

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

March 9, 1979

The tenth meeting of the Senate Finance & Claims committee met on the above date in room 108 of the State Capitol Building.

ROLL CALL: All members were present except for Senators Story and Etchart, with Senator Stimatz being excused. Several of the Senators were present only part of the time due to the wrap up of the subcommittees and the necessity of their being at those meetings. They were, however, on call if needed.

Chairman Hims1 explained that we were going to hear House Bill 425, but that we did not expect to take action on it immediately. He did want some indication soon of what the members were thinking, since this would be a top concern of the Long Range Building subcommittee in making their recommendations on the building program.

CONSIDERATION OF HOUSE BILL 425: This bill was explained by Representative Yardley, District 74, Livingston. He said this bill would allow general obligation bonds up to \$10,035,000. He explained that the present money coming into the Long Range Building fund is eaten into heavily with remodeling, repairs, etc., and the amount of the proposed administrative priority list of 66 listed in the back of the executive budget book is the base for the proposed bonding. Two of the proposed projects could be built under this proposal even though the others were not since they would be refunded by federal money--apparently as rent. They would be an addition to the Kalispell Job Service Office, and to construct a Bozeman job service office. The Long Range Building Fund is funded by cigarette tax money. To pass the bill would require vote of 2/3 of each house since it involves the indebtedness of the State of Montana. \$8.8 million would be under the cigarette tax, and 2 (Kalispell and Bozeman) would be reimbursable. He said the 66 priorities listed might not be the ones which were funded, that would depend on the disposition of the legislature. He said the requests from the agencies for building funds was \$124 million, and the budget book had worked them down to the \$29 million. He said the total long range building program funded from current revenues and bonded debt would be \$9,750,980. Earmarked funds from Fish & Game, Highway, etc., and the \$10, 035,000 is included in that figure. He said the seven projects proposed under the obligation bonds included a cottage for the School for the Deaf and Blind, the Justice Building, etc, but that a lot of other projects might take precedence if this were to go through, and mentioned the computer which would remove about \$1 million from this fund.

Representative Yardly went on to say he felt if we were inclined to go into a bonded indebtedness like this, that now was the time to do so. With the rising cost of inflation you could actually save money by borrowing now. The interest rates were less than the cost increases. In discussing the proposed plan with the fiscal analyst he said two things should be kept in mind--if the project is needed, and if the project is sound.

Representative Yardley said there are 5 series of bonds that are under the long time indebtedness. 3 of the 5 are expired, or will do so in the next 2 years. Taking that into consideration there would be no problem in paying off. Of the \$18,900,000 it will be reduced to \$16,234,000.

George Bousliman, budget director, said the committee would probably hear a lot about debt structure before the end of the session. You will probably want to build some new buildings and we do not have the cash. The revenues available are not sufficient; we have enough cash to take care of the basic maintenance; not enough to take care of other projects in regard to new construction. There is not necessarily anything magic about the budget recommendations. You are going to have to make the decisions. If you want new construction, legislation of this kind is necessary.

Gene Huntington, Office of Budget and Programing Planning explained that when the statute was designed for the Long Range Building Program it was probably done so by the poeple who buy the bonds so that they could make sure of their payments. He explained the chart, exhibit 1 and the flow of money through the sinking fund. Exhibit 2 was passed out, showing the annual debt service and the proposed debt service along side the current debt service. He said if we vote for this bill, we will still have more money going through the sinking fund than we have had in past years.

Dave Lewis, State Department of Administration said he would like to touch on two ideas that have not been mentioned. We do have general obligation debts of about \$2 million. The Highway Complex and the Vo Tech. The Highway Complex is being paid off by gas tax money, and the Vo Tech by land grants and student building fees.

He said figures show our indebtedness is now about 25% of the national average.

Mike Abley, court administrator, spoke in favor of the bond issue. He feels it is the best way to meet the need for more space. He said they are storing books in the basement; if this session or 2 years from now two justices are added, this is going to take more space, and not only is the shortage to be acute, but there will be a competition between the justice department and the legislature because of the increased needs of the supreme court for space.

In closing, Representative Yardley said this received bipartisan support in the House with 2/3 vote. The House felt it was an economically sound proposition.

Questions from the committee included:

Senator Regan: Two thirds of each house or of both houses?
Ans. I understand each house.

Senator Regan: Where do the funds for the Kalispell and the Bozeman building projects come in. Ans. Out of the \$10,035,000. \$880,000 to Bozeman job and \$350,000 to the Kalispell job. It is my understanding it would be paid by federal funds, but the bonding company must have a guarantee of the loan by the state.

Senator Regan: Did I take the figures down wrong? They do not add up to over \$2 million. Ans. The figure is \$1,230,000.

Senator Regan: You talked about at least \$1 million to purchase a computer out of current revenue. Would this mean \$1 million more would be put in the computer system? Would this be in the indebtedness? Ans. It would not be in the indebtedness.

Senator Regan: You are shuffling funds then? Rep. Yardley: The money would not be there to worry about if this bill does not go through, and if it does, it would then be a decision of the committee. He said Representative South had told him that they were considering a \$2 million computer for MSU. At least \$1 million would come out of this.

Senator Himsl: Since when does a computer come under the Long Range Building fund? This is not a big cookie jar everyone can reach into. Representative Yardley: There are some projects that may be considered including some caused by the overcrowding of the prison.

Mr. Bousliman: I guess the point that needs to be made, if you pass this bill (425) you will not lock into anything. You will not be locked into an indebtedness on any specific project. The second step is for the Long Range Building Committee to make a decision as to which specific projects would be considered.

Senator Regan: Recognizing the complex and all, the problem with this kind of bill--you authorize something that says \$20 million is indeed a big cookie jar. No matter how you think, when you go to push that button you are thinking about your cookie. A decision should be made as to what is necessary to government, what really has to be done and should be done, and then adjust if necessary, some figures to fund the construction that is absolutely necessary. I would like to hold this bill until the LRB comes up with what is absolutely necessary.

Senator Himsl: There is another side to this issue. We should maybe hold off on this building program. In 1970 when we went on the cash basis it has somewhat disciplined the LRB committee. We paid off some of these things, but if the money goes into this type of program it will not go into the Bond Proceeds and Insurance fund. Some of your testimony says it will save money to go in debt, but the investment earnings can earn about 9%, the fund build, and cash be used. I don't know what kind of economics this is, it is the first time I have known you can go into debt and save money.

Mr. Bousliman: If you people believe some of these projects are necessary, and I am not saying those in the Governor's book are the only ones, the cash is not available, and this would be a way to build.

Senator Thomas: Is this an on-going program? Are you thinking of coming in each year with a bill to authorize bonded indebtedness? Mr. Bousliman: I would hope it would not become an on-going thing. I would hope that sometime in the future there would be no need for this type of thing.

Senator Thiessen: The upkeep and repairs are ahead of the building, and no money left for the building. If this was done this time, then the next time we could build? Bousliman: On a long term basis, probably.

Senator Thiessen: How long is the pay off? Bousliman: 20 years.

Senator Himsl: We have buildings going up and buildings being torn down. We don't know what will happen at the institutions. Perhaps the committee should think about whether we should move a little slower until some of the things stabilize at the institutions and the universities. I am not asking you to act today, this is an attempt to start you thinking about the question so we will have some idea in Long Range Building as to your wishes.

Further questions were asked of Gene Huntington in regard to the charts. Senator Fasbender said the reason for the 11% personal income tax going through the sinking fund is to make sure the bonds can be at a lower rate. It keeps the rate lower if we sell bonds, it does not get used to build buildings with.

The hearing on House Bill 425 closed.

Senator Himsl passed out some information he had obtained on S. B. 372, and explained some of the figures to the committee. Some unofficial discussion was held on the information sheets, and the meeting was adjourned at 11:59 a.m.



Senator Himsl, Chairman

ROLL CALL

SENATE FINANCE AND CLAIMS COMMITTEE

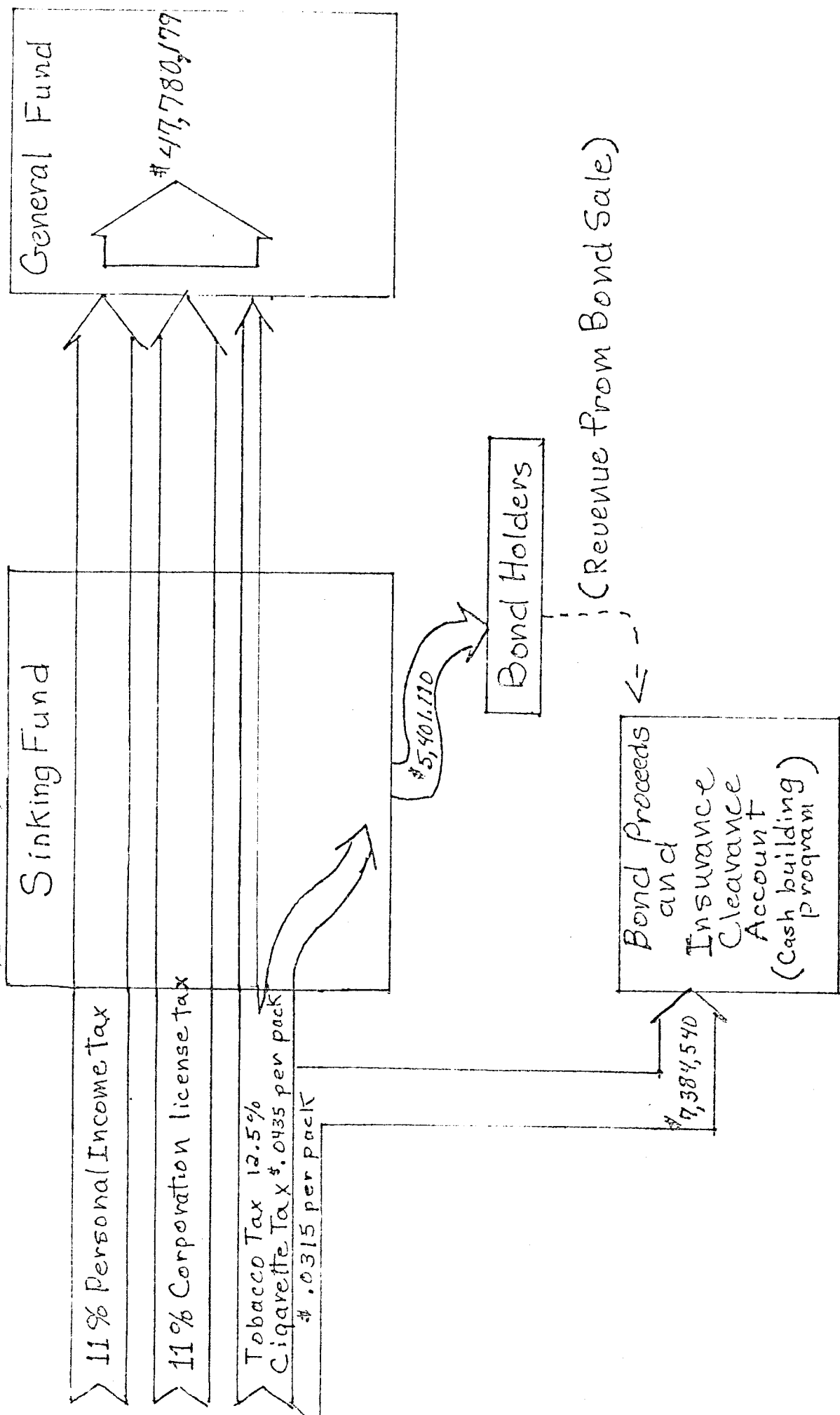
46TH LEGISLATIVE SESSION 1979

Date 3-9-79

NAME	PRESENT	ABSENT	EXCUSED
SENATOR HIMSL	✓		
SENATOR STORY		✓	
SENATOR AKLESTAD	✓		
SENATOR LOCKREM	✓		
SENATOR ETCHART		✓	
SENATOR NELSON	✓		
SENATOR SMITH			
SENATOR BOYLAN	✓		
SENATOR REGAN	✓		
SENATOR FASBENDER	✓		
SENATOR THIESSEN	✓		
SENATOR THOMAS	✓		
SENATOR STIMATZ			✓

Revenue from ... University ...

Fiscal 1980-81



General Fund

\$417,780,179

Sinking Fund

11% Personal Income tax

11% Corporation license tax

Tobacco Tax 12.5%
Cigarette Tax \$.0435 per pack
\$.0315 per pack

\$5,401,110

Bond Holders

(Revenue from Bond Sale)

Bond Proceeds
and
Insurance
Cleavage
Account
(Cash building
program)

\$7,384,540

Long Range Building Program
Debt Service

Annual
Debt
Service

