

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
49TH LEGISLATURE-SPECIAL SESSION III

June 11, 1986

The meeting of the General Government and Highways Subcommittee was called to order by Chairman Quilici on June 11, 1986 at 8:30 a.m. in Room 104 of the State Capitol.

ROLL CALL: All members were present. Also present was Cliff Roessner, Senior Analyst from the LFA office and Lois Steinbeck from the Governor's Office of Budget and Program Planning.

DEPARTMENT OF JUSTICE

(A:1:010) Susan Hanson, Administrative officer for the Attorney General, distributed hand out material that outlined the Attorney General's proposed (5%) five percent cuts to the department and also addressed the (5%) five percent cut proposals of the LFA Office and of the Governor's Office of Budget and Program Planning. (See Exhibit A) Hanson presented an overview of the information contained within the handout. Hanson explained that not all the smaller department cuts were listed. Those small budget cuts would be included in other areas more capable of withstanding a (5%) five percent budget cut. Hanson addressed the major cuts that would have severe impact within the department. Hanson indicated that the itemized cuts outlined on the handout were acceptable to the department and requested the adjusted appropriation figure be included to the amendments of HB 500.

(A:1A074) Representative Lory said that the names of the agencies were not mentioned in the handout. Hanson stated the three agencies were the County Prosecutor Service Program, the Motor Vehicle Administration Program, and the Law Enforcement Service Administration Division.

(A:1:080) Bob Kuchenbrod, Central Services Division Administrator for the Department of Justice stated that the Highway Patrol Uniform salaries are paid from the State Special Service Account and that the \$313,000 to be applied to this proposed cut would have to taken in salaries because there is not another area that the cut could be taken. Operating expense and equipment expense are paid from the General Fund. Kuchenbrod stated that proposed salary cut would dictate that 13.28 FTE's (officers) would not be employed for an entire year. Kuchenbrod stated that if support for the total program of personal services, operating expenses and equipment was funded through the State Special Fund, a five percent (5%) across the board cut could

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be possible. The department agreed with the LFA and the OBPP proposal of switching the funds for the Highway patrol from the General Fund to the State Special Revenue Fund which would constitute a savings of over \$3 million. Because of the need for the Highway patrol, Kuchenbrod stated that the department suggested taking \$250,000 appropriated for the FY 87 equipment and applying this amount as the only reduction for the Highway Patrol. (see Exhibit B) The department hopes to purchase the seventy patrol cars at a substantial saving.

(A:1:123) Senator Keating asked if the department could purchase the seventy new patrol cars for \$250,000, an amount that was less than the appropriated amount and thus keeping the necessary vehicles on the road. Kuchenbrod stated that the department turns over about one-third (1/3) of the fleet of highway patrol cars each year; of the 210 highways patrol car, 70 cars are replaced each year. The department saved \$140,000 in FY 86 by not purchasing three cars. This represents a 2% cut and was the difference between the actual appropriated amount and the purchase price of each unit.

(A:1:140) Senator Keating asked if signal lights, safety features and radio equipment were included in the units. Kuchenbrod reported that all proposed equipment was included for each unit.

(A:1:153) Senator Keating inquired about the Law Enforcement Communication Budget and asked if this budget was included in the Highway Patrol funding. Kuchenbrod stated that changes have been made by the department and it is now the Communication Bureau and is under the control of the Highway Patrol. The Criminal Justice Information System is included in data processing. The Enforcement Communication is appropriated for FY 87 as a separate item.

(A:1:161) Representative Lory asked how many officers the department would have to lay off or omit from the FY 87 appropriation. Kuchenbrod addressed the five percent (5%) cuts and the vacancy savings and stated that if the department must take both the five percent (5%) cuts and the vacancy savings, that the number of officers would be twenty (20) officers or ten percent (10%) of the force. Kuchenbrod stated that if the department is successful in their proposed funding, the department would retain thirteen (13) officers on the force, but the department would still have to deal with the \$160,000 vacancy savings statistic for the six to seven patrol officers.

(A:1:175) Chairman Quilici inquired whether there would be operational savings to make up for the funding switch caused by the vacancy savings and the five percent (5%) cut. Kuchenbrod stated that there was separated funding between the operational savings and the vacancy savings, If the Highway patrol is

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funded from the State Special Fund, the option of picking up some of vacancy savings in operating expenses is available. The department has been in supplemental situations that it had to ask for money to pick up the vacancy savings.

(A:1:188) Senator Steimatz asked how big a problem is the overtime for the patrol. Kuchenbrod reported that \$95,000 was appropriated for overtime in the last biennium and will last until approximately April 1. This biennium, the department appropriated approximately \$123,000 and this amount was depleted by the end of May. The actual money appropriated was paid out as overtime. A comp-time situation was then used to finish out the remainder of the year. The difference between eighty (80) and eighty-six (86) hours is straight comp-time and then over the eighty-six (86) hours is time and a half.

(A:1:207) Senator Keating asked if the patrol is being overworked and not being paid. Colonel Landon, Chief of the Highway Patrol, stated that the department is stretched to the breaking point because of shortages in personnel. Many employees are being overworked. Many hours are on the books, but no compensation has been made to the officers for those hours worked. The department has tried to work on an individual basis to keep the employees alert and to keep the employees safe.

(A:1:223) Representative Lory asked the number of officers who were off the road due to vacancy savings. Kuchenbrod stated that the department had a 2% vacancy savings: approximately five (5) to seven (7) officers.

(A:1:231) Senator Keating asked what the percentage of support personnel in the office was compared to the officers on the road. Kuchenbrod stated the cost to keep one patrol person on the road is between \$5,600 to \$11,000. The \$11,000 amount would be all the total equipment costs plus all the total operating expense and would included the fixed costs such as rent and communication expenses. The \$5,600 amount would be for the needed fixed and variable costs per officer. The ratio of officers to the support personnel is 200 patrol officers to 30 support personnel.

(A:1:262) Chairman Quilici asked whether the department has taken the gasoline cost into consideration and has transferred the costs from the operational cost to the personnel cost. Kuchenbrod reported \$35,000 savings had been applied to personnel, having transferred that amount from operational costs. Kuchenbrod stated that the savings could only be used in a General Fund supported area. The savings could not be applied to the department and so the funding switch proposal is critical to the department in this respect.

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(A:1:319) Representative Lory asked how many cents in gas tax would it take to cover \$3 million. One cent would cover about \$2.5 to \$3 million.

(A:1:335) Colonel Landon, Chief of the Montana Highway Patrol, stated that although the subcommittee approved thirteen (13) additional officers and abolished vacancy savings in the 1985 Legislative Session, the department actually lost three officers due to vacancy savings. Landon stated that the proposed thirteen (13) cut of officers will establish additional hardships within the department. Historically the months of July and August are the highest death rated months of the year. Montana is anticipating a high rate of tourism brought about by the Canadian World Fair, Americans opting to travel at home versus travel abroad, and an attractive report about Montana in the U.S. News and World Report magazine about the Flathead Lake area.

(A:1:374) Landon addressed the 55 miles per hour speed limit and the compliance issue. The state will lose ten (10) percent of the highway matching federal money for non-enforcement. Landon stated that Montana is on the border line in regards to the compliance issue. The patrol is essential to Montanans and visitors alike. Montana lost over \$134,000 in highway related loses last year.

(A:1:403) Landon stated that if the department is made to forfeit approximately thirteen of 13.28 officers, the reduction policy will be made according to seniority. The "hots spots" created by the vacancy savings will have to be refilled by other officers and this will create additional expenses: each relocation move averages \$1,800. The Garcia decision on the Fair Labor Standards Act has impacted comp time: after the eighty (80) hours are worked, the employee is paid time and a half. This means that there are less officers on the road, and in addition, the sick leave, the annual leave, the National Guard and Reserve time, that reduces the number of officers on the road, are additional problem areas that the Highway Patrol must face.

(A:1:428) The Colonel stated that the department has started a detachment consolidation which increases the control span of officers. The department has reduced the number of Lieutenants and has entered mutual aid agreements with the border states of Idaho, Wyoming and Yellowstone Park. North Dakota will possibly join the agreement.

(A:1:458) Colonel Landon expressed concern about the Montana's investment in the Highway Patrol Officers. The investment for each officer is \$50,000. These officers are the cream of the crop and are highly trained. Should these officers be laid off due to vacancy savings, they cannot be expected to

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refuse employment elsewhere in hopes that they will be rehired by the patrol. Landon stated that the historical attrition data is 7.2 employees per year.

(A:1:486) Landon discussed the highway patrol cars and stressed that if cuts are to be made within the department, the cuts must come in equipment expenditures and car purchases. The department does not want a reduction in the number of valuable officers.

(A:1:534) Representative Lory asked if the governor's proposal concerning the move of the highway patrol out of the General Fund and into the State Special Revenue fund would make it possible that the cut could come from equipment and not from the reduction of patrol officers. The vacancy savings would be reduced to seven (7) officers. Landon confirmed this to be true.

(A:1:566) Chairman Quilici asked if the department had vacancy savings at this time. Landon stated that the coming fiscal year is slated to start three officers short. A graduation class is ready to be commissioned, but the availability of an officer's job is to be dictated by the legislature's discretion. Landon discussed future vacancy saving plans.

(A:1:595) Senator Gage inquired as to the cost of salaries and benefits for each officer. Landon replied that the approximate cost is \$32,000. Kuchenbrod stated that the procedure of approximating salaries and benefits for the officers was not spelled out in the original appropriation, the department used the FY 85 matrix because no pay plan money was pumped into the original appropriation. The department took an average grade of thirteen, plus a step five for an amount of \$26,305 to come up with the cost.

(A:1:627) Senator Gage asked how many miles of highways would have to be deleted to fund the seven officers. Chairman Quilici stated that some interstate highway costs average over \$1 million per mile.

(A:1:648) Senator Stimatz congratulated Colonel Landon on the caliber of the Montana Highway Patrol, and stated that the patrol is efficient, courteous, and tough.

(A:2:002) Kuchenbrod gave an overview on how the department has not reduced the county attorney salaries because the county attorneys are elected officials. Kuchenbrod stated that before last session the Department of Justice was charged with paying one half (1/2) of the county attorneys' salaries. SB 116 stated that deputy county attorney's salaries

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were also to be paid, but limited to two (2) deputy county attorneys' salaries. The money was to have been generated by fines and forfeitures assessed by judges. The revenue did not meet the needs to pay the salaries. Kuchenbrod stated that the Justice department prefers the county attorney payroll be continued to be funded out of the General Fund at no reduced cost. Should the county attorney cutback be taken, it would create a guaranteed situation that the department would have to submit a supplemental request. According to the OBPP, support for the deputy county attorney's salaries could come from the State Special Fund. The revenue would go into the State Special and if the funds fell short, the Department of Justice would pro-rate the money to be paid out of the counties funds.

(A:2:031) Lois Steinbeck, OBPP, stated that the legislation that will be introduced regarding the deputy county attorney's salary will return the county attorney salary payment back to the counties. The proposal will allow county treasurers and town finance officers to retain that income for the payment of town attorneys, or deputy county attorneys, if those officers are present in those jurisdictions, or it can be used for payment of the salaries of other officials. To date, the fines collected and remitted from the counties to the state for the deputy county attorney's salaries have totalled approximately \$140,000. The fiscal note projection estimates the amount to be \$860,000 which will be from fine revenue sources.

(A:2:052) Chairman Quilici asked if the proposed legislation directs any fines through the JP Court which will be retained by the local governments. Steinbeck responded that they would be and that the local government can fund the county deputy attorney and the salaries of other county or town officials.

(A:2:156) Senator Keating asked about the historical data on fines issued by the judiciary and the marked difference before and after the bill. Steinbeck stated that SB 116 effective July 1, FY 86 established new fines and stated that courts of original jurisdiction were to impose a ten dollars (\$10) fine on misdemeanors and twenty dollars (\$20) or ten (10%) percent of the fines, whichever amount was higher, on felonies. All courts of original jurisdictions were to add this amount on the fines that were imposed, but the court could not exceed the maximum fine for that particular offense. Since July 1, FY 86, the counties have remitted \$140,000.

(A:2:070) Senator Keating stated that he understood that judges are refusing to assess the fines which are creating a shortfall in the revenue. Chairman Quilici stated that the legislation gave the local governments an incentive to implement the Justice of the Peace fines. In support of the local judges, Patrick

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Driscoll, Chief Assistant Attorney General, stated that the confusion concerning the original fine has been straightened out and that collections have accelerated considerably.

(A:2:108) Representative Lory stated that the salaries are set by law and cannot be changed.

(A:2:135) Patrick Driscoll, Chief Assistant Attorney General, addressed the Undercover Program for drug enforcement. At the beginning of the state's budget crisis, the Attorney General considered program abandonment, but it was the department's opinion that the program was far too valuable. Plans to implement the program was slated for July 1, 1986. Driscoll stated that the drug problem in Montana is considered to be in a crisis situation, and urged that the committee retain the program and restructure the funds to benefit the General Fund. For the past ten years, the Attorney General has not been able to effectively respond to local drug enforcement assistance requests. Data from the full-time task force indicates the problem is progressively worse.

(A:2:170) Senator Gage stated that the funding for the undercover drug enforcement program is valuable and what the program will return to the state of Montana is invaluable. Provisions have been made within the program to make it self supporting. Gage expressed concern about the rampant drug activity in Montana due to the lack of proper enforcement.

(A:2:187) Representative Lory asked if the \$408,000 is general fund money. Chairman Quilici affirmed that it was General Fund money.

(A:2:193) Senator Keating asked if the Legislature made the laws clear enough that real and personal property can be appropriated to the state of Montana from the drug busts. Driscoll reported that there is a difference in the state and federal forfeiture statutes. The inconsistency must be straightened out with regards to the flexibility of using such funds.

(A:2:205) Gary Carrell, Chief of the Criminal Investigation Bureau, reported that the agency works with other law enforcement agencies. Reimbursement in several occasions is possible, and the department has made application to receive a percentage of the drug-bust funds demonstrated with the amount of work done on those investigations. The department estimates that the state will receive \$200,000 to \$300,000 compensation of work done in the Sheridan area. This money can be used only for specific areas.

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(A:2:237) Senator Keating asked if there have been property forfeiture in Billings involving the Marijuana arrests. Carrell reported that a red pick-up was forfeited, yielding \$147. Keating addressed the monetary potential in respect to the idea of self financing the program through forfeiture.

(A:2:268) Senator Gage stated that the Federal Government must change laws in regards to the use of the forfeiture money. Carrell responded that the Montana law must be changed. Montana Law requirements do not satisfy the requirements of the Federal Law. Federal permission is not needed to use the forfeiture money for Montana purposes.

(A:2:309) Susan Hanson, Administrative officer, went over the funding summary of the purposed department cuts make up 5.6 percent of the General Fund appropriation. and a 3.6 cut to the States Special Fund. Hanson stated that the lower figure on the States Special Fund is the proposal not to cut the Highway Patrol. This figure does not include the \$408,000 cut for the under cover program, or for the cut for the deputy county attorney salaries, nor for the switch in funding.

(A:2:354) Senator Keating requested an explanation of the Indian Legal Jurisdiction Hanson stated that the \$118,000 in the LFA proposed cut is what the department thinks will be used next year should the Blackfeet case goes to trial.

(A:2:377) Senator Keating asked for a review of the highway patrol program transfer from the General Fund to the States Special Fund. Keating also asked what was the source of the Revenue in the States Special Revenue Fund. Kuchenbrod stated that the gas tax money is paid into the department of Highways which is an appropriation from the States Special Revenue Funds, as well as various fines, highway patrol and GBW fees. The bulk of the funds come from diesel and gasoline

(A:2:468) Senator Keating asked whether the highway patrol receives any of the federal Special Revenue. Kuchenbrod reported that the department currently has two contracts: from the department of Highway Traffic Safety and from the Truck Inspection, both from the Department of Transportation. Keating stated that the highway patrol was paid out of General Funds.

HIGHWAY TRAFFIC SAFETY

(A:2:480) Albert E. Goke, Highway Traffic Safety Division Administrator acknowledged an operational budget of approximately \$458,000 which is expended within the office, and an

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additional \$1,100,000 state budget. Goke addressed the LFA five (5%) percent reduction of \$3,535 and accepted the proposed cut.

(A:2:570) Representative Lory asked if the \$3,535 could be taken out of planning. Goke replied that the division could switch the planning cost to the filament cost and therefore, the funds would not have to come from personnel costs. Goke asked that the money be taken out of the operations. Lory stated that the cuts are not line itemed and therefore the amount could be taken out wherever the division saw fit, but not line itemed into personnel services.

EXECUTIVE ACTION

Highway Safety

Representative Lory moved that \$3,535 be taken out of the States Special Revenue Account. The tentative motion passed unanimously.

State Auditor

Cliff Roessner addressed the auditors budget prior to the federal auditor's recommended fee allocation plan. Roessner stated that the \$44,000 beginning balance is for anticipated supplemental grant for the \$85,000.

Acting on the five (5%) percent cut , Representative Lory moved to accept the five (5%) percent cut of \$26,572.

(C:1:001) Dick Gilbert stated the consequences of non-compliance of the Labor Standards Act, is that there is no fine for noncompliance, but that the federal agency would take the state of Montana to court to collect.(Exhibit B.)

(C:1:021) Senator Keating instructed the auditor's office to detail that the federal government will require changes in the law concerning noncompliance that the work must be done, and that the work will required funds. This is the purpose of the cash balance in the fund. If this special session takes the funds now, there must be a supplemental next session to cover the costs. Gilbert will supply the needed information. (See Exhibit B.)

(C:1:011) Lois Steinbeck commented about using the central payroll funds as an offset to the general fund. Steinbeck stated that the procedure could be potentially illegal to transfer any of the states special revenue fund or to use it to offset the general fund. The funds are obtained by billing federal programs directly.

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(C:1:041) Senator Keating moved to adopt option three. Chairman Quilici stated that the subcommittee will only address the five (5%) percent cuts and therefore, Senator Keating withdrew his motion.

(C:1:049) Gilbert stated that the governor's cuts proposal of \$25,740 in central management is accepted by the department.

(C:1:068) Representative Lory moved the executive five (5%) percent cut with the understanding the insurance amount is \$23,672. The general fund reduction will be \$44,562 and the state special revenue fund will be \$65,141. The tentative motion PASSED unanimously.

Department of Justice

(C:1:085) Representative Lory asked if the proposed cut could be taken anywhere the department designates, and not out of personnel. Hanson confirmed this to be true. Is special legislation necessary to transfer the highway patrol out of the general fund into the highway special revenue fund? Hanson believed that the legislation would be needed. Cliff Roessner stated that the highway state special revenue fund can be used for the safety of the highways. The funding of the salaries may have set a precedent for funding the entire program. The justice department will inquire further into the need of legislation. Roessner stated that there is a provision within the statute that with a two-third vote of the legislature, the funds can be used for any purpose.

(C:1:139) Senator Keating asked about the \$128,000 difference between the governor and LFA's budget proposal. Steinbeck stated that at the time this figure was given to the OBPP, the county attorney payroll program had not been decided. It is short because of the highway patrol operating expense. Keating acknowledged that there is a shortfall in the budget cut proposals and stated that this information should be brought to the attention of the appropriations committee. The deputy county attorney's five percent is \$37,615: part of the governor's proposal, but not a part of department's proposal. The five percent is taken in the general fund by 5.6 percent, and does not include the undercover unit. The state special fund is cut by 3.6%.

(C:1:223) Representative Lory moved that the department of justice take a five (5%) cut in the general fund for the amount of \$314,331 and a cut in the states special revenue fund for the amount of \$527,930. The motion PASSED unanimously.

(C:1:236) Representative Connelly asked if the amount includes the drug concern. Representative Lory said that it did not.

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(C:1:333) Representative Lory asked about the bond sale for the capitol renovation into the general fund and asked if this was a legal transfer of funds. Quilici stated that the proposal came from the governor's office and that it is assumed to be proper. Doug Booker stated that the transfer will require a two-thirds vote.

HIGHWAY DEPARTMENT

(D:1:001) Gary Wicks, Highway Department Director, gave an overview of the highway funding program. Wicks stated that since 1981, \$70 million worth of construction has been completed in the state of Montana. In 1983, the state had \$178 million worth of construction contracts and was regarded as a peak year. The department is now proposing \$159 million worth of contract letting. Montana has been able to repave about 486 miles of highway, and has rehabilitated almost one third of the 12,000 miles of interstate in the last four year period of time ending in FY 87. With the end of the interstate project, the highway department has directed the priority towards the primary system, which is the most important system to the majority of the population because the primary system serves the majority of the of the traveling Montanans. The legislature has given the highway the go-ahead with the RTF program to attack the needed programs, although modifications. Standard modifications have been implemented because of lack of funds.

(D:1:083) Senator Keating asked where the modification idea originated. Wicks replied that in 1983, the department completed a "need study" of the highway system. The rural primary standards were analyzed and found to cost prohibited. Therefore, innovated techniques were implemented, such as foam-mixed asphalt applications in order to save money. To keep the program going and to make the 1990's an era of highway improvement in Montana, Wicks stated that progress must continue. The department has been notified that federal funds will be reduced if the drinking age is not raised to twenty-one year of age. The law states that if the constitutional amendment passes, the funds will be retroactive and therefore, may still be obtained within the proper time frame.

(D:1:123) Wicks stated that the program will continue if the department obtains continued authorization through 1993 at the \$40 million per year and if the federal funding continues at about the \$105 or \$107 million level. Wick stated that the objective of the highway department and of the governor's proposal is to move Montana into the twenty-first century with a good transportation system and to keep the transportation system working for the state. (See Exhibit C.)

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(D:1:189) Wicks stated the department's contractors employ about 2,00 of the heavy construction work force in the state of Montana.

(D:1:213) Commenting on the LFA proposal, Wicks reported that the estimated revenue realized from the gasoline tax would go from \$60 million in 1986 to \$63 million in 1987 which is a five percent increase. Wicks reported that the department is not experiencing the revenue increase that the five percent suggests, and disagrees with that figure.

(D:1:234) Senator Keating asked what the department estimated the revenue would be for 1987. Wicks projected the revenue to stay the same as last year: approximately \$61 million level. Motorists have opted for more fuel efficient cars that get more miles per gallon versus the gas eating cars of recent years.

(D:1:245) Wicks addressed the savings projections of contracted payments contained in the LFA projection. Last year, in 1986, the department contract payment schedule dropped dramatically because of the bad weather, and the department is still obligated to make the contract payments after the contracts are let.

(D:1:289) Chairman Quilici asked if the money is accruing interest during the lull time in regards to the time frame that the payments are made in connection with the monthly reports concerning progress payments. Wicks said that is true.

(D:1:286) Wicks stated that the major difference in the LFA and the departments proposal is the the LFA is getting the highway program through to FY 87. The Governor's proposal is trying to allow the RTF program to continue at the same rate, with the five percent reduction. The LFA leaves a balance of \$10 million, The governor's proposal replaces the money that goes into the general fund with a fuel tax increase, and with bonding proposals, the proposal allows the department to continue the program with some modifications. For all intensive purpose , the LFA proposal means that the RTF program would be eliminated. (Exhibit D.)

(D:1:384) Senator Stimatz asked if the Reconstuction Trust Fund is the only alternative for reduction and asked how many programs the highway has in operation that deal with the primary systems. Wicks addressed priorities and stated that the department has some basic way of spending the highway dollars: Maintainance of the primary and interstate system; matching federal highway program money which amount

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to \$22 to \$23 million per year: two dollars in trust funds for every Montana dollar spent.

(D:1:438) Senator Keating asked if the federal match money must be spent for something in particular. Wicks answered that the federal highway program gives so much money for each major system that is included on the federal aid program. There is some flexibility for using the excess money on the next years program. Wicks stated that another priority of spending the highway dollars is to spend each federal dollar that is fed into the state: the ratio is \$8 federal to \$2 state dollar. The RTF program is funded at \$40 million per year.

(D:1:508) Quilici asked Wicks what if the special session III did not come to be, where would the department be in terms of funding. Wicks reported that the highway department planned to submit legislation in the 1987 regular session to request additional funds to keep the RTF program in operation. The proposal to take the money away from the department now causes the department to focus on the alternatives. The department would have been in reasonable good shape if the mineral royalties and the coal tax interest had stayed the same with the \$23 million 1987 year end balance.

(D:1:525) Representative Lory asked if the figures stated by Wicks concerning funding are made under the assumption that the gas tax transfer does not take place. Wicks answered no,

(D:1:580) Wicks stated that a true assessment of the highway department's budget can only be realized by carrying through with projected figures to the completion of the project.

(D:1:587) Senator Stimatz asked if Wicks has made reference to the calendar year or to the fiscal year. Wicks replied that all references have been made to the fiscal year which end July 30th of each calendar year.

(D:1:610) Director Wicks stated that the department took the LFA figures, adjusted department expenditures at the two percent inflation rate per year in 1988 and in 1989 and used those figures in the proposal. The governor's proposal is to replace the money taken out of the highway earmarked account and to put that money into the general fund. The replacement money would come from the fuel tax increases. To accomplish this, the governor's proposal is asking for a five cent a gallon increase in gasoline and a three cent a

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gallon increase in diesel to generate revenues. (see Exhibit E.) The Governor also uses the present bonding authority of the highway to be able to refinance the existing debt and to add some new money without reauthorization. Wicks elaborated on the bonding program at Senator Keating's request.

(D:1:680) Wicks stated that the highway department has borrowed about \$64 million on bonds and \$43 million on bond anticipation notes. The department has not used the \$159 million authorization of the 1983 legislation. The department is proposing to use all the bonding authority and to add new money to the highways program: \$50 million. Wicks explained that the highway earmarked account would remain invested at the going interest rates and the department would pay the highway construction program out of the bond proceeds. The mineral royalties from FY 87 and transfer the funds to the equalization account, the coal tax would be transferred into the general fund, and the interest earnings of the special account would be the way the bonds would be repaid.

(D:2:003) Senator Keating asked about the mineral royalties snared with the federal government on royalty income. Wicks explained the mineral royalties are monies that come in to the state of Montana from the mineral production of federal lands: a 50/50 split. The legislature had previously given 62.5% of the total amount to education and 37.5 of the total amount to the highway program.

(D:1:034) Roessner stated that the interest on the highway special account is never pledged, but the interest is going to replace the money that was being used to pay back the bonds.

(D:2:048) Wicks stated that more money will be paid in taxes and supported data to support said figures.

(D:2:180) In regards to the five percent reduction, Wicks stated that previous reductions were completed, but the increases were substantially lower. The main way of saving the five (5%) percent is based on reduction of the lower fuel cost and lower road work cost that are being experienced at present. If this continues, it will provide the bulk of the five (5%) percent savings. Wicks stated that the savings will not continue should the price of gas increase. Wicks hopes to continue the same level of service in the maintenance program that the program witnessed in the past few year.

(D:2:202) The pay plan will pose serious problems for the department. It is estimated that the department will have

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hold vacant or layoff 115 FTE in FY 87. See comparison sheet. (Exhibit

(D:2:248) Senator Keating asked what happens if the subcommittee rejects both ideas and keep the funding as it is at the present time. What would happen if there would be no increase in the gasoline or diesel tax, the department would keep the interest income, the coal tax, and the mineral rights, and the department would take over the highway patrol. Wicks responded to this question by saying that the highway department would be requesting additional funds from the 1987 Legislature; the department could clear FY 87 without problems or without having to shut the program down.

(D:2:282) Senator Keating asked if the department could use the federal money for reconstruction. Wicks said yes and further stated that the program is a combination of entities: The reason the department has been able to accomplish what the department has been able to do is because of the RTF program, because of the \$80 million federal-state matching primary program; and if the present funding is not available, then the department will have to cut the programs back to the federal level, i.e., in half.

(D:2:291) Senator Keating asked if the RTF program would have to be eliminated. Wicks said that the RTF program would be eliminated, but that the reconstruction of the primary system would still be available. This would be at the \$40 million level per year.

(D:2:295) Senator Keating asked how many employee are on the pay plan. All employees are not contractual employees, but all are affected by the pay plan. There are management and personnel employees not in the unions, but they are on the pay plan. Keating inquired about the ingrade promotions made before the cut back. Wicks explained that some promotions are automatic. The total personal service is \$51 million. The pay plan savings is \$2.6 million and must be included with the vacancy saving of \$4.6 to be included in the \$51 million.

(D:2:394) Senator Stimatz asked what the price of road oil is. The road oil is paid in bulk and the going unit price is \$80 to \$90.

EXECUTIVE ACTION

Senator Keating questioned the five (5%) option of the highway patrol budget. Chairman Quilici stated that the governor's second proposal would take statutory changes.

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(D:2:357) Senator Stimatz moved the governor's first proposal be adopted; A,B,C,D,and H. The motion PASSED. Representative Lory and Senator Gage voted nay. States Special Revenue Fund was cut by \$527,930.

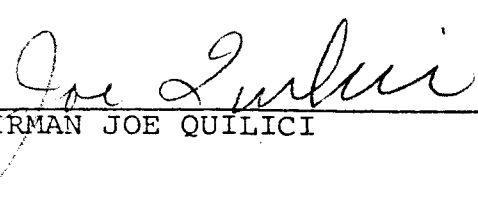
Senator Newman asked Representative Lory for an explanation of the nay vote. Lory replied that the general fund is \$110 million out of "sinc". Lory questioned why the highway program is to be cut because the funding will make no effect of the general fund.

(E:1:077) Senator Gage stated that he would concur with Representative Lory and, further stated, that if the five (5%) cut is not made, it will require only two-thirds as much gas tax increase to do what the governor has asked to be done. Rather than increase the gas tax to the full amount, Gage stated he would like to see the amount kept down to two-thirds of what the governor requested.

(E:1:087) Senator Keating stated that the balance sheets have been made available in regards to reducing expenditures. Keating asked if the other fund reduction affect the \$110 million shortfall in revenue. Chairman Quilici answered that if the other pieces of legislation pass, it will free up the general fund money.

Senator Keating asked if the reductions in the highway department will affect the general fund shortfall. Quilici replied that the effects of the funds will be realized only when the funds are transferred to the highway patrol.

There being no further business before the subcommittee at this time, Chairman Quilici adjourned the meeting at 3:10 p.m.



CHAIRMAN JOE QUILICI

DAILY ROLL CALL

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

49th LEGISLATURE-SPECIAL SESSION III

DATE: June 11, 1986

NAME	PRESENT	ABSENT	EXCUSED
REP. QUILICI, CHAIRMAN	X		
REP. CONNELLY	X		
REP. LORY	X		
SENATOR GAGE	X		
SENATOR KEATING	X		
SENATOR STIMATZ	X		

VISITORS' REGISTER

GENERAL GOVERNMENT AND HIGHWAYS COMMITTEE

BILL NO. _____ DATE June 11, 1986

SPONSOR _____

NAME (please print)	REPRESENTING AND RESIDENCE	SUPPORT	OPPOSE
Bill Newhouse	DOJ Division of Forensic Sciences		
Kenny Maguire	Dept of Justice		
DAWN KANGAS	Dept. of Justice Division of Fore. Sci.		
BOB KUCHERBROD	DEPT OF JUSTICE		
SUSAN HANSEN	✓ ✓ ✓		
GARY CARRELL	DEPT OF JUSTICE		
Patrick Driscoll	DOJ		
Col. R.W. Landon	Highway PATROL		
Candy Foster	Highway patrol		
Loris Steenbeck	CBPP		
Gordon Morris	M.A.S.O.		
Dean Switzer	H. R. 28		
Albert Drake	High Safety - Justice		
Richard W Gilbert	Helena - SAO		
Dennis W. Bunn	MONTANA		
Chuck Johnson	GF Tuber		
Doris T Barta	Big Brothers & Sisters		

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VISITORS' REGISTER

General Government and Highways COMMITTEE

BILL NO. _____

DATE

June 11th 1986

SPONSOR _____

NAME (please print)	REPRESENTING AND RESIDENCE	SUPPORT	OPPOSE
Anna M. Miller	Dept of Highway Helms		
Kathy Willis	Dept of Highways		
Steve Puhak	Dept of Highways		
RAY DAIGEN	" " "		
Bill Gosner	Highway - Helms		
Don HARRIOTT	Highway - Helms		
Don GRUEL	Highway - Helms		
Bruce Coble			
Jim MANION	AAA - Helms Helms		
Jim Hansen	LFA		

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