

11/5/15

Economic Affairs Interim Committee members:

RE SB390

For 24 years, I have attended all but one Board of Outfitter's meetings, either while serving three terms as member of the board or as an association representative. Based on this experience, I believe the board members struggle with the board's budgeting process for two main reasons:

1) For board members, even those public and outfitter members with accounting careers, budget presentations based previously on SBSS and now SABRES were confusing at best and completely bewildering at worst. The presentations have varied in style and accuracy, and explanations have been either tersely uncommunicative or overly detailed, relying on buzzwords and budget terms unfamiliar to board members.

2) Budget determinations have been, in large, presented as "done deals" with little or no interaction between board members and the Business Services Division (BSD). As noted in the background information for the SB390 Study of Fees for Licensing Boards, page 4, "Commensurate with Costs" section,

"SB 79, effective July 1, 2015, removes the term "fees commensurate with costs" and redefines the criteria under which fees are charged. The change addressed an audit contention in the past, but does not necessarily resolve a complaint from boards that contend "costs" ought to be commensurate with "fees", which is to say that some board members have suggested that costs ought to be cut so that licensing fees do not have to be raised. This push-pull budgeting responsibility has rankled many administratively attached boards (particularly small ones) for a long time. The department, which is not paying the fees, set the costs for those who are. Setting the budget always has been considered the department's joint responsibility with boards. Submitting the boards' budgets to the governor's office is one of the tasks under 2-15- 121, MCA, which describes departmental interfaces with administratively attached agencies. The boards say that those paying the fees have little ability to control the department's costs."

I have wondered how interim committees would feel if, say, the legislative services division decided unilaterally to purchase expensive equipment, software, or document-handling systems to "improve efficiency" for interim committee legislators, and the committee members had to pay for these improvements. A crude analogy, yes, but one that mirrors a board's relationship with budgeting. A more basic view is that a board does not get a budget to consider; they get a bill they must pay.

Comments

I anticipate the interim committee's review of indirect costs assessment, specifically the methods used by the BSD to distribute indirect costs on individual boards. In a recent BSD request for board comment on your proceedings, an explanation noted that:

"The Department assesses charges to the boards in primarily two ways:

- 1) Any hours or charges that can be specifically attributed to a specific board are directly charged to that board,*
- 2) Other hours or charges are distributed to all boards on a percentage basis, based on the level of effort to provide services during the preceding quarter (measured by calculating each board's share of direct-billed hours)."*

Why use the previous quarter to gauge indirect costs? **If directs can be calculated monthly, perhaps indirect costs could be, too.** I assume the department uses a quarter's worth of direct charges to create an average per month percentage for the quarter, evening out month-to-month variations, but month-to-month assessments of both cost categories may help board members understand budget explanations at this board's quarterly meetings, if only by reviewing current monthly numbers that reflect actual real-time monthly direct and indirect expenses.

As you may understand from my layperson's basic accounting suggestion above, my budget expertise is limited to common sense based on long-time business accounting that keeps my fishing outfitting business afloat (no pun intended). But, I'm willing to learn in order to serve as an effective board member.

Consequently, **I ask that the committee consider, as noted on page 21 of your 2015-2016 draft work plan, bullet point #2, "ways to increase transparency for the board and licensees regarding their budgets."** You may consider two avenues:

1) As noted in my introductory paragraph, board member education in BSD budgeting formulae and budget report review – basically, how budgets are created and training a board member to comprehend the budget reports presented at meetings.

2) Create a council of board members who meet with BSD budgeting personnel periodically to review major administrative adjustments and concomitant expenditures contemplated by the division administrators to help understand:

- why any administrative changes are needed,
- how such changes will aid in board administration, and
- what short- or long-term savings are anticipated, if any.

As for contingency authority, I agree with the purpose of SB79, to redefine the way a board may approach unexpected expenses - for our board, typically those associated with complaints and disciplinary hearings.

The committee heard testimony suggesting general funds be allocated to offset some professional board expenses when board administration of licensee qualification standards is tied directly to existing statutes intended to protect the public health, safety, and welfare. For the Board of Outfitters, statutes direct hunting outfitters to keep records of hunting districts used, species and gender of big game taken, and designation of public or private land where game was taken, reasoning that Montana's wildlife management is beneficial to Montanans and our nonresident hunting guests, and these specific game records assist in this management. **Perhaps general funds could offset the board and division staff expense of collecting, analyzing, and retaining these data sets, rather than levying these costs on outfitters.**

However, since no general funds are currently allocated to professional boards, legislative oversight is via appropriation, regardless of a board's cash balance. Perhaps, enterprise authority could replace appropriation, with the understanding that legislative oversight should be levied in another appropriate manner to - what's the current word - "incentivize" indirect cost controls.

I'm encouraged by the suggestion that the committee may draft legislation, *if needed*, to "clarify how direct and indirect costs are to be developed," with the aim of keeping indirect costs at the individual board level as reasonable as possible.

Contingency authority or enterprise funding, or, alternately, accurate and cautious appropriations, along with possible budget transparency improvements coming from this committee's deliberations would help the Board of Outfitter's members handle their duties more effectively without changing current fee levels.

Thank you for the opportunity to comment.

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