MINUTES OF THE MEETING OF THE APPROPRIATIONS SUBCOMMITTEE ON ELECTED OFFICIALS AND HIGHWAYS
January 25, 1983 (Tape 32, 33 and 34, Side A)

The Appropriations Subcommittee on Elected Officials and Highways met at 7:00 a.m. on January 25, 1983 in Room 437 with Chairman Quilici presiding. The following members were present:

Chairman Quilici	Senator Dover
Rep. Connelly	Senator Keating
Rep. Lory	Senator Stimatz
	Senator Van Valkenburg

Also present: Cliff Roessner LFA, Leo O'Brien, LFA, JanDee May, OBPP, Doug Booker, OBPP.

Representing the Commissioner of Political Practices: Blake Running, Administrative Assistant, and Peg Krivec, Commissioner.

Commissioner of Political Practices (Exhibit 1)

Mr. Running distributed a comparison sheet which addressed the LFA's budget and the Commissioner's requested budget.

He said under "Contracted Services" the request for a part-time employee was not included with the base figures. They do not need another FTE, in the interest of holding the costs down; but they do, at peak periods, need additional help. He requests that the $737 figure for FY84 and $922 for FY85 be included with the balance. Under "Supplies and Materials" Mr. Running explained that the figures vary from year to year. This is basically for rental of the copy machine. There is some revenue generated at ten cents a copy for people who desire copies of mateial in their office. They need the full requested appropriation of $9,352 in the first year and $4,584 in FY85. Mr. Running said the $200 difference in equipment is for an adding machine for which they request the full amount.

Mr. Running told the committee that under "Revenue" the office is predicting $750 as a more realistic figure for both years of the biennium. A breakdown of each category is listed on page two of Exhibit 1.

In answer to a question, Mr. Running said the part-time person is not reflected in the five FTE's. This expense is included in "Contracted Services."

In answer to a question by Senator Keating, Mr. Running said the breakdown of the five FTE's includes: the Commissioner, an attorney, accountant/auditor, administrative aide, and a clerk typist. The additional .5 person is used through a work/study program through Carroll College or the University where the school would pay the employee benefits and the Commissioner's office would pay them X dollars through "Contracted Services." In answer to a question by Senator Dover, Mr. Running told the committee that they rent the copy machine from Publications and Graphics, and they charge ten cents a copy to the general public for copies of information they desire to copy from the Commissioner's office.

Mr. Running concluded that they would like to use the LFA's figures for "Travel." He has not been able to travel throughout the state as much as he would like, and he feels the candidates and committees can profit from these educational seminars. The staff attorney also is called upon to do traveling, and they need this money desperately to accomplish this.

GOVERNOR'S OFFICE

Representing the Governor's Office: Keith Colbo, Gerald Mueller, David Wanzenried, David M. Lewis, Troy McGee and Tim Gallagher. Mr. Colbo explained the major differences in the OBPP and LFA budgets for the Northwest Regional Power Council. (These appear in paragraph one of Exhibit 2) He said the budget represents a continuation of approximately current level. In addition to approval by the Montana Legislature, this budget is also submitted for approval to the federal budget process and approved at that level.

In answer to a question from Senator Dover, Mr. Colbo told the committee that under "Contracted Services", where the prime difference would be, the council members use technical assistance which they themselves do not have; i.e. using the Fish, Wildlife and Parks for expertise in biology, jointly funding studies with the Public Service Commission and for specific economic analysis.

In answer to a question from Senator Dover, Mr. Colbo told the committee that the breakdown of the seven FTE's were as follows: two Montana Council members, administrative secretary, receptionist, public affairs officer, and two economists. In answer to a question from Senator Keating, Mr. Colbo told the committee that the travel is pretty well scheduled. The regional office is located in Portland which requires the two Montana members to travel there. In answer to a question from Rep. Lory, Mr. Colbo said he would expect "travel" should be at current level. (288)

The Chairman asked Mr. Colbo to explain the funding to the committee.

The committee noted that the "rent" category would be adjusted when the figures are decided for all state buildings.

Dave Wanzenried distributed organizational charts to the committee which shows the structure of the Governor's office and the programs under his budget. (Exhibit 3)

Governor's Office - Executive Office

Mr. Wanzenried said that overall there would be a reduction in the Governor's office of four FTE's. (Exhibit 4) (390) However, they would like to add back one FTE which would make the reduction three instead. They would transfer two FTE's from the Budget Office to the Executive Office and transfer one FTE from the Budget Office to the Lt. Governor's office and eliminate one FTE from the Centralized Service function.

Mr. Wanzenried referred the committee to Exhibit 6 and pointed out the major differences in the budget figures as listed in the first paragraph of Exhibit 6. Total FTE's for Governor's Executive Office would be 20.5.

Budget Modification Request

Mr. Tim Gallagher explained the Budget Modification Request. (Exhibit 7) (491) Mr. Gallagher explained the EPA Permit Directory and the two-year grant which was funded by the EPA for the compilation of this directory. (See Exhibit 7) Spending authority is requested for the last three months of the state fiscal year (grant is funded through Federal Fiscal Year '83) for an amount of $12,500. It was noted that this amount should be added to "Contracted Services" in FY84.

Senator Van Valkenburg asked to go back to "Personal Services" and wanted to know where they were in the last biennium, and where they propose to be now. There were 17.5 in the Executive Office and they propose to go to 20.5. The Budget office shows current level at 22.25 and they are going to 18.25.

In the Lt. Governor's office current level is five and they are going to six. Without looking at the attached programs, there is minus four in the Budget Office, plus two in the Executive Office and plus one in the Lt. Governor's office for a net decrease of one. Mr. Wanzenried said the other reductions he spoke of earlier will be reflected in the programs as we go through them later.

Budget Modification Request

In answer to a question from Senator Keating, Mr. Wanzenried referred the committee to Exhibit 8 which is a Budget Modification Request for authorization of funds for the defense of Montana's Coal Severance Tax. They are asking for $300,000 to be added in FY84 to the $200,000 balance which will be unexpended so it will be brought back to the level authorized by the 1981 Legislature of $500,000 for the biennium.

Mr. Wanzenried told the committee that in the eighteen months the state has been under contract with the consultants in Washington, D.C. to represent the state, the state has collected just over $125 million in severance tax receipts. Mr. Wanzenried gave the committee a memorandum and an attachment which he explained to the committee. (Exhibits 9 and 10)

(Tape 32, Side B)

The Chairman noted that under the Governor's budget we were asked to fund $149,000 supplemental for the Indian Jurisdiction cases. One of the members of the committee wondered if the balance of this fund could be used to litigate the coal tax cases. However, this money cannot be used for legal fees according to specific language in the bill.

Mr. Wanzenried said they are proposing a reduction in the Executive Office budget under "Other Expenses." The dues assessment for the National Governor's Association was less than originally anticipated. This reduction would be $11,760 in FY84 and $10,560 in FY85. Regarding operational expenses transferred from OBPP to Executive Office, the Chairman asked JanDee May if she would see that the committee got copies of this breakdown before they have an Executive Session on this budget.

Governor's Office - Air Transportation Program (Exhibit 11)

Mr. Wanzenried told the committee that during the 1981 session, the aircraft pool was disbanded and the plane referred to as "The Duke" was assigned to the Governor's office. There was a budget prepared for the balance of FY81 and then an appropriation to operate the plane through the biennium. This budget reflects current level, one FTE, continued with the same basic operation of the airplane. The fundamental reduction is that there will not be an appropriation request for engine maintenance and overhaul. That will not be necessary for this biennium. As of September of this year the plane will be paid for.

In answer to a question from Senator Stimatz, Ms. Murray said the payments for the plane are in the "Equipment" category.

Citizen's Advocate Office (Exhibit 12)

Mr. Wanzenried said they proposed to delete or reduce this program by one FTE for the 1985 biennium which brings the staffing level down to one.

He said that because of some tariffs adopted by the Public Service Commission and because this office's principal expense outside of personal services is in the area of communications, it will be necessary to increase the appropriation level by just over $10,000 in FY84 and just over $12,000 for FY85. Mr. Wanzenried handed out Exhibit 13 to the committee and explained that this line study of telephone costs was just completed and is not included in any of the budget sheets the committee has received prior to this exhibit.

The Chairman noted that this program would continue to be under Mountain Bell and would not be converting to Centel.

In answer to a question from Senator Dover, Ms. Murray said they did this study last week and they handle from 60 to 80 calls per day.

In answer to a question from Senator Van Valkenburg, Mr. Wanzenried said that the position they are proposing to delete has been vacant for almost nine months now and they have operated without that position for that length of time. They have found that they can still give the public the services required with one person.

In answer to a question from the Chairman, Mr. Wanzenried said they basically absorbed part of the operation with executive office staff when an overflow of calls come in.

Indian Jurisdiction Cases

Mr, Wanzenried said they are proposing to transfer this program from the Governor's office to the Attorney General's office. There are several reasons for that. They are proposing to transfer principally because the nature of the cases are becoming increasingly more significant to the entire state rather than to the individual agencies. Because the cases are becoming more complex and are taking on tones that are more significant for the entire state, they feel the chief legal officer ought to represent the state in these cases.

Ms. May said this program would involve two FTE's: one attorney III, and one secretary. This would include a $500,000 biennial contingency fund for "Congracted Services" plus additional "Operating" of approximately $19,000 a year. The total for FY84 would be $574,623 and $74,498 for FY85 realizing that the $500,000 "Contracted Services" amount would be a biennial amount. Ms. May said there are people from the Attorney General's office present if there are any questions, and the Attorney General's office is in agreement that this program be transferred.

Mr. Wanzenried explained that the Attorney General's staff was gaining an expertise in the Indian cases, but he said he did not feel there was any intention on the Attorney General's part of not continuing with the contracted services of the attorneys in Missoula. He said the Attorney General's office has far more expertise in administering litigation of this kind than they have in the Governor's office.

The Chairman noted that the committee would discuss this transfer further when they have the Department of Justice before the committee.

In answer to a question from Rep. Lory, Ms. May said this was not the current level; there is quite an increase over the last biennium.

In answer to a question from the Chairman, Ms. May said the supplemental of $149,000 which has been requested would take this program through June 30 of this year. The transfer to the Attorney General's office would occur in FY83.

Lieutenant Governor's Office (Exhibit 15)

Ms. Murray informed the committee that the Lt. Governor's budget is at current level except for the transfer of one position from the Budget Office to the Lt. Governor's office to monitor the federally mandated A-95 process. Cheryl Hutchinson, whose position is being transferred, explained to the committee that by Presidential Executive Order the ONB A-95 Clearing House function which has been in effect since 1969 is a federal-prescribed process for review of all federal programs. By Executive Order that will be rescinded effective April 30 of this year. The states have been invited to design intergovernmental review mechanisms that would take the place of A-95. For the first time the federal government has assured the states that whatever process they might put into place, the federal agencies would now have to accommodate recommendations that came from the states. That has never been the case in the past. She said that the new Presidential Executive Order places more emphasis on the involvement of local elected officials. Because of the responsibility of the Lt. Governor's office for coordination of state and local relations, it was determined that this function would better be placed in the Lt. Governor's office than in the Governor's office. She explained that in the next several months they will have consultations with local officials and area clearinghouse personnel to design whatever process seems most appropriate.

In answer to a question from Senator Van Valkenburg, Ms. Hutchinson said no federal funds are available to finance the position. It is strictly state general fund.

In answer to a question from Senator Van Valkenburg, Ms. Hutchinson said most states have had A-95 coordinators in place primarily as an information function where federal grants have been applied for. Appropriate parties have been notified, and they could review, make comments, and coordinate in some cases. But with the comments that were forwarded from the reviewers for the state, the feds never really had to pay attention to the states. It was primarily an information function of what federal monies were coming into the state. She further explained that in order to receive the grants, most programs in the state had to have a sign-off by the A-95 clearinghouse.

Senator Van Valkenburg asked if now, after the 30th of April, they are required to have an A-95 coordinator. Ms. Hutchinson said no; that it was now up to the states if they wanted to have an intergovernmental review process of any sort operating in the state. For the first time the federal agencies have to pay attention to the state's process. The federal agencies now have to pay attention to essentially 56 different processes which states and local jurisdictions put into place, rather than having one process that was federally-prescribed and essentially not very effective on the state's behalf.

In answer to a question from Senator Van Valkenburg as to how the feds will have to pay attention to the states, Ms. Hutchinson said that the Presidential Executive Order carries considerably more weight than the old circular A-95. It says that the comments that come from the state, as a result of the new process, must be accommodated by the federal agency. This means that they either have to accept them or reach a mutual compromise. The states have never had that kind of leverage before.

Senator Van Valkenburg asked someone to give him the best example of where this can be of some benefit to the State of Montana.

Ms. Hutchinson said that if a state decided it wanted to submit a consolidated state plan on several of the programs that SRS administers, the various divisions at the federal level would have to pay attention to that consolidated state plan whereas before it had to be written up to their format and by their deadlines, and had to be separate state plans. Another area in which Ms. Hutchinson said there would be a benefit, Part Two of A-95 had to do with federal involvement with natural resources and land development in the state. And again, if the state took a disposition against federal development regarding lands in the state, the feds didn't really have to listen to it. Now presumably if they decided to have a process in place the feds would have to pay attention to the state recommendations regarding surplus federal lands or forest lands.

In answer to a question from Senator Keating, Ms. Murray pointed out item 4 on Exhibit 15.

In answer to a question from Senator Keating, Ms. Murray said this position was a Grade 12 Contract Monitor.

In answer to a question from the Chairman, Ms. Murray referred the committee to item 3 on Exhibit 15 and explained that the Motor Pool had erroneously charged the Lt. Governor incorrectly for his FY82 motor pool car; he was charged only mileage rather than his monthly lease charge plus mileage. This correction did not get into the documents which the LFA was working from. The Chairman noted that the OBPP amount would be correct. Mr. O'Brien agreed.

Budget Modification

Ms. Murray said the budget modification is listed on page 2 of Exhibit 15. This modification is for printing of periodic reports to local governments for a total request of $1,994 in FY84 and $2,132 in FY85.

Ms. Hutchinson said that information to local governments has been sporadic in the past, and they would like to be a central source of compiling that information.

Senator Dover asked if there was money in the current level budget for this periodic reporting to local agencies. He felt that in time of an austere budget this was an added expenditure.

Ms. Hutchinson said that periodically they do send out one-time memos on items of significance. They are very much involved in coordinating a series of hearings on the block grants. However, they don't have money in the budget now to mail information on a regular basis. In answer to a question from the Chairman, Ms. Murray said the telephones would be under the new state system.

The hearing on the Lt. Governor's budget was closed.

Office of Budget and Program Planning

Dave Lewis, Director of the Office of Budget and Program Planning, distributed Exhibit 16 to the committee. He said that in January of 1981 this office had 27.25 positions. Those included the four that are in Ms. Murray's shop. Three of these positions are now being transferred to the Executive office and one to the Lt. Governor's office. On a comparable basis they had 23.25 positions in January of 1981 and they have 18.25 now.

Mr. Lewis explained page 1 of Exhibit 16 which shows the organizational chart with the established lines of authorities and responsibilities in this office. He said that with the workload they really need to retain the analyst which the LFA has suggested be deleted.

Mr. Lewis pointed out to the committee that at the bottom of page 2 of Exhibit 16 the related costs of these four transferred positions will be deleted from his budget to reflect the transfer of these positions to the other two budgets within the Governor's total package. Therefore, their budget request for "Operating Costs" should be reduced by $4,787 in FY84 and by $5,254 in FY85. Ms. May has the details of the breakdown in categories which this transfer would cause.

Mr. Lewis recalled that last biennium they had planned to work with the Department of State Lands in automating the land lease records. One of the people in the budget office did work on that project off and on over the last year and a half. Because of two special sessions, they were either just finishing or just getting started for a session, and they didn't get a chance to put in the time they had planned to put into that project. This position transferred to State Lands in August and is going to continue with the work he started in the Budget Office. They, therefore, were not able to complete this project to accomplish that one objective that was discussed in January of 1981.

One of the issues discussed by the Fiscal Analyst is that the Budget Office had spent $22,000 on "Equipment" in FY82. They held a position open a large portion of the year in order to make sure they could absorb the pay plan costs and DP costs associated with the budget preparation for the first special session. They made arrangements to purchase equipment that they had on a rental basis. By purchasing that equipment they were able to reduce their monthly rental costs by about $1,000. They have reduced this from their budget request for this biennium. Mr. Lewis said that by spending $22,000 on equipment they saved $36,000 on rent. (Tape 33, Side A)

<u>Budget Modification</u>

Mr. Lewis addressed page 3 of Exhibit 16 which is a request for terminals for the budget analysts to have direct on-line access to budget information. Mr. Lewis said this would eliminate a lot of the turn-around time they have now with the present process. The Fiscal Analyst has this type of capability in their office. The request is for four terminals.

Mr. Lewis said they would prefer to purchase the terminals at an acquisition cost of $11,300. The rent on the terminals would be about $425 a month. He said it would take about five years to amortize the purchase price.

Troy McGee said they estimated that they need one terminal for two budget analysts. He said if they found they did not need four terminals they would consider transferring them to other agencies; but at this time they really believe they need four.

In answer to a question from Senator Stimatz, Mr. McGee said that these terminals are wired through a troller in the Capitol through the telephone lines to the Mitchell Building.

In answer to a question from the Chairman, Mr. McGee said that the installation of Centel should reduce their operating costs.

In answer to a question from Senator Dover, Mr. McGee said that if they decided to rent the terminals for $425 a month, they would not be renting them for 24 months. They would only rent them for approximately 11 months every two years for the session.

In answer to a question from Senator Dover, Mr. McGee said that with the terminals their estimation of the savings on data entry and processing on the computer in the Mitchell Building would offset those costs. The operating costs they have now would offset the future operating costs.

Senator Stimatz said he thought it was a policy of the state that all computer requests are supposed to be cleared through the Department of Administration. Mr. McGee replied that all new computer equipment in the State of Montana has to be cleared through him. Mr. Lewis told the committee that there is a bill in the Legislature that would transfer that responsibility back to the Department of Administration where Mr. Brusett is going to set up an interdepartmental committee to take on that responsibility.

Mr. McGee said, in answer to a question from Senator Keating, that the equipment that was purchased in FY82 was equipment that they had on a lease or a lease-purchase arrangement at that time. They purchased two CRT's which had been leased for some time and had accumulated credit towards purchase, and they elected to purchase them at that time. The amortization period was 22 months on those two devices. At the end of the 22 months they would save approximately $160 per month from then on. They also purchased a printer which is connected to the computer. That was on a rental basis and this was also purchased. Again, the amortization period was about 22 months, and at the end of the 22 months they saved $225 a month.

Another device they purchased was an IBM System 6 which is a word processing device. A purchase arrangement had been entered into prior to Mr. McGee's assignment to his current position, and they consummated that purchase. These are the bulk of the purchases that were made.

In answer to a question from Senator Dover, Mr. McGee said that his responsibility for the approval of the purchase of computer equipment was statewide. Mr. McGee said that the DP coordination function is for state agencies only and not for any local governments.

Senator Dover noted that there didn't seem to be any coordination on the county level as some equipment for county assessors was approved by the state, but the sheriff's was not. Senator Dover said that they were trying to coordinate these line costs so there would be no duplication of costs. Mr. McGee noted that he would not be involved unless the Department of Revenue was involved in the purchase of this local equipment.

In answer to a question from Senator Dover, Mr. McGee said he had no direct responsibility for local government. Mr. McGee said his function of approving equipment would be transferred to the Department of Administration.

There being no further questions, the Chairman closed the hearing on the Governor's budget.

The committee took a short recess and reconvened at 9:10 a.m.

<u>WORK SESSION</u> (170)

DEPARTMENT OF JUSTICE

Field Service

Highway Patrol

As Senator Van Valkenburg was not present during the hearing portion of the Highway Patrol budget, Col. Landon repeated some of his testimony as to the need for the additional patrol officers. (He referred Senator Van Valkenburg to Exhibit 11 which is found in the Minutes of January 18, 1983. The charts under the tab "Additional Patrol Officers" of this Exhibit 11 are the ones Col. Landon specifically referenced.)

In answer to a question from Senator Dover, Col. Landon said that the northeastern part of the state is where they are having most of their fatalities and injury accidents; in particular the areas around Sidney and Glendive, basically because of the influx of population because of the oil rigs.

In answer to a question from Senator Dover as to whether or not they have increased their patrolmen in this area recently, Col. Landon said that last session they were authorized two officers and both of them went to the eastern part of the state where their problem was. In addition to that, they took their accident prevention unit which normally rotates around the state for ten days at each location, depending on the accident rate, and sent them all to that area for the entire summer. They increased the manpower in that area by four officers all summer.

In answer to another question by Senator Dover, Col. Landon said that the accidents are happening in that area on U.S. 2, on 200 and 16; they are pretty well scattered. Col. Landon said they have an acute communications problem in that area. In fact, there is one officer in Plentywood who operates his radio out of Williston, North Dakota.

The Chairman noted that this budget is asking for 229.60 FTE's at current level and they are asking for a modification of 16 patrolmen each year of the biennium and five safety officers for 1984.

Senator Van Valkenburg noted that they are asking for about 20 FTE's for the dispatch out of Helena for the switchers. The actual figures would be 14 FTE's in FY84 and 19.95 in FY85.

Senator Dover asked if he could have Col. Landon give the committee his priorities. The Chairman said they would look at the communications portion of the budget at another meeting when the Department of Administration would be here, so there can be some coordination.

Col. Landon said that communications would be their first priority and the Safety Officers as a second priority. The extra patrolmen would be next.

Col. Landon explained that the reason they have the safety officers ahead of the extra patrolmen on the road is because they can contact literally thousands more people with the safety message than they can in the punitive action on the highways. He explained that they have an enforcement program now but they don't have the safety education program. They need to balance it for their accident prevention. What they really need is engineering from the Highway Department, enforcement from the Highway Patrol and safety education from the Highway Patrol.

In answer to a question from Senator Keating, Col. Landon said the main group has been primarily targeted at the schools and working with the young people. If they can improve their attitudes there will be a better group of drivers in the future. They also work with service clubs.

Senator Dover made a <u>MOTION</u> that the committee approve 234.6 FTE's which include five for the safety program.

Senator Van Valkenburg asked Col. Landon if there was any federal money available under the Federal Highway Safety Program. Col. Landon said there was none that he knew of. He also said he would like to emphasize that these people would be full-fledged patrolmen. They would be investigating accidents, stopping traffic violators and most of them would get about half the activity that a regular officer would get.

In answer to a question from Senator Keating, Col. Landon said they would like to have one safety officer in each of their five regions. They would be stationed in Billings, Glendive, Great Falls, Missoula and Butte.

Senator Van Valkenburg suggested that perhaps they could use a lower grade employee who wasn't a highway patrolman who would be in the business of traffic safety education. Col. Landon said he would really hate to see the committee direct them to do that because that would not give them a full-fledged safety education program. The safety education officer is only as good as his past experience. They want to have people who have experience in accident investigation, violator contact, working with the public and assisting them. You get a certain type of attitude and ability with a person like that. Col. Landon said if they were granted these FTE's they would search out in the Patrol the very best people available through a selection process, and those would be the people they would assign to these particular jobs. He said they feel it is that important that they just can't go out and get somebody who is involved in safety education. They have to be experienced police officers with all the background to be able to really do a good job.

Rep. Lory noted that communications was Col. Landon's highest priority. Senator Dover, who will chair the committee on the communications coordination, said that they would come back to do this. The Chairman also told Rep. Lory that the committee will consider all the telecommunications together so there will be better coordination throughout the state.

Senator Van Valkenburg expressed his reluctance to go along with this request even though he felt it was a good idea. He said he feared that the Highway Patrol would eventually be funded out of general fund and with the added expenses and FTE's above the current level, he would like to protect the general fund. He noted that some of the communications costs would have to be funded and he would like to see that there is some general fund money for that purpose. Discussion.

Senator Van Valkenburg said that somebody is going to have to carry a special appropriation through the Legislature for something in excess of $1.2 million to pay for the retroactive upgrades of the Highway Patrol, and they are also going to be asked to increase Personal Services from current level to include those upgrades. This is not going to be an easy task. He said that to add FTE's in addition to current level is not going to help this situation, even though this is required by law.

Senator Dover noted that Col. Landon, even at current level, is authorized to have a safety program. He said if the committee does go back to current level they should put something in there to encourage him to go ahead with this type of program as he can fit it into his program.

In giving the committee some background on the retroactive upgrades of the Highway Patrol which had been ordered by the Court, the Chairman said he could not understand why it took from 1979 to 1983 for the Board to render a decision on this. He felt the Legislature should take a hard look at this so it doesn't ever happen again.

Discussion by the committee.

Senator Dover said he would CHANGE his MOTION to keep the man who is in there (Sgt. Farrell).

Discussion by the committee. In answer to a question from Senator Keating, Col. Landon said that the Division of Highway Safety was created as a federal pass-through agency for federal monies to state and local areas of traffic safety. They are involved in coordinating things and supplying information from the federal government. Col. Landon said he didn't see any duplication there.

Rep. Lory made a SUBSTITUTE MOTION that the committee approve two traffic safety officers which would make the total FTE at 231.6. Rep. Lory said that regarding the communications as a priority, they may have to change these two additional FTE's to communications.

Question being called for, the motion carried. Senator Keating and Senator Van Valkenburg voted "no."

The committee discussed item 3 on Exhibit 17 which is the reclassification of officers. Ms. May said that rather than plugging in a number it would seem to her that Mr. Roessner would need to update his file to include these upgrades.

Mr. Roessner said he would go back and plug those numbers in.

(Tape 33, Side B)

After some discussion, Senator Van Valkenburg said he had requested a copy of the decision regarding the reclassification of patrol officers, but had not yet received it.

Rep. Lory suggested that the committee wait on "Personal Services" until Mr. Roessner gets these figures plugged in.

The Chairman called the committee's attention to Item 1 on Exhibit 17 which reflects overtime pay in lieu of compensatory time for the patrolmen. Senator Van Valkenburg said he felt it was a matter of whether you want the officers to take time off by virtue of comp time or if you want them on the road. He felt that even though this does impact the budget, you probably don't want patrolmen sitting at home on Labor Day, the 4th of July, etc. when they are really needed on the road.

Senator Van Valkenburg made a MOTION that the committee approve the additional ($15,713 in FY84 and $15,713 in FY85) money in each year of the biennium to reflect payment for overtime in lieu of comp time.

In answer to Rep. Lory's question about whether or not this expense would carry over into the next biennium, the committee was told that in years past their overtime money has lasted to about April of each year. That means in May and June patrolmen had to be compensated by comp time. They are requesting these additional funds of $15,000 be added to the base so they would have sufficient funds to pay overtime for the entire year. Discussion. Question being called for, the motion carried.

The Chairman asked the committee about the request for no vacancy savings. Senator Van Valkenburg said that he felt this should be taken up for all agencies at one time when we get to the end of the budgeting process.

Mr. Roessner said he had all the figures for the vacancy savings for the Department of Justice's various divisions and would be able to furnish this for the committee so they could act on the entire department at one time. The Chairman said that is what the committee would do. Discussion by the committee as to how the vacancy savings and the pay plan are going to be handled.

Mr. Roessner said that under "Contracted Services" there was an error in that he had picked up an amount off the form B-21 and inflated it forward and picked up the total insurance and premiums that should have been inserted in FY84 and FY85.

Senator Dover made a MOTION that the committee accept the LFA budget less $4,306 for FY84 and the LFA budget less $4,564 in FY85.

Discussion by the committee on the difference in figures. Ms. May said that the differences in the OBPP and LFA budget reflects the recruit school and the different manner in which each office included these expenses. She said that included in the current level budget the OBPP has included funds for the recruit school. The Budget Office recommended one recruit school for the first year of the biennium for 15 students. This would be to cover the attrition rate to keep their current force staffed. The LFA recommended a recruit school each year with ten students. She said throughout all the expenditures some of these differences are going to be related to the recruit school.

Ms. May said that the committee should perhaps decide how many students and how often the school should be held before they can accurately vote on the figures.

Ms. May said that all costs related to the recruit school in the OBPP budget were put into "Contracted Services" in the common expenditure area.

After some discussion of the differences in the OBPP and LFA budget figures, Senator Dover asked Col. Landon what his recommendation was as far as the number of students and the frequency of the school. Col. Landon replied that they would prefer to train ten each year because they have a drop-out rate between the time they train until they are used two years later. It is better to train them, and if you have the vacancies, put them to work rather than have those people go out and look for jobs.

In answer to a question from Senator Van Valkenburg as to how many are on the waiting list now, those who have already been trained and have not been employed, Col. Landon said they have six. Senator Van Valkenburg asked what the turnover is in Field Services in the biennium. Col. Landon said historically it has been .6 per month, but in the last couple of years, because of the economy, they have had fewer.

Col. Landon said they do have a difference in the amount of students at the beginning and those who graduate, because of a drop-out rate as some of them don't meet the qualifications.

This is one of the things that they have to consider. In answer to a question from Rep. Lory, Col. Landon said from the time they are actually selected and in the class, the drop-out rate is about 5%.

There was a discussion of the method the OBPP used in projecting the costs for the recruit school and the method the LFA used in projecting the costs. It was also noted that there are fixed costs which you would have whether or not you hold a school once each year. After some discussion Senator Dover said he felt the OBPP and LFA should go back and figure out the fixed costs because it should cost more and not less to have a school each year of the biennium as opposed to one for the entire biennium. The committee decided that they needed to have a breakdown on the recruit school figures before they could make a decision.

Senator Dover WITHDREW his MOTION.

Ms. May said that the OBPP figure for "Supplies and Materials" was incorrect as they had the wrong figures for uniforms included in their budget. Senator Dover said that his contact with local highway patrolmen indicated that they felt the allowance was too high, that they did not need new fancy belts and could get by without some of these expensive items, especially when we have such a tight budget.

Col. Landon said the uniform allowance is to supply the uniform itself; it doesn't have anything to do with gun belts or holsters. He explained that it was imperative that they replace those things. There may be some people in that area who didn't like the change. He said just about every police department in the country has a speed loader. He said they need this for their own protection. They had a real problem with the holsters; guns were falling out of the holsters when they were running after people. He was afraid that one of them was going to go off and shoot somebody, and then we'd have a cost involved for litigation. He felt that Senator Dover was talking about a very small minority of people who didn't like that.

Col. Landon said that the belts were not part of what he was talking about regarding uniforms. What he would really like to do is have a central store for uniforms so they could keep the costs down and have good control of the costs. The way it is now, if you give X number of dollars per year per officer the tendency is to use it all up whether he wants to or not. He said $175 won't even buy a uniform. They are low on uniform allowance and they don't have the best procedure to have a real cost effective procedure for issue.

In answer to a question from Senator Keating, Ms. May said they have the uniform allowance in the budget but they are shy about $5,000 a year from an error.

Discussion by the committee of the addition or subtraction needed to come up with the correct figures for "Supplies and Materials" which includes the uniforms. Ms. May said that uniforms for the recruit school were pulled out of the OBPP budget and put into a common area of "Contracted Services" which would explain some of the difference. Discussion.

Senator Keating made a MOTION that the committee allow $250 per year in the biennium for clothing allowance and the OBPP and LFA can repair the figures accordingly. Question being called for, the motion carried.

The committee expressed some confusion about this budget and Mr. Kuchenbrod said that the following figures for uniform allowance per man per year were:

	FY84	FY85
Executive Budget	$178	$188
LFA Budget	202	214
Agency Request	254	269
Col. Landon's new request	450	477

The Chairman noted that the $250 allowance that the committee just passed is almost the same as the original agency request. Mr. Kuckenbrod said that it was not the same as Col. Landon's new request. The committee said they understood that.

Senator Dover said that if Ms. May and Mr. Roessner are going to straighten out the "Contracted Services" they might as well straighten out the rest of the differences in these two budgets. Discussion.

Under "Equipment" Mr. Roessner said the reason there were no vehicles listed in the LFA budget was because the inventory he was working from was a computer print-out which had not been updated as it had been scrapped. Senator Van Valkenburg noted that they have to buy cars every year for the patrolmen and he agreed with Col. Landon's method of assessing each car. As the maintenance costs increase to a certain point, the car should be replaced. Discussion. Senator Van Valkenburg noted that the original request for cars was 70, but they have reduced that request, because of budget constraints, to 67.

Senator Van Valkenburg made a MOTION that the committee authorize the purchase of 67 new cars during the biennium at the levels requested in Exhibit 18 of $9,314 in FY84 and $9,873 in FY85. Discussion. Question being called for, the motion carried

Revised Equipment Request (Exhibit 18)

In answer to a question from Senator Dover, Col. Landon said that the request for radios listed on Exhibit 18 are independent of the radios in the communications package. (Tape 34, Side A) In answer to a question from Senator Dover as to whether or not the CRT machines would be "nice to have" but perhaps not vital at this point, Col. Landon replied that they feel they really need this equipment. He mentioned that one of the reasons they had to scrap the inventory list that Mr. Roessner had mentioned earlier was because they didn't have adequate equipment. He also said they could eliminate some keypunch personnel with this equipment. He said this would enable them to make proper use of data processing. They would like to do this in three areas: in the vehicle inventory area, on accident records and personnel and training records. They would eventually like to have one in each of their regional offices. Next session he would like to ask the Legislature for five more terminals so they can have direct data entry of their patrol activities, the number of cars and accidents that people investigate and stop, and also the mileage on the cars. This information would come directly in from the regional headquarters to the computer and they would have immediate access to this information.

In answer to a question from Senator Dover, Col. Landon said regarding the request for typewriters that his estimate would be that this would represent about 15% of the typewriters.

In answer to a question from Senator Keating, Col. Landon said these CRT's are separate functions and in their order of priority they would request accident records as first, and supply and inventory as second. The personnel and fleet records would be their third priority.

In answer to a question from Senator Keating, Ms. May said that originally the cars were listed at $8,400 each and now the price has gone to $9,314 and $9,873 as listed on Exhibit 18.

Senator Van Valkenburg asked what the historic rate of the replacement of topights and radios was. Mr. Kuchenbrod said this would be the third year of replacing toplights. He said that this request for FY84 would complete 210 toplights for all the cars; all the toplights would be the same. Col. Landon said that historically the radio replacement has been about 40 per year. Col. Landon said they are going to try to stretch their radio budget just as far as they can, so there won't be any area of waste on radios.

In answer to a question from Senator Keating, Col. Landon said that two-thirds of their fleet have the new toplights. They do not have any toplights in a warehouse; they are all on the automobiles. Col. Landon explained that the reason for the request for three in the last year of the biennium is for replacement toplights in case of a rollover or damage to the existing fleet. This would be their only inventory until they were used.

Senator Van Valkenburg made a MOTION that the committee approve the Executive request for "Equipment" on the Revised List (Exhibit 18) which includes all the toplights, radios, CRTs, typewriters and cars. Discussion.

Question being called for, the motion carried.

The Chairman noted that the committee needs revised figures before they can take further action on "Contracted Services", "Supplies and Materials" and "Travel."

Budget Modification

Northwest Traffic Institute

Senator Dover made a MOTION that the committee do not approve this budget modification request. (152) Discussion.

Question being called for, the motion carried.

Discussion by the committee.

Highway Traffic Safety Division (Exhibit 20)

Senator Dover made a MOTION that the committee approve the 8.5 FTE's. Question being called for, the motion carried.

In answer to a question from Rep. Lory, Mr. Goke said that under "Contracted Services" the LFA had applied an inflation factor, and Mr. Goke stated at the last meeting that this was not necessary.

Senator Cover made a MOTION that the committee accept all the "Operating Expenses" for the OBPP budget figures.

Question being called for, the motion carried.

Senator Dover made a MOTION that the committee accept the entire Highway Safety Budget at the Executive level. Question being called for, the motion carried.

Senator Van Valkenburg initiated a discussion of the availability of Highway Safety Funds to fund the Highway Patrol Safety Officers. Mr. Goke distributed a list of the projected grants to state agencies in the 1985 biennium. (Exhibit 21)

After some discussion, Mr. Goke gave the committee the following information on the grants to local governments.

$390,000	local law enforcement on the street
20,000	local training of law enforcement regional schools throughout the state
370,000	local alcohol grants distributed to school districts ($40,000 - $50,000) The remainder would go to city-county government
70,000	engineering, accident analysis
20,000	traffic engineering training for city-county governments

The Chairman noted that the Highway Traffic Safety Budget has been approved at the OBPP level.

The meeting was adjourned at 10:55 a.m. (437)

Joe Quilici

Joe Quilici, Chairman

dm

Exhibit 1
Jan. 25, 1983

Agency: 3202 Commissioner of Political Practices
Program: 01 Administration

Remarks concerning the varience between the Legislative Fiscal Analyst proposed budget and our requested budget.

AE/OE

2100 Contracted Services

FY 84 - The request for a part-time employee was not included with the base figures. The additional amount was entered on form B22 and not included by the Legislative Fiscal Analyst's office. This office does need the additional help and requests that the $737 appropriation be included with the balance.

FY 85 - Same as above except include $922 with the balance.

2200 Supplies & Materials

FY 84 - The request for rental of a copying machine from Publications & Graphics was not included with the base figures. The additional amount was on form B21 and not included by the Legislative Fiscal Analyst's office. This amount pays for only rental, the revenue received from the sale of copies is used to pay for paper, chemicals and any maintenance necessary. Please note revenue accounting entity 02047 for this figure. This office does need the full requested appropriation of $9,352.

FY 85 - Same as above except the needed appropriation is $4,584.

3100 Equipment

FY 84 - The $200 was a request for an adding machine. This office requests the full amount.

01100 - General Fund
02047 - Revenue, Copy Machine

FY 84 - This office is forecasting $750 as a closer estimate of funds received from the sale of copies. An original estimate had been $1,500 that was lowered as this office became more familiar with the processes. In order to keep the cost per copy down as low as possible this office is requesting a revenue appropriation of only $750.

FY 85 - The same as above.

AGENCY [illegible]

PROGRAM 3202 [illegible]
No. Name

Executive Budget Page 82

SubProgram N/A

Fiscal Analyst's Page 54

DESCRIPTION	EXPENDITURES 1982 Actual	EXPENDITURES 1983* Estimated	1984 BUDGET Agency Request	1984 BUDGET Exec. Budget	1984 BUDGET Fiscal Analyst	1984 BUDGET Exec-LFA Variance	1985 BUDGET Agency Request	1985 BUDGET Exec. Budget	1985 BUDGET Fiscal Analyst	1985 BUDGET Exec-LFA Variance
FTE	5	5	5	5	5	-0-	5	5	5	-0-
Personal Services	110,493	118,788	123,188	123,188	123,696	508	122,920	122,920	122,872	(48)
Operating Expenses	16,447	21,755	25,969	25,969	25,081	(888)	19,706	19,706	19,509	(197)
Equipment	1,605	215	200	200	140	(60)	-0-	-0-	-0-	-0-
Sub-Total	128,545	140,758	149,357	149,357	148,917	(440)	142,626	142,626	142,381	(245)
Capitol Outlay	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Non-Operating	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	128,545	140,758	149,357	149,357	148,917	(440)	142,626	142,626	142,381	(245)
Funding										
General Fund	128,545	140,758	148,607	148,607	147,417	(1,190)	141,876	141,876	140,881	(995)
Other Funds **										
1. 02047 [illegible]	N/A	N/A	750	750	1,500	750	750	750	1,500	750
2.										
3.										
4.										
5.										
TOTAL	128,545	140,758	149,357	149,357	148,917	(440)	142,626	142,626	142,381	(245)

*If estimated amount includes more than original appropriation, please explain
**List each accounting entity separately.

Exhibit 2
Jan. 25, 1983

BUDGET COMPARISON - OBPP and LFA

GOVERNOR'S OFFICE - NORTHWEST REGIONAL POWER COUNCIL

Major Differences:

The differences in the budget are the result of the technical budgeting process. Power Council funds are 100% non-state: their source is the Bonneville Power Administration. Each state in the region under the act receives a flat allocation from the BPA. Although the Governor's Office does not know its exact allocation for FY's 84 and 85, we request total appropriations of $392,000 in FY 84 and $412,000 in FY 85, with no pay plan funds, if they are allocated.

Category	OBPP 84	LFA 84	Diff.	Explanation	OBPP 85	LFA 85	Diff.	Explanation
FTE	7.00	7.00	0		7.00	7.00	0	
Salaries	$204,352	$205,162	$ 810		$203,568	$206,553	$ 2,985	
Benefits	23,477	27,717	4,240		23,413	27,905	4,492	
Contracted Services	58,833	58,598	(235)		50,595	61,021	10,426	
Supplies & Materials	2,634	2,461	(173)		2,792	2,584	(208)	
Communications	5,046	5,328	282		5,773	5,594	(179)	
Travel	44,758	60,982	16,224	public hearings	46,627	69,627	23,000	
Rent - building	7,476	6,981	(495)		7,925	7,330	(595)	
Repair & Mainten.	730	683	(47)		774	717	(57)	
Other Expenses	12,592	11,778	(814)		13,348	18,276	4,928	
TOTAL PROGRAM	$359,898	$379,690	$ 19,792		$354,815	$399,607	$ 44,792	

At the time the budget was prepared, the Council did not know what inflation factors would be applied to the FY 82 base year. We requested that after the inflation factors were applied, the budget be adjusted to bring the appropriation to the level requested. This was not done.

2 Com
ad sec
receptionist
pa office
2 accountants

allocation is statutorily established
from BPA

Exhibit 3
Jan. 25, 1983

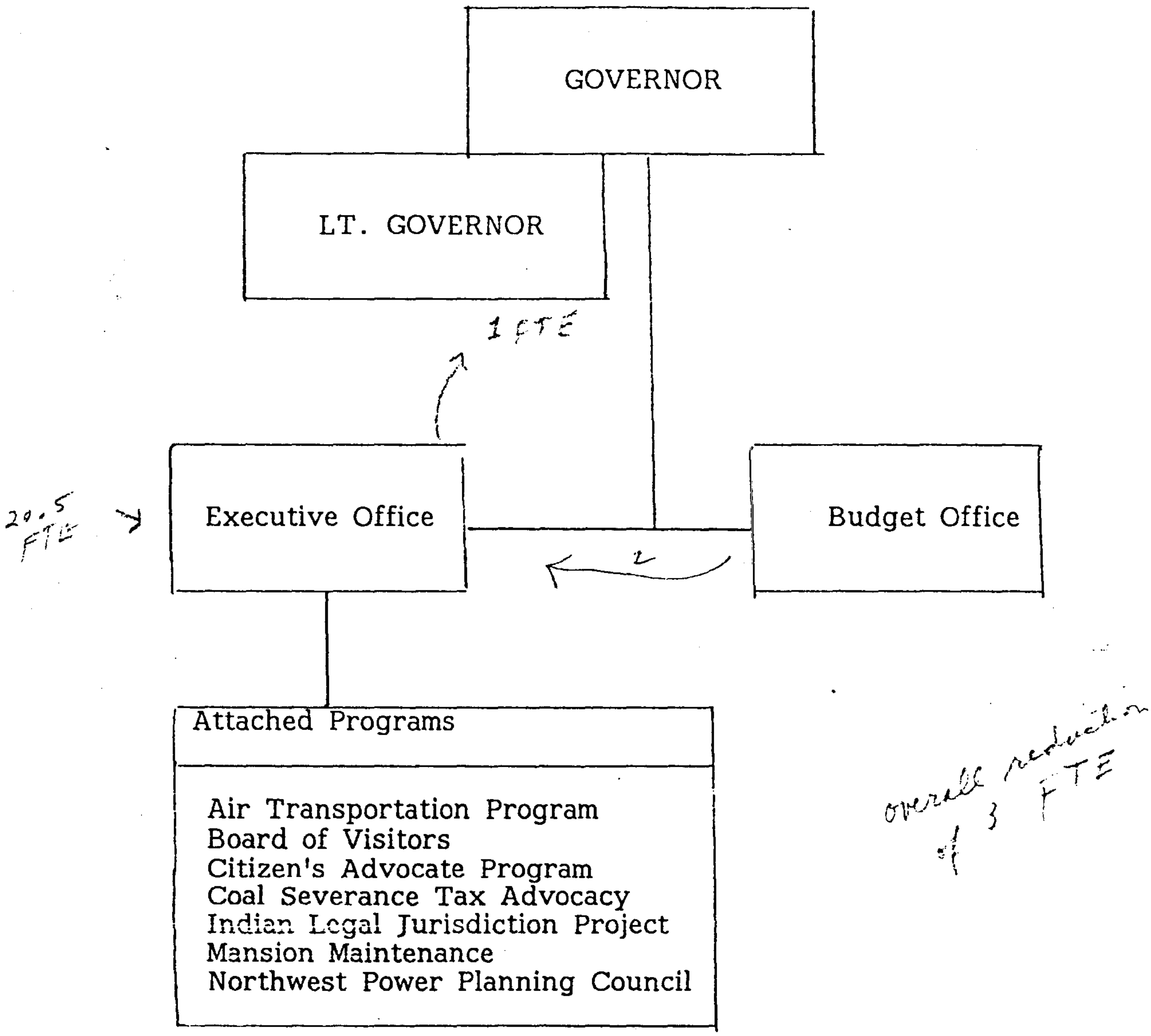

Exhibit 4
Jan. 25, 1983

Governor's Office

Central Services/Administrative Services Functions

FY 83 Budget: 4 FTE's

1985 Biennium Budget Proposal (Revised):

(1) Transfer 2 FTE's to Executive Office*

(2) Transfer 1 FTE to Lt. Governor

(3) Eliminate 1 FTE

*Executive Budget reflects transfer of 1 FTE and the elimination of 2 FTE's. Since the preparation of the budget, office has conducted an evaluation of the planned inter-agency contract with the Department of Administration to perform centralized service function and concluded action was ill-advised. Request reinstatement of 1 FTE (Accounting Technician) and transfer with retained FTE to Executive Office.

Exhibit 5
Jan. 25, 1983

Governor's Office

Security: Personnel

1981 Legislature appropriated funds to the Executive Office to hire personnel to provide security for the Governor. Office of the Governor has contracted with the Department of Administration to provide security. Department has assigned 1 FTE to the Governor's Office - position is responsible for providing and coordinating security for the Governor.

BUDGET COMPARISON - OBPP and LFA

GOVERNOR'S OFFICE - EXECUTIVE OFFICE

Exhibit 6
Jan. 25, 1983

Major Differences:

1. LFA deleted Administrative Assistant Position.
2. OBPP added centralized services position (transfer from OBPP to Executive Office).
3. Contracted Services: LFA included funds in Current Level for a federal grant which OBPP included as a modified budget request ($12,500 in FY 84).
4. Contracted Services: LFA deleted funds requested for participation in WESTLAW (FY 84 - $5,600, FY 85 - $5,950).
5. Rent: difference is in square footage allocation and in the rent rate.

going to 18.2

Category	OBPP 84	LFA 84	Diff.	Explanation	OBPP 85	LFA 85	Diff.	Explanation
FTE Salaries 20.5 FTE 18,000 Benefits	19.50 $524,263 75,026	17.50 $472,453 81,965	(2.00) $(51,810) 6,939	See (1) & (2) Above.	19.50 $522,257 75,698	17.50 $470,642 82,953	(2.00) $(51,615) 7,255	See (1) & (2) Above.
Contracted Services	58,965 + 12,500	65,843	6,878	See (3) & (4) Above.	47,239	41,277	(5,962)	See (4) Above.
Supplies & Materials	10,673	10,670	(3)		11,314	11,308	(6)	
Communications	39,929	39,899	(30)		45,809	45,774	(35)	
Travel	65,452	65,443	(9)		68,138	68,126	(12)	
Rent	40,396	38,726	(1,670)		44,893	41,647	(3,246)	
Repair & Maintenance	7,292	7,288	(4)		7,718	7,714	(4)	
Other Expenses	65,546	65,544	(2)		65,956	65,953	(3)	
Equipment	6,930	6,930	0		1,515	1,530	15	
TOTAL PROGRAM	$894,472	$854,761	$(39,711)		$890,537	$836,924	$(53,613)	

Additional Notes: Governor's Office requests that the budget for "other expenses" be reduced by $11,760 in FY 84 and by $10,560 in FY 85. Dues assessment for the National Governors' Association was less than originally anticipated.

Governor's Office requests that operational expenses be transferred from OBPP to the Executive Office to reflect transfer of Centralized Services ($4,787 in FY 84 and $5,254 in FY 85). Executive office budget

Governor's Office requests that Accounting Technician position deleted from Office of Budget & Program Planning be restored to Executive Office to reflect transfer of Centralized Services from OBPP to Executive Office.

will be reflected

Exhibit 7
Jan. 25, 1983

GOVERNOR'S EXECUTIVE OFFICE

BUDGET MODIFICATON REQUEST -
EPA PERMIT DIRECTORY

The Governor's Office currently has a two-year grant funded by the Environmental Protection Agency for compilation of a permit directory. In recent years, the federal, state, and local levels of government have enacted legislation that significantly increases the role of government in energy and resource development. Each agency involved in this area has developed its own permit procedures. The permit directory identifies the federal, state, and county requirements that are required to explore, extract, and process energy and mineral resources in Montana. All applicable federal and state requirements are addressed, and a review of all known county government regulations is provided.

Expenditure of this grant was approved in FY 82 and FY 83 by budget amendment. The grant will continue through Federal Fiscal Year 1983 (three months into state fiscal year 1984), so spending authority is requested for the estimated three-month carryover, \$12,500. > federal funds

	FY 84	FY 85
Contracted Services	\$ 12,500	\$ 0

Exhibit 8
Jan. 25, 1983

GOVERNOR'S EXECUTIVE OFFICE

BUDGET MODIFICATION REQUEST - COAL SEVERANCE TAX DEFENSE

The Governor's Office requests that funds authorized for defense of Montana's Coal Severance Tax be brought back to the level authorized by the 1981 Legislature. The approximate cost for the 1984-85 Biennium would be $330,000.

	FY 84	FY 85
Contracted Services	~~$330,000~~ $300,000	Carryover

$300,000 is what is needed now to bring it up to $500,000 for bienni[um]. This is not for litigation, it is for the lobby to defend Coal Tax. Has been general fund in the past

Exhibit 9
Jan. 25, 1983

State of Montana
Office of the Governor
Helena, Montana 59620

TED SCHWINDEN
GOVERNOR

January 24, 1983

TO: Elected Officials Appropriation's Subcommittee

FROM: Governor Ted Schwinden Ted Schwinden by DW

RE: Coal Severance Tax Defense

Two years ago, Montana's coal severance tax was being challenged on two fronts: in the United States Supreme Court and in the U.S. Congress in the form of federal legislation to limit the rate of state severance taxes. Confronted with the unprecedented Congressional assaults on Montana's and other states' powers to levy and establish state taxation policies, the 1981 Legislature appropriated $500,000 to defend the severance tax before the Congress during the 1983 biennium.

On July 2, 1981, the U.S. Supreme Court affirmed Montana's right to levy its coal severance tax and declared that the tax was constitutional. Despite the court's opinion, efforts persisted in Congress to limit the tax rate of state severance taxes. In addition, a new assault which would penalize states dependent upon severance taxes through changes in the formulas that allocated federal funds surfaced.

In October, 1980, with the strong support of members of Congress from the Northeast and Midwest, legislation limiting coal severance taxes to 12.5 percent was reported by the House Committee on Energy and Commerce. Since then, largely because of the cooperation among the executive branch, the Legislature, Montana's Congressional Delegation and the Montana Coal Tax Advocacy team of Leon Billings and Richard Whalen, federal legislation limiting severance taxes was thwarted in committee and none was reported during the recent ninty-seventh Congress. Montana's position is now fully documented in Congressional committee records.

During the past two years, the State of Montana, in cooperation with the Coal Tax Advocacy Team in Washington, has documented the equity of the coal severance tax and its minimal effect on the consumers of electricity generated from plants fired by Montana coal. States and interest groups sharing Montana's concerns have been identified and rallied to assist in promoting our position. The State's advocacy efforts have successfully blunted the outright attack on the Montana coal severance tax.

While we can take pride in our accomplishments during the ninety-seventh Congress, the battle concerning the coal severance tax is far from over. In recent months, the more complex issue of fiscal disparity among the states has received increased attention in Congress. In an effort to correct what are perceived as "fiscal disparities" among the states, the attack on state severance taxes has been expanded to include a proposal to adopt "fiscal capacity" as the only factor to allocate federal funds. Opponents of the coal severance tax would substitute the representative tax system (RTS) for the traditional per capita income measure, and urge the adoption of legislative language mandating the development of alternative federal funding formulas. The alternative funding formulas tend to reward urban states at the expense of states that levy severance taxes. Under one such proposal, Montana could lose over $36 million a year in human and social service funds alone.

The implications of the debate over fiscal disparities among the states are real. The budget consequences resulting from the passage of the representative tax system are more damaging to Montana than the original threat to limit the rate of coal severance taxes.

The Coal Tax Advocacy Team has prepared the attached primer titled: "Fiscal Disparities and Western Resources." This report describes fiscal disparities, the representative tax system and the impact on Montana if alternative funding formulas are enacted by the Congress.

My budget recommends the continuation of the coal severance tax advocacy effort in Washington for the 1985 biennium. It is essential that we maintain the bipartisan spirit and effort that has characterized the defense of Montana's coal severance tax over the past two years. I urge you to review the attached report. If you have any questions, please contact me.

Exhibit 10
Jan. 25, '83

FISCAL DISPARITIES AND WESTERN STATES' RESOURCES

Prepared for the
Governor of Montana
by the
Coal Tax Lobby Team
Washington, D.C.
December, 1982

OVERVIEW

"There is a massive transfer of wealth from energy consuming states to a handful of energy producing states."

U.S. Congressman, Howard Wolpe (Michigan)

Renewed assaults on Montana's coal severance tax can be expected in the next Congress. The lack of success in moving through the 97th Congress legislation to limit or cap state severance taxes should not be interpreted as more than a temporary cease fire. Frontal assaults will resume as the economic effects of the recession increasingly limit state as well as Federal revenue expectations. Congress, in its searching for new types of taxes and alternative ways to redistribute existing revenues, is likely to revive the severance tax issue.

Additional federal taxes on energy, applied either on production, importation or refined product, will be virtually irresistible for Congress, which faces the multi-faceted task of stimulating the economy, responding to the social and economic needs of the country and, at the same time, reducing a federal deficit approaching $200 billion by next year. Alice Rivlin, director fo the Congressional Budget Office, has warned Congress that the deficit must be reduced. She has suggested that new energy taxes would be the most logical source for additional revenue.

The lame duck session's passage of a federal gas tax increase may foreshadow the shape of things to come. As new federal energy tax proposals take form and gain momentum, there also will be pressure to reduce the impact of those taxes on energy consumers by reducing state and local energy-derived taxes and redistributing, directly or indirectly, the state-gained revenues. The frontal attacks are easy to detect and, as demonstrated, with careful groundwork can be repelled. The indirect assaults are more subtle and insidious, but devastating to states like Montana, where taxes on energy resources comprise a significant portion of state revenues.

The catch-phrase for the indirect assault on energy-derived revenues is "fiscal disparities." Originally used to define perceived differences in revenue raising ability among the states, it has become a tool to make a back-door run on state energy revenues. Rather than limiting a state's taxing capacity directly, the indirect approach would revise the formulas for distribution of federal grants and program assistance to favor energy-consuming states over energy-producing states. Older, industrial and more heavily populated states would be favored over the less populous and rural western states; defining a new group of winners and losers. Those with energy resources lose; those without gain.

If some of the proposals now being considered are accepted, Montana stands to lose millions of dollars. And since, in the restructured formulas, there are more winners than losers, the political balance is not in Montana's favor. The combined regional blocs of the Northeast and

Midwest states -- nearly all energy consumers -- is composed of 18 states with 36 Senators and 198 House seats. Together, the 13 western states, excluding California, Oregon and Hawaii, have 26 Senators and 38 Congressional seats. Those delegations seldom vote as a regional bloc on any one issue, but the political imbalance between the western resource states and the industrial Midwest and Northeast is a significant factor. Moreover, the representatives and senators from those states are actively joined in a well staffed Northeast-Midwest Coalition, which advocates the economic interests of those two regions and identifies political and legislative opportunities for their advancement.*

Fiscal Disparity, What Is It?

> "Large disparities create wasteful tensions in a federal system."
>
> -- Senator Durenberger, Minnesota

In the vernacular of public policy terminology, fiscal disparities has taken on new meaning. Fiscal disparities has been used traditionally to describe the relative ability of the various states to be self-sufficient in financing basic governmental services. States with low per capita income were considered to suffer a disparity in comparison with states with higher income levels and were, therefore, in need of some additional financial assistance in raising the level of their public services to a national mean. State per capita income has been the universal basis for the allocation of federal funds. It is built into the equation for allocation of dollars for most federal grant and assistance programs, along with population and such less easily quantified considerations as relative deprivation, the need for the public service or facility.

Now, however, there is pressure to modify that traditional measure of a state's well-being. Availability of energy resources, according to the new definition of fiscal disparities, is a more significant measure of a state's basic wealth and, therefore, of its capacity to finance public services.

With energy resources as the measure of fiscal capacity, a state like Montana with coal, oil and gas reserves would be categorized as wealthy in comparison with a state like Massachusetts, which , in spite of its comparatively high per capita income level ($10,125 as compared to Montana's $8,536)**, has no oil, gas or coal to develop. As Michigan Congressman Howard Wolpe, Co-Chairman of the Northeast-Midwest Coalition's Energy Taxation Task Force has said, "States like ours that don't have resources to tax simply can't compete and, in effect, are subsidizing the economic development of energy rich states."

---

* The State delegations associated with the Northeast-Midwest Coalition are Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont and Wisconsin.

** Per Capita Personal Income, 1980. U.S. Department of Commerce, Bureau of Economic Analysis.

Because relatively few states have known reserves of petroleum or coal, and because most of those are located in the West and South Central states, the new definition of fiscal disparities takes on significant regional implications. States with energy resources become the "haves" pitted against the "have nots" comprising most of the older industrial sectors of the nation. The rapid increase in energy costs and the general shift in the center of economic vitality from the Midwest toward the West and the Sunbelt states has fueled the older states' sense of relative deprivation and sharpened regional competition.

New Measures of Wealth

> "Overall, per capita income is a better measure of the economic well-being of a state's residents than of a government's ability to raise revenue."
>
> -- Robert B. Lucke*

What began as mainly an academic fascination with new ways to measure comparative need among states has taken on political urgency in the past couple of years, especially in the face of decreasing state revenues and diminishing federal assistance. The last Congress proposed several measures to fundamentally alter the distribution pattern of federal dollars and shift money toward net energy consumers at the expense of the energy producing states. The device used to accomplish this is a substitute distribution formula called the Representative Tax System (RTS), which replaces per capita income as a measure of a state's economic well-being and entitlement.

Designed by the Advisory Commission on Intergovernmental Relations (ACIR) as an indicator of a government's ability to raise taxes, the Representative Tax System measures each state's overall tax base by combining all sources of tax revenue -- such as property, income, retail sales, energy and minerals -- into a composite index of state taxing capacity. The index becomes, in effect, an estimate of the amount of revenue each state would raise if it used an identical set of tax rates. With the same tax rate being used for every state, estimated yields vary only with the size of the taxed activities. In the case of Montana, estimated revenues from the production of coal, oil and gas go into the base calculation without regard to the actual rate of taxation or production. In other words, it measures relative tax potential and not the actual taxes.

The Representative Tax System (RTS) formula makes it appear that Montana and nine other states have a greater ability to raise revenue than one would assume based on present per capita income. The other states showing a large differential between per capita income and tax capacity are Alaska, New Mexico, Wyoming, Nevada, Louisiana, Texas, Oklahoma, North Dakota and West Virginia -- all energy producing states except for Nevada with its heavy tourist industry. (See attached chart I.)

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* "Rich States - Poor States: Inequalities in Our Federal System." Advisory Council on Intergovernmental Relations.

As a comparison, the 1980 census ranks Montana as 34th in per capita personal income, $985 below the national average. New York, on the other hand, is ranked 11th with a per capita personal income of $10,260, well above the national mean. Applying the RTS system to these same two states, Montana has a ranking in the RTS index of 112.5 while New York comes out with a ranking of 90.1. With the U.S. average as 100, Montana is above the average by 12.5 while New York comes in almost 10 points below. In grant distribution, this difference would amount to large dollar losses for Montana. Applied to the federal Medicaid allocation, for example, Montana lost approximately $15.3 million in FY 1982. New York would gain $15.1 million. (See attached chart II.)

Regionalism Redefined

The ACIR has persistently pushed the RTS as a viable formula, but failed to gain much political enthusiasm until recently. The impacts of a tight economy, budget cutbacks and diminishing federal assistance programs have caused some states to seek other ways to enhance their economic situations. This has been especially true in the Northeast and industrial Midwest, where a diminishing tax base and a deteriorating economy are causing painful cuts in capital improvements, services and human support programs, even with state tax increases.

Northeast and Midwest states are convinced that the recession and federal budget cuts have hit them disproportionately. Twenty-seven U.S. Senators and Northeast and Midwestern states wrote last winter to David Stockman of the Office of Management and Budget (OMB), complaining that cuts in alternative fuel development programs, low-income energy assistance, and federal employment and job training programs, have a disproportionate impact on their regions. They also pointed out that increases in defense spending served to enhance the economy of the Sunbelt states and the West.

While the industrial economy in many of these Eastern and Midwestern states has been deteriorating for decades, there is a widespread political perception that these problems are due, in large part, to the availability of cheaper, more abundant energy supplies in other parts of the country. The industrial decline of New England began in the 1930s with the exodus of the textile industry to the Tennessee Valley Authority (TVA) region and its cheap electricity. The sense of regional disadvantage was heightened by the impact of oil scarcity and higher prices beginning with the oil embargo of 1973. It was intensified by concerns that federal policies were inadvertently hurting them and, at the same time, fueling the economic growth of already health regions of the country.* And a report prepared by the Senate Budget Committee this past summer predicted that ". . .during the 80's, the Frostbelt-Sunbelt controversy is being realigned into an energy producing versus energy consuming states controversy." The report designates this split as the regional "battleground of the 80's." It continues that a few states with energy-derived severance

* In reality, the economic vitality of the old industrial New England states has been surprisingly good. Adaptation to new technology industries and other economic structural changes have enabled Massachusetts, Connecticut and Maine to weather the present recession with unemployment rates far lower than the national average.

taxes are benefiting at the expense of others. To restrict or redistribute these benefits, energy consuming states, the report advises, will attempt to:

> "prevent implementation of states' taxes, impose ceilings on state severance taxes, . . .reconstitute federal aid formulas for general revenue sharing, countercyclical financial assistance and other federal aid programs."

Manipulating the Formulas

> "One of the most discrete ways a state can maintain and increase their share of federal funds is to attempt to change the ground rules by which those funds are allocated."
>
> Western Governors' Policy Office Staff Paper

Some of the Senate Budget Committee's predictions are already taking place. In the last Congress, legislation was introduced to change the formula for the Medicaid and Aid for Dependent Children (AFDC Programs) to favor Northeast and Midwestern states. The bill (S.2584), which was introduced by Senator Riegle of Michigan and co-sponsored by Senators Levin of Michigan and Moynihan of New York, was aimed at the distribution formula of only the two programs, but Senator Riegle warned that they intended to expand their effort in the future to take in all twenty-seven of the federal programs using per capita income as a distributional device. Similarly, efforts were made to remove the minimum payments in federal-grant formulas which now provide rural states like Montana with a dependable share of federal assistance in 38 federal programs. The Interstate Highway program, for example, contains a minimum provision which guarantees a state at least one-half of one percent of the appropriation even if it would qualify for less under the program's formula.

Attempts were also made to reduce Montana's share of the General Revenue Sharing program (led by Senators Danforth, Durenberger and Moynihan); to reduce payments-in-lieu-of-taxes (PILT) to states generating energy-related revenues from publicly owned lands; to redistribute mineral, forest and grazing lands receipts to all states (regardless of where the income was derived) and to place regionally biased factors into federal allocation formulas, all on the basis that Montana and a few other states are energy producers while most states are mainly consumers. Together, these efforts, which can be expected to intensify in the next Congress, could deprive the state of tens of millions of dollars in redistributed federal revenues. It should also be noted that the principal advocates of these redistributional efforts -- Senators Durenberger, Danforth, Riegle, Moynihan and Dixon -- will all be present in the 98th Congress, with enhanced positions of seniority and influence on committee assignments.

Unfortunately, formula changes are not always easy to detect. Every government program from Medicaid and AFDC to PILT and Maternal Child Health can be manipulated during the re-authorization process or even during the appropriations process. A seemingly innocuous change in the formula language can mean millions of dollars in lost federal assistance for those programs.

Conclusion

As state budgets become increasingly hard hit by the faltering economy and cutbacks in federal support and assistance for a multitude of domestic programs, many states are looking enviously at the revenues that states like Montana derive from development of their energy resources. Plans are emerging with increasing insistence to impose indirect and redistributive schemes to alleviate a presumed disparity in the relative fiscal capacity of the 50 states. Most of those schemes take the form of revised federal grant and assistance formulas, which give preferential treatment to energy consuming states over energy producing states. As such, those formula changes establish a new set of winners and losers in the federal system, with states like Montana standing to lose millions of dollars in redistributed federal dollars.

Attempts to change formulas are appearing in authorization and appropriation language in a number of federal programs. Because states that gain significantly from the revised formulas are populous states with large Congressional delegations, the politics of resisting and defeating those changes is tough. Nevertheless, Montana has political allies in other Western states and with the energy producing states of the South Central U.S. Those alliances need to be firmed up and legislative strategies developed during the 98th Congress when major attempts at formula redistribution can be expected.

FISCAL CAPACITY COMPARISONS BETWEEN PER CAPITA INCOME AND THE REPRESENTATIVE TAX SYSTEM

State	1979		1977		1975	
	Per Capita Income	Tax Capacity	Per Capita Income	Tax Capacity	Per Capita Income	Tax Capacity
New England	102	93	102	95	103	97
Connecticut	115	106	114	107	116	108
Maine	80	80	81	82	81	84
Massachusetts	101	91	102	92	104	95
New Hampshire	95	97	94	102	93	103
Rhode Island	97	84	96	87	97	88
Vermont	84	86	83	92	84	94
Mideast	104	93	106	97	109	99
Delaware	106	111	109	122	112	125
Dist. of Columbia	120	107	127	118	124	115
Maryland	106	98	108	100	109	100
New Jersey	111	101	112	104	116	107
New York	104	87	106	91	111	96
Pennsylvania	98	92	99	98	100	97
Great Lakes	104	103	105	104	103	103
Illinois	112	112	114	112	115	112
Indiana	98	97	98	100	96	97
Michigan	107	102	108	103	103	99
Ohio	99	99	101	103	98	103
Wisconsin	97	96	96	97	96	96
Plains	98	101	96	98	98	100
Iowa	100	106	98	104	101	105
Kansas	105	107	100	104	102	108
Minnesota	101	102	101	98	99	96
Missouri	94	95	93	94	93	95
Nebraska	99	96	95	99	100	104
North Dakota	94	106	84	97	101	100
South Dakota	85	92	83	89	85	93
Southeast	87	89	86	88	86	89
Alabama	79	76	80	77	79	77
Arkansas	79	78	78	79	77	79
Florida	97	104	96	104	96	104
Georgia	87	83	86	85	86	86
Kentucky	84	86	85	84	83	86
Louisiana	86	108	85	103	82	102
Mississippi	70	71	71	71	69	71
North Carolina	84	82	84	83	84	84
South Carolina	80	77	80	78	80	78
Tennessee	84	81	83	83	82	84
Virginia	98	93	98	90	98	93
West Virginia	84	95	85	90	85	89
Southwest	98	116	95	111	93	110
Arizona	96	95	92	92	92	94
New Mexico	86	105	83	101	83	94
Oklahoma	97	113	91	105	89	103
Texas	100	122	98	116	95	116

State	1979 Per Capita Income	Tax Capacity	1977 Per Capita Income	Tax Capacity	1975 Per Capita Income	Tax Capacity
Rocky Mountain	95	108	95	105	95	104
Colorado	104	111	102	109	102	107
Idaho	86	91	88	88	89	89
Montana	88	111	87	103	92	103
Utah	82	88	84	90	84	88
Wyoming	113	179	108	159	105	162
Far West	113	115	112	113	111	111
California	115	116	114	114	112	110
Nevada	120	164	117	155	113	149
Oregon	102	105	102	104	98	100
Washington	109	103	107	101	107	98
Alaska	128	215	149	154	165	159
Hawaii	105	105	109	107	115	109
U.S. Average	100	100	100	100	100	100

Sources: Income: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Washington, D.C., August 1980.
Tax Capacity, 1957, 1975 and 1977: National Institute of Education, Tax Wealth in Fifty States, and Tax Wealth in Fifty States, 1977 Supplement
Washington, D.C., 1978 and 1979, respectively. (Revised by ACIR staff)
Tax Capacity, 1979: ACIR staff estimates.

FEDERAL MATCHING SHARES AND PAYMENTS TO THE STATES FOR MEDICAID
BASED ON CURRENT LAW AND TAX CAPACITY FOR FY 1982

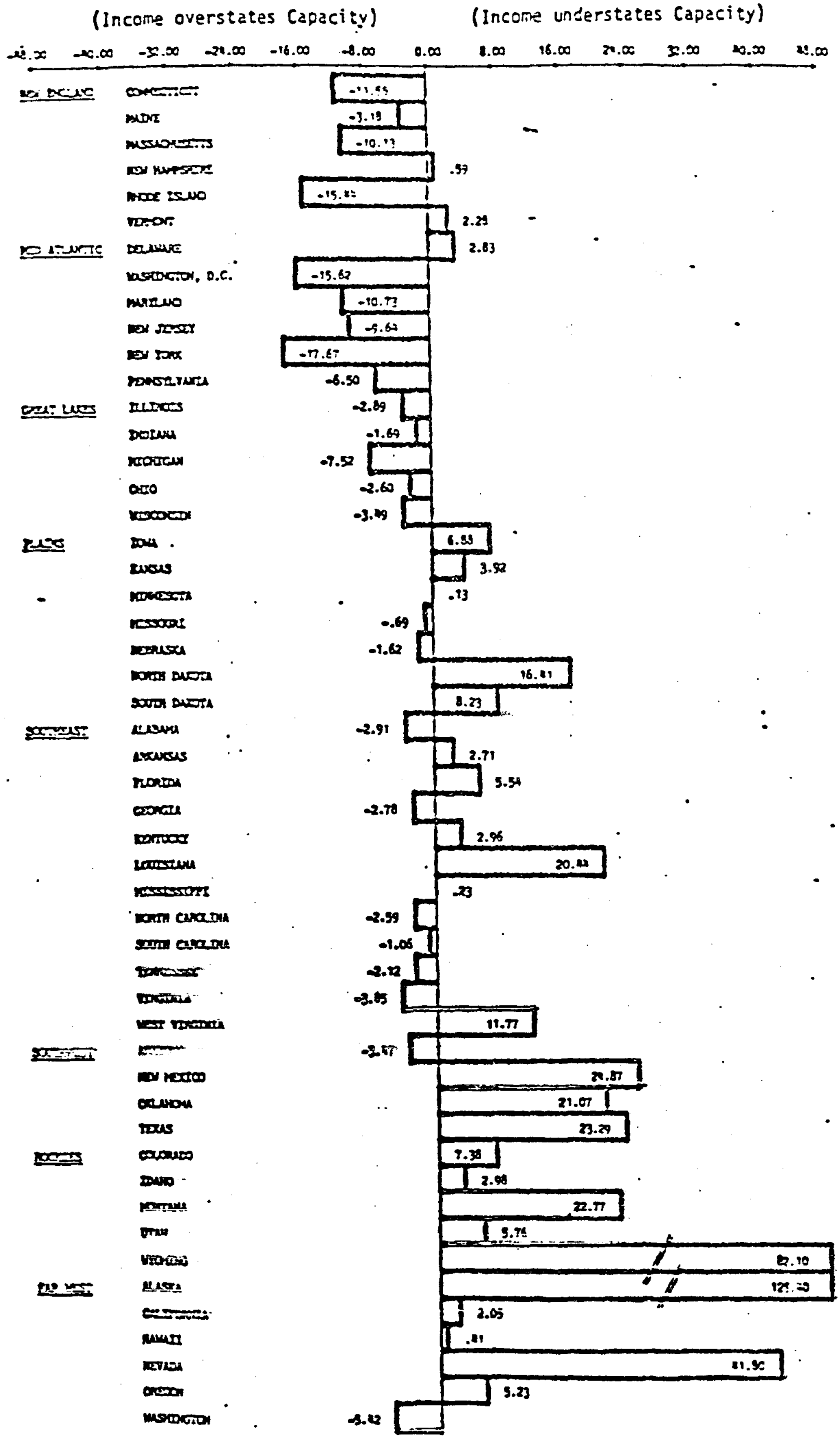
State	FEDERAL MATCHING SHARES Current Law	Tax Capacity	Difference	FEDERAL MEDICAID ALLOCATIONS Current Law*	Tax Capacity**	Difference	Difference per capita****
Alabama	71.13	74.14	+ 3.01	$ 257.9	$ 268.9	$+10.9	$+ 2.90
Alaska	50.00	50.00	-0-	27.1	27.1	-0-	0.00
Arizona	59.87	59.40	- .47	-0-	-0-	-0-	0.00
Arkansas	72.16	72.42	+ .26	258.0	258.9	+ .9	+ 0.43
California	50.00	50.00	-0-	2,350.7	2,350.7	-0-	0.00
Colorado	52.28	50.00	- 2.28	129.3	123.6	- 5.6	2.03
Connecticut	50.00	50.00	-0-	209.4	209.4	-0-	0.00
Delaware	50.00	50.00	-0-	33.1	33.1	-0-	0.00
Dist. of Columbia	50.00	50.00	-0-	108.5	108.5	-0-	0.00
Florida	57.92	51.38	- 6.54	381.0	338.0	- 43.1	- 4.86
Georgia	66.28	68.91	+ 2.63	445.1	462.7	+ 17.6	+ 3.45
Hawaii	50.00	50.33	+ .33	61.3	61.7	+ .4	+ 0.45
Idaho	65.43	62.87	- 2.56	45.0	43.3	- 1.8	- 1.95
Illinois	50.00	50.00	-0-	722.4	722.4	-0-	0.00
Indiana	56.73	57.35	+ .62	307.6	310.9	+ 3.4	+ 0.62
Iowa	55.35	50.00	- 5.35	173.5	156.8	- 16.8	- 5.78
Kansas	52.50	50.00	- 2.50	128.8	122.7	- 6.1	- 2.59
Kentucky	67.95	66.53	- 1.42	295.1	288.9	- 6.2	- 1.75
Louisiana	66.85	50.00	-16.85	358.6	268.2	- 90.4	-22.50
Maine	70.63	71.36	+ .73	138.1	139.6	+ 1.4	+ 1.31
Maryland	50.00	56.80	+ 6.80	263.5	299.3	+ 35.8	+ 8.64
Massachusetts	54.56	63.00	+ 8.44	774.2	910.7	+136.5	+23.66
Michigan	50.00	53.25	+ 3.25	775.6	804.8	+ 49.1	+ 5.34
Minnesota	54.39	53.42	- .97	449.9	441.8	- 8.0	- 1.97
Mississippi	77.36	77.27	- .09	212.0	211.8	- .3	- 0.10
Missouri	60.38	59.56	- .82	300.5	296.4	- 4.1	- 0.83
Montana	65.34	50.00	-15.34	50.9	39.0	- 12.0	-15.22
Nebraska	58.12	58.31	+ .19	91.5	91.8	+ .3	+ 0.19
Nevada	50.00	50.00	-0-	35.7	35.7	-0-	0.00
New Hampshire	59.41	57.58	- 1.83	68.4	66.3	- 2.1	- 2.37
New Jersey	50.00	54.07	+ 4.07	529.0	572.1	+ 43.1	+ 5.88
New Mexico	67.19	50.00	-17.19	73.1	54.4	- 18.7	-15.04
New York	50.88	66.01	+15.13	2,787.7	3,616.8	+829.1	+46.98
North Carolina	67.81	70.02	+ 2.21	404.8	418.0	+ 13.2	+ 2.35
North Dakota	62.11	50.00	-12.11	46.4	37.3	- 9.0	-13.76
Ohio	55.10	55.70	+ .60	726.5	734.4	+ 7.9	+ 0.73
Oklahoma	59.91	50.00	- 9.91	231.7	193.4	- 38.3	-13.25
Oregon	52.81	50.60	- 2.21	143.7	137.7	- 6.0	- 2.38
Pennsylvania	56.78	61.52	+ 4.74	956.5	1,036.3	+ 79.8	+ 6.80
Rhode Island	57.77	68.61	+10.84	113.5	134.8	+ 21.3	+22.93
South Carolina	70.77	73.08	+ 2.31	246.1	254.2	+ 8.0	+ 2.74
South Dakota	68.19	61.57	- 6.62	47.0	42.5	- 4.6	- 6.63
Tennessee	68.53	70.12	+ 1.59	375.6	384.3	+ 8.7	+ 1.99

Texas	55.75	50.00	- 5.75	845.5	758.3	- 87.2	- 6.52
Utah	68.64	64.86	- 3.78	96.7	91.3	- 5.3	- 3.90
Vermont	68.59	67.02	- 1.57	58.3	57.0	- 1.3	- 2.71
Virginia	56.74	61.41	+ 4.67	281.1	304.2	+ 23.1	+ 4.45
Washington	50.00	52.67	+ 2.67	243.9	256.9	+ 13.0	+ 3.32
West Virginia	67.95	59.41	- 8.54	102.6	89.7	- 12.9	- 6.87
Wisconsin	58.02	58.63	+ .61	569.4	575.4	+ 6.0	+ 1.27
Wyoming	50.00	50.00	-0-	11.2	11.2	-0-	0.00
U.S. Total				$18,323.1	$19,253.0	$+929.9	$+4.23

Notes: */ Amounts in millions of dollars
**/ Amounts in dollars

Sources: Committee on Finance, United States Senate, Background Material and Data on Major Expenditure Programs Under the Jurisdiction of the Senate Committee on Finance, U.S. Government Printing Office, Washington, D.C., April 1981, and ACIR staff estimates.

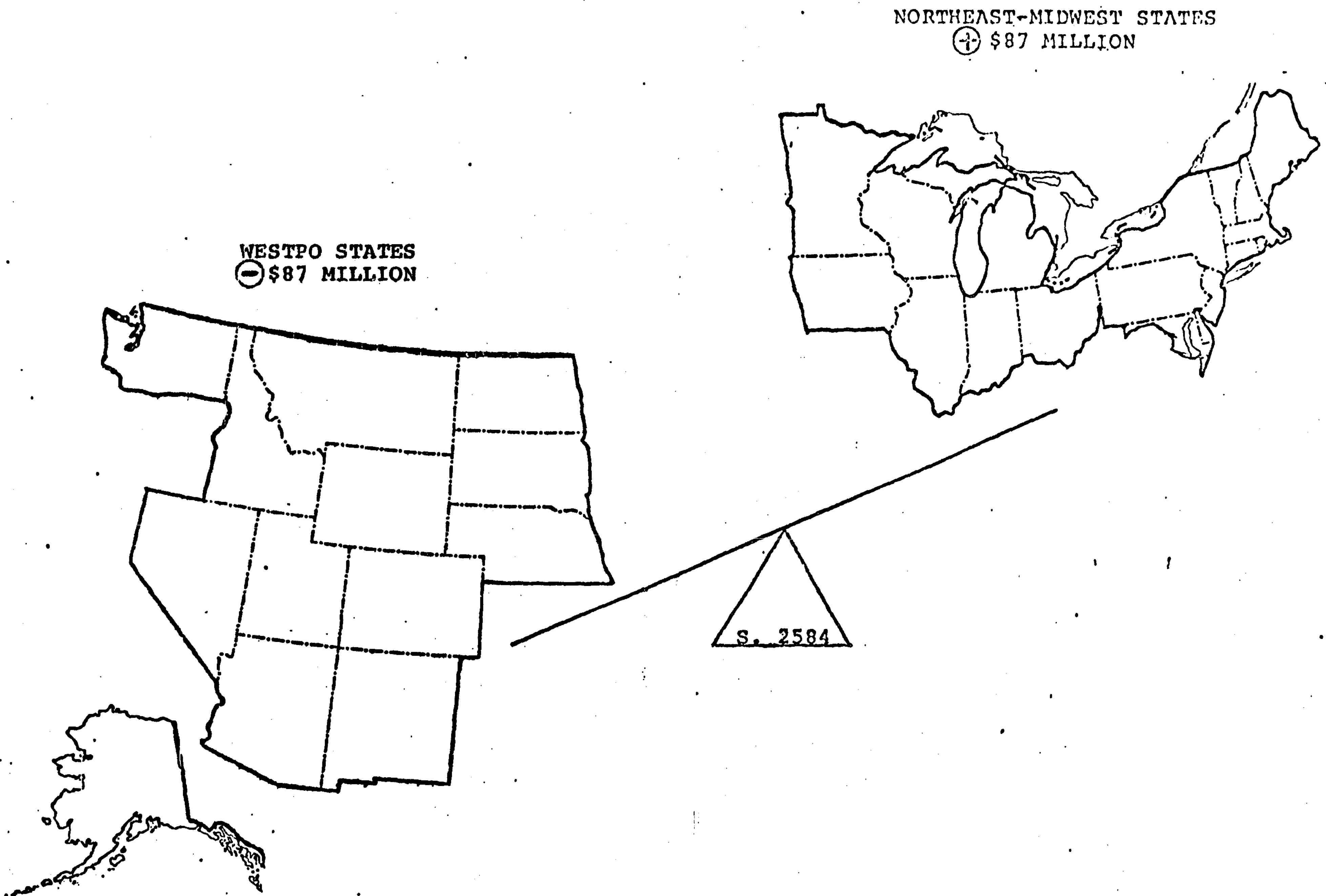
DIFFERENCES BETWEEN THE INDICES OF PER CAPITA INCOME AND TAX CAPACITY, 1980
(States are grouped by region)



Source: ACIR

FISCAL IMPACT OF S.2584

(Reallocating AFDC and Medicaid Funds)



Source: WESTPO FAIR Project

ADJUSTMENTS IN FEDERAL FORMULAS FOR ALLOCATING ASSISTANCE

A. Tax Capacity--Substituting the Representative Tax System (RTS) for Per Capita Personal Income (PCPI)

1. Senator Riegle of Michigan-has introduced S. 2584 to change the Medicaid-AFDC formula by substituting the RTS for PCPI and by adding a biased need factor computed by dividing the state's tax capacity by its monthly average number of AFDC or Medicaid recipients. Both factors discriminate against small western and southern states.

   Cost to Montana:

Medicaid:	$12 million
AFDC:	$ 3 million

   (When Senator Riegle introduced S. 2584, he stated his intention to examine all 27 other grant programs which use per capita personal income and propose the substitution of the RTS.

2. The National Crude Oil Profits Sharing Act of 1982 (H.R. 6330) would establish trust funded energy and economic development block grants. The economic development grant would be based upon the RTS while the energy block grant would be based upon population, number of heating and cooling days, and average cost of fuel (benefitting the NE which uses mostly fuel oil).

3. New Federalism:

   When President Reagan announced his New Federalism Initiative, Senator Durenberger proposed that the trust fund established to balance the Medicaid--AFDC/Food Stamp swap be allocated according to fiscal capacity to be measured by the RTS. Through surprise parliamentary procedures, Northeast and Midwest Governors succeeded in implying that the Governors endorse such a proposal.

   The State Budget Office estimates that the federalism proposal, without the Trust Fund, could cost the state approximately $113 million, with the Medicaid for AFDC and Food Stamp swap accounting for $6.1 million.

B. Tax Effort

Tax effort is an allocation factor used in federal formulas to reward a state's efforts to raise revenues for itself. The first major attack against severance tax states occurred in December, 1980, when Senators Danforth, Durenberger, and Moynihan moved to eliminate increases in severance tax collections after 1979 from the calculation of tax effort in the General Revenue

Sharing program to state and local governments. We can expect similar efforts to penalize severance tax states wherever tax effort appears in formulas.

When last allocated, the State of Montana received $8.5 million and in 1982 Montana local governments received $17.1 million.

C. Revenues from Federal Receipts Sharing Programs

1. Payment-in-Lieu-of-Taxes (PILT)

Last year the Administration and the Interior Department proposed amendments to the PILT program which would subtract from a county's allocation its proportionate share of the receipts the state received from the federal government. Since counties are very dependent upon property taxes for which these payments are a substitute, this would have been a very damaging cut.

The Administration is expected to try again this year. Senator Durenberger in his hearings tried to find ways to add a penalty for severance taxes, but the Administration proved uncooperative.

Montana counties would have lost $5,482,784.

2. Mineral, Forest and Grazing Lands Receipts

Congressman Wolpe and the Northeast-Midwest Coalition announced their intention to divert these revenues from western states and counties to the benefit of all Americans. Legislation has yet to surface, but a major rewrite of the oil receipts program is working its way through Congress and could become a vehicle for such an attempt.

Cost to Montana:

Mineral Receipts:	$11.8 million (1981)
Timber Receipts:	$ 9.5 million (1980)
Bankhead Receipts:	$ 0.6 million (1980)
Grazing Lands:	$ 0.1 million (1980)
Total:	$22.0 million

D. Skewing the Formulas

Federal highway 4R funds, for repair, resurfacing, restoring and reconstructing highways, have historically been allocated 75% on the basis of a state's share of total lane miles and 25% on the basis of vehicle miles traveled. That was changed last year to 55% and 45% respectively. The relative share of 4R funds to Montana declined by $3.3 million as a result.

BUDGET COMPARISON - OBPP and LFA

GOVERNOR'S OFFICE - AIR TRANSPORTATION PROGRAM

No material differences in budgets. plane will be paid for in Oct. 1983

Category	OBPP 84	LFA 84	Diff.	Explanation	OBPP 85	LFA 85	Diff.	Explanation
FTE	1.00	1.00	0		1.00	1.00	0	
Salaries	$ 23,089	$ 23,361	$ 272		$ 23,001	$ 23,272	$ 271	
Benefits	3,401	4,983	1,582	LFA added funds for PERS, which is correct.	3,430	5,028	1,598	
Contracted Services	4,691	4,688	(3)		4,783	4,779	(4)	
Supplies & Materials	19,845	19,839	(6)		22,006	21,997	(9)	
Communications	495	492	(3)		586	580	(6)	
Travel	3,055	3,047	(8)		3,086	3,075	(11)	
Repair & Mainten.	26,377	26,376	(1)		27,960	27,957	(3)	
Equipment	4,653	4,653	0	→ last payment	0	0	0	
TOTAL PROGRAM	$ 85,606	$ 87,439	$ 1,833		$ 84,852	$ 86,688	$ 1,836	

Exhibit 11
1-25-83

BUDGET COMPARISON - OBPP and LFA

GOVERNOR'S OFFICE - CITIZENS' ADVOCATE OFFICE

No material differences.

Category	OBPP 84	LFA 84	Diff.	Explanation	OBPP 85	LFA 85	Diff.	Explanation
FTE Salaries Benefits	1.00 $ 26,561 3,064	1.00 $ 27,115 4,749	0 $ 554 1,685		1.00 $ 26,460 3,103	1.00 $ 27,012 4,850	0 $ 552 1,747	
Contracted Services	141	139	(2)		149	147	(2)	
Supplies & Materials	55	54	(1)		58	57	(1)	
Communications	15,070	15,068	(2)	reduction of 1 FTE	17,658	17,656	(2)	
Repair & Maintenance	68	67	(1)		72	71	(1)	
TOTAL PROGRAM	$ 44,959	$ 47,192	$ 2,233		$ 47,500	$ 49,793	$ 2,293	

Note: Both OBPP and the LFA projected that telephone costs would decrease substantially with the new state telephone system. This will not be the case for the Citizens' Advocate toll-free line. Actual costs will be based on usage. A use study is currently being conducted to determine the adequate budget level for the toll-free line.

Necessary to increase # 10,000 - 84
12,000 85

60 to 80 calls per day

standby for overflow of calls

Exhibit 12
1-25-83

Citizens' Advocate Communications Budget Adjustment Based on Use Study

	FY 84	FY 85
WATS (Toll-Free) Lines Per Use Study	23545	28254
State Phone System Per Budget Books	721	844
STS Usage Per Budget Books	1057	1268
Onetime Charges	40	42
Total	25363	30408
Budget, per Book	15070	17658
Necessary Increase to Budget	10293	12750

Exhibit 13
1-25-83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 4110 DEPARTMENT OF JUSTICE
PROGRAM : 02 INDIAN LEGAL JURISDICTION
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	2.00		-2.00	___,___,___	2.00		-2.00	___,___,___
1100	SALARIES	46,940		-46,940	___,___,___	46,760		-46,760	___,___,___
1400	EMPLOYEE BENEFITS	6,468		-6,468	___,___,___	6,523		-6,523	___,___,___
1500	HEALTH INSURANCE	1,920		-1,920	___,___,___	1,920		-1,920	___,___,___
	TOTAL LEVEL	55,328		-55,328	___,___,___	55,203		-55,203	___,___,___
2100	CONTRACTED SERVICES	500,000	58,911	-441,089	___,___,___		62,444	62,444	___,___,___
2200	SUPPLIES & MATERIALS	500	325	-175	___,___,___	500	344	-156	___,___,___
2300	COMMUNICATIONS	1,625	110	-1,515	___,___,___	1,625	123	-1,502	___,___,___
2400	TRAVEL	12,000	1,698	-10,302	___,___,___	12,000	1,763	-10,237	___,___,___
2500	RENT	2,170		-2,170	___,___,___	2,170		-2,170	___,___,___
2800	OTHER EXPENSES	3,000	708	-2,292	___,___,___	3,000	749	-2,251	___,___,___
	TOTAL LEVEL	519,295	61,752	-457,543	___,___,___	19,295	65,423	46,128	___,___,___
	TOTAL PROGRAM	574,623	61,752	-512,871	___,___,___	74,498	65,423	-9,075	___,___,___
01100	GENERAL FUND	574,623	61,752	-512,871	___,___,___	74,498	65,423	-9,075	___,___,___
	TOTAL PROGRAM	574,623	61,752	-512,871	___,___,___	74,498	65,423	-9,075	___,___,___

Exhibit 14
1-25-83

BUDGET COMPARISON - OBPP and LFA

LIEUTENANT GOVERNOR'S OFFICE

Major Differences:

1. OBPP transferred one position from the Budget Office to the Lt. Governor's Office to monitor the federally mandated A-95 process. No fed money – all general fund
2. LFA erroneously deducted funds from Contracted Services to reflect operating expense budget as presented in last biennium's budget worksheets.
3. LFA neglected to include funds for Lt. Governor's motor pool car which was not billed correctly during base year FY 82.
4. OBPP neglected to transfer $2,000 (plus inflation) as operational expenses for A-95 Coordinator, although that amount was removed from OBPP budget. Most states have a coordinator –

Category	OBPP 84	LFA 84	Diff.	Explanation	OBPP 85	LFA 85	Diff.	Explanation
FTE Salaries Benefits	6.00 $145,571 24,903	5.00 $128,169 22,857	(1.00) $(17,402) (2,046)	A-95 Coordinator	6.00 $145,014 25,076	5.00 $127,679 23,156	(1.00) $(17,335) (1,920)	A-95 Coordinator
Contracted Services	8,315 + 2,247	5,441 for transfer of FTE	(2,874)	See (2) above. See (4) above.	8,814 + 2,382	5,766	(3,048)	See (2) above. See (4) above.
Supplies	3,902	3,898	(4)		4,137	4,130	(7)	
Communications	5,787	5,783	(4)		6,674	6,666	(8)	
Travel	14,234	11,332	(2,902)	See (3) above.	14,933	11,855	(3,078)	See (3) above.
Rent	5,148	5,166	18		5,698	5,475	(223)	
Repair & Maintenance	827	825	(2)		877	874	(3)	
Other Expenses	1,936	1,935	(1)		2,040	2,038	(2)	
TOTAL PROGRAM	$210,623 + 2,247	$185,406	$(25,217) + 2,247		$213,263 + 2,382	$187,639	$(25,624) + 2,382	

federal OMB program

Contract Monitor – grade 12

Exhibit 15
1-25-83

LIEUTENANT GOVERNOR'S OFFICE

BUDGET MODIFICATION REQUEST
PRINTING REPORTS TO LOCAL GOVERNMENTS

The Lieutenant Governor's Office requests funds for printing of periodic reports to local governments. Each contemplated report would consist of eight pages, and six issues annually are proposed.

	FY 84	FY 85
Printing	$ 1,685	$ 1,786
Postage and Mailing	309	346
TOTAL	$ 1,994	$ 2,132

Basically a summary of how agencies affect local gvt.

Administrative Memo Number 1.2.2
Revised

Exhibit 16
1-25-83

MEMORANDUM

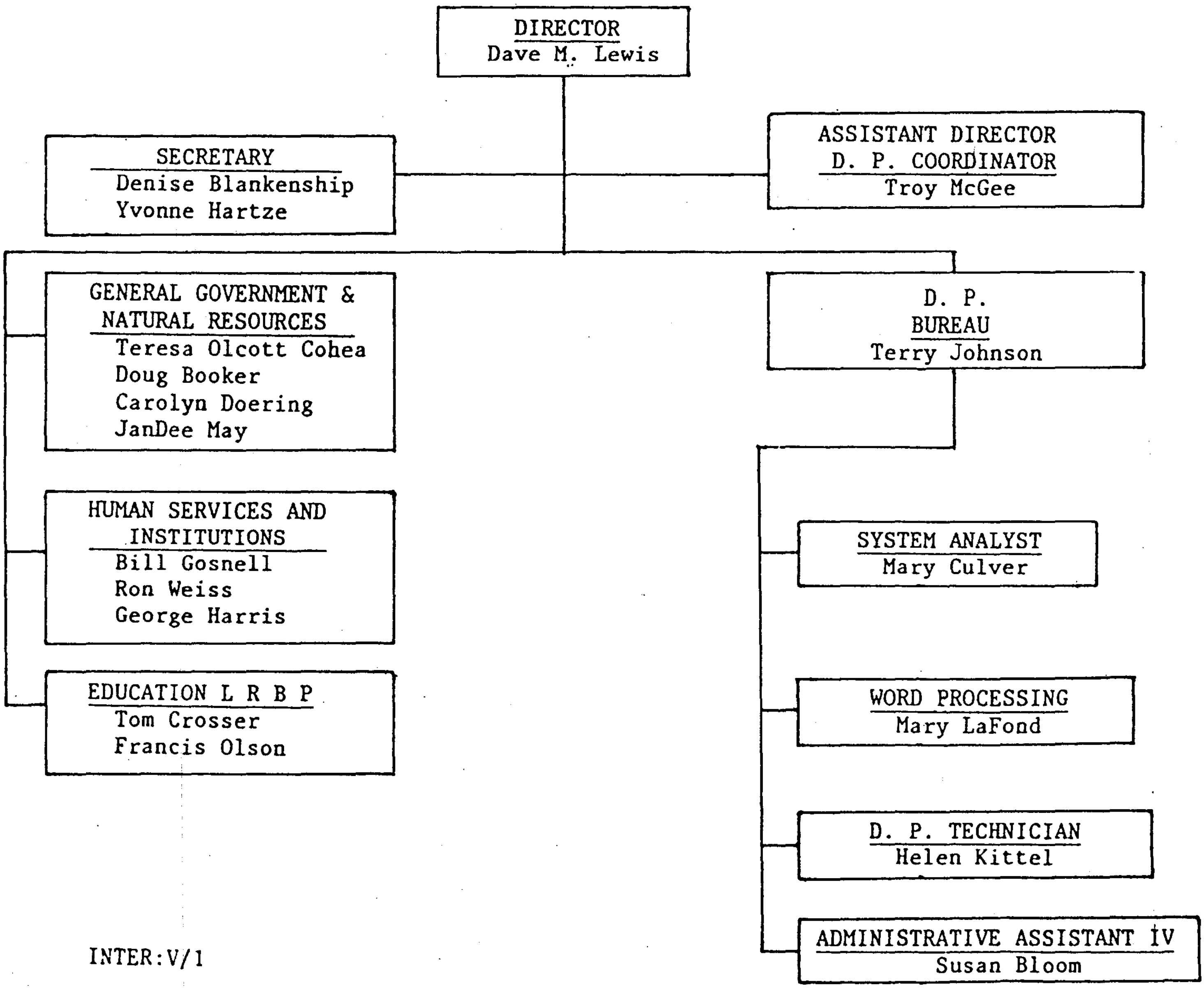
TO: All Personnel
Office of Budget and Program Planning

FROM: David M. Lewis
Budget Director

RE: Organizational Chart

DATE: January 1, 1983

The following organizational chart represents the established lines of authority and responsibilities of personnel in this office.



INTER:V/1

BUDGET COMPARISON - OBPP and LFA

GOVERNOR'S OFFICE - OFFICE OF BUDGET & PROGRAM PLANNING

Major Differences:

1. Staffing: OBPP transferred the A-95 Coordinator to the Lt. Governor's Office; transferred accountant position to Executive Office; and deleted two accounting technician positions.

   LFA deleted one budget analyst position.
2. Contracted Services: OBPP transferred $2,000 of operating expenses to accompany A-95 Coordinator position.
3. Rent: Differences lie in square footage allocations and rate difference.

Category	OBPP 84	LFA 84	Diff.	Explanation	OBPP 85	LFA 85	Diff.	Explanation
FTE Salaries Benefits	18.25 $475,633 72,931	21.25 $524,299 93,003	3.00 $ 48,666 20,072	See (1) Above.	18.25 $476,264 73,814	21.25 $522,311 94,101	3.00 $ 46,047 20,287	See (1) Above.
Contracted Services	74,381	76,625	2,244	See (2) Above.	89,950	92,317	2,367	See (2) Above.
Supplies & Materials	4,558	4,557	(1)		4,831	4,830	(1)	
Communications	13,460	13,454	(6)		15,679	15,672	(7)	
Travel	7,819	7,812	(7)		8,156	8,144	(12)	
Rent	17,137	21,158	4,021	See (3) Above.	18,518	22,350	3,832	See (3) Above.
Repair & Maintenance	6,633	6,632	(1)		7,031	7,029	(2)	
Other Expenses	7,032	7,029	(3)		7,221	7,216	(5)	
Equipment	2,400	2,400	0		2,530	2,530	0	
TOTAL PROGRAM	$681,984	$756,969	$ 74,985		$703,994	$776,500	$ 72,506	

Additional Note: OBPP requests that $4,787 in FY 84 and $5,254 in FY 85 be transferred from OBPP's budget to the Executive Office Budget (Program 01) to reflect the transfer of Governor's Office Centralized Services to that program.

Word processing

The automated budget system will continually be enhanced during the next biennium. One of the major enhancements will be to allow the budget analyst to have direct on-line access to budget information, allowing the budget analyst to make changes to the budget as necessary. To accomplish this, the budget analyst will need access to a terminal. It appears that two budget analysts can be served by one terminal. This will also allow OBPP personnel to have direct on-line access to SBAS data.

	FY 84	FY 85
Repair & Maintenance	$ 820	$ 820
Equipment	11,300	0
TOTAL	$ 12,120	$ 820

4 terminals
$425 rent a month - another alternative
Troy McGee - In charge of this
Need 1 terminal for 2 budget analysts
Centell [if installed] should reduce costs

425
12
950
425
5200

LFA Page 132 | OBPP Page 124 | Exhibit 17 1-25-83

DEPARTMENT OF JUSTICE

CURRENT LEVEL SERVICES

PROGRAM: Field Services REVISED

	1984 REQUEST Agency Request	Exec. Budget	LFA Budget	LFA-Ex Diff.	1985 REQUEST Agency Request	Exec. Budget	LFA Budget	LFA-Ex Diff.
F.T.E.	229.60	229.60	229.60		229.60	229.60	229.60	
Personal Services								
Salaries	5,226,587	5,180,828			5,230,446	5,188,764		
Employee Ben.	1,269,846	1,248,238			1,271,122	1,248,829		
Subtotal	6,496,433	6,429,066	6,230,505	(198,561)	6,501,568	6,437,593	6,220,610	(216,983
Operating Expenses								
Contracted Svs.	176,459	214,575	174,271	(40,304)	187,047	140,957	184,721	43,764
Supplies & Mat.	865,607	747,578	761,833	14,255	949,138	824,014	839,130	15,116
Communications	81,675	81,269	81,665	396	91,651	91,221	91,635	414
Travel	294,012	268,029	275,015	6,986	307,230	280,349	287,496	7,147
Rent	61,062	64,662	61,054	(3,608)	64,725	70,250	64,714	(5,536
Utilities	15,479	15,020	15,477	457	18,974	18,391	18,970	579
Rep. & Maint.	291,755	287,816	285,819	(1,997)	309,260	305,085	302,955	(2,130
Other Exp.	20,964	20,891	20,954	63	22,222	22,145	22,207	62
Subtotal	1,807,013	1,699,840	1,676,088	(23,752)	1,950,247	1,752,412	1,811,828	59,416
Equipment	710,819	642,270	-	(642,270)	715,673	635,001	-	(635,001
Total Program	9,014,265	8,771,176	7,906,593	(864,583)	9,167,488	8,825,006	8,032,438	(792,568
Funding								
General Fund	2,945,344	8,771,176	2,115,493	(6,655,683)	3,093,790	8,825,006	2,248,628	(6,576,378
Highway E.R.A	6,068,921	-	5,791,100	5,791,100	6,073,698	-	5,783,810	5,783,810
TOTAL	9,014,265	8,771,176	7,906,593	(864,583)	9,167,488	8,825,006	8,032,438	(792,568

ADJUSTMENTS TO LFA BUDGET RECOMMENDATIONS:

1. Personal Services - Increase LFA FY84 budget $15,713. Increase LFA FY85 budget $15,713. Provide for overtime pay in lieu of compensatory time which was accrued in base year FY82, from April to June.
2. Personal Services - Request no vacancy savings.
3. Personal Services - Increase LFA FY84 budget for salaries $313,055. Increase LFA FY85 budget for salaries $313,055. Fund reclassification of patrol officers.
4. Contracted Services - Decrease LFA FY84 budget $4,306. Decrease LFA FY85 budget $4,564. LFA erred in inflating cost of insurance and bonds.
5. Supplies and Materials - Increase LFA FY84 budget $49,661. Increase LFA FY85 budget $52,640. Provide $450 in FY84 and $477 in FY85 per patrol officer for clothing allowance.
6. Travel - Need LFA recommendation to pay subsistence to patrol officers.
7. Rent to be adjusted to meet Department of Administration charges.
8. Equipment - Increase LFA FY84 budget $[illegible]0,819. Increase LFA FY85 budget $715,67[illegible] See attached equipment list.

Exhibit 18
1-25-83

REVISED EQUIPMENT REQUEST

Field Services Program

	FY84	FY85
67 cars (9,314) (9,873)	$624,053	$661,480
70 toplights (375) (398)-3 in FY85	26,266	1,193
Radios, 40 per year	48,000	48,000
3140 CRT's, 3 ea., with typewriter and auxiliary equipment for accident records, supply, and personnel	7,500	-
Replace typewriters in fleet and supply including the field, personnel and accident records 5 per year at $1,000 each	5,000	5,000
	$710,819	$715,673

NORTHWEST TRAFFIC INSTITUTE
BUDGET MODIFICATION - 1985 BIENNIUM

	FY 84	FY 85
FTE		
Personal Services:		
Salaries		
Employee Benefits		
Total		
Operating Expense:		
Contracted Services	12,152	-
Supplies & Materials		
Communications		
Travel	697	-
Rent		
Repairs & Maint		
Other Exp	5,618	
Total	18,467	-
Equipment:		
Total Program:	18,467	-
Funding:		
General Fund	18,467	-
Other Funds		
Total	18,467	-

Narrative:

This modification would enable the Highway Patrol to send one patrol officer to the Northwestern Traffic Institute for extensive training in the Police Administration Program.

Comments:

Exhibit 19
1-25-83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 4108 HIGHWAY TRAFFIC SAFETY
PROGRAM : 01
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	8.50	8.50		__,___,___	8.50	8.50		__,___,___
1100	SALARIES	190,804	191,365	561	__,___,___	190,080	190,639	559	__,___,___
1400	EMPLOYEE BENEFITS	26,083	25,983	-100	__,___,___	26,326	26,545	219	__,___,___
1500	HEALTH INSURANCE	8,160	8,160		__,___,___	8,160	8,160		__,___,___
	TOTAL LEVEL	225,047	225,508	461	__,___,___	224,566	225,344	778	__,___,___
2100	CONTRACTED SERVICES	117,063	117,059	-4	__,___,___	117,818	124,079	6,261	__,___,___
2200	SUPPLIES & MATERIALS	7,826	7,441	-385	__,___,___	8,328	5,500	-2,828	__,___,___
2300	COMMUNICATIONS	6,378	6,390	12	__,___,___	7,286	7,295	9	__,___,___
2400	TRAVEL	9,308	8,388	-920	__,___,___	9,655	8,746	-909	__,___,___
2500	RENT	13,412	12,365	-1,047	__,___,___	14,701	13,104	-1,597	__,___,___
2700	REPAIR & MAINTENANCE	1,036	849	-187	__,___,___	1,099	897	-202	__,___,___
2800	OTHER EXPENSES	1,799	927	-872	__,___,___	1,908	980	-928	__,___,___
	TOTAL LEVEL	156,822	153,419	-3,403	__,___,___	160,795	160,601	-194	__,___,___
6200	FROM FEDERAL SOURCES	1,058,554	825,819	-232,735	__,___,___	1,058,554	875,368	-183,186	__,___,___
	TOTAL LEVEL	1,058,554	825,819	-232,735	__,___,___	1,058,554	875,368	-183,186	__,___,___
	TOTAL PROGRAM	1,440,423	1,204,746	-235,677	__,___,___	1,443,915	1,261,313	-182,602	__,___,___
02422	HIGHWAYS EARMARKED SP. REV.	69,342	67,970	-1,372	__,___,___	70,215	68,120	-2,095	__,___,___
03825	HIGHWAY PASS THROUGH ACCT	1,058,554	825,819	-232,735	__,___,___	1,058,554	875,367	-183,187	__,___,___
03828	TRAFFIC SAFETY	312,527	310,957	-1,570	__,___,___	315,146	317,826	2,680	__,___,___
	TOTAL PROGRAM	1,440,423	1,204,746	-235,677	__,___,___	1,443,915	1,261,313	-182,602	__,___,___

Exhibit 20
1-25-83

DEPARTMENT OF JUSTICE
HIGHWAY TRAFFIC SAFETY

TED SCHWINDEN, GOVERNOR | 303 N. ROBERTS

STATE OF MONTANA

(406) 449-3412 | HELENA, MONTANA 59620

PROJECTED CURRENT LEVEL GRANTS TO STATE AGENCIES
BY HIGHWAY TRAFFIC SAFETY DIVISION, DEPARTMENT OF JUSTICE

Department of Justice	FY 84	FY 85
Highway Patrol Bureau		
1. Summer Enforcement Program	100,000	100,000
2. Patrol Training (Inservice)	50,000	50,000
Law Enforcement Academy Bureau		
1. Traffic Investigation Training	10,000	10,000
Forensic Sciences Division		
1. 5 Field Alcohol Testing Devices (DUI)		20,000
Department of Highways		
1. Traffic Engineering Training	6,000	6,000
	166,000	186,000

Per your request to Albert Goke, Administrator of the Highway Traffic Safety Division, the above stated amounts are projected as grants to state agencies in the 85 Biennium.

390,000 Local Law Enforce as [illegible]

20,000 Local Law Training

370,000 Local Alcohol [illegible]
School Dist
Local Courts

70,000 20 Counties for high accident surveys.

20,000 [illegible] Eng Training

Respectfully submitted,

[illegible signature]

Albert E. Goke
Administrator

Exhibit 21
1-25-83

VISITOR'S REGISTER

HOUSE ELECTED OFFICIALS & HIGHWAYS COMMITTEE

BXXXX Governor's Office DATE January 25, 1983

SPONSOR Commissioner of Political Practices 7:00 A.M.

WORK SESSION

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
[illegible]	Helena	Political Practices	X	
Peg Krivec	Helena	" "	X	
Keith S. Colbo	Helena	Power Planning	X	
Dave Hunter	Helena	OBPP	✓	
John Northey	Helena	Leg. Auditor	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33
1-83