

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

June 23, 1986

The fourth meeting of the Senate Finance and Claims Committee met in room 108 of the State Capitol on the above date to hear House Bill 30. Chairman Regan called the meeting to order at 8 a.m.

ROLL CALL: All members present except Senator Christiaens who was excused.

CONSIDERATION OF HOUSE BILL 30: Senator Regan said we would begin at the beginning of the bill with General Government and Highways and would go right through with the Chairman of the subcommittees presenting an overview of the magnitude of the cuts and what has been done and then this afternoon we will take executive action. If any of you have problems with the language or if you wish to address an issue you may do so this afternoon very briefly because the bill must be out today, she said.

Senator Regan: A quorum being present, we will begin the proceedings by looking at the General Government section of your bill -- (she requested since Representative Quilici could not be present that the Vice Chair do so. Senator Keating had been given the information by Representative Quilici, so he did so) All right, fine. Would you sit at the table with the LFA and he will be able to back you up.

Senator Keating went through the General Government and Highways Section A, LFA report which shows the action taken by the subcommittee (attached as exhibit 1), the Yellow bill being referred to (attached as exhibit 2), and the blue section House Floor Amendments to House Bill 30 (attached as exhibit 3). He said the Governor had asked that they cut out 1.934 million and the committee was able to take 1.746, which was about \$188,000 less than the 5%. The Governor's policy issues requested cuts of 4.157 million and the committee cut 4.275 million which is \$118,000 more than what the Governor asked for. Total committee action then resulted in only \$70,000 less than requested by the Governor.

Senator Regan asked if he would go through the various agencies and review what was done and if there is any major differences you would point them out.

Senator Keating used the bill as reference, and went through the agencies.

Reference to page A-1 will give an explanation of what the report was. References as follows, and Senator Keating's report:

Legislative Auditor: 4.6% cut. They had been cut on base before.

Legislative Fiscal Analyst: full 5% cut by cutting personal

Legislative Council: 5% cut. Nothing special here. Cut some dues, etc. There was additional money taken from the '86 budget, and the two years makes it equal the 5%.

Environmental Quality Council: 5%, in travel and contracted services.

Consumer Counsel gave up \$44,800, and although it was not general fund money, they did take a cut.

Judiciary, they had some real problems, they cut \$52, 141 in general fund money, but it amounts to about 1.3 across the board. They ran into the problem of the district court judges can't take vacancy savings, the salaries constitute about 95% of the budget and would have left--their operating costs are about \$300,000, and if we had taken the 5% out of that they would have been left with \$70,000 to run the district court system so we didn't think we could cut them that tight. But, in the Supreme Court they gave up a clerk and some operating expenses, so all in all we cut the judiciary 1.3%.

Governor's Office. 6% cut. It was pretty much across the board. the coal tax lobby fund was reduced and part of the money from the coal tax lobby fund was moved into the Lt. Governor's office, about \$10,000 to help pay for the permanent state person that we have in D.C. watching the bills in Congress.

Secretary of State's Office: cut by 4.9%.

Commissioner of Political Practices: cut across the board 5%.

State Auditor: 5%.

Department of Justice: In this department, which is the Attorney General's office, there was a bunch of shifting around. There was across the board cuts of 2.1% or \$197,000. Then the Highway Patrol was cut from the A.G.'s budget which is \$3 million of general fund money, but that was transferred to the Highway where it is picked up and paid for with State Special Revenue. There was a funding switch in the Deputy County Attorneys payroll of \$752,000 and then a withdrawal of the \$409,000 for the Drug Enforcement Program that was going to begin the first of '87. The Justice Department was cut \$4.4 million or 41%, but remember that \$3 million of that is shifting the Highway Patrol to the Department of Highways, State Special Revenue.

Highway Traffic Safety has a very small general fund amount, and doesn't have any general fund money and so we cut \$3500 out of State Special Revenue.

Board of Crime Control took took 5% cut across the board.

Department of Administration was cut 5%.

Department of Revenue was cut 4.3%, and then in the House action there were 7 FTE were eliminated from the Income Tax Division which reduces personal services by \$123,500 and expenses by \$508,000. The '85 Legislature added 20 FTE and \$600,000 and this is a cut of those 20 FTE. Besides the 7 FTE that were cut by the House, there were 20 FTE cut from the Department of Revenue. 15 of those are from the assessment (property assessment bureau) for about \$357,000. There was one thing that was done that the committee discussed at length and that was -- in 1985 we had cut the assessors pay by 30%, that the

state would not pay that was going to be put back on the counties. We moved to restore that 30% so that the Department was paying 100% of the assessors salary. Our action was reconsidered and we reinstated the 30% so it's back to where it was. Also the Treasurer's Department has entered into maintenance contracts and services that they were purchasing from the County offices on their computers and terminals so that the assessors and the Department could transfer information easily so the various roles could go to the treasurer for collection and things like that. Those contracts amounted to \$242,000 and it differed from county to county. We cut that contract in half and it is additional expense to the counties and a reduction to the Department of Revenue.

Senator Ed Smith asked--Senator Keating, what you are saying, you are adding that amount that you just mentioned back onto the cost of the counties? In addition to the 30%?

Senator Keating said that's the effect of the action, yes. (He then continued)

Military Affairs took a 5% cut across the board and there weren't any special actions there. He said he might add that our International Guard during that week was awarded the most coveted award in the United States as being the best International Guard unit in the United States, protecting our borders from Canada. (laughter)

Department of Highways received a 2.7% cut, however, they don't have general fund money, however the committee recommended the back out of the several state revenue amounts from the coal tax, gasoline tax, earned interest, etc. We backed out \$7.3 million into the general fund and did not replace that with the gasoline and deisel tax. Then the House action there were three projects that the House gave reinstated spending authority up to \$3.5 million of State Special Revenue. One of them is Great Falls north, one is Seeley Lake area, and the other is west of Anaconda.

Senator Haffey said something was said on the floor the other day that he was quite concerned about--the Commissioner of Political Practices--and I don't ask this facetiously, but is there a need for that office to be funded every year? Do they just twiddle around the year there is not elections?

Senator Keating: In the off year, they are busy filing records and keeping up with the various reports that are coming in. There's still a certain amount of PAC contributions, etc, but it is an extremely light load in the off year I would imagine.

Senator Haffey: Another question--the cuts for the Legislative Council were only 4.1%.

Senator Keating: I'll let Cliff answer that for you.

Cliff Roessner, LFA: The Council took cuts from continuing appropriations in FY '86 of \$20,256 in addition to the cuts in fiscal 1987, so the total effect is a 5% across the board cut.

Senator Haffey: I take it from your subcommittee action that

you didn't think that the Legislative Council was overstaffed to the point where you could reduce their budget any more--a $\frac{1}{2}$ FTE or a $\frac{1}{4}$ FTE or anything else?

Senator Keating: In the Legislative Council there was no offer made, there was no inquiry as to the number of FTE. That question did not come up.

Senator Haffey: How about the Commissioner of Political Practices office. In light of years, could we reduce them?

Senator Keating: My personal inquiry as to this was could it not be melded with some other agency. It had been a part of the Secretary of State at one time. My inquiry into that office was that they could absorb it and probably reduce the personnel and cut the cost in half, but later on--we didn't make an attempt at that because we were aware of a bill to put it into the Legislative Council, where I think a savings could be made. The Commissioner of Political Practices will be ending her term very shortly anyhow, and it seemed like a logical thing to do. Our committee took no action directly.

Senator Regan: Back to the Legislative Council. The \$500,000 that was taken from the codes. Is that part of the 5%?

Senator Keating: Yes, that was the reduction in the fund balance. (Cliff interjected with information and Senator Keating said) This was not a part of the 5%. It is above the 5%.

Senator Regan: Did you consider and look at the number of agencies that we belong to, task force, forestry review, and others. Did you take a good hard look at those?

Senator Keating: No, we didn't review each one of them individually. There were questions about the Council of State Governments and NCSL, but each of them is such a pet to various members that--attempts have been made to reduce our participation in those in the past and have met with utter failure, and there wasn't great pursuits there.

Senator Gage: The Legislative Council staff did review with those committees, however, and most of them did come with some cuts. We were given a sheet, the forestry task force for instance had \$541 cut in theirs. NCS dues were cut. CSG dues and travel in both of those. The administrative committee also diverted money in Administrative Codes, Capitol funding, Indian Affairs, etc.

Senator Bengtson: Was there any discussion in the subcommittee about a restructing or consolidation of the legislative offices--Auditor, Legislative Council and Legislative Fiscal Analyst's office, as proposed in the Legislature last session with the reduction in the administrative staff.

Senator Keating: No, we did not discuss any consolidation of

those groups or those agencies or Departments.

Senator Bengtson: It's sort of curious--as an option that was never presented because it has been presented to the Legislature before from the Fiscal Analyst's office. It could be reviewed as a savings to the state government. I would like the Fiscal Analyst's office to come up with some numbers. If we had some options on cost savings as related to Senator Stan Stephens bill last session.

Senator Regan: We have, hopefully, four days left, so this might take longer to gather the data and January might be the time in which we would really address the restructuring.

Senator Keating: I would like to ask Senator Gage if there is anything he thinks ought to be added, or Senator Stimatz if they have a comment. (Both Senators indicated they did not)

Human Services section, (with Senator Christiaens excused and not present) Representative Cal Winslow presented this section of the bill with Analysts Peter Blouke and Taryn Purdy.

Representative Winslow asked that the committee look at B2 and went through the committee's action as compared to the Governor's recommendation they would find no difference in Labor and Industry; a small difference in Health and Environmental Sciences--that small difference is due to Renal Disease--we did not accept the 5% cut. We did not accept a proposal on Air Quality for \$12,00 some dollars. We did receive a letter from the Feds saying we could not do that, and then there was one other area in the RIT that we did not accept. Other than that we took the Governor's 5%.

Social and Rehabilitative Services--there were also a couple of areas that we did not accept in this area. Vocational ReHab, Visual Medical and Big Brothers and Sisters there was a proposed 50% cut for Big Brothers and Sisters and we amended that down to a 10% cut.

The Policy Issues--those the Governor proposed in Labor and Industry, the funding switch was for Unemployment Insurance Penalty and Interest funds. We did take that switch of funds so it did free up that amount of money into the general fund. Primarily that switch of funding there goes to 1 FTE in Labor Standards Division, it goes for the Apprenticeship bureau, it'll go for pre-employment training and for dislocated workers. We also accepted the benefit freezes in each area. The difference between us and the Governor, primarily in the benefit freeze area was the Visual Medical, Voc ReHab and Big Brothers and Sisters.

Senator Regan: Before you go on, I had understood that the Apprenticeship program was out.

Representative Winslow: No, it was put back in.

Senator Regan: Then it was funded from a different source?

Representative Winslow: Well, it was funded from the source that was proposed initially and that was the penalty and interest money, so it is back in the way the Governor had proposed it.

Representative Winslow went through the other policy issues as he came to them. Issues the committee took which are not in the Governor's budget which in fact brought about considerably more money actually than proposed by the Governor--was Waste Water Operator fund balance, \$27,000 in the fund balance and we did take \$25,000 of it. I was told that that was not a problem and now I'm beginning to get some vibes from the Health Department that maybe it might be. Initially when we had our committee it wasn't. We did take \$100,000 from the Crime Victims fund balance, that transfer according to the Department will not have a negative impact. They will still have enough there for the cash flow in that program.

Youth Treatment Center, there were \$651,993 that was there for Medicaid. It does not appear in this fiscal year at all that we will have medicaid and so therefore those dollars were taken out and the Department had no problem with that.

Medicaid Waver. \$125,000 was taken from that and that has not actually cut the program at all. There is an expansion of Medicaid Waver. It is a home treatment program for elderly into Boulder and Kalispell planned for this fiscal year. They are somewhat behind schedule. It is an under expenditure at this point. What we have done -- we have given them spending authority for 1987 and this \$125,000 should not have any negative impact upon that program.

The Mill Levy is just that there is more money came in due to the 12 mills than was expected so we increased the spending authority to the agency by \$800,000 and pulled out \$800,000 in general fund that was going to have to assist in that area.

Legal Services. There was \$50,000 taken on that.

Representative Winslow said he would very quickly go through the various departments and asked that the Committee turn to B-3.

Health Department. Primarily 5% cut with the exception of those three areas. There was one area that was somewhat controversial and that was the reduction of \$19,000 from the University of Montana to monitor the trophic status in Flathead Lake. The committee, since that time, have received a call from EPA that they have \$15,000 more of Federal money so we have given them authority to spend \$15,000 more so they really will not be the impact that initially they thought they would have.

RIT funding. Under the other appropriations Bills, the RIT

funding has actually gone into DNRC and will free up some \$52,687 in general fund in that department in the State Special Revenue Account.

Revenue. The Revenue issue we have listed here is the Waste Water Operators fund and we are probably going to hear something about that. It was our understanding that the increase in funds would provide money and not affect that program negatively, and now there seems to be some discussion.

Labor and Industry. We did take most of their general fund dollars now. They don't have many general fund dollars to start with, and our cuts were primarily just what the Governor had proposed, but there is hardly any general fund left over there. We took the across the board cuts as proposed and again the major issue was the funding switch which took the unemployment penalty and interest funds.

Employment Services Division we had no across the board cuts. This is where some of the money from the unemployed insurance penalty and interest fund were used to fund the pre-employment training and \$125,000 for job training program--dislocated workers.

Division of Workers Comp. A transfer of \$100,000 out of the Crime Victims fund into the general fund.

Social and Rehabilitation Services. SRS is more complicated than the other two but the committee was able to come up very much better than the Governor had proposed in a couple of areas. On B-9 you can look at some of the supplementals that are coming down the road. Due to the committee's action on AFDC. First of all you will see the subcommittees we will still have coming in in January \$6.9 million in supplementals, unless the agencies will be able to cover some of that.

First, in the AFDC there was a freeze of benefits. No other impact except for a freeze of benefits at the 47%. Actually with the inflation it is going to be a little bit less than that now. With the committee's action we saved \$510,984 and there still will be a supplemental coming in in January of \$2.2 million.

The Foster Care Area is proposed to have a supplemental of \$1.1 million. There was no action taken by the committee in this area.-- We froze the benefits but the action will not impact the supplemental that comes in. In fact if we will be able to keep it at this level we will be fortunate. There just seems to be such an expansion of need in the Foster Care area.

Medicaid other. There was no committee action. There will be a \$3.6 million coming in in the January session--however, the agency believes that they can cover most of that if the general assistance impacts -- or the general assistance bills are passed this time. Much of this money is medicaid and is related to

that, and they do have some funding switch ability, and they do believe that this area they can pick up.

General Assistance. With the bills in this area there will not be a supplemental -- so, we are looking at \$6 to 8 million coming in in the next session.

Senator Haffey: In the General Assistance area, did your sub-committee talk about or receive testimony regarding any concern in that area that might express themselves in the form of another injunction.

Representative Winslow: Yep. The committee's action, we accepted, actually, we accepted the proposal as proposed by the Governor and the bill which was carried by Representative Hand at the present time. My comment at the time is that we are not playing with funny money because the low income group has said they will take it to court, and if they do actually we are not going to find any positive impact from it.

Senator Haffey: Does that mean what looks like a savings amount does not have to be committed?

Representative Winslow: Well, Yeah. Very similar to what happened last session. We thought 843 would go through too, and it didn't, and that's why we had to do a supplemental. I am not sure whether it will go up in court or not. I think there are very many more people who believe that this proposal has more merit than the one based on age and therefore would be supported. In the meantime if there is an injunction prior to that we may be half way through our year before any kind of a ruling comes, so the low income groups have said that they will file suit.

Senator Haffey: Is that testimony unambiguous--that is they've said, if this passes they'll take action?

Representative Winslow: Yes. They have said that they will.

Representative Winslow asked that the committee look at Page B-10 and said they would go through some of the things where action was taken. Primarily across the board cuts, benefit freezes, some benefit reductions, the action on general assistance, the youth treatment center, funding match--actually we picked up \$23,000. Kind of a windfall from the federal government. They have increased their percentage of payment on Medicaid to Montana and some of the states that are affected like Montana is, so that was really was a positive impact for us.

The mill levy in the Legal Services. I'll just go briefly through these. Across the board cuts did have some FTE impacts. About 16 FTE's were removed. Some of these were fairly controversial. One of them was the 9 new social worker positions scheduled for 1987. If you remember those were high priorities in the PFP program last session. There is an expansion of need in the Foster Care area, probably the people out there--the

social workers are becoming a lot more over worked, however the feeling was that we had to make some tough decisions. This probably was one of the tougher decisions the committee made. 3.5 unfilled new eligibility technicians were eliminated. Here again, these people are the ones that are working with the expansion of numbers in the welfare and general assistance area. If general assistance is restricted or cut back somewhat, it won't be nearly as much pressure; but at the present time these people are under a great deal of pressure. 3 unidentified positions in the audit and program compliance were also removed and a .5 lawyer.

B-11, the benefit section, if you look down the page I will try to identify the areas that first of all, have any differences from what the Governor had proposed.

Youth Treatment Center. They had not identified the \$651,000 that was there for medicaid, which is unnecessary because of the Youth Treatment Center.

Medicaid Waiver, about 1/3 of the page down, the Governor had proposed \$15,953 and we were able to come up with \$140,953 without having a negative impact on that program.

Visual Medical was an area that the Governor had proposed, it was just a part of the 5% cut. \$18,205. We listened to testimony, and that was one of the areas that the committee made a priority decision not to accept the cut because of the impact it would have on the people served.

Legal Services, there was \$50,000 removed and then under VocRehab the Governor had budgeted \$50,000 for a contract which handled such things as custody hearings, divorce proceedings, abuse cases, etc. The committee eliminated the contract.

Some questions were asked on the Legal Services by Senator Keating and Senator Regan and Representative Winslow said that he would get to that in the narrative.

Representative Winslow continued by saying said you can see that the committee came up with \$729,118 more than the Governor's proposal had.

Benefit Freeze area. I think that one thing that all of us need to recognize when you start talking about benefit freezes and reimbursement freezes that it really is bandaaid approach to get us out of this special session. You can only cut back on reimbursement providers in DD and these areas so long and then they're going to be forced to give less quality of care, and I think we all need to recognize that as we go into next year.

In the Benefit Freeze area though, the committee did not accept the Governor's proposal for Big Brothers and Sisters. At \$6,552, or the visual medical at \$4,419. We did accept the benefit freeze for AFDC though on general assistance. Those

are big items that will make a substantial savings. The Benefit Reduction areas that were identified were three programs. Day Care, Subsidized Adoption and Supplemental Security Income, and these reflect underexpenditures, not necessarily reductions. We did take the elimination of the emergency general assistance program at a savings of \$100,000. If you remember that--that program was established for 843 in the general assistance bill last year and hasn't been used nor needed, so that was taken out. The Governor proposed a 50% cut in Big Brothers and Sisters and we took 10.

Mill Levy, we just gave increased spending authority to the Department. There is more money there from the 12 mills coming in from those counties than we expected, and so it was able to free up \$800,000 in general fund.

Federal match rate, again, was the increase rate by the Federal Government in participation of medicaid from 66.39 to 67.175 and had about a \$923,000 positive impact.

General Assistance. There were two things primarily that were taken. By freezing the payment level of FY '86 the committee reduced the supplemental by \$231,000. Then the second thing that was taken was to accept the Governor's proposal for a cut after 2 months for any 12 month period. By adopting this change the committee further reduced the projected general fund expenditure for the program by \$1,144,000. With the second reduction in the program, now that means the freeze plus this, there is no longer a need for a supplemental in the program in fiscal '87, and in fact there will be a \$381,466 positive impact on the budget.

There is a table on the top of B-14 kind of explains what I just said on the general assistance area.

Senator Regan: Those people that are cut off from general assistance. What other assistance do they receive?

Representative Winslow: Presently, they receive food stamps, low income energy assistance, they receive from the food banks which is separate from the food stamps. Food stamps are federally given for them to pick it up. Food banks are also available for programs in many of the counties. I'm not sure what other programs are available. Many of them have rent subsidy programs. The program, the way it is proposed, we did make a change to the Governor's proposal on the 2 month cut. We had them change their proposed bill to not go into effect until November, then there is 60 days after that, so nobody will be removed from general assistance until we are back in session in January of next year, so it appears to be a real strong impact, or if something needs to be done, we will at least be in session, or be coming into session at the same time that that bill will take effect.

Legal Services area. For fiscal '87, the Department has budgeted \$50,000 for a contract with Montana Legal Services Corp.

Under this contract, Legal Services such as custody hearings, abuse cases, divorce proceedings, and welfare claims are provided to the elderly and low income persons. To the extent funds are available, as a member of the National Legal Services Corp. Montana Legal Services must provide legal assistance to indigent persons irrespective of any contract they may have with the state. The committee did eliminate \$50,000 of the entire contract for a general fund savings of \$50,000. Again they are obligated to take care of people who fit into this category. With less dollars their availability to work with fewer people probably is given, but it was an area that was identified as a savings.

Senator Keating: Representative Winslow, recently the state lost a suit in Musselshell County over the custody of child abuse. A custody hearing and the parties sued for about \$22,000. It seemed to be pretty light. Did your subcommittee discuss the state's liability in these legal actions where the SRS are taking children out of schools or out of homes and then having the parents come back and sue the state.

Representative Winslow: No, we didn't have any discussion on that at all.

The medicaid Waver area, I think I have explained that, we don't have to go into a lot of detail. We were able to pick up \$125,000 savings, but due to a projected underexpenditure, so it should not have an impact on the expansion of that program even.

Youth Treatment Center, again, would not have any available medicaid, that money is no longer needed.

Other Appropriations bills. House Bill 935 is a bill that I worked on last session to start providing alcohol treatment for indigent youth. Prior to that time there was alcohol treatment for those people who had insurance or had some sort of coverage and the indigent youth were pretty much ignored. This program was started, and actually the 5% reduction is consistent with that bill to the extent that we increased taxes on beer to fund that program. Now, with that 5% cut, even if the 5% cut had not come in, the program would have been funded by beer taxes, anyway, without dipping into the general fund. As sponsor of that bill, I guess that was my intent, anyway.

The supplemental requirements, we have gone through them rather quickly, if you have any questions, I would be glad to try to answer them. Again, this is a difficult budget to work on, I do appreciate the work of the staff and the work of the department, and even the people involved in receiving services. Often times when you are dealing with this group of people, it is certainly not "wants" they are "needs", and they too recognize the situation of the state and worked very hard to come up with some of the solutions. I appreciate that, and I think everyone in the Legislature needs to recognize how difficult it was for them to identify some of those areas, but they

worked real hard together.

Senator Regan: I would like to thank the subcommittee, because I think this subcommittee had in some respects, the toughest subcommittee to work and did a good job--a very good job.

Senator Regan asked if there were questions on the section.

Senator Regan: I have one dealing with Legal Services. It was my understanding that the federal government was going to cut this program. Isn't this too being cut by Graham-Rudman?

Representative Winslow: They get funding from a number of different sources, and I think that they have been receiving funding cuts over the years. In fact, the testimony of the committee is that they are already cutting back their programs. They are not going to have legal services available in all of the areas. One of the areas that I think they mentioned was Wolf Point that they are closing an office there. There are two Legal Services contracts in SRS. One is specifically for the low income people--the general assistance; and then we have the other one fiscal one which covered the elderly, the child abuse and all that. But, they are, yes, receiving cuts from the Federal Government at the same time we are looking at this cut.

Senator Regan: And you felt comfortable making this cut?

Representative Winslow: Well, I am not sure I felt comfortable making a lot of the cuts, but we did believe that it is the requirement of Legal Services that they continue to represent as many people as they can. It may have some kind of an impact, but we also want to believe that there are some other sources out there possibly too, to help in the private area to maybe help in some of those cases.

There were no further questions of Representative Winslow and Senator Regan said she had notified Natural Resources that they are ready to take them up. If we can get through Natural Resources early we will be able to attend our caucuses and not worry about not finishing. She asked for Representative Manuel, and suggested they stand at ease for 5 minutes until he was found.

Senator Regan asked the committee to come back to order and said we have Representative Manuel to present the Natural Resource Budget.

Representative Manuel: Members of the committee--our subcommittee consisted of Senator Boylan, Senator Smith and Senator Lane; Representative Nathe, Representative Swift and Representative Spaeth and myself. Carl Schweitzer was our staff. On the budget we had Ron Weiss and Sid Clark and our Secretary was Leta Buck.

Representative Manuel asked if the committee would turn to C-2 which is the bottom line, the way it came out of the House, and that is pretty much how it stands. On the bottom line they ask for the Governor's recommendations, \$6,979,728. The committee scraped up more--\$7,882,531, so for the general fund we gained \$902,803.

Public Service Commission. C-3, they took the 5% cut. We directed them not to cut any more than 5% from their traveling for holding public hearings outside the city of Helena.

Department of Livestock, C-4. There wasn't anything in there --any highlights. On C-5, there the committee reduced the general fund by \$67,727 and also approved \$100,000 for a study and use RIT funds for this to replace it. The reason for the study, and you can ask Mr. Graham of the Livestock if you want to--but to give you the highlight, the EPA ordered the study and as you know, strychnine for rabies control is out and this is the only way we can keep it back in is to have this study, and the Department of Health and the Department of Livestock and the Fish and Wildlife also participated in this, and this is for that study. It is something we almost have to do and it isn't financed out of general funds.

Department of Agriculture, C-6. They took their 5%.

Department of State Lands, C 8. They took their 5% and there was nothing too controversial in that.

Department of Fish, Wildlife and Parks, C-10. One of the things we discussed at length in the subcommittee and the full committee was that the committees felt that Fish and Wildlife's funds that's earmarked, proprietary funds, shouldn't have to take the 5% cut because it was the sportsmen's money. We had a lot of support for this from the sportsmen. There are about 300,000 sportsmen in the State of Montana, and that would be possibly \$915,000 that would be tied up and just go into their reserve. The 1985 Legislature appropriated this money to all these projects--a big long list-- that would be cut out and the committees just felt it doesn't make sense to tie up that money and it would have to be appropriated in 1987 anyhow, so it doesn't help the general fund one bit to tie it up--so that was the decision.

Senator Regan: Was it offered as a cut under the Governor's budget?

Representative Manuel: The Governor recommended a 5% cut.

Senator Regan: For all funds.

Representative Manuel: Right.

Representative Manuel: Members of the committee, I can see why the Governor recommended for everybody. He can't show favoritism or anything like that to anybody, but I think it is the prerogative of the Legislature to decide. I wouldn't say it is favoritism--it just makes sense.

We had a bill here that passed Saturday. On page C-11 to take all the general fund out and replace it with the Capitol money from coal. I think it passed through this committee, I think you are familiar with that, and I think it passed through the Senate if I read the paper right. Then we had \$77,000 that was done by our RIT funds to insure that all the Capitol grounds were taken care of. On C-11 we have the Governor's proposals to the coal severance tax revenues, and it is a million 832,729. Turning to page C-12, DNRC. It says they took a 4.3 general fund cut but that's really not true. By the time we got done with it is 27 or 28%, so that is really not an issue.

We turn to C-13, Issue A, Delay Alternative Energy Loans and Grants. The committee--it was recommended that we take out a million, 143 and we added another 207,000 the committee did, so there is still \$400,000 in this fund for state retrofit of buildings. On energy monitoring we took out \$13,571.

Water Engineering Bureau, C-13, we took out \$353,090 and on the next page, C-14, Offset General fund with RIT interest and Water Development funds, the total is \$946,687 and I think approximately \$815,000, something like that is RIT funds. \$125,000 is water engineering funds. As you know there is a court suit, but there wasn't any amendments offered on the House floor to monkey with this proposal.

Senator Regan: Are you referring now to the RIT monies?

Representative Manuel: Yes.

Senator Keating: On page C-12, bottom, in the oil and gas commission, and keeping 2 field inspectors vacant. That's not general revenue money in there and it's conservation tax money that is taken from the production of oil and gas to fund this department. I am wondering what the rationale was for reducing state special revenue funds, and are these inspectors not needed? Or was there any discussion about it?

Representative Manuel: It is just part of the 5% and our committee discussed some of these like the Professional Licensing Board and the Wheat Research and Marketing -- well that's all farmers funds and we took no action on this. We just let it go the way the Governor recommended it--except Fish and Wildlife and there was a couple runs made on the floor--not on this one--to appeal the one in the Aeronautics Division and it didn't fly.

Senator Keating: Does the cut in the State Special Revenue

funds do us any good. Is there a back-out of some sort to get it into the general fund some way?

Representative Manuel: The general fund doesn't get any and it goes into their reserve to be used at a later time and I am not familiar with this. We didn't discuss this too much, but there wasn't any opposition from the Oil and Gas Board on this either, at least they didn't testify against it.

Senator Regan: There are inherent problems in ear-marked funds, as we all know.

Senator Smith: Director Fasbender is here and if somebody has any questions perhaps he can answer them.

Senator Regan: Would you like to direct a question to him?

Senator Smith: Yes, Can you answer Senator Keating's concern?

Larry Fasbender, Director Department of Natural Resources: The Oil and Gas Commission has substantially had a large reduction in the amount of money that is going into that because of the drop in oil revenues. Consequently the 2 positions we are leaving vacant here probably will not have much of an effect. They will be raising their tax level back up to the maximum, but even at that point, the lowering of the value of gas and oil, I doubt very much if leaving these two positions will have much effect on what happens as far as the board is concerned.

Senator Smith: One other comment, we had talked a little bit about this and we felt that exploration was down considerably so there won't be all that activity or the need for these FTE.

Representative Manuel asked if any more questions from DNRC, with none, he moved on to the Department of Commerce, and said they took their across the board cuts.

Page C-11, Policy Issue A: Redirect Coal Severance Tax to General fund. There was \$1,680,000 --\$680,000 for '86 and a million for 1987. I think that's the end of it, and on the House floor there was an amendment offered to take \$600,000 more out of the general fund and put it in travel promotion and it was felt we couldn't afford any money out of the general fund and so it didn't make it.

Senator Bengtson: How much is left for allocation to the Coal Board for grants.

Representative Manuel, after conferring with Carl, said \$300,000.

Senator Bengtson: That's for this year?

Representative Manuel: For the biennium. Through '87, and I

will say that the Coal Board came in and they volunteered this money, and in fact they put some more in--another \$50,000.

Senator Regan: I think that's what she's concerned about so why don't you tell her.

Carl Schweitzer, LFA: There is about a million dollars, but I always keep subtracting out the Yellowstone County jail which they've made a commitment for \$712,000 already, so then I am looking at what is available for additional grants.

Senator Bengtson: I am concerned about the commitments that have been made out of that.

Carl Schweitzer: They are all there.

Senator Regan: If there is no further questions, I will ask Senator Bengtson to take us through Institutions. We should finish these sections, and then I think take up Education upon recess. We may be able to finish this this morning before noon.

Representative Menahan came in and Senator Bengtson asked if he could present the section on Institutions.

Representative Menahan referred the committee to section D on Institutions. It was noted someone was present from Institutions.

Directors Office took across the board cuts, Management Services and Alcohol Abuse we took the Governor's recommendations of 5%.

Corrections, D-6. Basically these people are parole officers and we took across the board cuts of 3%. Also in this area we took \$32,856 a year out of the pay release depreciation account that was an oversight of about \$15,000--\$5,000 for each of those homes. (Keith Wolcott, LFA, said \$10,000)--\$10,000 for each one--we left about \$5,000 in--I'm sorry.

Women's Corrections. We took 5% across the board. The population of the Woman's Corrections has been up to about 35. The FTE level with vacancy savings has left vacant some of the positions that we funded--1½ positions last time, it's been froze. Basically you have 2 or 3 people a shift covering 3 floors and outside and everything, so that is a very tight budget there.

Mental Health was cut 5%, or \$211,000.

Mountain View--there is an increase of population there even if we do have an across the board cut of 4%.

Senator Regan: Was this 4% that you are talking about in addition to the evaluation to sunset the Youth Center?

Representative Menahan: The 102,000. Yes. There is \$102,000 also taken out of Mountain View for that detention. Counties are not using that detention facility out there. They have room for 5 and so far the daily population there has been a little less than 2, and that has to be manned around the clock, and the counties are not using it to the extent that they thought --I forget what it costs for the number of people that they have, but it's very expensive.

Pine Hills. 1% across the board. They have 133 in and are funded for 88. So you can see, they are pretty well strapped.

Montana State Prison, Care and Custody Program. 1% across there. We have them funded basically for 800 inmates and at the present time they have about 940 to 945 in the prison. They have a few at the alcohol and drug treatment.

The Prison Industries. Even with the increase in population they took a 1% cut.

Swan River took a 4% cut. This facility does have inmates up to 26 years of age and they are selected by the Department and they keep a cap on how many people they allow in that facility.

Center for the Aged. 2% cut.

Eastmont 2%.

Veterans Home. 5% across the board.

State Hospital. 2%.

Board of Pardons. 5%.

Senator Regan: Did you discuss the Light House Program.

Representative Menahan: No, but we will, if you want. Okay, we will go back to the policy issues. There were 3 of them. One of them, that would be on D-2, is to close the YEP, close the Youth Detention, and close Lighthouse. The YEP (Youth Evaluation Program) is in Great Falls, is there any questions on that particular one.

Senator Regan: Yes. What was the discussion on why we would close it.

Representative Menahan: Basically, the views are that some of the evaluations, etc., had come out of Pine Hills and some of the others are not the best. What's happening to children that go to Pine Hills they are usually involved with the law as of committing a crime and a lot of times the Judges sentence them there as a 45 day jail sentence. They have no other place to put them so the Judges will send a youth there for 45 days, because of a crime committed. At the YEP we have people who go there who are not involved necessarily with crime, and do not

need a jail sentence. They do some treatment at the facility-- what they can do in 45 days and they make some recommendations back, and there is usually a waiting list of people to get in. One thing about it, the children are enrolled in a public school, they do not run away from the facility. If you open the gates at Pine Hills and send them off to the public schools the population would be a lot less at the end of the day than when they started. They don't have this problem at the YEP and a number of these kids are looking for help at the YEP. In the House it was brought out on the floor, too, and the people felt it was a needed program.

Senator Bengtson: I would like to ask an explanation of the YEP program of George at the Governor's office, of how that program actually works at Pine Hills and Mountain View School, and why it was presented as an option.

George Harris, Office of Budget and Program Planning (OBPP), Governor's office: The Youth Evaluation Program in Great Falls is basically a duplication of the 45 day evaluations that are conducted at Pine Hills School and at Mountain View School. Perhaps Jim could add to that, but that is our position.

Senator Bengtson: When they do those evaluations at Pine Hill and Mountain View, are they separated from the rest of the population? How do they conduct those evaluations at Pine Hills?

George Harris: When I went down to Pine Hills School I asked Mr. Davis that, the Superintendent. He said they do keep them in separate locations. It's not a jail environment. They are simply there for 45 days, and they do a very good job at Pine Hills and at Mountain View at conducting those evaluations. These evaluations are then sent back in a report to the judges and the judges decide where to send the kids.

Representative Menahan: With some of the information that we got--they send information back to the judges in view of the crime that they committed basically. The people who have been involved--you can talk to Representative Sands and other people who have represented children who have been there do not feel that the evaluations were all that good from Pine Hills.

Senator Regan: Would you address the Lighthouse as well?

Representative Menahan: Yes, the Lighthouse program we are involved in there is a few people and the Board of Pardons. The Lighthouse Program is a 90 day program and it does have a high success rate. I called around to find out from some of the people who are not affiliated with the program who work with some of these people and I have heard figures where they say about 60% of the people remain drug free and up as high as 78%. The prisons and the Board of Pardons uses it, and the recidivism rate back to the prison from these people who go

through the Lighthouse Program is less than the population of the people who are dismissed from any other program in the prison. They use--I forget the number--I think last year it was 30 some inmates went through the Lighthouse program and basically it is the 90 day program and they do not accept just anyone into the program. They have some restrictions. When you first enter, you must be off of the drugs and you must comply. They have a very low drop-out rate because of the work they are doing. We felt that the Board of Pardons--if you keep them in the Prison longer you are not going to save that much more money, and the problem is they'll probably have a chance because 25% of the population of the prison are in there for a drug related--not alcohol--drug related, and that means you are talking about a little over 200 inmates that need some kind of drug treatment. Then along with the influx of new drugs in the state such as Crack and some of these things where you see that somebody like Lem Bias dies and it is probably from Crack--we felt the success rate was very good on this.

Senator Regan: Was there any discussion about alternative funding for (I agree, this is a good program, but Lighthouse, it would almost seem to me that the alcohol substance abuse--Is there any thought of finding it from another source.

Representative Menahan: Yes, they had a meeting and they came in from some of the other monies, but part of the problem is that if we took some of that money we would be taking some of that '85. There would be less going back to the counties in the 85-15 monies, too. You are robbing Peter to pay Paul that way, and I think that when we come back next year we should look seriously into the overall prison drug and what kind of treatment is really best. If we let these people back up, the Board of Pardons does not let someone on the street unless they have completed--if they are drug related--they don't let them out. If we're going to keep 10 or 15 in the prison until they become eligible for early parole and for early pre-release and things like that things are going to back-log on us.

Boulder: We didn't take any cuts on Boulder or the Youth Treatment Center, and that's because--the Federal monies, we have to meet their standards and there will be 13 new people hired for Boulder in order to keep the federal monies coming in. That's indirect care area, but about 6 weeks ago they also dismissed 16 of those in indirect care.

Senator Regan: We didn't do the State Hospital. I think you are about a --

Representative Menahan: The State Hospital, we took 2% across the board. The Board of Pardons we took a 5 % cut.

Senator Keating: The Montana State Hospital is what you referred to as Boulder, is it not?

Representative Menahan: No, that's Warm Springs and Galen.

Senator Keating: What do they call Boulder now?

Representative Menahan: Montana Developmental Center.

Senator Haffey questioned the sale of the Youth Treatment Center process for bidding.

Representative Menahan; The reason it is being put up for sale is that it will take a lot more money to comply to get the Medicaid monies and so they are going to make a sale. I guess they have 2 or 3 corporations that are looking at operating it. I think there is 2 from Tennessee-- Rivendell and I forget the name of the other one, and there is one from Georgia I think, too, that has inquired about it. They plan to put \$800,000 into restructuring it, and then in the sale Carroll has outlined that they have to take 40 beds of Montana children and they will accept the responsibility of those 40 children for the state for treatment. That would be in the contracts.

Senator Haffey: If one of them get the bid and buy the facility, are they going to rely -- where are they going to get the psychiatrists

Representative Menahan: They will be a large corporation and they will pay more than what we're paying. They have some on staff right now in some of the other facilities. That is part of the requirement--they must bring one in. I think the problem we have with someone like that who would work for the state, we would have to pay him about \$100,000 or more and like Carroll said, he had asked one of them--but if someone from the state made \$100,000 I guess they wouldn't want their name plastered around the state, and they figure that's what would happen to them. It's a private corporation and I think they can afford to pay them.

Senator Regan: I think there is another thing. A psychiatrist generally speaking, don't like to work for government agencies, but are perfectly content to work for a private corporation-- it is the status involved.

Senator Smith: I understand the problems they've been having at this Youth Center. Could we end up with the same problem with the new building we are putting up at Warm Springs?

Representative Menahan: I don't think so. We have a forensic unit that's operating now. The only trouble is that the forensic unit we have now is a jail. It has bars and there is no place for any treatment of anyone that comes in. It was built as a jail and I think the Mental Health and the Mental Health Advocacy groups are going to sue us if we don't provide a treatment place for the mentally ill. It is now a jail. That's the problem. It's operating right now, and it will be the same

people operating it and etc. Right now there is no place for them to be treated. That part of the building, I hate to say this, but whoever bought it for the state at that time--whoever was the architect--it should have been turned down. It's falling apart and one part of it is pretty bad. As you recall somebody -- the state didn't own it but less than a year and a person went from one cell to the next by using a toothbrush to carve a hole in the wall and crawl from one cell to the other, going to escape.

Jim Currie, Administrator, Management Services Division, Department of Institutions: The primary difference I believe Montana Youth Treatment Center and the new Forensic Unit at the State Hospital, deals with medicaid funding. Our basic problem at the Youth Treatment Center is our inability to gain Medicare funding, primarily due to staffing, but also because of some physical plant problems. The forensic at the State Hospital was not designed for, nor intended to be eligible for medicaid reimbursement.

Senator Smith: I understand there's been lots of changes since we built the other building, but I was over there and reviewed the whole construction program at that time, and I hope that is corrected so we don't end up with this very same problem with another building. They didn't even complete it. They didn't have the escape -- in case of a fire they couldn't get out. No steps, no nothing, they would have had to make an exit by jumping down an embankment to get out of the building. I would hope they have corrected those problems.

Senator Hammond: You've got a 2% cut for the Center for the Aged. That's in Lewistown?

Representative Menahan: Yes.

Senator Hammond: About how many people do they serve there?

Representative Menahan: 175.

Senator Hammond: And they got an across the board cut of 5% for the Veteran's Home. How many do they serve there?

Representative Menahan: 130. One of the things at the Veteran's home--most of them pay on how much they have. The majority of them pay and some of them pay a little bit up at Lewistown--not as much.

Jim Currie: There are 3rd party reimbursements at the Veteran's Home and there's also federal reimbursements, and as a result, the percentage of reduction on general fund roughs out to 1.9 or 2%.

Representative Menahan: Probably in all the budgets handled--and you can ask the analysts, if there is any tight budget in

state government, this is it.

Senator Regan: I was somewhat concerned. It is my understanding that you gave the director some ability to transfer funds so that --because this budget is so tight-- I think it is one of the tightest we have ever had.

Representative Menahan: Yes, and for the medical area, it's --the prison, if some of these things over run--at the corrections, he is able to move some of those monies etc. and we are in trouble there.

Keith Wolcott, LFA: The language in House Bill 500 allows the Director of the Department to move more than 5% from one program to another within divisional lines. In other words within Corrections Division they can move around and in Mental Health Division, but not across.

Representative Menahan: The Historical Society. We took 5% from them.

Montana Arts Council. We took 5% from them.

E-9, E-10 and E-11, the Montana State Library Commission--we took 5% from the Library. That was the Governments recommendation.

Senator Regan: Those cuts were pretty much accepted by the agencies?

Representative Menahan: Yes, the agencies came in and this is what they felt they could do and still be functional.

There were no further questions, and Chairman Regan announced she would recess -- we go in at 10 and it is my understanding there will be a caucus this morning. I would like to get through Education if I could. Let's reconvene at 11 a.m. and ask to be excused from either the floor or caucus. I would ask that the agencies be notified that Education will be at 11 o'clock and we'll go right straight through, take executive action this afternoon and have the bill up by 3 o'clock--hopefully.

Following the recess of the committee Senator Regan apologized to the people here on the Education budget. She said at 11 o'clock they were involved in a bill on the Senate floor and I couldn't get the committee to leave. We will hear the Education budget until 2 o'clock when we go in again. Provided the Senate adjourns early enough we will come back and finish taking executive action if we get through Education in this hour. Then we will come back on adjournment of the Senate for executive action.

Representative Donaldson presented this portion of the bill. He said that first of all he would introduce the people

who have been working on the bill so that if any of you wish to discuss it with them you will know who they are. Pam Joehler on my right, Jane Hamman on my left and Jim Haubein from the LFA. All three worked with this committee. Sid Clack and Norman Rostocki from the Budget Office, Senator Jacobson, Senator Haffey, Senator Hammond were the Senators on our committee.

If you will turn to E-2 we can rather quickly go through the major issues and perhaps then have time for questions if there are any.

At the bottom of E-2 you'll see the total committee action which shows that we have actually reduced the general fund by \$95,000 more than what the Governor anticipated. Going back to the top of the page, I think we can quickly use this page and isolate those areas where there are some issues. First of all the Board of Education, a small agency, they are going to save their money by virtue of some out of state travel and some dues to some organizations.

Fire Services Training School. We took the 5%. There was some discussion that we could perhaps eliminate that school. The committee agreed that was not possible, but if you will notice down in the lower part of the page under policy issues, there is a user fee at the Fire Services Training School, and what we are asking (\$9,000) them to try to raise that amount of money through the rental of video tapes and other fire equipment. We haven't specified what they should charge or anything like that, we did ask them if they couldn't raise \$9,000. That is a new item in the Fire Service Training School. Then, I think we had probably go to about page E-5--the School for the Deaf and Blind because there are some things in there that are significantly different than when they left the subcommittee. First of all, across the top you'll see that there is an addition of 21 FTE's. Before you get too excited, let me explain how that transpired. There is the audiology program which was up until about 2 years ago was a part of OPI. This is the testing that is done for school children throughout the state. It's a separate program of the Deaf and Blind School, or has been. In --I think it was 1983 or '85 we moved that into the Deaf and Blind School for administrative purposes only, perhaps, and then it has been contracted out to various agencies. We had I think, \$673,000 per year in that budget and that has been constant since 1984. The bids were let last week and the bids were in excess of \$800,000, so there was a need to look if we could get that job done in a more economical manner. The net result is that there was a proposal brought before the full Appropriation committee which took the audiology program, wrapped it into the school for the Deaf and Blind; and they believe they can accomplish the testing program throughout the state for \$500,000. Now, I admit that you are going to be a bit sceptical when you hear this--that you are going to do an \$800,000 bid for \$500,000. When in talking to a number of people who frankly, know a lot more about it than I do, it appears

that it is possible, and it is something that perhaps can happen. The net result is that we are going to save about \$173,000 from what we had appropriated, and we took a small portion of that and put it back into the proposed 3% cuts for the School for the Deaf and Blind. It resulted that they have taken less than a 1% of the significant increases in the audiology program. It is probably an area that you will want to look at rather closely, it is a significant difference than what the subcommittee worked on, but as I say, in talking to people who know a lot more about it than I do, they say it is possible and is certainly worthy of further discussion. The net result is, I think we have .6% of 1% reduction at the school. We had come into the subcommittee with a 3%. That's been reduced by taking some of the money from the audiology. The audiology program is reduced by about 25.7% from the \$673,000 down--well I think they reduced that by 5% and since then it has been reduced further.

Superintendent of Public Instruction. E-6. There are three areas of discussion there. First the the State Administration. We have reduced that portion by 2% and made up the other 3% by a further reduction in Vo-Ed grants area. The Vo-Ed grants are a biennial appropriation and were reduced 2% by virtue of the 2% cuts by the Governor, but they are not cut any further relative to the 5%. We did take \$80,000 out of those in order to offset that 3% we didn't take out of OPI. The problem of OPI is that they have reduced their staff by about 1/3 in the last 5 years and they have some significant problems coming up. This suit and basic education standards plus---has reduced the distribution to public schools and the potential loss of the 4% I think it'll produce additional burdens on the OPI and it was felt that that was about as far as we could go at that point.

Moving into the Distribution area, E-7, Special Education--and I will note as we go through it that some of these cuts, I think, will have to some degree impacts on the local school district and their taxes, and I will note those I feel might have some impacts, and there is probably some disagreement. We have taken the 5% on the Special Ed, and I think a great portion of that might have a local impact. The Special Ed contingency is not reduced but it was reduced by the 2% because it is a biennial budget. If you recall we had that changed this last session.

Transportation, probably a 5% reduction--a great portion of that will probably go back to local taxes because I don't think we are not going to simply transfer fewer kids.

School lunch. 5%, minimal impact probably.

Gifted and Talented, will probably have no impacts to speak of because there will be less grants provided for at the state level.

State Impact Aid, the \$7500 which is about a 57% reduction. We have the State Impact Aid to areas such as Boulder where we have a high concentration of state employees, and just anticipated that we probably aren't going to need \$13,000 so we were able to take that \$7500 out of there.

Vocational Technical Centers--the 5 VoTech centers, we took 5% of the general fund out of each of those, and if you will note on the far right hand side you see the total program percent cuts. That varies quite substantially from 2.2 to 3% cuts. The reason for that is that there is a different mix of funding for each one of the centers. Some centers have more general fund than others, so when you just take 5% of the general fund we have a different bottom line reduction. One change is-- we did not take a 5% on the millage portion of it or the Education trust fund monies that go in there, because that is basically what we did across the board. We didn't do that also in the University System.

Also, Policy Issue A which is the use of Educational Trust fund interest balance there was about \$115,000 additional unanticipated money in that fund, and what we did was just basically offset general fund. The net reduction is there is a 5% reduction in general fund but an additional \$15,000 of general fund was offset by the Educational Trust fund monies.

Senator Keating: May I ask a question on the School for the Deaf and Blind on page E-5. The audiology program adjustment. Are we putting on 21 more FTE's. What are we doing--eliminating contract services and adding employees? Would you explain the rationale for that.

Representative Donaldson: That is the proposal. As I mentioned, the bids came in in excess of \$800,000 with the contracted services, and in talking to Mr. Deming and others, by putting it under the School for the Deaf and Blind there will be a lot of Administrative areas that will not be duplicated, and they feel that they can make some savings there. I admit that when you start talking about \$300,000 out of an \$800,000 bid it looks like you would want to look at pretty carefully. I've talked to other people who think there's a chance that they can get it done. They have taken it from contracted services and added 21 new FTE's under the administration of the Deaf and Blind School.

Senator Keating: Is that then reflected in part of the 6.8% cut?

Representative Donaldson: Yes. The 6.8 reflects about a 6/10ths if a cut in the Deaf and Blind school as it was previously put together without the audiology. It represents about a 25% in the audiology program and I think it nets out to 6.8%.

Senator Bengtson: On E-8. They are talking about Secondary VoEd grants. They cut out about \$80,000 of the trust and a

and a million dollars -- is it on a grant?

Representative Donaldson: It started out a million dollars. I think it was a million and a half last biennium, if I recall. We reduced it to a million, then the 2% cuts took it down to 980. That was a biennial appropriation. We have taken an additional 80 out of it this time, so they are down to \$900,000 net.

Senator Bengtson: So you are actually then taking close to 19%. If they've taken the 2%.

Representative Donaldson: The 2%, I think is a biennial. The 2% was taken on the total appropriation which brought it from a million to 980,000 and we have taken another 80,000.

Senator Bengtson: What's the total cut then.

Representative Donaldson: If you start out at the end of the last session, the cuts would amount to about \$100,000 which would be a 10% cut. If you start out in '84, you are probably talking close to 40% because I think we were at a million and a half at that point.

Representative Bengtson: I am a little concerned about the magnitude of that cut. When you take into consideration the other cuts that this school is going to get with the 5% in the Foundation Program. Then Distribution will have some school lunch transportation and all that. All highschools with Vocational Education are certainly going to be crippled.

Senator Regan: Well, I think we get an opportunity to address that in executive action. If you have some questions, however, now is the time to ask them.

Senator Bengtson: I do have a question. Why that great a percentage in comparison to the other budgets that you cut.

Representative Donaldson: Well, I think there is a tendency for the number of young people enrolled in those courses to go down. It appeared that that most probably would be the most --that would not be as impacted as some of the others.

Senator Bengtson: Like what?

Representative Donaldson: Special Education for instance. We are in some cases seeing a small decline in numbers simply because they are not serving part of the same clientele, but the severity of the problem is not going away. We made a 5% cut in that area. We have also taken the contingency fund, and that has been reduced by the 2% since it is a biennium budget

again. Those areas, certainly we are not seeing the students go away, and they are not declining, and even in those areas we took the 5%.

Senator Smith: If you use that rationale, they are not going away from our regular school system, either, and I think that if you have a drop in school enrollment you will have a drop in the number of people in vocational education, but you are not going to have a greater drop in vocational education than you will in the number of students attending our school.

Representative Donaldson: Some of the discussion that I've heard is that that is what is happening. That since there has been a greater emphasis on the basic education curriculum if you want to call it that--that there has been a declining interest in the vo-ed program. Kids are taking more science, mathematics, those type of things because of the emphasis being placed on it. I don't think that is necessarily good, but I think it is a trend that we are seeing.

Senator Smith: You have seen a drop there, but was there an increase in extra curricular activities in your schools, such as skiing, pottery, golf, all those other areas.

Representative Donaldson: I think it depends a whole lot on the school.

Senator Jacobson: Has this money, the million 5 and then we reduced it to a million etc--that is grant money that was used to purchase equipment that was more expensive than normal equipment. How much other money is going into vocational education?

Pam Joehler, LFA: The information we get from OPI. Fiscal 85, total costs for secondary vo-ed program, 16.5 million, estimated this year at 17.2 million.

Senator Jacobson: So that's just a very small percentage of the money that is going into the special education.

Pam Joehler: Yes.

Senator Keating: Was there any conversation in the subcommittee about eliminating a whole unit or 2 out of the vo-tech.

Representative Donaldson: No, there was no discussion. There is a subcommittee or interim committee that has been working on the vo-tech area and there has been a lot of discussion on how we are going to fund them and this type of thing. It would be my opinion if the various educational units that are in the state today, that probably the post secondary votechs are in the worst financial problems. The local districts are saying that they frankly can't afford to put more money in. They are losing

federal money. The state is putting a little more in but not enough to compensate, and there is a severe problem of what we are going to do with those votechs. The committee itself did not attempt to try to propose a closure of any of those.

Senator Manning: In regard to your fire training service. You say there is a nomenclature in there that says these people will pay for these services that we deliver.

Representative Donaldson: We have asked them to attempt to raise \$9,000 from the rental of the video tapes, educational training types of apparatus, and this type of thing. I am sure that while they don't particularly want to do that they indicated that they would make the attempt and try to raise the \$9,000. Part of the problem, as I am sure you are well aware of, that much of this contact with the fire service training school is with volunteer fire departments. In many cases they don't even have a mill levy, so they don't have a lot of resources to do those sort of things, but it was felt that this might be one way to try to get a few more dollars and they are willing to try to do that. Whether they will be successful or not, I'm not sure.

Senator Manning: Well, I see some real problems in it.

Senator Regan: We can address that in executive session.

Representative Donaldson: I think those other three, the Arts Council etc. were handled this morning. (he was assured they had been) and therefore asked the committee to go on to F-2.

Higher Education. Representative Donaldson said he would mention that there is a technical amendment on the audiology program, and I think Pam is aware of it, and so far as I know it is purely technical.

Senator Regan: I suspect there may be some others in that program.

Representative Donaldson: Moving into the area of Higher Education, I think you can go to F-2, at the bottom of the page it will show that the committee actually was able to retrieve about \$4.1 additional dollars. The primary source of that was from the balances from the 6 mill levy which is 3.24 million. We have picked up that much additional dollars to the general fund at this point. Then, I think we'll be into F-4, perhaps is the next page. The top of the page deals with the Board of Regents, and I would like to have you take note that Board members have forgone about \$3200 in per diem in the past year. We did take the 5% cut, where next year they will probably not only forgo that but also another \$3200, so they are not being paid what we said they were so far as statute is concerned.

Commissioner of Higher Education. Table 1 basically breaks that down as to what we've done. The administration -- there's

40,000 taken out of that, Minnesota Rural Dentistry, there were two slots that were not going to be filled so we could take 22,000 out of that. National Defense Student Loan, there's a match involved with this and the Work Study--more was taken out of that which I forget the percentage. It came to our attention in the Appropriation Committee. It was in excess of 5%, and so money was added back into that one so we just ended up with a 5% reduction in Work Study. One proposal was to eliminate that, but the committee was very adamant that they felt this was a very worth while program and didn't want it eliminated, but it was cut 5%

Community Colleges. You will recall that the 3 community colleges are funded by a formula in which the state participates 52% general fund. We made the 5% cuts and what this does--it moves that percentage of state participation down to 49%. There is a list of each one of the community colleges and what they plan to do relative to the cuts. However, I don't think we in any way, hurt their spending authority. They could pick that up with a mandatory levy or tuition or something if they wish to.

Agricultural Experiment Station, Bureau of Mines and Cooperative Extension Service and Forest and Conservation Experiment station are all subsidiaries of our units. All of those were given a 5% cut, in addition I think you can read in the paper here that most of them will also be taking some significant federal cuts, so their monies are being impacted from 2 or 3 different directions. We did take the 5% cuts and I think there are people here today that can explain where they will make those cuts. It will involve a lot of personnel lay offs.

In the 6 units of the University System, 5% across the board. Table 3 on page 6 outlines that. The one exception was Montana Tech where we just took a 2½% cut. They have some severe problems relative to their potential loss of accreditation there. They have had declining enrollments in the area of mineral extraction educational portion, and it is causing them some real problems, and we are very concerned that they not lose their accreditation so we have only cut them 2½%. We have used 135,000 dollars from the 6 mill University balance to compensate for that, but it really doesn't make a whole lot of difference because the remainder of that particular balance is then plugged into the general fund.

Senator Bengtson: Could I ask a question about the 6 mill levy. You took \$135,000 of that to make up for the loss that Montana Tech? You don't think that that's a precedent for using the 6 mill levy for the entire University system? Putting the rest of the balance of the over run on the 6 mill levy into the general fund?

Representative Donaldson: Well, what has happened is that we anticipated last year a certain level of income from the 6 mill University levy. We plugged that into the unrestricted budget--that balance, or that amount. It appears that we have about 3.6 additional dollars that we didn't anticipate--so what we're really doing is plugging that into the University budget and pulling the equal amount of general fund from it. There is no question it was raised by the 6 mill levy. No question that the people of the state said that's where it should be used, but it is not anything different from what we have done in the past. I think it is legitimate. I guess I have some concerns along those lines, but it is certainly no different than what we've done in the past.

Senator Hammond: I might comment that that appropriation had the language in it that said whatever was left over would be returned to the general fund. Prior to that, by statute, it has always been used to decrease the mill levy. The next year's mill levy. So we find ourselves saying one thing and we're wording an appropriations bill that said it would revert to the general fund. This \$135,000 was used for Montana Tech and the rest of it reverts to the general fund.

Representative Donaldson said on Page F 7. There are 5 policy issues. Some of them we've talked about a little bit already. The MBA program at Billings which was appropriated through the University of Montana. One of those programs recommended by the Governor that we not start at this point, so we have not started it.

WAMI balance, that is just another balance that it appears we have and appropriated to the general fund.

Educational Trust Fund Interest Balance, again, we used a little of that money. That was the same as the VoTech. Now this is the remainder of it. It is a balance that is out there that we can use. We've talked about the Montana Tech. \$135,000 and we've also talked about the 6 Mill Levy Balance. There was on the House floor an amendment made which dealt with the WICHE Program in which required a pay back program by the students. I will have to be honest, I don't particularly like the amendment, but if you are going to do it, I think there are some problems with it and I think you need to be addressing it. First of all I think there is a question as to what is out of state tuition. Tuitions that you might pay going out of state --say to take English are not the same tuitions I find now that you would be paying to go out of state to take medicine for instance. So, I think we need to define which out of state tuitions we are using. There is a substantial difference in the two of them. We also have an Idaho Attorney General opinion that dealt very closely with the same issue and thier concerns, and also I think if you are going to do that we need to have something in the statute because this is purely in the appropriations bill, which will in effect, expire about a year from now and you will be affecting people beyond that point

so if indeed you are going to do this, I think you need some sort of statutory change. I mention those things because, as I say, I am not particularly happy with the amendment myself, but if you are indeed going to do it I think you should try to do it right and I think there are some problems with it. Also, there is a need, I think, to make some amendments. There is some conflict between House Bill 18 which dealt with the indirect costs which we passed during the special session in March, and the current House Bill 30 on pages 102, 104, 105, 106, 107 and 108 with each one of the Universities. There is conflicting language that, I think, needs to be straightened out.

Senator Regan asked for questions from the committee.

Senator Bengtson: Is it proper to ask for an explanation of the consequences of the House floor action on WICHE and WAMI from people in the audience?

Senator Regan: The amendment is faulty and we are asking at this point, Senator, to have the LFA work with the Commissioner's office to see if there is not a way in which we can address this issue in a more equitable manner. We know that this language should not be in it and we have asked Mr. Krause to work with Mrs. Joehler and see what can be worked out and we will be addressing this probably tomorrow. We really don't have to worry about it right now. When we come to that issue and we are in executive session we will ask for comments, yes.

Senator Himsl: I must have missed something on the WAMI program. If I'm reading this correctly the general fund of the appropriation of WAMI was reduced by 940,000?

Senator Regan: That was Coal Trust money. They put Coal Trust money in place of it.

Representative Donaldson: There was additional Educational Trust money that was impacted--not only that program but also the votechs.

Senator Himsl: I am still not clear. Did you reduce the appropriation to WAMI? Yes or no?

Representative Donaldson: What we did is replace general fund with Coal Tax money, up to that degree. 940,701 was the Trust Interest balance that we were able to use in lieu of general fund. The actual reduction to WAMI was--we did not impact any of the programs or any of the students. Those people that are in the pipe line now will continue. Those slots are funded.

Senator Himsl: Well, I guess I read this as meaning that the money that was appropriated--the 940,000 was taken from general fund and added to the Coal Tax Educational Trust earnings.

Representative Donaldson: No, just the reverse. We found 940,701 in additional Educational Trust earnings that we did not anticipate, so we used that instead of general fund.

Senator Keating: What was the source of the revenue?

Senator Regan: The Coal Tax Trust.

Senator Regan: (asked if there were further questions) Seeing none, this will conclude the review of the budget. I have been advised by the majority leader that we will be going in at 2 o'clock and then after acting perhaps on a couple of bills, we will be going into caucus and then coming out for more floor action and it looks as though we had best wait until tomorrow morning when we will take executive action. So, rather than having you hanging around wondering if we will get here yet tonight and tying up the rest of your afternoon. Take the afternoon off and be here at 8 o'clock when we will address the bill.

Senator Regan: Oh, we have Long Range Planning to go--I had forgotten that. While we're waiting for Fred, or someone to give this section I would like to mention that you should bring down your budget book for the section tomorrow morning. There is some background material that you may want to refer to in making up your mind. There is some statistics in there and things that you might want, so if you've got that book, bring it down. Representative Thoft is here to give us the report.

Representative Thoft: For the record, I am Representative Bob Thoft district of 63, Chairman of Long Range Planning. Actually all we had to do with House Bill 500 was about 3 amendments. They start on page 24 and go on to the last page. The first amendment: There was a purchase made in the last moments of the session dealing with some Russell art work out of Great Falls. Part of that agreement was that there would be a portion of that money paid back from the Cultural and Aesthetic Projects. That \$150,000 is now available. It will not interfere with the funding of the projects that were approved in the Long Range Committee dealing with culture and aesthetics. They would simply like to make that repayment to the general fund, and that's \$150,000.

Questions were asked as to location in the bill, etc. and Representative Thoft said he is on the last page 112 (of the yellow bill).

Representative Thoft: That is the first amendment, Madam Chairman. It goes through 8. The next amendment starts on line 11 if there is no question on that.

Senator Bengtson: I do have a question on that. On those Cultural and Aesthetic grants that go to the Arts Council--now are they postponed or held up for a number of years?

Representative Thoft: No, there will be no change in the funding or--.

Senator Bengtson: Okay, but that's other language isn't it that the Coal Tax for 3 years--that's one of the ones along with the Parks--I'll check this out.

Representative Thoft: Senator, what it amounts to is the capping of the Parks Aquisition Account will affect the grant only to the extent of the interest because of the lack of revenue.

Senator Bengtson: We capped before--previously we have capped the Parks -- and we have capped the Cultural and Aesthetic grants portion of it, and alternative energy, distribution --that's not in here?

Representative Thoft: That's a whole--another program. Okay, we will start with the other amendment on line 11 and it deals with Fish and Wildlife's purchase of Lake Elmo. There was \$600,000 remaining in that contract, and I think July 14 of '87 is when that was supposed to be completed, but they have the money now and they would like to just buy it. They are having a little trouble with the land owner--and get it over with. We have made that authorization. And then in line 16 on through, it deals with a priority we had in the priority list in Cultural and Aesthetic Projects. We inadvertently got the new law-- anyway, they want to start a museum in the old prison, Law Enforcement Museum, I think is the right name for it. Somehow or other in the minutes, it was not recognized that that was to be funded after everything else was funded. It was in the tape regarding that issue, and so we just reaffirmed what was on the tape and put that priority down where it was intended to be.

Senator Regan asked if there were questions from the committee in regard to the Long Range Building section.

Senator Aklestad: The Law Enforcement Museum over in Deer Lodge. What type of general fund monies?

Representative Thoft: Well, it was a match. I think it was \$32,000 and they had to match that. I don't know how they're doing with that match.

Senator Himsl: On the page, line 22. If there is any balance remaining after those others are met, then and only then that \$32,000 -- and is the status of these other appropriations -- are they alive, but they don't get this until the others are taken care of.

Representative Thoft: That is right.

Senator Himsl: Is the status of these others -- if they don't make it?

Representative Thoft: If they fail they will be able to fund

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Senator Regan asked if there were any other questions.

Senator Hammond: Are they--Powell County, are they matching?

Representative Thoft: Yes. I don't know how they intend to raise the money, Senator, but they are accepting the responsibility for it, I guess.

Senator Hammond: They offered?

Representative Thoft: So far as I know.

Senator Regan: Along that same line, is there any contingency language that should they not come up with other monies they don't get this?

Representative Thoft: Yes. They don't get the \$32,000 unless they match it.

Senator Regan: Is that going to be sufficient to open it?

Representative Thoft: Well, that is the way they presented their proposal.

Senator Christiaens: I have one. That Russell art collection in Great Falls. Did Representative Thoft say that that \$150,000 had already been taken care of?

Representative Thoft: No. The agreement was--and I quite frankly don't know where the other money came from. I think the total purchase was something like 450. I don't know the source of that other money, Senator, but the agreement was 150 of it would be repaid from Cultural and Aesthetics to the general fund. That money is available now to repay that.

Senator Regan asked if there were further questions, and with none forth coming she said she would entertain a motion to adjourn, and we will meet at 8 o'clock tomorrow morning and take executive action.

Motion by Senator Manning to adjourn. Voted, passed. The meeting was adjourned.



Senator Regan, Chairman

ROLL CALL

SENATE FINANCE AND CLAIMS COMMITTEE

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Date 6-23

NAME	PRESENT	ABSENT	EXCUSED
SENATOR REGAN	✓		
SENATOR HAFFEY	✓		
SENATOR JACOBSON	✓		
SENATOR AKLESTAD	✓		
SENATOR HAMMOND	✓		
SENATOR LANE	✓		
SENATOR CHRISTIAENS			✓
SENATOR GAGE	✓		
SENATOR HIMSL	✓		
SENATOR STIMATZ	✓		
SENATOR BOYLAN	✓		
SENATOR STORY	✓		
SENATOR SMITH	✓		
SENATOR MANNING (Dick)	✓		
SENATOR BENGTON	✓		
SENATOR KEATING	✓		

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VISITORS' REGISTER

SENATE AND ~~HOUSE~~ COMMITTEE

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BILL

HB 30

DATE

6-23-86

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NAME	REPRESENTING	RESIDENCE	SUPPORT	OPPOSE
Karen Munro	Dept. of Admin.	Helena		
Lois Stumbäck	OBPP	Helena		
Lamar Cranston	—			
Jay McGrath	M.H. Assn. of MT			
Bob Darning	MSDB	GT. FALLS		
Hyde James	PSC	Helena	✓	
Bob Alton	PSC	"		
George Harris	OBPP	Helena		
HELEN GREENBERG	MSDB	GT. FALLS		
Steve Gittel	MSDB	GT Falls	✓	
Bill Sykes	MSDB	GT Falls		
Debbie Kearns	MSDB	Great Falls	✓	
Gene Christensen	OPI	Helena		
Debra Lee Knicker	MSDB	Great Falls	✓	
Phil Richard	M.S.D.B.	Great Falls	✓	
Norm Rostocki	OBPP	Helena		
Tom Chosko	OPI	Helena		
Janet Ford	MHS	Helena		
Carleen Harris	mt Arts Council	Helena		
Mona Jameson	Physical Therapists	Helena		
Carl Hoffman	Coop. Extension Service	Bozeman		

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

6-23

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CO

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