

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUB-COMMITTEE ON ELECTED OFFICIALS AND HIGHWAYS

March 5, 1983

(Tape 104, Side B)

The Appropriations Sub-committee on Elected Officials and Highways met at 10:00 a.m. on Saturday, March 5, 1983 in Room 437 with Chairman Quilici presiding. The following members were present:

Chairman Quilici
Rep. Connelly
Rep. Lory

Senator Dover
Senator Van Valkenburg
Senator Stimatz

Senator Keating was excused.

Also present: Cliff Roessner, LFA, Leo O'Brien, LFA, Terry Cohea, OBPP and Doug Booker, OBPP.

WORK SESSION

Highway Patrol - Funding

Senator Dover made a MOTION that the Highway Patrol be funded out of the General Fund. Question being called for, the motion carried. Senator Keating requested that he be shown as voting for the motion. (Exhibit 1) Senator Van Valkenburg voted "no". Discussion.

Water Courts - Funding

In answer to a question from the Chairman, Ms. Cohea said that the Water Courts were earmarked in the Governor's budget contingent on passage of the bill that would raise the water fees. Regarding the RIT money she said there is an unexpended balance in the Water Development Bureau so the motion the committee made would not interfere with the appropriation of incoming revenues, it would pull an existing balance. She said she had checked with their analyst and there seems to be no problem. Ms. Cohea told Rep. Lory, in answer to his question, that this is the interest income which they are talking about. Mr. O'Brien said for the purpose of clarification, that is 30% of the interest that goes into the Water Development.

Local Government

The committee discussed the transfer of Local Governments from this sub-committee to one of the other sub-committees. Senator Dover expressed concern that this transfer was made. The Chairman explained that they were transferred to the budgets under the Department of Commerce (which was formerly the Department of Community Affairs.) The Chairman noted that this sub-committee in Room 132 is still working on the funding split for BARS.

Department of Highways

Revenues

Mr. O'Brien distributed to the committee Exhibit 2 which shows the Highway Revenues. He said based on year-to-date collections they assume that gas revenues will fall 1.5% in FY83 from their FY82 level and then hold constant in FY84 and FY85. Year to date collections are based on a fiscal year beginning in July 1 and ending in December. This is assuming that the gas tax passes. The diesel tax has a comparable decline and then a constant for FY84 and FY85. He said he is using the assumption that the gasoline prices will climb again and as Senator Keating pointed out in a prior meeting; he is projecting \$1.15 for gas in FY84 and \$1.30 in FY85.

The GVW revenue for FY83 is projected at \$20,450,911. This is somewhat lower than was collected in FY82. However, because of passage of Senate Bill 176, the GVW fees were increased and they maintain they will not see a substantial increase in the amount of collections. Mr. O'Brien explained that this is reflected in the past biennium. In the present biennium there will be no increase because this bill was killed.

Senator Van Valkenburg said that the committee had added 9 or 10 FTE's in the GVW with the expectation that they were going to produce \$50,000 per officer. Mr. O'Brien said that was correct. The LFA's projections take issue with that. This is based on the fact that the \$50,000 number is an average number for GVW officers. For instance, if you have GVW officers along I-90 in key areas where traffic already exists and you put GVW officers throughout the state, the marginal return per officer will probably decrease because you have officers throughout the entire state. Mr. O'Brien said Mr. Wicks addressed the issue that the additional protection value to the Interstate System and to Montana roads was perhaps the biggest selling point for the GVW officers.

The Mineral Leases increase in FY84 and FY85. These projections are based on estimates given to the LFA's office from BLM. They are the lower of the two estimates.

In Miscellaneous, this is money the Highway Department receives for printing maps, etc. Rep. Lory noted that this is also where the payments from insurance companies is deposited.

Mr. O'Brien went through Page 2 of Exhibit 2 with the committee. He noted that the figures on this page reflect the inclusion of funding the Highway Patrol salaries from the Earmarked Account.

Mr. O'Brien said he felt the primary difference between the OBPP and the LFA figures is in revenue projections.

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Ms. Cohea distributed Exhibit 3 to the committee which shows the OBPP estimates for the Highway Earmarked Account. She said she had included a conversion of ACI of \$4 million in the beginning cash balance. She felt she and Mr. O'Brien were within a half million dollars on their projections of the beginning cash balance. In further explanation requested by the Chairman, Ms. Cohea said they are going in for bonding for the Accelerated Construction of the Interstate. However, there was a previous program when you enacted the 1 cent in 1979. By completion of those projects the federal government has recently authorized a conversion or essentially a repayment of some of the state money that was put into that program. That will be placed in the Earmarked Account during FY83 and it is about \$4 million. Normally they had expected a beginning fund balance of about \$37 million but that \$4 million will raise it to the \$41 million at the top of Exhibit 3.

The other \$600,000 difference is because in the "Equipment" budget, they had wanted to put the proceeds of their auction sales into the revolving account in FY82 and the budget office said the bill would not allow that. They have been holding that until it was settled; now they have agreed they have to put it into the earmarked so that is another \$600,000.

Ms. Cohea said the principle differences in the revenue are that OBPP is a little more optimistic than the LFA. They feel there will be a 1% growth in gasoline and diesel fuel sales. The Department of Highways thinks there might even be a 2% increase. Ms. Cohea said that regarding the GVW revenues, she is much more optimistic. She checked back to 1976 and there have been average annual growths between 15% and 6%. The low year has been 6%. So the OBPP estimated at 5% growth per year. Ms. Cohea said she felt that Mr. O'Brien's point is a good one, that Senate Bill 176 did increase the base of the revenue last time, but OBPP feels safe in projecting a 5% growth per year, particularly when you take into account the new GVW officers.

OBPP is a little lower on Mineral Land Leasing. Ms. Cohea felt the LFA had more recent figures. She said that she felt those balance out fairly well.

Ms. Cohea said she felt the figures under "Expenditures" were pretty much the same except that OBPP has the Highway Patrol out of these estimates.

OBPP is projecting an ending fund balance of about \$20 million in FY85. Ms. Cohea said she had run out the figures in FY86 and FY87 so you can see that it is necessary to be building that balance because the Reconstruction Trust Expenditures really start coming on line in FY86 and FY87. The contracts are let in FY85 but the contracted payments will start kicking in at that point. (FY86 and FY87)

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These are the estimates of the OBPP. (Exhibit 3) The Highway Department feels that they will have, at the end of FY87, a balance of about \$9 million. Mr. Wicks said he feels that a \$9 million or \$10 million balance is essential. The reason they (Highways) are projecting that is that they have more optimistic gas tax revenues. Ms. Cohea said she felt she should present a more conservative case so you could see that they will remain solvent through this biennium and enter the next biennium in good shape with the revenue packages that have been presented.

In answer to a question from Rep. Lory, Ms. Cohea said the GVW figures appear within the "Current Level" category.

(The Chairman left to get the committee members excused in the House.) (Senator Dover assumed the chair.)

Discussion by the committee.

State Auditor - Funding

Mr. O'Brien told the committee that he and Mr. Booker had worked on the exact figures for funding for the PPP (Payroll/Personnel/Position Control System). (Exhibit 4)

Mr. Booker told the committee the procedure that is used at present regarding funding the PPP is to take the data processing costs in the department and take 40% of that figure; this is revolving fund. He said in talking with Ms. Cohea and Mr. O'Brien, the agencies that PPP collects costs from are agencies that have other funds. This will affect Highways, Fish, Wildlife and Parks, SRS, and Health. They are the main contributors to the revolving fund.

(Chairman Quilici resumed the chair.)

Mr. Booker called the committee's attention to Exhibit 4 at the bottom of the page. He has figured the costs for FY84 and FY85 at 40% and at 45%. Mr. Booker said that he and Mr. O'Brien would recommend that the committee take the 45% figures as this would tap other funds and save some general fund money. This would result in a general fund expenditure of \$604,283 in FY84 and \$561,166 in FY85. He explained that in FY85 the revolving fund goes down because there is more data processing cost in FY84 for development costs. This, for the biennium, is \$50,000 to \$60,000 under what the executive budget had in the general fund.

Senator Dover made a MOTION that the committee approve the adjustments listed in Exhibit 4 using the 45% figures. Mr. Booker said that he and Mr. O'Brien would look at the agency budgets to see that they have the funds to handle this adjustment. Senator Dover asked that they be instructed to do this.

Rep. Lory noted that this would have to be brought before
the full Appropriations Committee.

Question being called for, the motion carried. (305)

Senator Van Valkenburg said that before the sub-committee's
business is completed, he would like the committee to consider
whether any of the action the committee has taken has really
hurt anybody. He said there appears to be one possible instance
of this. That is the Juvenile Training for the Law Enforcement
Academy.

DEPARTMENT OF JUSTICE

Law Enforcement Academy

Juvenile Training

Senator Van Valkenburg said, if we have some money, he would
like to talk about this and see if they can keep this program
going.

Forensic Science

Senator Van Valkenburg said the only other one he thinks the
committee should look at is the FTE the committee deleted.
The agency thinks they are hurt but the Senator did not know
for sure if they were.

Juvenile Training

The Chairman and the rest of the committee felt that the
committee should reconsider this program. Discussion by
the committee. (The Chairman talked with Mr. Roessner, LFA,
on the telephone as this budget was his responsibility.)
The Chairman said there were two FTE's. The expenditure for
FY84 is \$73,156 and \$74,909 for FY85. The Chairman told the
committee that there were very few modifieds for this program
and Mr. Roessner felt the budget could absorb this expenditure.

Senator Van Valkenburg made a MOTION that the committee approve
\$73,156 for FY84 and \$74,909 for FY85 for the Juvenile Program.
Discussion by the committee.

Question being called for, the motion carried.

Forensic Science

Rep. Lory brought up the FTE for the Forensic Science Lab. The
Chairman told the committee that he felt the committee should
not take action on this matter. He said if there is money
available when the full Appropriations Committee addresses this
budget, he would personally bring it to the attention of the
full committee. Discussion by the committee.

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DEPARTMENT OF REVENUE

Liquor and Property Divisions

Rep. Lory made a MOTION that the committee accept the boilerplate
for these divisions as set out in Exhibit 5. Question being
called for, the motion carried.

Discussion by the committee.

The meeting adjourned at 10:55 a.m. (451)



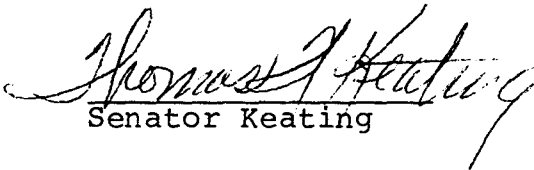
Joe Quilici, Chairman

dm

March 4, 1983

STATEMENT TO SUB-COMMITTEE
ON ELECTED OFFICIALS AND HIGHWAYS

I vote that the funding for the Highway Patrol be 100%
General Fund except for the mobile high band radios which
are used in conjunction with the Justice Department.


Senator Keating

Highway REVENUES

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>
Gas ¹	36,061,455	48,081,940	50,085,344
Diesel ²	11,465,704	14,581,259	16,667,677
GVW ³	20,450,911	20,450,911	20,450,911
Mineral Leases	6,804,000	7,362,000	8,496,000
Miscellaneous	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>
Total	75,432,070	91,126,110	96,349,932

Assumptions:

1. Gas sales fall 1.5% in FY 83 from their FY 82 level. Sales hold constant in FY 84 and FY 85.
2. Diesel sales for FY 83 projected from YTD collections. Sales hold constant in FY 84 and FY 85.
3. GVW fees based on year-to-date collections through January. No growth.

AGENCY REQUEST

	1	2	3	4
Highway Encumbered Account	FY 83	FY 84	FY 85	
- Cash Balance				
REVENUE				1
Beginning Cash Balance	43597266	28756002	14026204	2
Accrued Liabilities	(91099338)			3
General Fund Transfer	2000000			4
* Accounts Receivable	4000000			5
* Revenue	75432070	91126110	96349930	6
				7
Total Available	116529998	119882112	110376136	8
				9
EXPENDITURES				10
Highway Traffic Safety	71455	70205	70203	11
Highway Patrol	5341338	5937043	5916011	12
Roadwork	646370	700557	665560	13
City-County Distribution	6680000	9150000	9150000	14
Long Range Building	363148	363157		15
				16
* Highways:				17
- Construction	22469107	35376912	35515862	18
- General Operations	6991553	4458917	4385741	19
- Maintenance	39860398	39499035	41021684	20
- Equipment	2513000	3100000	3100000	21
- Preconstruction	2927567	4049923	3744806	22
- GVW		3069717	3055492	23
- Capital Outlay	371153	580208	587245	24
Total Highways	74701595	89134766	71825350	25
				26
Total EXPENDITURES	87773996	105855908	107627704	28
				29
Total Available	116529998	119882112	110376136	31
LESS EXPENDITURES	87773996	105855908	107627704	32
BALANCE	28756002	14026204	2748432	33
				34
				35
* Includes modified and revised requests, along with RTF program				37
				38
				39
				40
* Revenue projections obtained from LTA				41
				42
* Assumes Passage of H.B. 16				43
				44
* Assumes accounts receivable balance reduction of 4,000,000				45
				46
				47

HIGHWAY EARMARKED ACCOUNT
OBPP Estimates

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Beginning Cash Balance	41.658	29.140	22.140	20.407	7.995
<u>Revenues:</u>					
Current Level	76.154	77.772	80.202	82.609	85.086
General Fund Transfer	2.000	0	0	0	0
3¢ Fuel Tax Increase (7/01/83)		15.622	15.779	15.936	16.095
2¢ Fuel Tax Increase (2/15/85)	-	-	3.945	10.624	10.730
Coal Tax Revenues	-	-	-	9.000	19.000
Total Revenues	78.154	93.394	99.926	118.169	130.911
<u>Expenditures:</u>					
Current Level (Highways)	75.805	80.620	81.280	86.155	91.324
Modified Level (" ")	-	0.793	0.690	.700	.710
Reconstruction Trust Fund	2.000	8.720	9.803	33.796	33.796
Revenue and Highway Traffic Safety	0.736	0.771	0.736	0.780	0.827
Highway Patrol	5.481	0	0	0	0
Local Governments	6.650	9.150	9.150	9.150	9.150
LRBP		0.340			
Total Expenditures	90.672	100.394	101.659	130.581	135.807
Ending Fund Balance	29.140	22.140	20.407	7.995	3.099

ST. Auditor
Central payroll

Exhibit 4
3-5-83

252,000

PPP

D.P. costs

Rev	84	
	573,486	
	X. 40%	X. 45%
	<u>229,394</u>	<u>258,069</u>

85		
524,155		524,155
X. 40%		X. 45%
<u>209,662</u>		<u>235,869</u>

Total budget (84)

	862,352	
40%	- 229,394	Rev
	<u>632,958</u>	G.F.

Actual 2/1/83

	862,352	
45%	- 258,069	Rev
	<u>604,283</u>	G.F.

85

	797,035	
40%	- 209,662	Rev
	<u>587,373</u>	G.F.

	797,035	
45%	- 235,869	Rev
	<u>561,166</u>	G.F.

APPROPRIATION LANGUAGE
Liquor and Property

There are appropriated to the Liquor Division funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation. During the 1985 biennium, the Division should attempt to return thirteen percent of net sales as profit. Net sales are gross sales less discounts and all taxes collected.

The Division should also attempt to limit operational expenses of the liquor merchandising system to not more than fifteen percent of net sales. Operational expenses shall not include product costs, freight charges, or expenses allocable to other Divisions or licensing bureau expenses.

The Division retains full authority to determine store operating hours and the number and location of stores and employees. Nonprofitable state stores should be closed or converted to agency stores in an orderly manner. Agency stores should also be closed if the Division deems them marginally profitable and other state stores or agencies are located within a reasonable distance. The Division is not required to close stores to meet its profit or expense goals if public convenience would be adversely affected by such closure. A non-profitable state store is one that shows a net loss or is less profitable than if run as an agency after reducing gross revenues by all state excise and license taxes and by deducting therefrom all normal operating expenses, which include a prorata share, based on gross sales, of central administrative office expenses.

The county commissioners of the various counties and the governing bodies of local government units shall provide office space in county courthouses or government office buildings to the Department of Revenue of the state for its use at no cost to the state. The Department is not liable for any expenses in connection with the use of such space, including but not limited to rent, utilities, or janitorial services.

The Department shall use such space as offices for its agents: the county assessor, appraiser, and their respective staffs.