nature. There are some expertise and computer questions involved.

REP. HERRON questioned the hourly wage in which a one-half hour time period would be increased to a one hour time period. What constitutes an hourly fee? He then quoted section 1, line 17 "electronic data for the first one-half hour of copying services provided and may charge an hourly fee not to exceed the hourly

rate." He asked if CEIC was charging for half hour usage as a full hour. **Ms. Clack** said the statute on electronic data allows for the first half hour to be done free of charge. This proposed legislation would exempt that. The first minute would begin the charges rather than minute number 39.

REP. PAVLOVICH questioned the effective date of July 1st. He said that most of the bills don't go into effect until October 1st because of the transition problem. **Mr. Noel** indicated that in fact this would go into the next biennium.

REP. MILLS questioned the \$15,000 limit on what this legislation will be built up to. How many hours of time does this figure amount to or how many hours are these people paying for to get to the figure of \$15,000? He also questioned why there was a bill to increase the rates in terms of law. **REP. KOTTEL** said it does amend the statute which indicates that the first half hour could not be charged. By simply amending that, it would allow for revenue to be generated from the very first minute that computer data is retrieved and that is to generate more money. It was the desire of this legislature to move this area more into a proprietary area or to encourage CEIC to sell data products in the state. One issue had to do with moving it into the 100% proprietary area in terms of funding all staffing. It was believed not that it was able to be done because of the mass amount of money that would need to be generated and the rate charged. This is a bill that is in the middle between going to 100% proprietary funding and moving some of the money out of the general revenue fund in order to support the type of networking fees they need for this type of data retrieval and the type of computer equipment that is necessary for storage. **Ms. Clack** stated that according to the state-wide classification pay schedule, a grade 14 market salary is \$14.18 per hour. In order to recover some of the costs, the data would be sold at a different price, specifically the data base which is a very comprehensive data base of information covering a wide spectrum of subjects by county that is maintained by CEIC. There is a fee schedule for that. The hours are 1,058 in order to generate \$15,000.

REP. LARSON stated that it was the general trend in the legislature to move away from proprietary accounts and put the money into the general fund and allocate this money back and this bill is going contrary to this. He then questioned as to whether the committee could not be trusted. **Mr. Noel** stated that with respect to Sen. Jergeson, his bill would remove general fund support and make this a self-funding entity. At that point in time, because the statutes are the way they are, CEIC was not able to charge enough to be self sufficient. This bill does two things. It does create a special revenue account. It gives CEIC the ability to change its fee structure so that it can move toward being self-supporting. People in CEIC feel that they should be a general fund supported department providing information at no cost to the government. The vast majority of information that

comes out of CEIC is used by state and local government. Sen. Jacobson stated that the legislative fiscal analyst is a primary user of this agency. The department is uncomfortable with the cost shifting aspects.

REP. MCKEE questioned the "may" charge of the hourly fee and change it to "will" charge the fee. **Mr. Noel** stated he did not know how much could be charged. They do not want to charge for services that will cause people to not use the services when they are needed. This is the reason for leaving the language flexible. The \$15,000 is also a flexible number. The department is trying to get the flexibility to gradually move toward a fee system to reduce the dependence upon the general fund. A complete shift from the general fund would absolutely be a cost shifting to local government.

REP. ELLINGSON asked if the CEIC was going to charge solely for copying services and does the existing statute prohibit the department from only charging for copying services? **Mr. Noel** stated they were able to charge for certain things where there is a special project done. The recognition of the fact that these copying services are not the kinds of copying services that a clerical person might do. There is sophisticated information here and much of it requires some interpretation of what people even require. The department wants to base its copying charge on a grade 14 rather than a grade 10 because that is the grade of the person performing these duties. Money is lost on copying because of the grade of the people performing the tasks which is different than just merely making copies.

REP. ELLINGSON asked then if the department was asking for the right to charge for not simply copying costs but copying and data compilation or more sophisticated copying costs than simply standing at a copier and running copies. **Mr. Noel** indicated the affirmative. He then said that the state government may only charge the cost of a grade 10 clerk or secretary for copying. This is a different type of copying.

REP. ELLIS asked if this legislation would only recover part of the cost that is involved in putting out this information to all of the users. What is the portion? **Mr. Noel** said it would be less than 10% of the total cost of operating the department. There is a great deal of resident expertise and the tapes that are received from the census department are amusing. If that data was given out to patrons they would not be able to work with it. There are extensive computer programs that manipulate that data and put it into usable form. If the department were to try

to totally recover the cost of accomplishing this, the department would be out of business because local government simply does not have the funding.

REP. ELLIS asked if this charge would be inhibiting and therefore if people were using services that they did not

require. **Mr. Noel** said that he didn't and the people in CEIC don't. **REP. ELLIS** asked for an example of what type of services are used by an agency and what that might cost. **Mr. Noel** said that instead of someone saying they wanted "50 or something" to say "I only need 25." The department does not want to inhibit people from asking that which is necessary. For every community block grant, the information provided by CEIC is required to be able to apply for that grant. They know the demographic information and whether or not this is an area that qualifies for a block grant or does not qualify. This bill is only asking for a small first step to see what happens. He said that he could not answer the second question because he did not know the answer. **REP. ELLIS** asked if 4.6% were city and county government and if the schools would use this information. **Mr. Noel** stated yes because schools were a part of local government. He also said that a good piece of the private part is actually private consultants that are doing work for local government. There is a grant rider involved in the majority of applications for the home program.

REP. SLITER said that in line 9 of the bill some of this money would provide for planning activities. Nine thousand dollars has already been budgeted in the next biennium for a 12-member advisory council for the planning of the census. **Mr. Noel** said the planning portion of the census was always an uncertain thing because each time it comes out in a different form and the department does not know how many of the programs need to be rewritten to be able to deal with that information. The department tried to identify potential users. It would not replace the \$9,000.

CHAIRMAN SIMON asked how the money and the special revenue account is to be used. Is the upgrade of the existing computer system, compiling statistical data and the planning activities the bulk of the money to be used for this upgrading. Or, is this money going to be used for staffing costs to do the planning? He also questioned how this money would be split. " \$15,000 is not a lot of money for the upgrading of computer equipment."

CHAIRMAN SIMON said he envisioned this money to be spent on computer equipment. **Mr. Noel** said this is a first step in which the department is trying to move in that direction. They know that this is the area of the Department of Commerce in which they do not have the choice with respect to upgrading the computer equipment. The only optical disk reader within the Department of Commerce is in CEIC. If the budget is approved as submitted which is 18% below, this would make up that difference. CEIC cannot be operated on less money. There is less money in the general fund in the next biennium.

Closing by Sponsor: Sponsor closes.

ADJOURNMENT

Adjournment: 10:40 AM



BRUCE T. SIMON, Chair



ALBERTA STRACHAN, Secretary

BTS/ajs

HOUSE OF REPRESENTATIVES
BUSINESS AND LABOR COMMITTEE

ROLL CALL

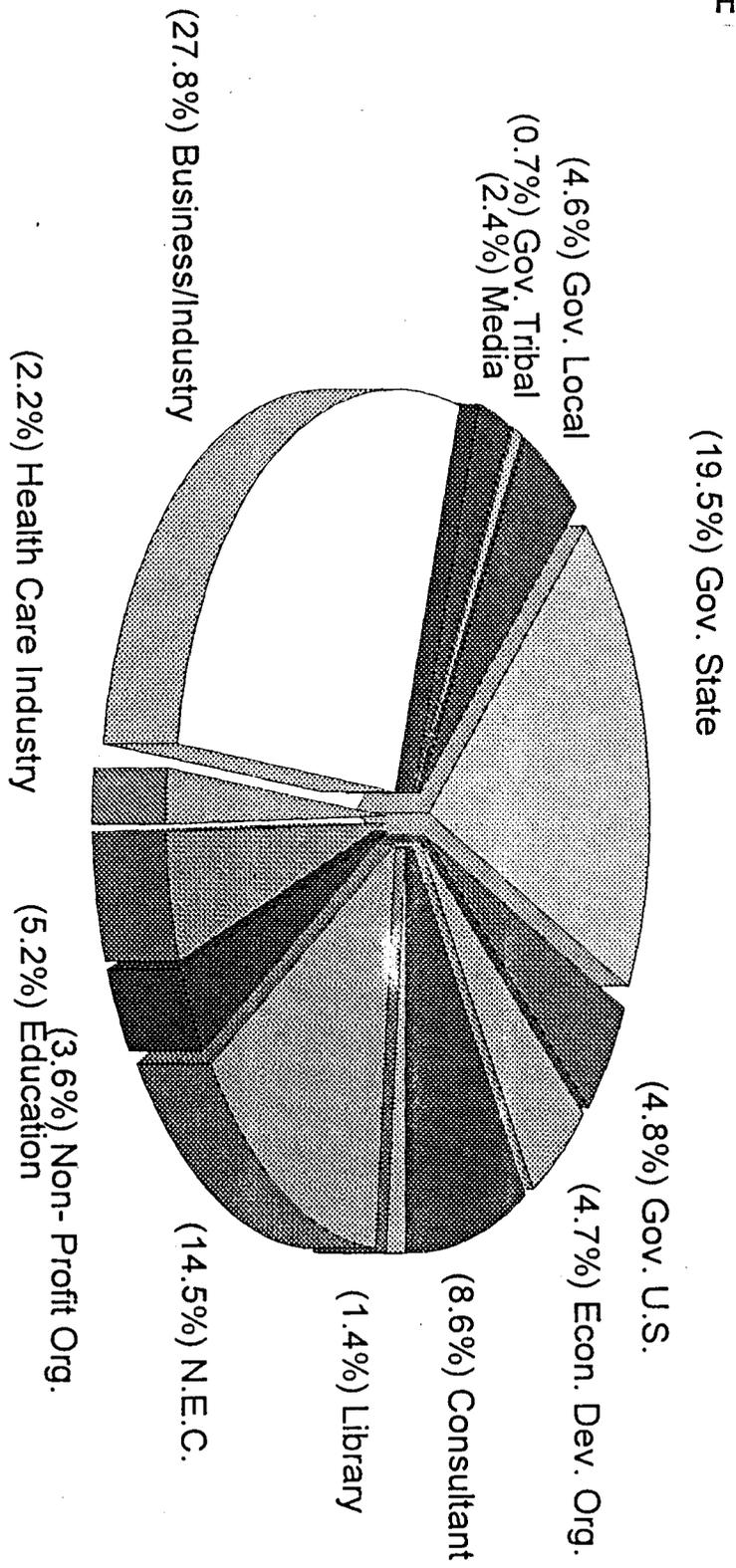
DATE 1-3-94

NAME	PRESENT	ABSENT	EXCUSED
Rep. Bruce Simon, Chairman	X		
Rep. Norm Mills, Vice Chair, Maj.	X		
Rep. Bob Pavlovich, Vice Chair, Min.	X		
Rep. Joe Barnett	X		
Rep. Vicki Cocchiarella	X		
Rep. Charles Devaney	X		
Rep. Jon Ellingson	X		
Rep. Alvin Ellis, Jr.	X		
Rep. David Ewer	X		
Rep. Rose Forbes	X		
Rep. Jack Herron	X		
Rep. Bob Keenan	X		
Rep. Don Larson	X		
Rep. Rod Marshall	X		
Rep. Jeanette McKee	X		
Rep. Karl Ohs	X		
Rep. Paul Sliter	X		
Rep. Carley Tuss	X		

FISCAL YEAR END STATISTICS

CENSUS AND ECONOMIC INFORMATION CENTER

EXHIBIT 1
DATE 1-3-95
HB 52



ORIGIN OF REQUEST
JULY 1993 - JUNE 1994

