

MINUTES OF THE MEETING
APPROPRIATIONS COMMITTEE
50TH LEGISLATIVE SESSION

The meeting of the Appropriations Committee was called to order by Vice Chairman Rep. Bob Thoft on January 7, 1987, at 1:00 p.m. in Room 104 of the State Capitol.

ROLL CALL: All members were present at the meeting. Also present was Judy Rippingale, Legislative Fiscal Analyst; and Sens. Norman and Regan.

HB 1: (2-A-001) Rep. Donaldson clarified to the committee, questions from the hearing on January 6 using the blue sheet from the Legislative Council (Exhibit 1).

Travel Rep. Donaldson told the committee that the Legislative Council separated the pre session caucus travel and orientation travel which were included in the travel previously. Therefore, the blue copy separated the travel amounts so the committee could see the travel budgets for both House and Senate and also the pre session travel.

Rent Rep. Donaldson further stated that the rent for the Senate role call machine was substantially higher than last session, at a cost of \$19,000, plus there was rental of three personal computers.

Salaries Sen. Norman explained the computation of salaries for Senate employees stating that the benefits were tied directly to the salaries. To start with, they included 20 days post session, full staff. He also stated there are people who return session after session and therefore, their salaries increase with their return. He told the committee he could readjust that and to reduce the salaries, it would also reduce the benefits by \$3,000 as well. The total salaries and benefits could be reduced by approximately \$45,000.

Rep. Donaldson said the Legislative Council Staff were available for questions. Rep. Thoft asked what the percentage of decrease would be if the \$45,000 were to be removed. Rep. Donaldson stated that it would be approximately 3 percent.

DISCUSSION (086)

Telephones Rep. Rehberg asked what the reason was for the \$24,000 increase in the telephone budget. Mr. Bob Person,

Director of the Research Division, Legislative Council, referred to the telephone budget from the previous session saying the telephone budget was over expended. It was over expended in the communications lines, and under expended significantly in the personal services line. Therefore, Mr. Person attempted to realign to the committee what the actual expenses have been under the communications line as opposed to the personal services. The cost of installing the phones and the cost of moving the phones were actually more than what was budgeted previously.

Rep. Menahan mentioned that the cost of installing a telephone jack alone was a minimum of \$50. Rep. Bardanouve asked who had the contract on the telephone system. Rep. Menahan stated that it was Centel.

Mail Services Rep. Bardanouve asked Mr. Person to explain what the item "mail services" meant. Mr. Person stated that the services were provided by the Department of Administration for the person in the capitol post office to work four additional hours per day during the legislative session in order to provide services for the legislators.

Voting Equipment Rep. Bardanouve stated that the possibility of the House renting or leasing voting equipment may be a more feasible way than to purchase equipment at the cost of \$95,000 when the need should arise to replace such equipment in the house, perhaps following in the Senate's steps.

Rep. Donaldson closed the discussion on HB 1.

EXECUTIVE ACTION: Rep. Donaldson MOVED to amend page 1, line 14, to reduce the amount by \$95,000. Rep. Bardanouve seconded the motion. The motion CARRIED unanimously.

Rep. Donaldson MOVED to amend page 1, line 17 to reduce that amount by \$23,000.

Rep. Winslow expressed concern as his understanding was the Senate would reduce their budget by \$45,000. He felt that was still a large increase.

Rep. Bardanouve seconded the motion. The motion CARRIED unanimously.

Rep. Donaldson MOVED to amend page 1, line 24, following line 24 to include "Revenue Oversight Tax Consultant \$18,000", to be line itemed to the Revenue Oversight Committee.

Rep. Winslow and Devlin spoke in favor of the motion. Rep. Peck **opposed** the motion stating he just didn't feel anyone, the most learned person, could make this projection.

Rep. Quilici asked if there was any way to get a handle on the problem by using staff available and without paying the \$18,000. If there isn't, he felt the consultant should be hired.

Rep. Donaldson called the question. There was a roll call vote. Reps. Donaldson, Thoft, Winslow, Bradley, Devlin, Iverson, Manuel, Menahan, Menke, Nathe, Poulsen, and Rehberg voted YES. Reps. Bardanoue, Connelly, Miller, Peck, Quilici, and Spaeth voted NO. The motion CARRIED.

Rep. Donaldson MOVED to add \$5,000 back into the equipment budget as the Sergeant-at-Arms needed additional equipment such as desks and chairs. Rep. Quilici seconded the motion. The motion CARRIED unanimously.

Rep. Donaldson MOVED HB1 as amended, do pass. Rep. Quilici seconded the motion. The motion CARRIED unanimously.

The hearing was closed on HB 1.

EXECUTIVE SESSION: (550) Mr. Dave Hunter, Director of the Office of Budget and Program Planning presented the governor's proposed budget (Exhibit 2). In beginning, Mr. Hunter thanked Rep. Donaldson for giving him an opportunity to speak with the committee. In reviewing the letter which was distributed, Mr. Hunter stated that he would be reiterating his opposition to any tax increases in order to balance the budget. He stated that the only options that are available are to: revert the coal tax trust monies as the governor's proposed, to adopt a sales tax, or to significantly increase individual income taxes.

The governor's choice was to reduce the rate of savings and using that money which would otherwise be deposited in the coal tax trust is a better choice than having to raise taxes or having to pose a new set of taxes.

(608) Mr. Hunter presented a chart showing where general fund money is spent in the state. He referred to education as being 42.9 percent, institutions at 15.7 percent, the Department of Social and Rehabilitation Services (SRS) being 29.2 percent, and all of the others such as state agencies being 18.3 percent. The policy recommendations the governor is making on the revenue side are: 1) keeping the monies in the federal tax reform, the \$70.9 million is the 90 percent of the Department of Revenue's estimate to use a more

conservative number, and secondly to defer three quarters of the money that would otherwise be deposited to the Coal Tax Trust in fiscal year 87, 88, and 89.

Mr. Hunter also showed the committee the following breakdown of monies to be obtained using the governor's proposal:

1.	Permanent Trust Fund	\$83.3 Million
2.	Local Income Ed. Trust	18.5
3.	Net Coal Tax Interest	6.5
4.	Federal Tax Reform	70.9
5.	Vehicle Fees	6.3
6.	Resource Indemnity Tax	4.8
7.	Accommodation Tax	2.4

Mr. Hunter stated that we are seeing some growth in revenues due to the federal tax reform. The LFA does an analysis on the ongoing revenues and expenditures. There could not be a guarantee that the the transfer of the Coal Tax monies this biennium would not be requested again. If reasonable projections of the economic conditions in the state, particularly in the natural resources area, come about in 90 and 91; we should be able to meet ongoing expenditures in the 91 biennium with revenues. This means that we have a reasonable chance of not having to make the coal tax transfer again in the 91 biennium as compared to this biennium.

University System: The governor recommended that the legislature freeze enrollments in the University system for funding purposes. In comparing their budget to the LFA, the university enrollments in the governor's budget are 475 students higher than the LFA because they froze them at this falls level. The LFA feels the enrollments will continue to decline in the coming biennium. Firstly, the governor's budget has proposed a freeze to allow the university system some additional funding flexibility. Secondly, they recommended that the university system be allowed to keep 100% of its indirect cost recovery from research grants which would provide them with about 3 million dollars of additional money. Thirdly, when the governor's budget for state support for higher ed is compared to the LFA's recommendations, you will find that the general fund and mill in the governor's budget for the biennium is \$5.4 million higher. This is partly do to revenue estimate on millage but it is also; not using that indirect cost recovery. The governor has assumed that the tuition sur charge will expire on June 30th, therefore they used lower tuition and fees than the LFA.

Foundation Program The governor's office is proposing to find the money to fund the full \$96 million that it takes to hold the foundation program at zero and zero.

Pay Plan Mr. Hunter said the pay plan numbers for each agency have taken out an equivalent number of positions to correspond with the governor's request. They treated the university system a little differently than the LFA. Because of the formula and because the positions are generated by the formula, the only way to get the pay plan money out in their opinion is to leave the faculty salaries in the formula frozen at their FY 1986 level. That does the same thing as taking the positions out.

Mr. Hunter stated the governor's budget recommended no pay plan, zero and zero. They will bring a bill to the legislature to establish the matrices in FY 1988 and FY 1989 at their current level, recommending health insurance remain the same at \$115 per mo. There is some unreserved cash built in the employees health insurance trust that will allow them to maintain the employees benefits at the same level for the current biennium.

Mr. Hunter stated two problems which need to be worked out with the help of the legislature. One with the Workmen's Compensation rates and the other with the Public Employees Retirement System rates. Mr. Hunter said he asked the Worker's Compensation Division to give them a projection of rates, by class, in September. He stated their office used those in their personal services calculations. On January 1, the division increased their rates on a percentage basis, had they done it across the board, it would have been about 15%; they adjusted each individual class code based on the experience in that class code. So the rates are already too low as compared to the rates that exist today and, depending on the legislature, there may need to be a significant adjustment in Worker's Compensation rates. The further explained that the numbers do not match from Worker's Compensation and PERS by agency because the Worker's Compensation clause is heavily located in the Department of Institutions but the PERS cost savings are spread throughout agencies.

Their budget does not recommend a general inflation package in agency budgets. They recommend most items not be inflated at all from the FY 1986 base in the 1988 and 1989 biennium. There are some exceptions. They also recommend that the 4% vacancy savings that is generally used in this biennium be applied to all agencies across the board and all funds with two exceptions: 1) exempt faculty, and 2) used a lower rate of 1.68% on prison guards.

Human Services

The governor's budget recommends \$29 million of additional money in SRS to pay for increased case load. This deals with the creation of a new Family Services Department. Mr. Hunter thanked Rep. Miller and Rep. Winslow for allowing some joint hearings and give the proposal a fair shot in the appropriations process.

QUESTIONS (254)

Rep. Nathe asked what the use of the 15% Coal Trust Fund would have on the Water Development Bonds. Mr. Hunter stated that the water development bonds are backed up by the money before it's actually deposited in the trust and does not have an impact on the water development bonds.

Rep. Nathe asked if the Workman's Compensation rates which are going up on January 1, would make up some of that money by going back to 5 and 5 and PERS. Mr. Hunter said that was correct.

Rep. Menahan asked if the 4% vacancy savings would be applied at the institutions. He stated that doctors would be willing to come testify that they are now warehousing patients. Mr. Hunter said the budget recommends the 4% vacancy savings in Institutions with the exception of prison guards where the rate is lower. They did not recommend to removing as many positions from Institutions to make up for the pay plan cut and the 5% in other agencies.

Rep. Thoft asked if the governor's office could take the RIT money and use it for that purpose. Mr. Hunter stated the proposal uses the monies in reclamations and The Department of State Lands and in The Department of Natural Resources and Conservation (DNRC) in exactly the same programs that the 85 session substituted the money in. So the governor's proposal doesn't expose us to any additional litigation than the court case that already exists. We believe so long as the money is used in programs like mine reclamation in lands, and the water programs in DNRC, that meets the criteria for use of the money. If we expand it and just start using it every place in state government, they agree there is a problem, they think that they will win that court case.

Rep. Winslow asked Mr. Hunter why there were no funding priorities in the budget. He stated he felt there were no reestablishing of priorities, it just sounds like the governor's budget just sliced things down a little while longer. Is the legislature going to get some help from the executive in trying to establish some of these priorities or is the budget office just going to talk about it.

Mr. Hunter stated they tried to make a priority by treating the university system, by treating the foundation program, and by treating SRS benefits differently and more positively than other areas of state government and in that sense they have made those a priority by doing something different.

Rep. Winslow asked if the governor's office is going to try to do away with something or keep something in a quality manner or are they going to keep everything and water it down like some of the programs are right now. Mr. Hunter stated he recognized the problems.

Rep. Iverson asked Mr. Hunter to go over the rational with the Coal Tax Transfer considering there is a short term problem.

1. Federal Tax Reform, because it's phased in, provides just a little more revenue and the amount of revenue increases for 1987, 1988, and 1989. Therefore, they are closer to meeting ongoing revenues and ongoing expenditures as a result of the phasing in of Federal Tax Reform.

2. Every economic forecast says that we should see some increase in the price of oil, some increase in the price of coal and probably as a result, some increase in interest rates by the 89 or 90 time period that will significantly impact state revenues.

Rep. Iverson asked about general growth, what percentage did the governor's office assume for growth. Mr. Hunter stated 4 to 5 percent is built in the revenue estimates.

Rep. Menahan asked on the PERS proposal if Mr. Hunter is surmising there would be no further benefits for any of those people that are receiving retirement benefits; no further increases as to cost of living, are we helping to deny people on retirement any cost of living increases etc. is that true? Mr. Hunter stated that was correct and if benefits were to be changed, that is a responsibility of the legislature.

Ms. Judy Rippingale stated that the line in HB 1 where the \$18,000 was added would be more appropriately inserted after line 24 on page 1, rather than where it had previously been placed. There were no objections to moving the line.

The meeting was adjourned at 2:35 p.m.


Rep. Gene Donaldson
Chairman

DAILY ROLL CALL

APPROPRIATIONS

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Jan 7, 1987

NAME	PRESENT	ABSENT	EXCUSED
DONALDSON, GENE (Chairman)	✓		
THOFT, BOB (Vice Chairman)	✓		
WINSLOW, CAL (Vice Chairman)	✓		
BARDANOUVE, FRANCIS	✓		
BRADLEY, DOROTHY	✓		
CONNELY, MARY ELLEN	✓		
DEVLIN, GERRY	✓		
IVERSON, DENNIS	✓		
MANUEL, REX	✓		
MENAHAN, WILLIAM "RED"	✓		
MENKE, LARRY	✓		
MILLER, RON	✓		
NATHE, DENNIS	✓		
PECK, RAY	✓		
POULSEN, HAROLD	✓		
QUILICI, JOE	✓		
REHBERG, DENNIS	✓		
SPAETH, GARY	✓		
SWIFT, BERNIE	✓		
SWITZER, DEAN	✓		

1 *HB* BILL NO. *1* Legislative Mail Service \$ 3,143
 2 INTRODUCED BY *David L. Mansfield* Section 2. Effective date. This act is effective on
 3 passage and approval.

-End-

4 A BILL FOR AN ACT ENTITLED: "AN ACT APPROPRIATING MONEY FOR
 5 THE OPERATION OF THE 50TH LEGISLATURE; AND PROVIDING AN
 6 IMMEDIATE EFFECTIVE DATE."

7
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 9 Section 1. Appropriation. The following amounts are
 10 appropriated from the general fund for fiscal years 1987,
 11 1988, and 1989 for the operation of the 50th legislature and
 12 costs of preparing for the 51st legislature:

13	House of Representatives	
14	50th Legislature	\$2,152,512
15	Preparations for 51st Legislature	\$ 93,961
16	Senate	
17	50th Legislature	\$1,395,949
18	Preparations for 51st Legislature	\$ 76,869
19	Legislative Council	
20	Legislative Printing, Information, and Business Offices	\$ 431,388
22	Legislative Telephone Service	\$ 152,836
23	Legislative Publications (Session Laws & Journals)	\$ 105,876
24	Department of Administration	
25		





State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

TED SCHWINDEN
GOVERNOR

January 7, 1987

Dear Senator Regan, Representative Donaldson and Members of the Appropriations and Finance and Claims Committees,

During the past few weeks, this legislative session has been variously forecast to be "brutal," "painful," "difficult," a "time of crisis." It is more appropriate and productive to view the session as a time of opportunity -- a chance to review and re-establish funding priorities.

The Executive Budget is balanced without a tax increase, because Montana taxpayers can ill afford a tax increase in this time of economic difficulty. They certainly will object to paying more taxes while the state continues to deposit nearly \$40 million in savings each year into the permanent trust.

Without temporarily diverting a portion of the money flowing into the trust, the State of Montana lacks adequate revenue to fund the services we have the responsibility to provide to our citizens, and to fulfill our goal of creating more jobs. Legislators face the same choices I faced in November, after the submission of agency requests:

- reduce expenditures below a reasonable level of services,
- increase taxes significantly,
- or divert some of the savings we are now putting into the coal tax trust.

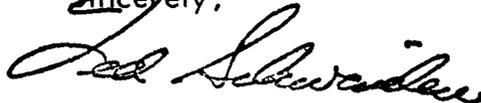
As you struggle to cut expenditures until you reach a level of spending you can go back to your constituents and defend, I sincerely hope you will come to agree that diversion of the coal tax revenues is the best available alternative.

Appropriations and Finance
and Claims Committees
Page Two
January 7, 1987

The Executive Budget for FY 88-89 recommends less growth in government than any budget in thirty years. Despite that austerity, you will find that the budget sets clear priorities. Education, from K-12 to the University System, is given priority, as are economic development programs. The proposed Department of Youth and Family Services would make more effective use of current resources and greatly improve accountability without additional funds.

In my budget, I recommended that you use this session to set legislative priorities for education, economic development and families. The opportunity to make changes in government services is greater in times of tight budgets than in times of plenty...it should not be wasted. I pledge the full cooperation of this governor's office. By May, we must be able to look back on this session for the progress that was made and the opportunities that we had the courage to utilize.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ted Schwinden".

TED SCHWINDEN
Governor

1985-87 FEED BILL COMPARISON

	HOUSE		SENATE		LEGIS COUNCIL		LEGIS PUBLICA		LEGIS PHONE		MAIL/D OF A
	1986	1987	1986	1987	1986	1987	1985	1987	1985	1987	
PERSONAL SERVICES											
Salaries	992,429	985,954	691,216	768,188	80,284	91,255			17,334	8,073	
Benefits	378,813	394,540	206,954	244,788	7,282	8,213			1,560	727	
Per Diem	486,000	535,000	243,000	287,500							
TOTAL PERS. SERV.	\$1,857,242	\$1,915,494	\$1,141,170	\$1,280,476	\$87,566	\$99,468	\$0	\$0	\$18,894	\$8,800	\$0
OPERATING EXPENSES											
Contracted Serv.	23,500	20,000	13,000	15,000	262,719	312,200	146,446	100,376			
Supplies & Mat'ls	26,842	32,000	21,428	26,500	3,225	3,520	500	500			
Telephone									120,048	144,036	
Communications	8,500	6,000	6,500	8,000	20,300	16,450	5,000	5,000			
Travel	45,896	46,086	27,766	28,383							
Pre Session 87	40,519		23,454								
Pre Session 89		93,961		78,869							
Rent	6,300	7,000	14,500	24,140	275						
Repairs & Maint	5,000	7,680	3,200	6,700							
Other	2,250	2,250	2,250	3,750							
TOTAL OPER. EXP.	\$158,807	\$214,979	\$112,098	\$187,342	\$286,519	\$331,170	\$151,946	\$105,876	\$120,048	\$144,036	\$3,480
CAPITAL EXPENSE											
Equipment	157,502	116,000	26,502	5,000	500	750					3,480
	\$157,502	\$116,000	\$26,502	\$5,000	\$0	\$750	\$0	\$0	\$0	\$0	\$0
GRAND TOTAL	\$2,173,551	\$2,246,473	\$1,279,768	\$1,472,818	\$374,685	\$431,388	\$151,946	\$105,876	\$138,942	\$152,836	\$3,480
PERCENT INCREASE/DECREASE											
87/86 FEED BILLS	3.35%		15.08%		15.16%		-30.32%		10.00%		-9.6%
1987 FEED BILL TOTAL 4,412,534											
1986 FEED BILL TOTAL 4,122,272											

VERA RUCEN 7 0

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE Jan 7, 1987 BILL NO. HB1 NUMBER _____

NAME	AYE	NAY
Rep. Gene Donaldson, Chairman	✓	
Rep. Bob Thoft, Vice Chairman	✓	
Rep. Cal Winslow, Vice Chairman	✓	
Rep. Francis Bardanouve		✓
Rep. Dorothy Bradley	✓	
Rep. Mary Ellen Connelly		✓
Rep. Gerry Devlin	✓	
Rep. Dennis Iverson	✓	
Rep. Rex Manuel	✓	
Rep. Red Menahan	✓	
Rep. Larry Menke	✓	
Rep. Ron Miller		✓
Rep. Dennis Nathe	✓	
Rep. Ray Peck		✓
Rep. Harold Poulsen	✓	
Rep. Joe Quilici		✓
Rep. Dennis Rehberg	✓	
Rep. Gary Spaeth		✓
Rep. Bernie Swift	✓	
Rep. Dean Switzer	✓	

TALLY

14 6

Secretary

Chairman

MOTION: Rep. Donaldson Moved to Amend Page 2, line 3 following
line 3 to include "Revenue Oversight Tax Consultant \$18,000, to
be line itemed to the Revenue Oversight Committee."