

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

June 25, 1986

The sixth meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. The meeting was called to order by Chairman, Senator Regan at 9:50 a.m.

ROLL CALL: All members present except Senator Haffey who was excused.

CONSIDERATION OF HOUSE BILL 24: Representative Jan Brown, district 46 Helena, said she had 3 bills 24, 25, and 26, all very similar, and would go through them rapidly. H. B. 24 would reduce the appropriation for a voluntary genetics program, and was a necessary part of freeing up general fund money in this special session.

CONSIDERATION OF HOUSE BILL 25: Representative Jan Brown, chief sponsor of this bill said this bill would reduce the appropriation for review of subdivisions by the Department of Health and Environmental Sciences.

CONSIDERATION OF HOUSE BILL 26: Representative Jan Brown, Chief sponsor of this bill said this bill would reduce the appropriation to provide training for family practice resident physicians. She said these bills are the bills that go along with the reduced spending and transfer of funds in House Bill 30.

There were no proponents, no opponents, and no questions from the committee.

DISPOSITION OF HOUSE BILL 24: Motion by Senator Manning that House bill 24 be concurred in. Voted, passed, Senator Story will carry the bill.

DISPOSITION OF HOUSE BILL 25: Motion by Senator Story that House Bill 25 be concurred in. Voted, passed, Senator Story to carry the bill.

DISPOSITION OF HOUSE BILL 26: Motion by Senator Story that House Bill 26 be concurred in. Voted and passed. Senator Story to carry the bill.

CONSIDERATION OF HOUSE BILL 31: Representative Gary Spaeth, House District 84, Joliet, and chief sponsor of House Bill 31, said this was a difficult bill to work out and a difficult bill to carry. He said there were questions of the non-union people getting the raise and the union people getting the raise or the union people being froze and the non-union people receiving the raise or the union people receiving the raise and the non union people being froze--We did not want any inequities there, we wanted everyone to be treated alike, and that's what you have as far as an amendment before you,

and with that I will go ahead and reserve and say anything in my closing if you would, and I believe the Department of Administration is here to fully explain it to you.

PROPOSERS FOR HOUSE BILL 31: Ellen Feaver, Director, Department of Administration. The bill before you is one that you've read a lot about and is fairly straight forward. It does not require a reduction in any employee's pay, but employees are being asked to forgo raises and it is a very difficult financial time. Personal services obviously a very big part of state expenditures, and without a reduction in our personal services cost, it seems it would be very difficult to find a way to balance the budget. Also, I think it is a critical part of the budget balancing process because all sectors of our economy are being asked to make sacrifices at this time. It would be hard to ask so many others to make sacrifices and not ask our own employees likewise to do so. We do not maintain that our employees are overpaid, nor do we look at this in any way as a punitive measure. We have very good employees, hard working employees, and we do not wish to punish them. We simply cannot afford to grant the raises that we had hoped that we would be able to based upon revenue that we thought would come and did not come. The savings to the general fund through the pay freeze or maintaining the '86 matrix will be a little over \$8 million in the general fund, a little over \$4 million in other funds. Layoffs will occur simply by virtue of the fact that we have 4% vacancy built into our budgets to start with so we can't fill up all our positions at any time. On top of that we virtually all have 5% reduction. In some cases to come up with those across the board reductions agencies had to make lay offs. In my particular department, we managed to go to the 5% without lay offs. If we're unsuccessful in getting the freeze, we certainly will have additional lay offs. I think that at this point our layoffs are fairly minimal, although for any person who loses his or her job, it is a devastating thing. Certainly we have been trying to minimize lay offs, going with the 5% cut. If we are asked to pay the '87 matrix on top of the cuts that we have already taken, we definitely will be looking at significant layoffs. The numbers, after we made initial calculations, the numbers are estimates, the numbers in the initial calculations would be 5 or 600 employees based upon averages of salaries. Obviously there is no way to know exactly the number of people who will be laid off, but they will be substantial, and they will be substantially greater if we are paying the raise than they will be if we maintain the '86 matrix.

We do have negotiated agreements--some 70 agreements with our bargaining units. We cannot constitutionally break those agreements, though we cannot freeze pay unless our bargaining units agree to negotiate their salaries so that they take a wage freeze. That's one of the reasons that the amendments in the House were put on. The Legislators in the House were

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really concerned that the people that we have contracts with, our union people would get a raise because of their contracts, and that would freeze non-union employee salaries. The Governor had made a commitment to me and to all of us that we would not have two ways that we pay employees. That no matter what we're going to have one pay matrix. We are not going to favor union employees over non-union employees, so he has guaranteed a veto if we were not able to renegotiate our contracts to work this out. But the House put on an amendment that we can live with, we neither support them nor are here to fight them, that would state that by July 18 which is the end of our first full pay period in the new fiscal year, we must have renegotiated 95% of the agreements that we have, or we will go ahead and pay the raise to everyone, then we will have the resulting layoffs. But, that theoretically gives us the first 18 days of July to do that renegotiation. Until that time non-union people's pay will be frozen at current levels, but if we are unable to renegotiate and stick with the '86 matrix all year, then the amendment would provide that retroactively we go back and make that up to the non-union employees so that they end up not being out in any in-pocket if we are not successful in our negotiation efforts. I think that was the intent of the amendment that was put on in the House. They were written on the floor and they didn't quite get the job done, and so the House has been working on these in cooperation with our department so that at least make the amendments so they do what the House members wanted them to do, and I would not anticipate any problems as the Council is redrafting them.

The effect of 95%--the language is that we would have to renegotiate 95% of our agreements. We have some 74 bargaining units in the executive branch. We have some 17 agreements that are units in the University system, but although we have 74 units we have 53 agreements, some of our units are grouped together under single agreements. So, in total we have 70 agreements. 5% of that is 4, so that the amendments put on in the House would require that we renegotiate 66 agreements by July 18. Thus far we have not been successful in getting any unit to renegotiate. We have had informal discussions with AFSME people and with people that are represented by Gene Fenderson. But those have not resulted in renegotiations of contract. We are very hopeful, and with the help of some of the Legislative ideas we found some things that might be attractive. Representative Lory has a bill that's still in the House that he called a "sweetener" that might get people to the bargaining table that would provide that 5 days additional time off with pay be granted to all employees who accepted the pay freeze. That's one idea that could have some merit if that is passed.

Thus far nothing has worked. I would be happy to respond to any questions.

Senator Regan asked for other proponents and there were none, she then asked for opponents to House Bill 31.

OPPONENTS TO HOUSE BILL 31: Tom Schneider, Executive Director, Montana Public Employees Association, we represent about 4600 people who are covered by contracts which this bill would affect if we decided to open those contracts. Let me just start by saying 50 years ago if you broke a contract in the state of Montana you probably got shot, and we have no intention of doing that, but we also have no intention of breaking any contracts. We're responsible to the people that we represent, our people do not want to open their contracts and those contracts are not going to be opened. With reference to the House amendments, what the House representatives did with their amendment if we can believe the figures that we've seen publicized, they simply laid off 5 to 700 people on July 18, and that is all that amendment does. We keep hearing that we're not speaking for our membership. Let me assure you that we have spent the last three months out with our members talking to them individually, talking to them in groups, polling different places, but getting a feeling of where our membership is on this issue. And, if you will put me under oath right now, I will tell you that with all the publicity about layoffs, all of the threats that have been issued, and all of the things that we've heard up here, I have had one--one person out of 4600 write me a letter or call me-- in this case it was a letter, asking me to reopen a contract. One person out of 4600. Now how do you expect us to reopen contracts and when you reopen contracts to get them reratified, if that's the feeling of the membership. Let me tell you exactly what will happen if we reopen our contracts. You will end up with a strike before the summer is over at certain state institutions where you could not possibly have a strike right now because those people are already under contract. The reason you'll have that is because if we open those contracts without the support of the people and we're not able to get them reratified then we don't have a contract any longer. To get a contract we would probably have to have a walk-out just to get back to a 3.25% salary increase which is what the people want. They really would like to have 5, they're not satisfied with 3.25, so I want you to know so there is no misunderstanding that if you want to put an amendment in allowing us 3 months it is not going to change the issue. The contracts are going to stand, the salary increases are going to be given, even if we have to go to court, and what happens with the layoffs, I guess is in your hands. There's not much I can do about that. We have feelings in those areas. The only way we felt that we could stop people from being laid off or at least mitigate the effect of those, was to bring in an early retirement bill and try somehow to get 4 or 500 people to take early retirement. Now yesterday we heard on the floor if that bill passed that would prevent

us from going back to the people because we wouldn't do that any more. Well let me assure you, that's not an option. We're not going back to the table, so let's get that understood. The only thing that we have in front of us at this point, if we don't fund these agreements, is a bill which will allow people to retire early and hopefully, even though we know they are not going to be the same people that will be laid off, those positions can then be filled through movement and these people will not have to be laid off. We don't totally support that bill because it's only for a 6 month period and my membership wants one that goes on into perpetuity, like the teachers have and like all other state employees have. They want retirement at 25 years, but at this time we have no other option but to present you with a bill which in some way will force people to take retirement very quickly so we can mitigate the layoffs which are being threatened. That basically is our position. I wish I had some solutions. The solutions are only one or two. We either have to fund the agreements or we have to pass an early retirement option which will allow some people to retire. I thank you for your time and I'll certainly answer any questions, but that's the position of our organization, thank you.

Jim McGarvey, Montana Federation of Teachers and the Montana Federation of State Employees. We represent employees in state government and faculty at three of the units of the Montana State University system. We are here to appear in opposition to this bill, as I point out in my written testimony, and I have quoted article II, section 31 of the Montana Constitution, and we feel that violating the contracts does violate the constitution, but the point I'd like to make on that even more emphatically this morning, is that while that provides you with all sorts of legal problems and hassles, the amendment provides you with even more hassles.

(Exhibit 1, attached) Now, Mr. Schneider pointed out that he has no intention--his organization has no intention of reopening their contracts, and I assure you that our organization has the same position and I'll elaborate a little bit on that. a little bit more in my testimony. The point could be made there is an understanding--and I am not suggesting that we suggest reopening-- but if and if some unions wanted to reopen and others didn't and they did reopen and they reached some sort of accord, and you had accord A and accord B, and then over here you had accord C, but 95% have to ratify in order to go on and pay the rest of the employees. I don't think that you could leave here feeling very comfortable knowing all of the potential litigation that lies out there in terms of trying to implement such a monstrosity. I don't know how else I could even begin to describe that. I think, in making the plea for your sympathy for state employees, that there is roughly in the University System and in state government some 13,000 state employees. All of a sudden we've got associated with those employees, the fact that we might have to lay--depending on where you read it on the backs of these people from 350 to 600, and maybe as high as 700 jobs, that it is the responsibility of those people to

cough up this money. We believe it's the responsibility of all. They didn't create this deficit. Our kids didn't create this deficit, and these people serving us in state government that we are addressing this morning, certainly didn't create this deficit. I've also been hearing, as Mr. Schneider mentioned, people saying that we're not representing our membership. I assure you we are representing our membership. In fact, I've heard it talked around that we can't talk about revenue, which there are a lot of revenue measures around that we feel would take care of not only the pay plan situation, but the school foundation--the suggested school foundation freeze, and we would certainly support these rather than cuts in any of these programs. But, we can't address that it's heard, because we have to face the voters. Well, let me tell you something--we have to face our members, and the way it works in the union is the majority rules, and we're not even talking majority here. We're talking right down to maybe one or two people--the usual devils advocates aren't even surfacing and saying renegotiate the contract, and so we have to represent those majorities. Our locals have taken votes and they have polled. We have convention action, we've polled some of our locals as recent as this morning again to make sure that we are hearing the right thing. We had an executive board meeting on Saturday--not one, not one person even suggested in any way talking about this, so please understand that we are conveying to you the feeling of all of the bargaining units that we do have out there, but there's another complication there that I've heard suggested. That in our case, I think in both employers--the commissioner and state government, there is roughly about 1600 bargaining units. The structure is--the mechanics is-- that you vote those 1600 individually. That's the democratic process, how it works in the union. We would negotiate for those people individually. The suggestion of a paper ballot going out to all of the members, even if it came back and registered what some people would like to think, and I assure you it wouldn't, the people voting say at the Department of Administration can't determine the fate of the people voting at the University of Montana, and that's I am sure, virtually true in all other unions. It is very complicated, and I think--well some people keep suggesting that there is room for the negotiations, that this can easily be done and easily accomplished, it just cannot be. If I could add one other point. The employees are distressed and the morale is bad and they don't believe that there won't be layoffs anyway. I think if you were to conduct a poll I think you would find that they would tell you that--almost to a person. Thank you, and I would be glad to answer any questions.

Carrol Krause, Commissioner of Higher Education: Some time ago when the Governor first proposed the pay freeze, that was our legal staff tried to determine for the board of Regents what sort of action we could take. Our attorneys' indicated to us that there is no doubt that those are legitimate contracts, and that if there was any possibility of freezing the pay it would

require the unions to reopen, as we all know. That's not a new statement, that's something we certainly all know the problem. We did meet soon thereafter, in very early May, we met with the faculties. We do bargain with 17 unions through the University System, 4 of those are faculty unions. We did meet with the unions and also with the faculty, and asked them if they would consider reopening the contracts, and the response to a very long meeting was NO, they would not be willing to reopen the contracts. Looking at the responsibility of the Board of Regents, we were faced with looking at beginning our contract terms during this summer which meant we had to actually implement the contracts for the '86-'87 school year as early as June, because that's when our summer school started. Our summer school salaries are based upon the new negotiated 1987 summer so we did not have the luxury in our faculty of waiting until we saw what the session was going to do. We had no recall from the Governor on the funds nor did we have direction from the Legislature that it was going to be frozen. So the Board of Regents was faced with no option but to begin to implement contracts to those which were issued in May. They did that with a great deal of reluctance, but legally we had no other choice. I think the issue now is whether or not we are going to receive the funding or whether or not we are going to have to absorb those reductions, and in the University System it amounts to approximately 3.4 million. The problem that arises, and I would just like to speak to the sense of equity that will result from having to absorb the money, most of the cuts--not all, but many of the cuts will come from our classified employees because our faculty are required to have a years notice--minimum of a years notice--and in some cases on tenure faculty we have to even declare financial exigency which is a long process. So in the sense of equity, much of the burden is going to fall upon our classified per service workers because we are limited to whatever extent, by contractual obligations not to eliminate permanent faculty positions. We are going to, obviously, pull some of that money out of operations, but without a doubt the pay plan will reduce the University system somewhere between 125 and 150 employees, and obviously that has a significant impact upon the university system, when in fact, we're already having to reduce about 220 positions because of the 5% reductions. I think in terms of the vacation proposal it really doesn't do us much good to talk about 5 days of vacation because our faculty do not earn vacations. It's true there are periods of time when school is not in session that they don't have classes, but they do not accumulate vacations. So that option is really not one that is helpful to our Education. I would strongly encourage the Legislature, this committee, to look very seriously at attempting to fund all or part of that pay plan, to reduce the impact--not only in Higher Education but throughout the state. I know that we are going to be facing some much more difficult times in the next biennium, and I

don't think it is unreasonable to look at the possibility of having to freeze salaries at this point, but I can assure you the legal implications of not funding the pay plan is probably going to be much more costly than to try to honor them at this point and look at the '87 session as trying to make some freeze. We do not have contractual obligations at that time, and I believe in all fairness, not only to the faculty of the University System, but all state workers, that this the correct way to go.

Paula Shelkie, taxpayer: I go to school at Montana State University, and I own property in Kalispell. I am an opponent of this. There are two things that I have heard going throughout the committee meetings that I have attended and also in the Senate and House of Representative meetings, that is that number 1, this is a courageous thing that you are doing--I do not feel that this is a courageous thing that you are doing, I feel that it would be very courageous if maybe you approached Governor Schwinden or Ellen Feaver and said, Hey, you got a raise in June, maybe you should consider dropping your raise--that would be courageous. I don't feel it is courageous to hit these people who really don't have the money to have enough clout with the House of Representatives or the Senators to represent themselves well. The other thing that I feel is that (she lost her train of thought here)-- but anyway, I am not in favor of this bill. I hope you will consider that these features and state employees, but especially the educators are the ones that probably made us all where we are today and they are the hope for the poor. You see, the rich people they can send their kids out of state, but the poor people--this is their chance is to get quality teachers in-state. That is how they can advance themselves. Thank you.

Senator Regan asked if there were other opponents, and seeing none she asked if there were questions from the committee.

Senator Christiaens: I have a question of Carrol Krause. Carrol, can you tell me what kind of a raise would be necessary to prevent any layoffs of those individuals that you said with the bottom line, would be laid off, with the freeze.

Carrol Krause: To prevent any layoffs? (Senator Christiaens indicated yes) Well, I'm going to be guessing because I haven't calculated it exactly, but I believe if the possibility existed whereby the Legislature can fund approximately 2% of our increase, through open positions and vacancy savings we could probably be able to reduce the number of layoffs significantly. I can't tell you that there wouldn't be any, and the 5% will still prevail. I think that many of the agencies through vacancy savings, if they can get at least 2% of the increase, would probably prevent a large number of the layoffs. We would probably be able to use the operation budgets, we would just have fewer equipment and would not buy as many books for the library, but it would certainly make our job much easier and

possibly we could make it with that amount.

Senator Regan: 2% of?

Carrol Krause: Of the 3.25, Madam Chairman.

Senator Keating: I would like to ask Mrs. Feaver a few questions. Ellen, what is the percentage of the union and the non-union personell that we are talking about?

Ellen Feaver: Madam Chairman, I've forgotten the exact figures. (consulted with someone) About 56% union in the aggregate.

Senator Keating: In the--we have contracts with the union members and we're talking about if the contracts are not being negotiated then the pay being frozen during these 18 days, and all that sort of stuff, that there'd probably be layoffs. Is there anything in the union contracts that would prohibit layoffs of union personell as opposed to non-union, or is this threat of layoffs to apply equally to union and non-union employees.

Ellen Feaver: There is nothing in the union agreements that precludes layoffs. There are specific ways that the layoffs have to be arrived at in those negotiated agreements, but management has the ability to look at the credible services and the most credible staff and make those judgements. It's not possible to say that the layoffs will be proportionate to the union and non-union people, but we can't be vindictive, we can't punish people for any reason. From everything I've been able to gather there'll be an across the board, they'll be all grades, low grades, high grades.

Senator Bengtson: I have a question of the University. Do all the Universities belong to bargaining units, and do all the faculty in a particular group belong?

Carrol Krause: We have 4 of our campuses that are for faculty that are under collective bargaining contracts. The campus at Butte, and the campus at Montana State University are not bargaining contracts. We do have craft bargaining contracts on those two campuses, but not faculty contracts.

Senator Bengtson: I have another question. I wasn't here on the question that Senator Christiaens asked about the percentage of--I didn't get the answer to the question, I didn't even really get the question.

Carrol Krause: Let me state it another way because I am not sure--maybe it was unclear the way I answered it. Senator

asked at what level could we avoid the major impact of the layoffs. You're currently in the appropriation bill scheduled for a 3.25% increase. My response was that if the Legislature would see fit to take 2 of those percents funded and ask the agencies to absorb the other 1.25 we could prevent considerable amounts of the layoffs.

Senator Regan: Excuse me a moment, because Senator Christiaens has an important bill up in taxation we will excuse him. He will be the one that will be offering the amendment that was prepared by the Legislative Council. Would you like to have the amendment prepared now although it will be offered later. We will not take executive action on this bill until all members are present. The other bills we will be acting on today, I think they are more or less routine, they are the first 3 you heard. So, I think at this time I will ask Ms Lane from the Legislative Council to explain the amendment.

Valencia Lane, Legislative Council. There are copies on the table to be handed out. There is a problem with the bill as amended by the House, and if you look at the blue copy on page 14, the new section 11 that was added in the House--what it does essentially, it says that if 95% of the collective bargaining agreements are not renegotiated by July 18, then all the employees including those who are not under the collective bargaining agreements will go back to the '87 pay plan. The problem with this amendment is that the bill itself deleted the '87 pay plan. So, what the amendment does, it says that they will go the '87 pay plan but the '87 pay plan is now the '86 pay plan. There is a technical defect and the bill as it is currently before you is faulty and it can't be allowed to exist as it is. It just doesn't work the way they intended the way they drafted the amendment in the House. What we have done in the Council and Greg Petesch and I worked on it in conjunction with the Department of Administration attorney and the head of the Personnel Division, Laurie Ekanger, and we run it by the Governor's office. Everyone is in concurrence that this works. It is rather complicated amendment and I will explain it as well as I can. What the amendments do if they delete the House amendment on Page 14, that language will be stricken from the bill. There will be a new, new section 11 in its place and that is the pay matrix that you see on the first page of the amendment, and that pay matrix is the '87 pay matrix as it was passed by the last session. It is right out of the book, it is 218 to 312. The rest of the amendment is in the effective date and we have put in a contingent effective date, a contingent termination date, and a contingent retroactive termination date. If you'll look at page 14, in addition to the new section 11 which will be the '87 pay matrix, you will also notice section 10 on line 10. That is the reduction in appropriation. What is important to remember that the amendment does, is the amendment says that the bill as amended with the '87 pay matrix in, the bill as amended --not the pay

matrix--all of the bill except the new pay matrix will be effective on July 1, the pay matrix will be effective on July 18, the new '87 pay matrix will be effective July 18, If 95% of the collective bargaining agreements have not been renegotiated on that date. The subsection 3 of the amendment on the second page says that if the contracts are not renegotiated by July 18 on that date, then the pay freeze, which is all of the bill except section 10 and 11, the pay freeze will terminate on July 18, the termination will be retroactive to July 1. Section 10 continues to be in existence as of July 1, that is the cut in the appropriation, and section 11, the '87 pay matrix as of July 1.

Laurie Ekanger, Personell Division said in response to a question from Senator Regan as to whether she had something to add, that no, she thought she was pretty smart to understand this, I'm not sure we can explain it, but the effect is that there is no salary impact on anybody. The freeze is effective, there is a freeze that goes until July 18, but if on July 18 all of these negotiated contracts haven't changed then all bets are off on the freeze and the pay is retroactive to July 1, so there are sections that take effect and sections that don't take effect all on July 18.

Senator Regan: I have a real problem with that, and I'm not an attorney, but if there is a contract in existence that takes effect as of July 1, it is a negotiated contract, and the state is bound by it, how can a--.

Valencia Lane: The effect of the amendments don't affect the collective bargaining agreements. If they are not renegotiated they go into effect on July 1 and stay in effect. These amendments affect all the employees that are not under union contract.

Senator Keating: When is the first pay day after the 1st of July?

Laurie Ekanger: The first full pay period ends July 18 so the arrangements would take effect for the check that comes out after the first pay period. So July 18 is the last day of the first pay period where they would get the first check.

Senator Keating: So, the effect of the freeze from the 1st to the 18th would not be realized at all because there are no payments being made?

Laurie Ekanger: Right.

Senator Keating: I guess that is the rationale that is behind this. I have another question in that vein. Mrs. Feaver, if I may--We were advised early on at one time that the state was prohibited by federal law from advocating the contracts or implementing the freeze--that sort of thing. Technically

speaking, what we are saying, in effect that there is a freeze between the 1st and the 18th, even though the effects will not be seen or felt in any way, shape or form until the 1st pay check, but technically--could we be charged in violation of federal law by stating that under certain conditions, yes--a freeze has been implemented.

Ellen Feaver: I don't believe that we would have the difficulty with that because no one has been damaged, as long as people go ahead and get the pay.

Senator Keating: We have no limits of liability at this stage and the punitive damages can hang pretty heavy.

Ellen Feaver: We certainly can be charged with anything at any time, but we looked at that and--.

Senator Smith: I would like a response from Tom Schneider.

Tom Schneider: I just want to make it clear because I don't want there to be any surprises. The major legal problem I think you have, and we will test it out, is whether you can take the funding away. Understand, when the contracts are made, they are not in existence until you appropriate the funds to fund the agreement. You remember last session--we had a contract with the Governor which was contingent, not upon you accepting the salary itself, but contingent upon you accepting the salary increase and appropriating the money to pay for it. The legal issue that will be tested down the road if this bill goes through, is do you really have the right to take the money out. That's not a threat. That's something that will have to be tested. There are court cases, there is a school case in Boston that says if you make a contract you have to fund the contract.

Senator Keating: Then if we accept this amendment and the contingency is that the '87 pay plan will be implemented and the money is there by appropriation then we have no worry about the legal action about that 18 day period.

Tom Schneider: Not during the 18 day period. Your problem will be that your bill takes the funding that you granted a year ago to fund the pay increases.

Senator Keating: But if we put the funding in the bill--.

Tom Schneider: If you put the funding in the bill then you don't have a legal issue.

Senator Keating:--these contingencies, then there is no problem?

Tom Schneider: That's right.

Senator Smith: If that is the case then we have a real problem with the school foundation program and a lot of other things

because we made the commitment to them too, so.

Senator Regan asked if there were further questions, and seeing none asked if Representative Spaeth would care to close.

Representative Spaeth: I'll go to the question of funding. That's an area that I'm not really very capable of addressing. I would have preferred not to have had any amendments on the bill. I was willing to rely upon the Governor's veto to avoid any inequities between union and non-union, but some of the House were concerned that they weren't willing to rely upon the Governor's veto and that is why we came up with what we came up with. We had problems coming up with it. I think that this probably as adequately addresses as we can have. The question as to funding, we can continue to work on that before you take executive action and see if we can have a more thorough answer but it is an extremely complex area and I'm not sure if anybody could adequately answer it to be very honest with you. I don't see it as a major problem, though. It is 18 days, you can sue all you want but 18 days is not a very long period of time as far as the legal profession is concerned, and you're not going to get any clear cut answer and I don't see any punitive damages or anything like that because I don't see any harm here in the event that we go back, so it may be one of those no pay-no harm situations that you have, but we'll continue to work on that. The amendment, I think, is a good amendment. If you don't delete section 11, and I am not asking you to because I made a commitment to go with the philosophy in section 11. This is a good amendment if you leave in the philosophy of section 11 and I would prefer its adoption if you are willing to consider the bill.

In closing, and I won't hopefully, take very much of your time because we've been here and discussed a lot on this particular bill, although today, and we've heard this 3 times, and I guess it is a little problem for me, I think the rhetoric was a little harsher today, and I had hoped that maybe the rhetoric would be a little more conciliatory today because we have tried to be conciliatory during this whole process because we are faced with awful difficult decisions and I know that they are faced with awful difficult decisions and I just don't think harsh rhetoric is what we need right now. I think that we need to be as reasonable as we can within the parameters of what we represent, and I guess that's difficult for me to understand, I guess the increase in the rhetoric here. The one thing and we've heard it over and over and over again, in fact I'm almost getting tired of hearing this word and it's called reality, but I'm going to draw upon that word in my closing, is reality. One, we have our reality, our reality is that we have a lot to do and very little time left to do it. The other day I had 5 proposals--alternatives--that we could go through, we as a legislature and maybe the participants in the unions could look at. The first one was the freeze, the bill that you have before us. There is \$8.1 million involved in that freeze. The

second was layoffs and the third was tax increases. The fourth and fifth I don't think are before us anymore--I put them to the side. Maybe I should add a fourth one, and I hope that we can still do some negotiations, but I am not sure that is still a viable fourth, but I hope it is. Of the freeze, none of us here want to do a freeze. We don't like it, no one here would like to do it, but I think at \$8.1 million, it is part of the Governor's program to balance the budget, I haven't heard any other programs to help balance the budget. I would like not personally to support any of the programs in the Governor's budget, but I'm probably carrying what I consider the least desirable of the Governor's package and I am here before you because of that. The second bit of reality that we have to deal with is on the tax side. My understanding with what you have done here in the Senate, there is basically only one tax bill alive and half way well at this time and that's the gas tax and I understand it's not raising \$24 million, it is raising something less than that, so we do have a little problem on the tax side. I don't know if there is other options to bring forth \$8.1 million in addition to whatever we have lost in the reduction in the gas tax bill, and that's the part of the reality we have to deal with. I don't think taxes are an option to us any more. So that brings us to the second option that I have and that's the reality of layoffs. I guess that's why I decided to carry this bill, because I worked in state government, many employees in state government are my friends, and I don't want to see any layoffs if I can avoid it. That's why I am hoping that the different opponents that you've heard here today will look and think about those 5 to 700 layoffs that they mentioned. Layoffs are undesirable to me because if you have to look a person in the eye that's getting their layoff notice and say that next week is going to be your last day of work here, I don't think that is a very nice thing to have happen. It's good to say 5 to 700, but those are real people out there. Those are real people with real families and real bills and real mortgages that they have to take care of, and that's a human factor that I don't think we can make, and that's why I hope that all of the people who are involved in this particular bill will continue to work to see if they can have some solutions. I still ask the opponents today not to increase their rhetoric, not to become harsher in their approach to this bill, but to sit down and see if we can come up with something --particularly to those 5 to 700 people. It's not a good choice for any of you, but it is some of the reality that we're facing and it's a tough pill and we only have 3 more days to go and I know you in the Senate have some tough ones ahead of you. We in the House have many tough ones ahead of us and none of us are looking forward to it. That's why I would urge your passage of House Bill 31 and urge all the parties that have an interest to come together and see if they can work out the problems that they have with this bill on behalf of those 5 to 700 people that are affected by that hard fiscal reality. Thank you.

Senator Regan: This closes the hearing on House Bill 31, and I would like to thank all the witnesses and the people who came to observe. The remainder of the bills I think you will find fairly easy going. We will go to House Bill 2 by Representative Eudaily.

CONSIDERATION OF HOUSE BILL 2: Representative Ralph Eudaily, representing House district 60, Missoula, and sponsor of House Bill 2 for the Legislative Council committee. I'm bringing you a very small ray of sunshine today in your budget deliberations because House Bill 2 appropriates 500,000 dollars from the Legislative Council Montana Codes Annotated special revenue account to the general fund for fiscal year 1987. Montana Codes Annotated account was originally started in the fiscal year 1979 with seed funds of \$426,151 from the general fund. This money was put in there over a 2 to 3 year period. This is kind of a repayment with a little interest of that appropriation. Over the past 4 years the account has become self sufficient with revenues exceeding expenditures, now the Legislative council feels they can operate without keeping this seed money in this account. This transfer is also in the Governor's and LFA proposal, I just might say that if you have any trouble with this transfer the Legislative Council Committee would be glad to hold this money for you a little while longer.

There were no proponents, no opponents, and Senator Regan asked if any questions. Seeing none she asked if there was any action the committee wished to take.

DISPOSITION OF HOUSE BILL 2: MOTION by Senator Jacobson that House Bill 2 be concurred in. Voted, passed, Senator Kolstad to carry the bill.

CONSIDERATION OF HOUSE BILL 10: Representative Abrams, District 24. House Bill 10 is a bill for an act entitled an act transferring and appropriating money in the capital projects fund to the Long-Range Building debt service fund, amending section 17-5-422, MCA; and providing an effective date. I am carrying this bill at the request of the Department of Administration. For the sake of time, your time as well as mine, I would request so there is time for the proponents, that I let Mrs. Feaver explain the bill. I would like the right to close.

Ellen Feaver, Director, Department of Administration. This bill is to delay the Capitol renovation project, but it is essentially to cancel it until you determine when you would like to appropriate money again to do the project. The 1980 session--as a matter of fact, the 1981 session there was appropriated by the Legislature some \$6.7 million for Capitol renovation. \$5 million worth of long term bonds were sold to fund the Capitol renovation, and the interest earnings on that \$5 million were added to the \$5 million to come up to the \$6.7 so that the total

amount of the appropriations funded from bonds and interest. Subsequent to that time the interest on that \$5 million that was unspent went into the cash program for allowing the building projects and much of that was appropriated by the last session for various projects, capitol building projects--mostly maintenance. As you know Capitol renovation project had a long story. You were able to agree and the Long-Range Building Committee and the Department invested some \$1.7 million in work on the Capitol. You could say that \$1.7 million of the bonds were invested, or you could say it was the interest earnings, and it really doesn't matter, but with that money we restored some of the stone work on the outside of the building, we installed an elevator, a new stairway, and did various kinds of things. Remaining in the appropriation now is \$5.1 million. In looking at the very painful things that you had to do this session it seems like this was one of the least painful. It still--there is no agreement as to what would be done with that money so far as renovating the Capitol or anything else. In addition we have had this \$5 million of bond proceeds or whatever remains from it invested, it was tax-exempt debt. We've had it invested in taxable securities, earning interest over time and we're at the point where we're going to have to stop earning that excess interest or return it to the federal government under internal revenue codes, if we don't do what is proposed in this bill. We've certainly had a lot of legal counsel scrutiny on the proposals of this bill, we have had legal opinion from our bond counsel, Johnstone and Dorsey-Whitney in Minneapolis saying that in looking at the constitutional question of whether or not you can issue state debt and then do what is proposed to do in this bill with it, the answer in his opinion is yes. There is probably no enabling act, and there are no other legal problems, but because the debt was authorized by 2/3 vote, and because of the constitutional parameters here the bill does require a 2/3 vote for passage, and we got that in the House, I think there were only 4 that voted against it. What we propose is taking the money, putting it in the debt service account which will then relieve the general fund of having to make that debt service. So, you are taking the bond proceeds and you are putting it back into the account to pay for the bonds. Over time then, the general fund will pick up the responsibility for paying the future years debt service. That amounts to between 6 and \$700,000 for about 7 or 8 more years--through 1995 it's about \$600,000 each year and then the final payment is \$167,000 in 1996. Heretofore, the Capitol Land Grant has been used to pay the debt service on the bonds. One of the questions that was raised was do we have a problem then, with the Capitol Land Grant money which is restricted just for benefiting the Capitol complex, buildings in the Capitol area. Do we have a problem with that Land Grant money, having paid off these bonds to this

point. Well, the answer is no because there are a certain number of other buildings that the general fund is paying off, and you could say that really, when we put the Land Grant in the debt service, that was to benefit the DNRC building, the Justice Building or the other buildings on the campus. The general fund will certainly get a good deal out of this because it will get about \$5 million and over time -- until 1996 -- the total interest and principal remaining on the debt is \$5.1 million, so it is a very good deal for the general fund. In the future the Capitol Land Grant fund can be pledged toward paying existing debt or it can be allowed to accumulate so that you can once again consider Capitol renovation or any other project on the campus. I would be happy to respond to any questions that you might have.

There were no further proponents, no opponents, and Senator Regan asked if there were questions from the committee.

Senator Boylan: Is the outside--have they finished that yet? The restoration on the outside.

Tom O'Connel, Department of Administration, Administrator of the Division of Architecture and Engineering, said it is basically done. We are having a few problems with some of the work that was done, and tomorrow we are having a meeting with the contractor to try to resolve the 'punchless' items as we call them and then we will be done with the work on the outside.

Senator Bengtson: Does this mean that the Capitol Improvements committee is terminated and we don't have to listen to any more arguments about where we move.

Senator Smith: I have a question--I would make a comment first. As you know in the past we have had a lot of problems with contractors and their work on public buildings. Is there some protection in this so we're not going to be asked for a supplemental to correct some of the problems that the contractor should have taken care of in the first place?

Tom O'Connel: The work that we will be meeting with the contractor on tomorrow, is still part of the original contract. We have not paid him for that work. We are withholding that until they make the corrections to our satisfaction. They were not paid.

Senator Smith: I did mention this the other day, and I guess I should get an answer on why the new building that the bids were let on down in Warm Springs--when we are in this kind of a budget crunch, why wasn't that building included in the request here?

Ellen Feaver: That building is a building that in our judgement was authorized by the Legislature, the funds were there,

the planning was done, the building was needed, it was very important to the state of Montana, and we went ahead.

Senator Smith: I just want to make one comment. In the response to your statement, and that is that I feel this is no different than the original appropriation to make the renovation. I just feel that if they were going to stop this funding they should also have done that because we may end up down the road without the necessary funding even without the necessary construction we are now doing, and --(Senator Jacobson at this point was acting Chairman) Could I get a documented statement from the Department of Administration of why this construction went ahead while we were in this kind of budget crunch.

Ellen Feaver: I don't think there is any more to say. The building was authorized, we went ahead.

Senator Himsl: Ellen, I think you mentioned the bond counsel has approved this and they've checked the constitution. Can you share with us the reason you would take this bond for Capitol improvements and take it into the general fund. Would you do that?

Ellen Feaver: Senator Himsl, the bonds were G O bonds, and any buildings don't back up the debt. The general taxing authority of the state of Montana backs the debt, so whatever we do with the bond proceeds is not a consequence, and does not impair the contract we have with our bond holders. Our legal opinion did address that.

Senator Himsl: Forgive me for asking you these questions, I am trying to find out what flexibility there is in this because there are other issues like a school bond for building can they use that interest for other purposes too?

Ellen Feaver: I'm no legal counsel, nor certainly can't speak as an authority for you on bonding, but my understanding is that when you have general obligation debt that the building or whatever you are going to do with that money is of virtually no consequences to the bond holder. For G O debt, what you're relying on is the revenue stream of the state of Montana. On the contrary, when you build a dormitory at a University, then you are ordinarily selling revenue bonds, and then you have to use your bond proceeds to produce that revenue stream.

Senator Himsl: But you have counsel opinion saying that you can take the bonds that were issued for building Capitol improvements and it is not used there, we can use it here.

Ellen Feaver: Right, and essentially, you know, this is the very safest thing we could do with it, because we are taking the proceeds from the bond and we're putting it into the account

that pays off bonds, and so that is the very safest thing that you could possibly do with the bond proceeds--putting it into the debt service account.

Senator Himsl: But it relieves--does this go ahead into the general fund then?

Ellen Feaver: No, it goes in the debt service account to make the next G O debt service payments. The impact is that the general fund doesn't have to make those payments.

Senator Keating: Aren't we in essence, borrowing money to finance state government? We sold bonds, we have a debt obligation, now we're putting that obligation into the general fund to finance the state operating costs so what we're doing is violating the constitution which says that we will incur no debt for current expenses.

Ellen Feaver: Our legal counsel specifically addressed that. No, that's not what it amounts to because we are taking the debt and putting it into the debt service account. That argument could be made if we were putting it in the general fund, but still--

Senator Keating: The fiscal note says it will be in the general fund.

Ellen Feaver: The benefit will be in the general fund.----May I just add one more thing. Greg Petesch on the Legislative Council staff is also working on these legal issues and is working with the bond counsel. If you have any further legal questions he would be a good person to talk with, or I'd be happy to make our bond counsel available by telephone.

Senator Smith: I would just like to make one other comment. That is in regard to the construction. Taking the money out of the budget to build another building. The statement was made that we had made commitments. We had not made commitments because that contract was let on the 28th day of May. However, we are always talking about the commitments we made to state employees that we would pay that amount of money, we made commitments to the school foundation program that we would fund that, now we are not going to be able to fund those programs and also to fund the block grant programs, we may now end up in court, but at least we added to our problem on the 28th of May by letting that bid. I think the committee should understand that and the public should understand that.

DISPOSITION OF HOUSE BILL 10: MOTION by Senator Gage that we do concur in House Bill 10. Voted, voice vote, with Senator Smith and Keating voting no, the motion carried. Senator Gage to carry the bill. Senator Regan returned and the committee reconvened at 11:22 a.m.

CONSIDERATION OF HOUSE BILL 22: Representative Sands, House District 90 in Billings. The bill I bring to you today is House Bill 22. It's some good news. I think we've all heard a lot of bad news and had to make some tough choices in recent days and this is a bill where we have an opportunity to have some good news. What this bill authorizes, is 1 and 2/3 million dollars to be spent for home weatherization in fiscal year 1987. The source of the money is a \$2 billion dollar judgment that was entered upon Exxon Corporation. It had overcharged when energy prices were regulated, and the federal law provides that these funds will be proratably returned to the states in proportion to their energy consumption. Montana's share of that \$2 billion settlement is now approximately about \$10 million. What this bill proposes is that we'll take 1 2/3 of that and use it for home weatherization. I should add that the federal law provides that the money can be used only for energy conservation type programs and the money can be used only to supplement existing programs or have new programs. It cannot be used to surplant existing state programs, and as I said before, it can be used only for energy conservation type projects. What we propose is the 1 2/3 million in 1987 so we can get to the work of providing home weatherization in this fiscal year. We can begin in this winter. There is an existing program in this state for home weatherization, the money is disbursed out to all 56 counties, it goes to private contractors and HRDC's to do the installation. We estimate that approximately 1100 homes will be able to be weatherized with this, it's a good bill, we've got the money there, and I think that now is a good time to spend it because we have some economic difficulties in the state. I urge the committee to adopt the bill.

PROPOSERS TO HOUSE BILL 22: John Lahr, Montana Power, and I am here to express their support for House Bill 22. It's hard to visualize things like low income assistance and weatherization programs when it's about 140° warmer today than it was during the coldest days in Butte last winter. This bill is a one time wind-fall, in a sense, for Montana. It provides weatherization without the expenditure of state funds, conservation is the only long term solution of this federal and state governments have been generous with the low income general assistance funds in helping low income pay their bills and keep the heat on, this is a long term solution in that those low income dwellings, once they are weatherized should reduce heating costs for a long time. Sheila Rice from the Great Falls gas company made a very fine presentation the other day in the House Appropriations committee which I wish you could hear, but she was probably not aware of the scheduling. But at any rate, I think I can say on the behalf of that company also that they are very much interested in this program and it would be a good way to spend the money. As you probably see from your blue bill, the original \$5 million which was requested and which was spread over 3 years was reduced to \$1.666 in order

to provide for a one years program and every one decided that that was a Solomen like decision to help meet the objections that the budget director brought up, and we certainly concurred with that decision and would ask for your support.

Jim Blodecheck, MDU Resources group, and we too, would like to go on record as supporting House Bill 22.

Mike Fieldman, Director of the Human Resources Development Council in Havre. As Mr. Lahr mentioned, Sheila Rice had given very good testimony in the House. Sheila was not available for the testimony today, however she did ask me to relay to you copies of her testimony on the bill that she gave before the House Committee. (Attached, exhibit 1, H. B. 22)

Jeff Rahn, with the Bozeman Human Resource Council, and I'm here to support House Bill 22. As you know the dollars to fund this bill are the second of probably three settlements coming from the oil overcharge of the late 70's. As Representative Sands had already indicated, the dollars cannot go into the general fund, we cannot use the dollars for supplanting existing programs, we can only use them for 5 designated activities, in which home weatherization is one. I want to take the time to explain briefly, how this would impact those monies and how the HRDC's operate this program. This bill gives us a chance to live up to the spirit and the intent of the Exxon oil settlement, it also gives us a chance to put a determined amount of money into our local economies. How we operate the program in Bozeman, is using the existing private sector as well as most of you knew a long time ago--we do not hire any staff, we contract these retrofitting activities out to existing contractors, the money goes directly into the economy, either through the contractors to buy materials necessary to do the work or the insulation companies. We projected that with the original authorization of \$5 million we would be able to create over 200 jobs as well as put over with the multiplier effect of 4, over \$13 million into the local economies. I want to stress that none of these dollars are for administration, that it will all go into the benefits of the clients and the homes that weatherized. In Park County, one of the counties I serve, it is our intent that the jobs that will be created will either be targeted for the B N layoff workers or for someone of the general assistance people that need that kind of assistance. People have indicated in the prior committee that we should prioritize this money similar to what we do with the RIT program or the Long Range Building plans. Although there is some merit in those comments, I would like to point out that this is a one time settlement, it is not an on-going program, which I think some of those arguments break down. We've also done the allocation of these funds before 4 years ago when we had the first round on the oil overcharge fund. The bill in its original intent of \$5 million still leaves half the money available to go into local schools, hospitals, institutions--for that kind of energy conservation. The final comment that people say is

wait a little longer to establish these priorities or find out what congress is going to do with the low income energy assistance program. From all indications, beginning this October, that program is fully funded. I would also like to point out that the state currently has a surplus in that program, the number of clients they served last year went down about 3%, so there doesn't seem to be the demand on that program that there was a year and a half ago. Also, the first amount of oil overcharge money is still in that surplus from 4 years ago. All this is leading up to my final comment which is--I would urge the committee to reconsider the original amount of the bill and make it effective July 1st and get that money out in the local economies as soon as possible and try to create some jobs and stimulate those local economies as much as possible. I would be glad to answer any questions if you have some. (Exhibit #2-HB 22 attached)

There were no further proponents.

OPPONENTS TO HOUSE BILL 22: Dave Hunter, Director Office of Budget and Program Planning, said I think as I told the House committee this is a good bill you are just hearing but about 7 months too early. This Legislature has asked the Executive branch to come to you with a prioritized list in a number of areas. In RIT, in Cultural and Aesthetics projects, in the Long-Range Building Program, you've asked us to go through a RFP process, you've asked us to go through evaluation criteria, you've asked us to come to this Legislature and present to you a defensible plan to spend money when we allocated them on projects. We are in the process of doing that with the Exxon Oil overcharge money. We have advertized for our RFP's, we have received applications from agencies, we were in the process of reviewing those as we started to prepare for the special session and it is our intention to bring to the '87 regular session an allocation for all \$10 million of the Exxon Oil overcharge monies, based on those RFP's, based on evaluation--so that you can look at all of the alternatives and you can decide how that money ought to be spent. This piece of legislation goes exactly the opposite direction from what this Legislature has asked us to do in those areas, and takes in its current form a million 6 and takes in the version that Mr. (Rupp ?) would have you amend in its original \$5 million right off the top, it says give us our money first, don't make us compete with other uses of the money--you know--make everyone else compete with what is left, but give us our money now off the top. I think that is a very different direction than where this Legislature has gone, in the past, the direction that you have clearly given the Executive branch. Because of that process we are opponents to this bill. Now, I would argue to you also that Mr. Rupp's comments about --there is no problem this fall, but we have this fully funded is not exactly true. LEAP is apparently going to be funded in both the House and Senate versions of the budget

as you know, of course the Federal budget is on a one year basis. The concern that we have is that LEAP like other programs may be subject to a significant cut October 1 as a result of Gramm Rudman. If that happens we would have the alternative in the '87 regular session of using the Exxon Oil overcharge monies to plug the gap in LEAP so that we would not have to take low income energy people off the LEAP rolls. If you spend \$5 million of this money, you may be faced with the choice in the '87 session of putting general fund money in to make up the loss of federal funds in the LEAP program or taking people off those low income energy assistance rolls, and I don't think that's a choice that either those of us in the Administration or the Legislature would look forward to making--particularly in a time of short general fund monies. Energy conservation for schools and hospitals, energy conservation for demonstration projects, perhaps including the Capitol building, low income energy assistance as well as weatherization are the other programs that are eligible. We think it makes sense to say--is this money better spent, given the other things we are doing in the Foundation Program in Education, doing some conservation in schools so that we can offset some of the general fund costs of the school districts--those are the priority choices that you are deciding not to even evaluate, by passing this kind of a legislation. I guess I would suggest to you that in its amended form, in its \$1.6 form that the bill is much, much less objectionable to us. I think it is likely that we would recommend to you in the '87 session that at least some portion of the weatherization go to weatherization, so I have a lot less problems with the bill with the \$1.6 million level than I do at the \$5 million level, but I just think you ought to know that passing this bill reverses a direction that I think this committee, particularly the Long Range Planning subcommittee has clearly given the administration regarding other projects, and we oppose the bill for that reason, Madam Chairman.

Senator Regan asked if there were other opponents to House Bill 22 and since there were none she asked if there were questions from the committee.

Senator Keating: May I know from somebody what other four areas where the money can be spent are?

Representative Sands: Yes, it can be used for low income weatherization, that's this program--state energy conservation programs, energy conservation investments in schools and hospitals, energy conservation outreach programs to small businesses and individual consumers and low income energy assistance programs.

Senator Bengtson: Now these go to the HRDC's in all these different locations, how are they prioritized? The allocation of the grants that you will be giving.

Representative Sands: Well I don't know the exact mechanism

that they use to do it. Maybe someone from the HRDC would be better able to answer that question. I know that it goes to 56 counties and I know they look at things like low income and whether or not they're senior citizen, whether or not they're handicapped, and--

Senator Bengtson: Any set criteria in all of the counties or do they all handle it differently?

The HRDC gentleman from Bozeman said yes, there is--the eligibility priorities for home weatherization are tied to the general assistance program and that a benefit is given to the elderly home owners, handicapped home owners, and it is tied to their LEAP benefits, so the higher the fuel assistance benefit the more likely is that your home will be the top on the weatherization program.

Senator Bengtson: How long has the LEAP been in effect and when are we going to phase this out? Or do we go on forever?

HRDC man, The LEAP program? (yes) You are asking me a question of Congress, I really don't know. As to how long it has been in effect--I am guessing as well, I've only been in the HRDC a few years.

Senator Keating: I can shed a little light on that. The Low Income Energy Assistance Program was given birth with the windfall profits tax on oil. There is no more windfall profits tax on oil because of the current price falls and there are no more funds for Low Income Energy Assistance.

Senator Bengtson: Excuse me, are there any plans to phase this out? Does anybody know? Because of no windfall profits on oil?

Senator Keating: Looking to the depths of Congress--

Senator Himsel: I was just going to add that windfall profits tax is triggered in when oil gets to be \$19 a barrel, so we don't know whether it is going to be in or out, but it triggers in at 19. I paid some of that too. My question is to Representative Sands.-- I am curious as to the balance of this \$10 million, where is that. Does the state have it? I'd like to uncover it if it is here.

Representative Sands: I understand that the money was sent to the state in March or early April and it is in their account-- kind of like an escrow account and any of the interest that accumulates on that fund can be used only for the purposes that the principal can be used for, so you can't use it to balance the budget or use it for general funds or anything like that. Interest, as I understand, can be used only for the same purpose the principal can.

Senator Smith: I have a comment and that is in regard to retrofitting or any energy retrofitting the state buildings, our subcommittee out of RIT monies, we appropriated, I believe, \$400,000 for retrofitting state buildings, so I thought the committee should know that the state already has money for retrofitting.

Senator Keating: What is the amount appropriated by this bill now?

Senator Regan: It's on line 21, page 1. \$1, 626,000.

In closing, Representative Sands said he would just like to say that it is important to remember that this is not public money, it is not money that was raised through tax revenues, it is money that was taken from the people unlawfully, and we don't have a perfect mechanism to return it to them, but I think that we should return it to them as quickly as we can, particularly in times of economic trouble, and that this program of all of the five that we are talking about, is really the only one that is broadly based where the money goes out to all of the 56 counties and where the money is used primarily for private people to create jobs, therefore, I think it is the best use of the money. It is a relatively small portion of the total \$10 million project, and if we are going to spend the money this winter--use it this winter, I think we've got to appropriate the money now.

Senator Regan said thank you and this closes the hearing on House Bill 22. I think we will go ahead and hear, as long as Representative Ream is here and this may require a little discussion. We will take up House Bill 23.

CONSIDERATION OF HOUSE BILL 23: Representative Ream, chief sponsor of House Bill 23 said the purpose of this bill is to accomodate the transfer of uncommitted Coal Board funds to the general fund. It would transfer \$680,000 in fiscal year '86 and \$1 million in fiscal '87. The Coal Board requested that this bill be drafted and they did so at their May meeting and it subsequently became part of the Governor's budget. I am on the Coal Tax Oversight Committee, and I guess that's why I was asked to carry the bill. They have not had some of the large scale developments that have strained their services in the past and as we know right now there haven't been any major new start-ups. By sponsoring this bill I am not saying, or suggesting that we should not be supporting the up-front impacts that do result, or come about because of large scale developments, in fact I support that idea, except at the present time we do have a surplus and the Coal Board has recommended that it could be used during the emergency we face now in the budget situation. That is what this bill does provide. Mr. Hershel Robbins from the Coal Board did testify in the House hearing, but could not be here, so Murdo Campbell, the director from the coal board will address the committee.

Mr. Campbell, administrative officer of the Montana Coal Board and I am appearing here to read testimony from Hershel Robbins who is Chairman of the Coal Board and a county commissioner from Musselshell County. (This testimony is attached as exhibit 1, House Bill 23) (He read this aloud and then continued)

I would like to take just one about 30 seconds to read a letter that the Chairman read to the committee--the House Committee. The letter is from C. L. Robbin, Superintendent of Public Schools, Lame Deer Public Schools. Dear Board Members: On behalf of the Lame Deer Public School District, I would like to express gratitude to the Montana Coal Board for all they have done for Lame Deer Public School. The most recent decision to deny funding for the Lame Deer School District was certainly an acceptable decision, realizing the financial restraints under which the state of Montana is operating at this point. We feel your judgement was justifiable and in the best interests of the state of Montana for whom you serve. We of course, hope the state of Montana's committed funding is continued in future years. Thank you again for your graciousness and concern for the students of the Lame Deer Public School. C. L. Robbin, Superintendent.

There were no further proponents, no opponents, and Senator Regan asked if there were questions from the Committee. Representative Ream merely said, I close. Senator Regan said we have just a few minutes, and if it is the wish of the committee we might consider these bills. We can have an hour and a half lunch and still make the session at 1:30.

DISPOSITION OF HOUSE BILL 23: Motion by Senator Manning that we concur in House Bill 23. There was no discussion.

Question was called, voted, voice vote, passed.

DISPOSITION OF HOUSE BILL 22: Motion by Senator Smith that we do concur in House Bill 22.

Senator Hammond: Could someone answer why District 1 and District 3 there will be no impact?

(ans) The reason is that they are combined. HRDC district because of the population basis. District 1, 2 and 3 are combined in one HRDC so those figures represent all three.

Senator Hammond: It represents 1, 2 and 3?

(ans) Yes, that one district, that's right.

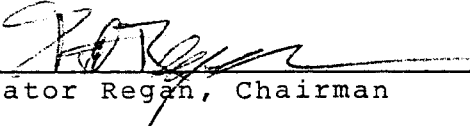
QUESTION was called on the motion to concur in H.B. 22, voted. passed, Senator Story voted no, remainder yes.

Senator Regan said we will recess subject to the call of the chair, and I suspect if we don't go too long we will come down

Finance and Claims
June 25, 1986
Page 27

and consider the pay plan. I think we really have to address those amendments and have some discussion. I think that Senator Haffey is going to have an amendment, and hopefully we can move that one way or another today.

The meeting was recessed, subject to the call of the chair.



Senator Regan, Chairman

sk

ROLL CALL

SENATE FINANCE AND CLAIMS COMMITTEE

49th LEGISLATIVE SESSION - - 185

Date 6-25-86

| NAME | PRESENT | ABSENT | EXCUSED |
|------------------------|---------|--------|---------|
| SENATOR REGAN | ✓ | | |
| SENATOR HAFHEY | | | ✓ |
| SENATOR JACOBSON | ✓ | | |
| SENATOR AKLESTAD | ✓ | | |
| SENATOR HAMMOND | ✓ | | |
| SENATOR LANE | ✓ | | |
| SENATOR CHRISTLAENS | ✓ | | |
| SENATOR GAGE | ✓ | | |
| SENATOR HIMSL | ✓ | | |
| SENATOR STIMATZ | ✓ | | |
| SENATOR BOYLAN | ✓ | | |
| SENATOR STORY | ✓ | | |
| SENATOR SMITH | ✓ | | |
| SENATOR MANNING (Dick) | ✓ | | |
| SENATOR BENGTON | ✓ | | |
| SENATOR KEATING | ✓ | | |

DATE 6-25-86

COMMITTEE ON Finance and Claims

VISITORS' REGISTER

| NAME | REPRESENTING | BILL # | Check One | |
|--------------------------------|----------------|--------|-----------|--------|
| | | | Support | Oppose |
| <i>[Signature]</i> | MPEA | HB 31 | | X |
| Jim Mc Jamney | MFT / MFSE | HB 31 | | X |
| Bruce H Carpenter | EMC | | | |
| M Monte A. Campbell | Mt. Coal Board | HB 23 | X | |
| John Alah | MPC | H 22 | X | |
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House Amendments
500-700 Layoffs



THOMAS E. SCHNEIDER — EXECUTIVE DIRECTOR
PHONE (406) 442-4600
P. O. BOX 5600 1426 CEDAR
HELENA, MONTANA 59601

Mr. Chairman and Committee Members:

My name is Thomas E. Schneider. I am the Executive Director of the Montana Public Employees Association, an association representing some 7000 public employees in the State of Montana.

MPEA's position from the beginning has been to protect the salary increases which were negotiated in good faith and funded by this legislature in good faith. While that statement may be unpopular and our concern for layoffs is paramount, the contracts simply cannot be opened. — *Membership position*

State employees have suffered in the past and continue to suffer. Since 1975 salary increases have barely exceeded half of the CPI increases and last year the salary increase was only 1½%. Last year employees received a step "freeze".

Legally, there is a question as to whether you can freeze wages of those covered by contract, thus impairing the contract. If you choose that option we would let the court make that decision. For us, to open the contracts would, of course, leave us with no protection whatsoever. Once the contracts were opened we would have no protection nor could any legislative committee give us any. We would run the risk of never reaching agreement on a new contract or, worse yet, having salaries cut instead frozen. MPEA simply will not do that nor will its members accept that risk.

If you are to freeze the wages of state and university employees and at the same time pass the Governor's proposed gas and utility tax proposals you will be taxing state and university employees 3.25% higher than any other citizen of this State. THAT'S NOT FAIR....

How do we propose to receive this increase and not layoff any employees?
We are proposing an early retirement option which would allow employees who have

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 6-30-86

BILL NO. HB 31

T. Schneider
#30
6/30

completed 25 years of service or are age 55 and have completed 5 years of service to retire without penalty. As you know, PERD is the only system of the eight state retirement systems that penalizes employees who retire with 25 years of service. This bill would correct that inequity but only for a six month period. It is the same concept that has been used by many private sector corporations who have found themselves in the same position Montana is currently in.

The number of state, university and local government eligibles is approximately 1980. If, as a result of the very short period of time to take advantage of the option, a fourth of those eligible take early retirement, that would be approximately 500 employees out of employment. They would leave happy and with a monthly retirement check whereas those layed off would leave in complete despair and draw unemployment and welfare. We are asking you to explore that humane method before you cast these employees adrift.

Thank you very much for the opportunity to appear. I want you to know that we fully understand, probably better than anyone in Montana, the seriousness of the job this legislature has to do in the coming weeks. We will be here to assist you in any way we can.

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 06-25-86
BILL NO. H.B. 231.



MONTANA FEDERATION OF TEACHERS
 AMERICAN FEDERATION OF TEACHERS, AFL-CIO



Box 1246

Helena, Montana 59624

(406) 442-2123

Jim McGarvey
 Executive Director

*copy for
 Dale Jim McGarvey
 HB 31
 6-25-86*

TESTIMONY OF JIM MCGARVEY, EXECUTIVE DIRECTOR, MONTANA FEDERATION OF
 TEACHERS/MONTANA FEDERATION OF STATE EMPLOYEES, AFT, AFL-CIO ON HB 31
 PRESENTED TO THE SENATE FINANCE AND CLAIMS COMMITTEE

My name is Jim McGarvey and I am the Executive Director of the Montana Federation of Teachers/Montana Federation of State Employees, AFT, AFL-CIO. I appear before you today to ask you to oppose HB 31. This bill would rescind the salary and benefit increases negotiated in good faith for state employees. Not only is HB 31 bad public policy, but it violates Article 2, Section 31 of the Montana Constitution which states:

"No ex post facto law nor any law impairing the obligation of contracts, or making any irrevocable grant of special privileges, franchises, or immunities, shall be passed by the legislature."

On behalf of our members I ask that you instead consider measures that would raise the revenue necessary to fund the pay plan approved by the 49th Legislature. Dedicated state employees have been willing in the past to pay their fair share of taxes and continue to be willing to pay their fair share. We realize that the state of Montana is facing a fiscal crises. We at the MFT have a long-standing commitment to fiscal responsibility. In fact, in every year but one of the past 11 years pay increases for state employees have been below the rate of inflation.

I have for the committee a comparison of the inflation rate and the state employee pay plan increases for the past 11 years. As you can see, our members have clearly sacrificed and will continue to sacrifice in order to help balance the state budget. Negotiations are a long and complicated process that our members have participated in in good faith -- we've played by the rules. We have made trade-off's at the table to get the small increases that were agreed to for this coming year. For this Legislature to cancel these contracts mid-term is unnecessary, illegal and just plain wrong.

It is equally unfair to engage in the economic blackmail which threatens state employees with massive layoffs unless they agree to break their contracts and accept a wage freeze. It is the responsibility of the Legislature to determine the number of positions necessary to provide services to the people of this state. To lay that responsibility on the step of state employees by demanding that they give up their wage increase in order to save the jobs of co-workers is unreasonable and irresponsible.

Jim McGarvey testimony (cont.)

The people of the state of Montana have come to expect a lot from state government, including quality schools, good roads, an outstanding park system, secure prisons, dependable health care and much more. And for years — thanks in part to the hard work and dedicated efforts of public employees — the state of Montana has provided it's citizens the high level of service they deserve and expect. Dismantling programs, risking the loss of talented employees and denying opportunity and quality in our children's education may impose a cost on Montanans far in excess of any short-term savings.

It is not our desire to blame anyone for this fiscal crisis nor should we be blamed for it. It is important to understand that there are some Montanans who are not to blame for this crisis and who should not be expected to shoulder the burden of resolving it.

Surely the children who attend our schools are not to blame. The people in our institutions and the Montanans who receive state services are not to blame, and certainly the state employees who provide these services are not to blame for this crisis.

Thank you.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

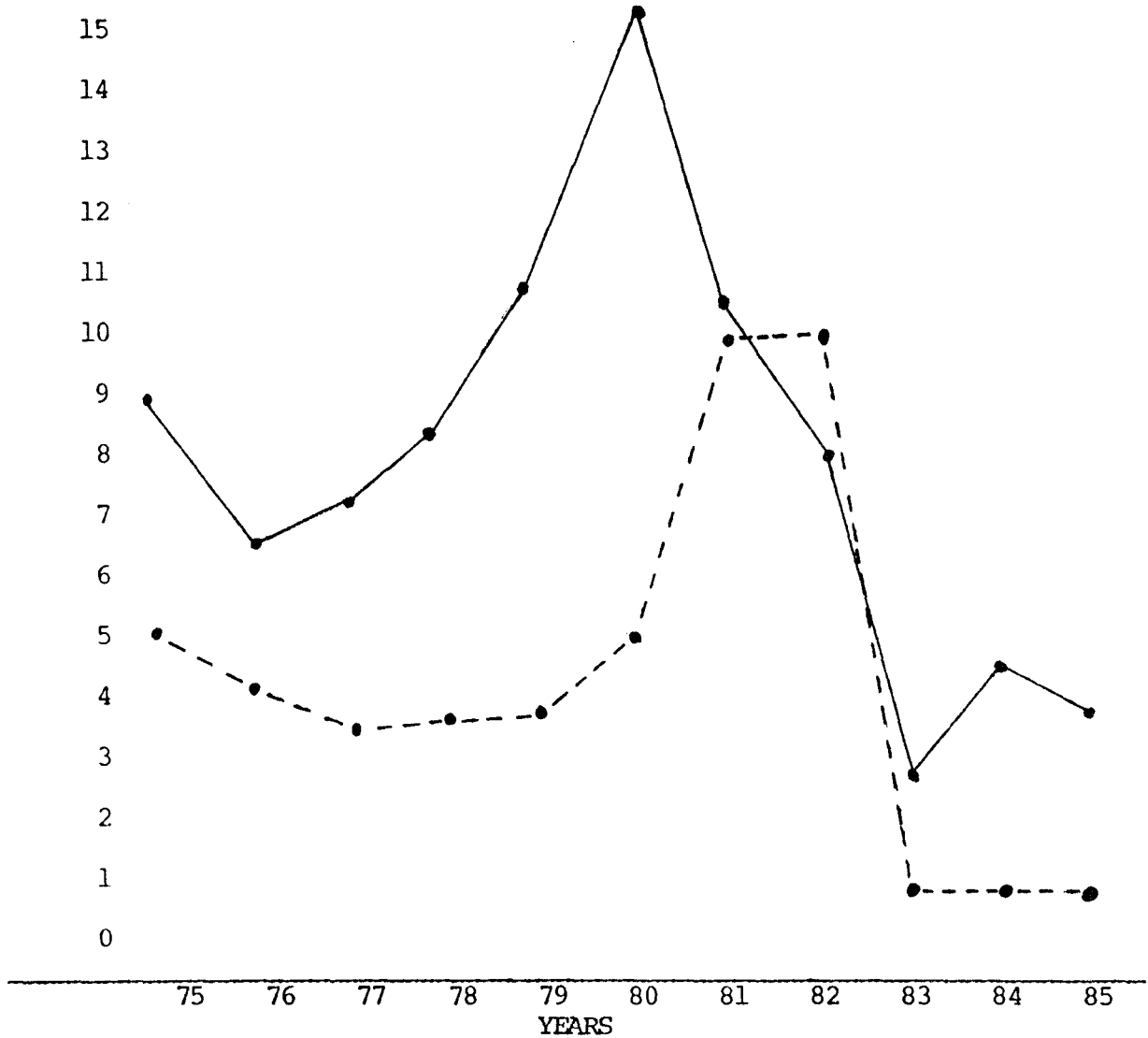
DATE 06-25-86

BILL NO. H.B. 31

YEAR BY YEAR COMPARISON
OF STATE EMPLOYEE PAY INCREASES
VS. INFLATION

percentage

15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0



----- pay plan
_____ inflation (CPI-U, Montana Department of Labor)

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 6-25-86
BILL NO. HB-31

W #2
C-1
HB 30-

Amend HB 31:

1. Title, line 9
Following: "PROVIDING"
Strike: "AN IMMEDIATE EFFECTIVE DATE"
Insert: "EFFECTIVE DATES, A CONTINGENT TERMINATION DATE,
AND CONTINGENT RETROACTIVE DATES"

2. Page 14, lines 18 through 21.
Following: "SECTION 11." on line 18
Strike: the remainder of lines 18 through 21 in their
entirety
Insert: "Statewide pay schedule for fiscal year 1987. The
statewide classification pay schedule for fiscal year
1987 is as follows:

Annual Hours -- 2080
Pay Matrix -- State

Note: Includes Insurance
Matrix Type -- Annual

| | STEP | | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GRADE | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1 | 9,392 | 10,099 | 10,301 | 10,507 | 10,717 | 10,931 | 11,150 | 11,373 | 11,600 | 11,832 | 12,069 | 12,310 | 12,802 |
| 2 | 9,874 | 10,617 | 10,829 | 11,046 | 11,267 | 11,492 | 11,722 | 11,956 | 12,195 | 12,439 | 12,688 | 12,942 | 13,460 |
| 3 | 10,398 | 11,181 | 11,405 | 11,633 | 11,866 | 12,103 | 12,345 | 12,592 | 12,844 | 13,101 | 13,363 | 13,630 | 14,175 |
| 4 | 10,971 | 11,797 | 12,033 | 12,274 | 12,519 | 12,769 | 13,024 | 13,284 | 13,550 | 13,821 | 14,097 | 14,379 | 14,954 |
| 5 | 11,603 | 12,476 | 12,726 | 12,981 | 13,241 | 13,506 | 13,776 | 14,052 | 14,333 | 14,620 | 14,912 | 15,210 | 15,818 |
| 6 | 12,295 | 13,220 | 13,484 | 13,754 | 14,029 | 14,310 | 14,596 | 14,888 | 15,186 | 15,490 | 15,800 | 16,116 | 16,761 |
| 7 | 13,062 | 14,045 | 14,326 | 14,613 | 14,905 | 15,203 | 15,507 | 15,817 | 16,133 | 16,456 | 16,785 | 17,121 | 17,806 |
| 8 | 13,889 | 14,934 | 15,233 | 15,538 | 15,849 | 16,166 | 16,489 | 16,819 | 17,155 | 17,498 | 17,848 | 18,205 | 18,933 |
| 9 | 14,807 | 15,922 | 16,240 | 16,565 | 16,896 | 17,234 | 17,579 | 17,931 | 18,290 | 18,656 | 19,029 | 19,410 | 20,186 |
| 10 | 15,813 | 17,003 | 17,343 | 17,690 | 18,044 | 18,405 | 18,773 | 19,148 | 19,531 | 19,922 | 20,320 | 20,726 | 21,555 |
| 11 | 16,912 | 18,185 | 18,549 | 18,920 | 19,298 | 19,684 | 20,078 | 20,480 | 20,890 | 21,308 | 21,734 | 22,169 | 23,056 |
| 12 | 18,128 | 19,493 | 19,883 | 20,281 | 20,687 | 21,101 | 21,523 | 21,953 | 22,392 | 22,840 | 23,297 | 23,763 | 24,714 |
| 13 | 19,464 | 20,929 | 21,348 | 21,775 | 22,211 | 22,655 | 23,108 | 23,570 | 24,041 | 24,522 | 25,012 | 25,512 | 26,532 |
| 14 | 21,140 | 22,731 | 23,186 | 23,650 | 24,123 | 24,605 | 25,097 | 25,599 | 26,111 | 26,633 | 27,166 | 27,709 | 28,817 |
| 15 | 22,885 | 24,608 | 25,100 | 25,602 | 26,114 | 26,636 | 27,169 | 27,712 | 28,266 | 28,831 | 29,408 | 29,996 | 31,196 |
| 16 | 24,846 | 26,716 | 27,250 | 27,795 | 28,351 | 28,918 | 29,496 | 30,086 | 30,688 | 31,302 | 31,928 | 32,567 | 33,870 |
| 17 | 26,967 | 28,997 | 29,577 | 30,169 | 30,772 | 31,387 | 32,015 | 32,655 | 33,308 | 33,974 | 34,653 | 35,346 | 36,760 |
| 18 | 29,312 | 31,518 | 32,148 | 32,791 | 33,447 | 34,116 | 34,798 | 35,494 | 36,204 | 36,928 | 37,667 | 38,420 | 39,957 |
| 19 | 31,888 | 34,288 | 34,974 | 35,673 | 36,386 | 37,114 | 37,856 | 38,613 | 39,385 | 40,173 | 40,976 | 41,796 | 41,796 |
| 20 | 34,701 | 37,313 | 38,059 | 38,820 | 39,596 | 40,388 | 41,196 | 42,020 | 42,860 | 43,717 | 44,591 | 44,591 | 44,591 |
| 21 | 37,795 | 40,640 | 41,453 | 42,282 | 43,128 | 43,991 | 44,871 | 45,768 | 46,683 | 47,617 | 47,617 | 47,617 | 47,617 |
| 22 | 41,191 | 44,291 | 45,177 | 46,081 | 47,003 | 47,943 | 48,902 | 49,880 | 50,878 | 50,878 | 50,878 | 50,878 | 50,878 |
| 23 | 44,906 | 48,286 | 49,252 | 50,237 | 51,242 | 52,267 | 53,312 | 54,378 | 54,378 | 54,378 | 54,378 | 54,378 | 54,378 |
| 24 | 48,988 | 52,675 | 53,729 | 54,804 | 55,900 | 57,018 | 58,158 | 58,158 | 58,158 | 58,158 | 58,158 | 58,158 | 58,158 |
| 25 | 53,471 | 57,496 | 58,646 | 59,819 | 61,015 | 62,235 | 62,235 | 62,235 | 62,235 | 62,235 | 62,235 | 62,235 | 62,235 |

3. Page 15, line 8
Following: "Effective"
Strike: "date. This act is"
Insert: "dates -- contingent termination. (1) Sections 1
through 10 and 12 through 16 are"

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 06-25-86

LD-21

4. Page 15, line 9

Following: line 8

Insert: "(2) Section 11 is effective July 18, 1986, and applies retroactively within the meaning of 1-2-109, to July 1, 1986, if by that date the department of administration certifies to the governor that at least 95% of the collectively bargained agreements with the state of Montana have not been renegotiated to include the continuation of the fiscal year 1986 state employee compensation plan.

(3) If by July 18, 1986, the department of administration certifies to the governor that at least 95% of the collectively bargained agreements with the state of Montana have not been renegotiated to include the continuation of the fiscal year 1986 state employee compensation plan, sections 1 through 9 and 13 through 15 terminate and such termination applies retroactively within the meaning of 1-2-109, to July 1, 1986."

461
HB 22 6-25-86

TO THE MEMBERS OF THE COMMITTEE:

Thank for the opportunity to testify. When a friend of mine in Great Falls filed for a House seat this spring, I told him I thought he was pretty gutsy, because I believe this body will be making very difficult decisions in the next few years.

Indeed, ths decisions you are making this special session require the wisdom of Solomon, the patience of Job and the hide of some thick skinned animal, probably not even found in the Bible.

House Bill 22 may be one of your easier decisions. As you know, the Exxon overcharge monies must be spent in some fashion to encourage conservation efforts and assist low income people. I believe HB 22 gives us the opportunity to do all of these things.....assist the low income sector, encourage conservation efforts, and create jobs.

I present my testimony as a representative of my employer, Great Falls Gas Company, in support of HB 22. Conservation is the only long term to the solution of the energy problems of low income people. As with our own homes, where a dollar spent on conservation today reduces our annual fuel bills every year; dollars spent on the homes of low income people reduce their need for energy assistance payments as long as they live in the house.

Conservation does work.....we have proved it with utility programs, with public weatherization programs, and with privately funded conservation efforts. With HB 22, especially targeted toward the highest consumption homes, we can expand our efforts to implement conservation measures in the homes most in need of conservation, in homes with the highest payoff, in homes where the families are the poorest.

Great Falls Gas Company supports HB 22, because we see it benefitting everyone. The creation of badly needed jobs in weatherization, the reduction of the fuel costs of low income homes, and for the first time ever, a chance to perform conservation on the highest users homes.

I would also mention here Great Falls Gas Company's willingness to provide consumption data on the homes to be weatherized. The fuel use data will be necessary to prioritize the work to be done. Be voting on this measure today, you can be assured that homes will be weatherized before this winter. Homes will be warmer, LIEAP dollars will go further, and people will go to work.

Thanks for your time.

Sheila Rice

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 6-25-86
BILL NO HB-22

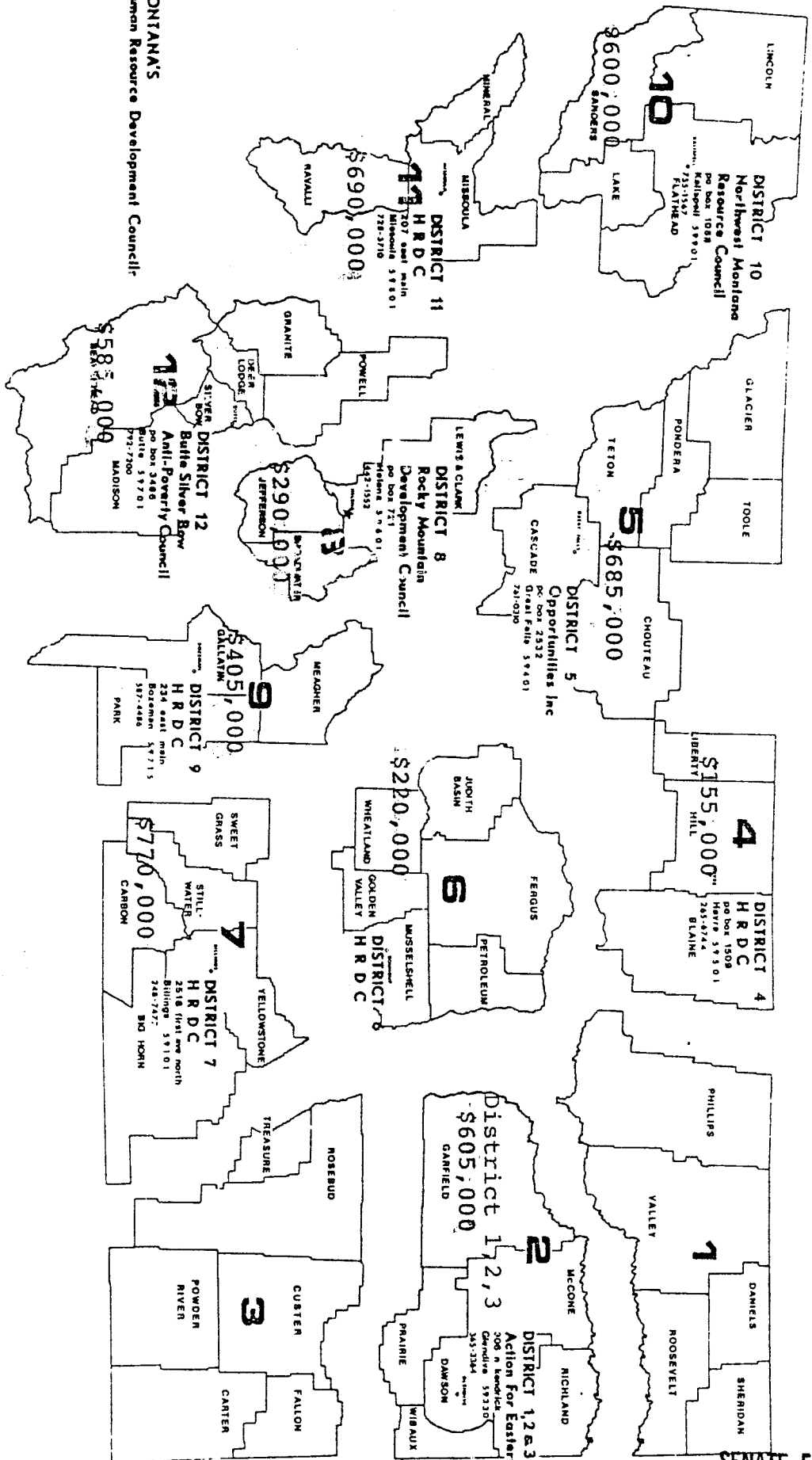
Turned in by John Lahr

KEY POINTS FROM TESTIMONY OF SHEILA RICE ON HOUSE BILL 22, TO ALLOCATE MONIES FROM THE "EXXON OVERCHARGE" TO WEATHERIZATION PROGRAMS

- * HB 22 WILL ENCOURAGE CONSERVATION, MAKE LIMITED LIEAP DOLLARS STRETCH FURTHER, CREAT JOBS
- * CONSERVATION IS THE ONLY LONG TERM SOLUTION TO THE ENERGY PROBLEMS OF LOW INCOME FAMILIES
- * CONSERVATION WORKS. WITH HB 22, WEATHERIZATION EFFORTS WILL BE TARGETED TOWARD THE HIGHEST USERS OF FUEL
- * GREAT FALLS GAS IS WILLING TO SUPPLY THE CONSUMPTION INFORMATION NEEDED TO PRIORITIZE THE HOMES IN ORDER OF CONSUMPTION, AS ARE OTHER UTILITIES IN THE STATE
- * HB 22 PUTS THE EXXON OVERCHARGE TO WORK TODAY, BEFORE THE NEXT HEATING SEASON

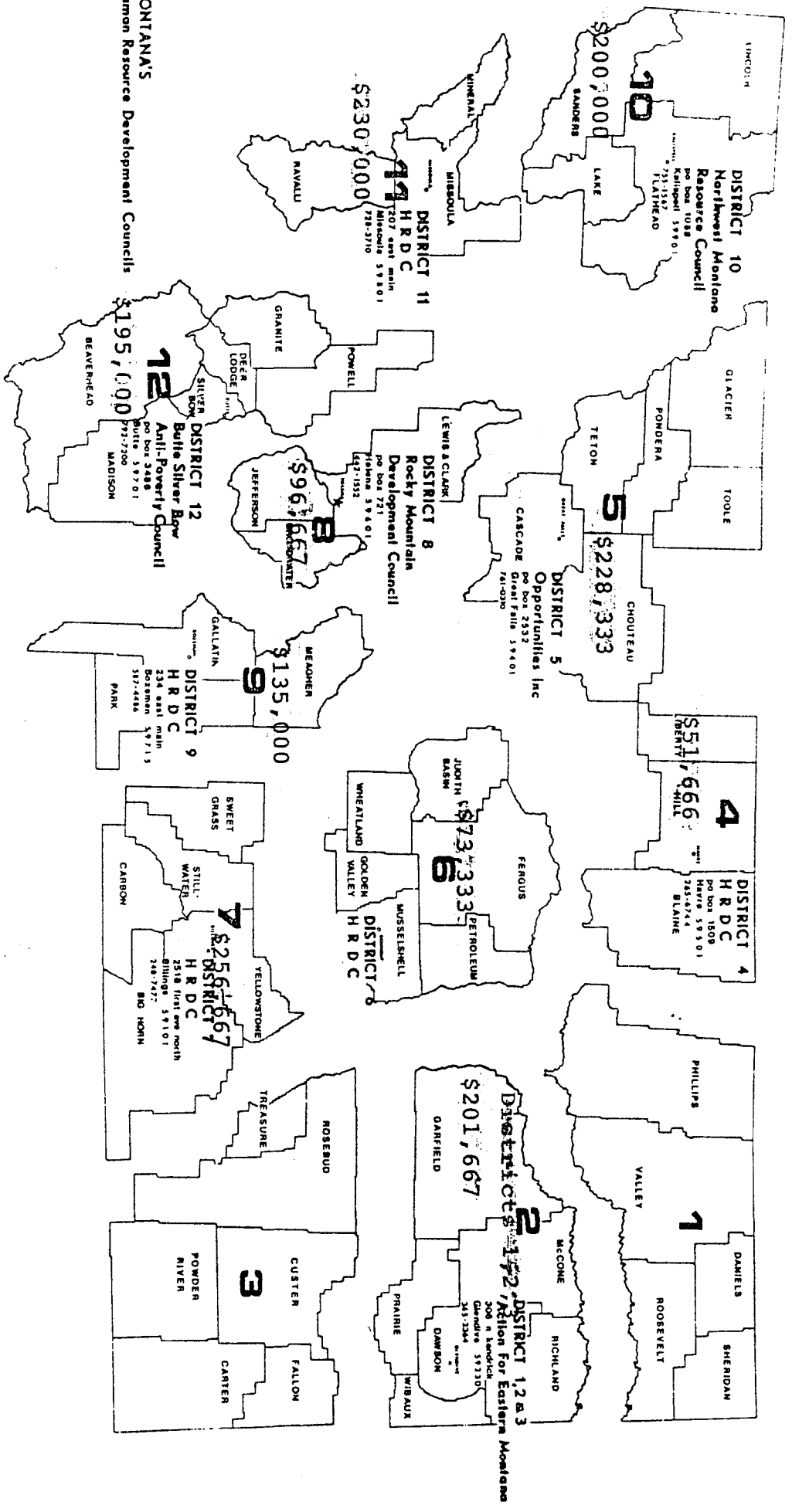
ppp 10 2 2

H.B. 22
Impact of Low-Income Weatherization
\$5 Million Allocation



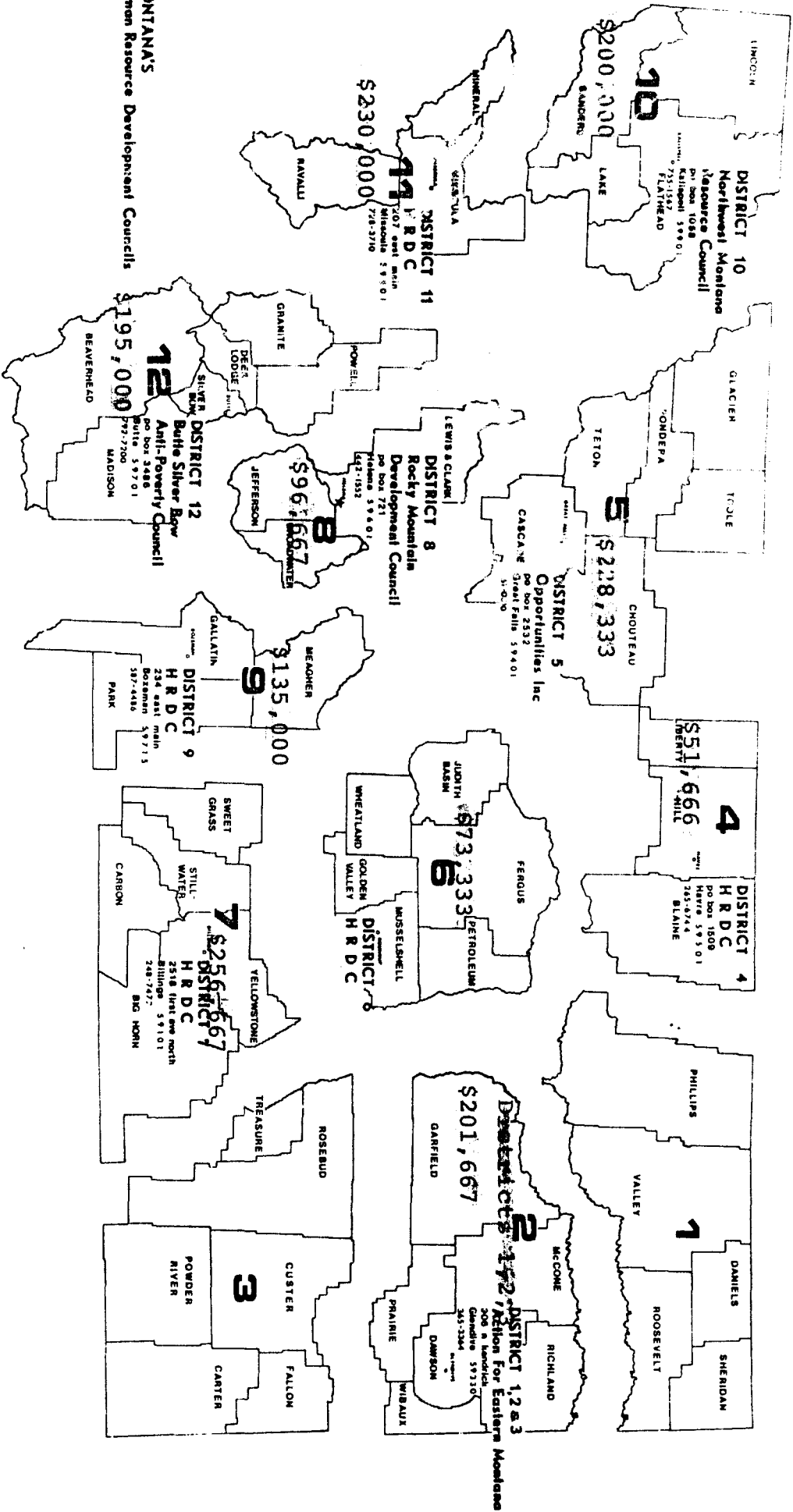
MONTANA'S
Human Resource Development Council

H.B. 22
 Impact of Low-Income Weatherization
 \$1,667 Million Allocation



MONTANA'S
 Human Resource Development Councils

H.B. 22
 Impact of Low-Income Weatherization
 \$1,667 Million Allocation



MONTANAS
 Human Resource Development Councils

DATE 6/25/80
 BILL NO HB 22
 2

B23
6-25-86
llh
TESTIMONY IN SUPPORT OF HOUSE BILL 23

PRESENTED BY HERSHEL M. ROBBINS, CHAIRMAN, MONTANA COAL BOARD

FOR THE RECORD, MY NAME IS HERSHEL ROBBINS, AND I AM A COUNTY COMMISSIONER FROM MUSSELSHELL COUNTY. I AM APPEARING HERE TODAY AS CHAIRMAN OF THE MONTANA COAL BOARD IN FULL SUPPORT OF HOUSE BILL 23 AS INTRODUCED BY REPRESENTATIVE BOB REAM. THIS BILL IS BEING INTRODUCED AT THE REQUEST OF THE MONTANA COAL BOARD AND IS THE RESULT OF A UNANIMOUSLY PASSED RESOLUTION TO TRANSFER COAL IMPACT FUNDS FROM THE COAL BOARD ACCOUNT TO THE STATE'S GENERAL FUND. THE COAL BOARD MEMBERS FEEL STRONGLY THAT IT IS NOW IN THE BEST INTERESTS OF ALL THE PEOPLE OF MONTANA THAT THE GENERAL FUND DEFICIT PROBLEM SHOULD BE ADDRESSED AT THIS TIME RATHER THAN FURTHER REVERTING FUNDS TO THE EDUCATIONAL TRUST FUND WITH ITS \$78 MILLION BALANCE. THE RESOLUTION WAS PRESENTED TO THE GOVERNOR'S OFFICE SO THAT HE MIGHT CONSIDER THE FUND TRANSFER IN HIS BUDGET PACKAGE AND GOVERNOR SCHWINDEN DID CHOOSE TO INCLUDE IT.

HOUSE BILL 23 SPECIFICALLY TRANSFERS A SUM OF \$680,000 FROM COAL BOARD FY '86 FUNDS AND ANOTHER \$1,000,000 FROM FY '87 FUNDS TO THE STATE GENERAL FUND.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 6/25/86

BILL NO. HB-23

LEST WE AS A BOARD BE BRANDED AS NOT SUPPORTING EDUCATION IN ITS TIME OF NEED, THIS ACTION WILL DIRECTLY BENEFIT EDUCATION NOW RATHER THAN REVERTING THE FUNDS TO THE TRUST.

OVER THE PAST TEN YEARS, THE COAL BOARD HAS AWARDED OVER \$31 MILLION FOR SCHOOL CONSTRUCTION PROJECTS THAT WERE NECESSARY AS A RESULT OF LARGE SCALE COAL DEVELOPMENT. DURING THIS SAME PERIOD, THE BOARD HAS ALSO REVERTED SOME \$6.2 MILLION TO THE EDUCATION TRUST FUND ACCOUNT ESTABLISHED TO BE DEDICATED TO EDUCATION AND FOREVER REMAIN INVIOLATE AND SACRED TO THIS PURPOSE. THIS CERTAINLY DEMONSTRATES A PRO-EDUCATION STANCE, BUT TODAY THE NEED FOR THESE LARGE CONSTRUCTION PROJECTS HAS DIMINISHED AND THE GENERAL FUND DEFICIT TAKES PRECEDENT. AS REPORTED IN THE PRESS OVER THE PAST WEEKEND, THE COAL BOARD IS NOT ALONE IN ITS ASSESSMENT THAT A MAJORITY OF THE LARGE SCALE NEEDS IN THE IMPACT AREA HAVE BEEN MET. THE JUST RECENTLY COMPLETED COAL BOARD PERFORMANCE AUDIT STRONGLY POINTS OUT THAT VERY FACT AND FURTHER SUGGESTS THAT THE LEGISLATURE SHOULD SERIOUSLY CONSIDER REDEFINING THE BOARD'S FUTURE ROLE. WE HEARTELY AGREE WITH THIS ASSESSMENT

WE, AS A BOARD, ARE PREPARED TO BEGIN THE PROCESS OF STUDYING THE OPTIONS AND WILL PRESENT APPROPRIATE LEGISLATIVE PROPOSALS THROUGH THE COAL TAX OVERSIGHT SUBCOMMITTEE TO ASSIST IN THIS TASK.

OUR STRONG SUPPORT OF HOUSE BILL 23 HERE TODAY SHOULD NOT BE INTERPRETED TO INFER THAT ALL THE PRESSING IMPACTS CAUSED BY COAL DEVELOPMENT HAVE BEEN MET. THIS IS A TEMPORARY PHENOMENON DUE TO A LULL IN COAL PRODUCTION CAUSED BY VARIOUS NATIONWIDE AND EVEN WORLDWIDE ECONOMIC FACTORS. THE AUDIT REPORT VERIFIES THIS WHEN IT POINTS OUT FOUR AREAS THAT THE COAL BOARD SHOULD CONCENTRATE ITS EFFORTS ON DURING THE SHORT TERM AND LIMITED FUNDING STAGE. THESE INCLUDE THE HUMAN SERVICE OR PEOPLE PROBLEM AREA: PLANNING STUDIES TO PREPARE FOR FUTURE IMPACTS, WHICH SURELY WILL COME AGAIN AS LONG AS THE RESOURCE IS AVAILABLE; WATER MONITORING PROJECTS TO STUDY THE LONG TERM EFFECTS OF COAL MINING ON OUR WATER SUPPLY; AND HIGHWAY AND ROAD CONSTRUCTION PROJECTS SPECIFICALLY IN THE COAL IMPACT AREA IN RELATIONSHIP TO FUNDING AVAILABLE.

WE ARE CONFIDENT THAT WE WILL BE ABLE TO MEET THE SHORT
TERM NEEDS WITH THE FUNDS AVAILABLE AND URGE THE PASSAGE OF
HOUSE BILL 23 TO ACCOMPLISH THE TRANSFER OF OUR IMPACT FUNDS
TO THE GENERAL FUND.

STANDING COMMITTEE REPORT

June 25

19 86

MR. PRESIDENT

FINANCE AND CLAIMS

We, your committee on.....

HOUSE BILL

having had under consideration.....

No. **2**

third

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)
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Endaily (Kolstad)

APPROP. FROM MCA SP. REV. FUND TO GEN. FUND

Respectfully report as follows: That.....

HOUSE BILL

No. **2**

BE CONCURRED IN

XXXXX6

XXXXXXXXX6

.....
SENATOR PAT REGAN,

Chairman.

STANDING COMMITTEE REPORT

..... June 25 1986

MR. PRESIDENT

FINANCE AND CLAIMS

We, your committee on

having had under consideration..... HOUSE BILL No. 10

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color

Abrams (Gage)

TRANSFER CAPITOL RENOVATION BALANCE TO DEBT SERVICE FUND

Respectfully report as follows: That..... HOUSE No. 10

BE CONCURRED IN

~~XXXXXXXX~~

~~XXXXXXXXS~~

.....
SENATOR PAT REGAN,

Chairman.

STANDING COMMITTEE REPORT

June 25 1956

MR. PRESIDENT

We, your committee on **FINANCE AND CLAIMS**

having had under consideration **HOUSE BILL** No. **22**

third reading copy (blue)
color

Sands (Regan)

APPROPRIATING EXXON OVERCHARGE MONEY FOR LOW INCOME HOME WEATHERIZATION

Respectfully report as follows: That **HOUSE BILL** No. **22**

BE CONCURRED IN

~~EXXON~~

~~EXXON~~

SENATOR PAT REGAN,

Chairman.

STANDING COMMITTEE REPORT

June 25 19 86

MR. PRESIDENT

We, your committee on **FINANCE AND CLAIMS**

having had under consideration **HOUSE BILL** No. **23**

third reading copy (blue)
color

Ream (Yellowtail)

APPROPRIATION OF COAL BOARD MONEY TO THE GENERAL FUND

Respectfully report as follows: That **HOUSE BILL** No. **23**

BE CONCURRED IN

~~UNRECORDED~~

~~UNRECORDED~~

SENATOR PAT REGAN,

Chairman.

STANDING COMMITTEE REPORT

June 25 19 86

MR. PRESIDENT

We, your committee on FINANCE AND CLAIMS

having had under consideration HOUSE BILL No. 24

third reading copy (blue)
color

J. Brown (Story)

REDUCE 1987 BIENNIAL APPROP. FOR VOLUNTARY GENETICS PROGRAM

Respectfully report as follows: That HOUSE BILL No. 24

BE CONCURRED IN

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SENATOR PAT REGAN,

Chairman.

STANDING COMMITTEE REPORT

June 25

19 86

MR. PRESIDENT

FINANCE AND CLAIMS

We, your committee on

HOUSE BILL

having had under consideration

No. 25

third

reading copy (blue)
color

J. Brown (story)

REDUCE 1987 BIENNIAL APPROP. FOR STATE SUBDIVISION REVIEW

Respectfully report as follows: That

HOUSE BILL

No. 25

BE CONCURRED IN

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.....
SENATOR PAT REGAN,

Chairman.

STANDING COMMITTEE REPORT

June 25 1986

MR. PRESIDENT

We, your committee on **FINANCE AND CLAIMS**

having had under consideration..... **HOUSE BILL** No. **26**

third reading copy (blue)
color

J. Brown (Story)

REDUCE 1987 BIENNIAL APPROP. FOR FAMILY PRACTICE RESIDENCY TRAINING

Respectfully report as follows: That..... **HOUSE BILL** No. **26**

BE CONCURRED IN

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.....
SENATOR PAT REGAN,

Chairman.