

MINUTES OF THE MEETING
APPROPRIATIONS COMMITTEE
50TH LEGISLATIVE SESSION

The meeting of the Appropriations Committee was called to order by Chairman Rep. Gene Donaldson on February 20, 1987, at 1:00 p.m. in Room 104 of the State Capitol.

ROLL CALL: All members were present at the meeting except Rep. Iverson and Rep. Menahan being absent and Reps. Donaldson, Bradley, and Spaeth being late. Also present were Judy Rippingale, LFA and Denise Thompson, Secretary.

(30:A:0049)

HB 382:

Rep. Connelly explained the bill had been amended to take out the insurance portion. Therefore the bill will now address the building portion of the bill only (Exhibits 1 & 2).

Rep. Connelly moved to AMEND HB 382. Rep. Thoft called the question. The motion CARRIED unanimously.

Rep. Connelly moved HB 382 DO PASS AS AMENDED. Rep. Miller stated it would take a three-fourths vote to pass.

Rep. Bardanouve expressed concern with how they would prioritize the schools which needed the loans. Mr. Bill Anderson stated that they would prioritize the loans at first by emergency situations and then each would have to be looked at and prioritized by need.

Rep. Thoft made a substitute motion to TABLE the bill until there is a current fiscal note attached. Rep. Miller called the question. Rep. Connelly voted NO. The motion CARRIED.

HB 742:

At the request of the sponsor, Rep. Cobb, Rep. Quilici moved to TABLE HB 742. The motion CARRIED unanimously.

HB 463:

Rep. Manuel stated that the subcommittee recommended the bill to the full committee but they also amended the bill. One page 1, line 15. The subcommittee reduced the FTE to 2.2 FTE or took away .8 FTE.

Rep. Donaldson expressed concern that he didn't like putting in statute that an agency shall hire certain FTEs. Rep. Devlin stated that it wouldn't be fair to Rep. Cobb if the subcommittee did anything but recommend that this committee take a look at it. We could set a precedent here of mandating certain items. When an agency has their budget and then a bill comes in to expand on that agency's budget, they didn't think it was a precedent the committee should set.

Mr. Jim Flynn, Director of Fish, Wildlife and Parks opposed the legislation. They have taken as retirements have occurred, a number of people off of the small game ranges that they manage.

(30:A:33.21) Rep. Bardanoue asked, if with the implementation of the bill, how much would it change current level FTE. Mr. Flynn replied it does not take away FTE, it takes away the flexibility to move FTE around.

Rep. Thoft stated the legislature is way off base telling the agencies where they should place FTE.

Rep. Poulsen called the question. Rep. Connelly voted NO. The motion CARRIED unanimously.

Rep. Thoft moved to TABLE HB 463. Rep. Manuel made a substitute motion to DO PASS HB 463.

Rep. Quilici called the question on the substitute motion. There was a roll call vote. Reps. Donaldson, Thoft, Winslow, Bardanoue, Bradley, Connelly, Devlin, Menke, Peck, and Rehberg voted NO. Reps. Manuel, Miller, Nathe, Poulsen, Quilici, Spaeth, Swift and Switzer voted YES. The motion failed by a vote of 10 to 8.

Rep. Quilici called the question on the original motion. Reps Switzer, Miller, Nathe, Quilici, Poulsen and Manuel voted NO. The motion carried.

HB 434: (30:B:0.00)

Speaker Marks spoke in regard to the caucus and their feelings on the issue. He stated that their caucus felt strong support for bringing the bill to the floor. There may not have been that type of support in the other caucus, however. He stated that the situation needed to be dealt with. There is a potential problem of a shortage of some of the funds asked for in the supplemental, and recognizing the closeness to the break and this still needing to go to the Senate for their concurrence, they need to be careful not to run these funds into a situation where its close to collapse. The main question is where to get the

money, from the coal tax or the educational trust fund. He also said that the Republicans are willing to do everything they can to get this before the House prior to the break. There is a potential cash flow problem on the first of March.

Chairman Donaldson stated in regard to the cash flow problem, he had talked with Mr. Dave Lewis, Director of SRS because the supplemental bill does contain about \$37 million to his agency for the welfare programs.

Mr. Lewis stated in order to cover the expenditures they are making at the current time until the supplemental was approved, the biggest problem was in the General Assistance area. The appropriation bill does not allow them to transfer money into or out of that appropriation. They ran out of cash in January so they have been charging general assistance to either AFDC or to the Medicaid program in January and February. They can continue to do that until the adjustments are made. It would be a problem with an audit but it can be adjusted when the bill is passed. The major problem in the future certainly would be in AFDC. They spend about \$900,000 general fund a month on AFDC. They have \$1.4 million left in the general fund appropriation. So it is unlikely that they could make the AFDC payments of April 1. The Medicaid Program, they have \$3.8 million left in general fund. They spend about \$925,000 general fund per week in Medicaid. They have about a month in that program. There are things that they are doing as far as charging these various program expenditures to other appropriations. They do not have an emergency certainly today, but they would be out of cash in about a month. Some of the things they are doing are a little questionable as far as the technicalities of the appropriation act are concerned.

Rep. Quilici said the Democratic caucus stated they would like to see the bill get out of the committee so that it could be dealt with also, regardless of where the money will come from. Yesterday, Rep. Donaldson moved to amend HB 434 to transfer money from the education trust fund to pay for the supplemental. The committee does have to do something about this supplemental. The legislature has to address it. If something is not done it will have a tremendous affect on our bond rating.

Rep. Devlin moved to AMEND 434 using the language on transfer from education trust fund to general fund and accept that amendment which Rep. Donaldson previously proposed (Exhibit 4).

Rep. Bardanouve moved to amend the Devlin motion from \$35 million to \$30 million which would give a \$3 million buffer. Both Ms. Rippingale and Mr. Hunter of the OBPP stated they felt that would be cutting it a little thin.

Rep. Devlin, Switzer, Swift and Rep. Poulsen also opposed the motion. The question was called. There was a roll call vote. Reps Bardanouve, Connelly, Manuel, Peck, Quilici and Poulsen voted YES. Reps. Donaldson, Thoft, Winslow, Bradley, Devlin, Menke, Miller, Nathe, Rehberg, Spaeth, Swift, and Switzer voted NO. The motion FAILED by a vote of 6 to 12.

Rep. Nathe moved the foundation program amount be increased from \$680,000 to \$1 million. Rep. Rehberg called the question. The motion CARRIED unanimously.

They reverted back to the original motion by Rep. Thoft to DO PASS HB 434 AS AMENDED. Rep. Quilici called the question. There was a roll call vote. Reps. Donaldson, Thoft, Winslow, Bardanouve, Bradley, Devlin, Manuel, Menke, Miller, Nathe, Poulsen, Quilici, Rehberg, Spaeth, Swift and Switzer voted NO. Reps. Connelly and Quilici voted NO. The Motion CARRIED.

HB 221:

Rep. Rehberg stated that this was a bill which was recommended out of the General Government and Highways Subcommittee with a DO NOT PASS. However, he was not present at the meeting, and Rep. Gilbert felt he did not have a fair hearing in the subcommittee. This would be to approve the transfer of the motor fuel tax from the Department of Revenue over to the Department of Highways. He stated that the subcommittee may have acted without all the facts because he had neglected to furnish those facts to the subcommittee. He therefore, asked Rep. Gilbert to speak on the bill.

Rep. Gilbert stated he did feel there was not a fair hearing on this issue. He stated the bill would move the motor fuel tax from Revenue to Highways. He said this would help the truckers by giving them a one-stop shopping option rather than having to report some of the same information to both departments. He also felt it would be a cost savings as some FTE could be eliminated.

(31:A:8.18) Rep. Bardanouve asked Mr. John LaFaver, Director of the Department of Revenue, what he thought about the move. Mr. LaFaver stated he had no big objection but he did not feel it was necessary to go about it in this way and have to pay for the transfer costs etc. He stated he had

talked with people from the Department of Highways and they felt this could be accomplished administratively rather than by transfer. Mr. LaFaver did state there could be a potential problem with transferring due to an automation system rap up which is currently taking place in the Department of Revenue.

Rep. Poulsen stated they had decided to DO NOT PASS out of subcommittee because they felt that the Department of Highways, PSC, and Revenue Department should get together and work something out.

Rep. Donaldson suggested the committee delay action on this bill until Monday to give the Departments of Revenue and Highways an opportunity to get together and try to work something out administratively.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 3:05 p.m.


Rep. Gene Donaldson, Chairman

DAILY ROLL CALL

APPROPRIATIONS COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/20/87

NAME	PRESENT	ABSENT	EXCUSED
DONALDSON, GENE (Chairman)		in at 12:50	✓ BILL
THOFT, BOB (Vice Chairman)	✓		
WINSLOW, CAL (Vice Chairman)	✓		
BARDANOUVE, FRANCIS	✓		
BRADLEY, DOROTHY	✓	late	
CONNELLY, MARY ELLEN	✓		
DEVLIN, GERRY	✓		
IVERSON, DENNIS			
MANUEL, REX	✓		
MENAHAN, WILLIAM "RED"			
MENKE, LARRY	✓		
MILLER, RON	✓		
NAIHE, DENNIS	✓		
PECK, RAY	✓		
POULSEN, HAROLD	✓		
QUILICI, JOE	✓		
REHBERG, DENNIS	✓		
SPAETH, GARY	✓	late	
SWIFT, BERNIE	✓		
SWITZER, DEAN	✓		

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 2/20

BILL NO. House Bill

NUMBER 463

NAME	AYE	NAY
Rep. Gene Donaldson, Chairman		✓
Rep. Bob Thoft, Vice Chairman		✓
Rep. Cal Winslow, Vice Chairman		✓
Rep. Francis Bardanouve		✓
Rep. Dorothy Bradley		✓
Rep. Mary Ellen Connelly		✓
Rep. Gerry Devlin		✓
Rep. Dennis Iverson	✓	
Rep. Rex Manuel	✓	
Rep. Red Menahan	✓	
Rep. Larry Menke		✓
Rep. Ron Miller	✓	
Rep. Dennis Nathe	✓	
Rep. Ray Peck		✓
Rep. Harold Poulsen	✓	
Rep. Joe Quilici	✓	
Rep. Dennis Rehberg		✓
Rep. Gary Spaeth	✓	
Rep. Bernie Swift	✓	
Rep. Dean Switzer	✓	

TALLY

MOTION FAILED

8 10

Denise Thompson
Secretary

Rep. Gene Donaldson
Chairman

MOTION: On The Substitute motion of Rep. Manuel to DO PASS HB 463.

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 2/20/87 BILL NO. HOUSE BILL NUMBER 434

NAME	AYE	NAY
Rep. Gene Donaldson, Chairman	✓	
Rep. Bob Thoft, Vice Chairman	✓	
Rep. Cal Winslow, Vice Chairman	✓	
Rep. Francis Bardanouve	✓	
Rep. Dorothy Bradley	✓	
Rep. Mary Ellen Connelly		✓
Rep. Gerry Devlin	✓	
Rep. Dennis Iverson		
Rep. Rex Manuel	✓	
Rep. Red Menahan		
Rep. Larry Menke	✓	
Rep. Ron Miller	✓	
Rep. Dennis Nathe	✓	
Rep. Ray Peck		✓
Rep. Harold Poulsen	✓	
Rep. Joe Quilici	✓	
Rep. Dennis Rehberg		✓
Rep. Gary Spaeth		✓
Rep. Bernie Swift		✓
Rep. Dean Switzer	✓	

TALLY THE MOTION CARRIED

13 5

Denise Thompson
Secretary

Rep. Gene Donaldson
Chairman

MOTION: Rep. Devlin moved to amend 434 using the language on
transfer from education trust fund to the general fund and
accept that amendment which Rep. Donaldson previously proposed.

ROLL CALL VOTE

HOUSE APPROPRIATIONS COMMITTEE
 DATE 2/20 BILL NO. HOUSE BILL NUMBER 434

NAME	AYE	NAY
Rep. Gene Donaldson, Chairman		✓
Rep. Bob Thoft, Vice Chairman		✓
Rep. Cal Winslow, Vice Chairman		✓
Rep. Francis Bardanouve	✓	
Rep. Dorothy Bradley		✓
Rep. Mary Ellen Connelly	✓	
Rep. Gerry Devlin		✓
Rep. Dennis Iverson		
Rep. Rex Manuel	✓	
Rep. Red Menahan		
Rep. Larry Menke		✓
Rep. Ron Miller		✓
Rep. Dennis Nathe		✓
Rep. Ray Peck	✓	
Rep. Harold Poulsen	✓	
Rep. Joe Quilici	✓	
Rep. Dennis Rehberg		✓
Rep. Gary Spaeth		✓
Rep. Bernie Swift		✓
Rep. Dean Switzer		✓

TALLY THE MOTION FAILED 6 12

Denise Thompson Secretary Rep. Gene Donaldson Chairman

MOTION: Rep. Bardanouve moved to amend the motion from \$35 million to \$30 million giving a \$3 million buffer.

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 2/20 BILL NO. HB NUMBER 434

NAME	AYE	NAY
Rep. Gene Donaldson, Chairman	✓	
Rep. Bob Thoft, Vice Chairman	✓	
Rep. Cal Winslow, Vice Chairman	✓	
Rep. Francis Bardanouve	✓	
Rep. Dorothy Bradley	✓	
Rep. Mary Ellen Connelly		✓
Rep. Gerry Devlin	✓	
Rep. Dennis Iverson	✓	
Rep. Rex Manuel	✓	
Rep. Red Menahan	✓	
Rep. Larry Menke	✓	
Rep. Ron Miller	✓	
Rep. Dennis Nathe	✓	
Rep. Ray Peck		✓
Rep. Harold Poulsen	✓	
Rep. Joe Quilici	✓	
Rep. Dennis Rehberg	✓	
Rep. Gary Spaeth	✓	
Rep. Bernie Swift	✓	
Rep. Dean Switzer	✓	

TALLY THE MOTION CARRIED 14 2

Denise Thompson
Secretary

Rep. Gene Donaldson
Chairman

MOTION: Thoft
DO PASS AS AMENDED.

Rep. Thoft moved to DO PASS HB 434 as amended.

EXHIBIT 1
DATE 2/20/87
HB 382

DEPARTMENT OF JUSTICE
HIGHWAY TRAFFIC SAFETY



TED SCHWINDEN, GOVERNOR

303 N. ROBERTS

STATE OF MONTANA

(406) 444-3412

HELENA, MONTANA 59620

February 19, 1987

Representative Mary Ellen Connelly
Montana Capitol Station
Helena, Montana 59620

Representative Connelly:

Please be advised that in my opinion, I will not be able to comply with the wishes of the Appropriation Committee and the actions Representative Rehberg, Chairman of the General Government Subcommittee, stated my division would perform as it relates to HB 277, as amended by the full committee.

I testified to the General Government Subcommittee in response to a question directed to me if I knew of any way to fund the administrative costs noted in the fiscal note being requested by the Motor Vehicle Division other than by General Fund. I stated there would appear to be two ways I could see to do that. First, fund it from the special revenue fund set up in the bill or, secondly, that I thought I could secure federal money to cover those costs for not over three years. I made those statements based upon HB 277 as it passed on 2nd reading. HB 277 at that time was effective on October 1, 1987, which would be a new federal funding year and the money would be available when the law became effective. I also made my statements concerning funding in the context of HB 277 at that time. Surely it must be logical that federal money could not be used to fund an effort that only places funds in the General Fund. Obviously, the money must be appropriated to local government and activities related to DUI initiated or the federal assistance is just not available.

To make such radical changes to the bill and to assume my testimony to still apply to that amended bill is unfair at best.

May I respectfully ask that you bring this matter to the attention of the appropriate persons. I try very hard to be totally honest and forthright with the legislature and I would certainly dislike ill feelings to grow over this issue.

Respectfully,

A handwritten signature in black ink that reads "Albert E. Goke".

Albert E. Goke
Administrator

AEG:nh

EXHIBIT 2
DATE 2/20/87
HB 382

HOUSE BILL 382

Introduced by Representative Connelly

A BILL FOR AN ACT ENTITLED "AN ACT ESTABLISHING AN EDUCATION BUILDING AND INSURANCE FUND TO FINANCE LOW-INTEREST LOANS TO ELEMENTARY AND SECONDARY SCHOOL DISTRICTS FOR CAPITAL EXPENDITURES; APPROPRIATING COAL SEVERANCE TAX REVENUE; ~~PROVIDING A SELF-INSURANCE PLAN AND AN INSURANCE RESERVE~~ A BUILDING RESERVE FOR ELEMENTARY AND SECONDARY SCHOOL DISTRICTS; AMENDING SECTION 17-7-502, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Short title. (This act) may be cited as the "Education Building ~~and Insurance~~ Fund Act."

NEW SECTION. Section 2. Definitions. In (this act) the following definitions apply:

(1) Amortized payments "are loan payments scheduled in such a way that a portion of the principal is paid each time interest becomes due and payable, that portion of the principal increasing at each succeeding installment in the same amount that interest decreases, so that the combined amount due on principal and interest at each installment remains the same until the loan is paid in full, except that the last installment may differ from the others if fractional cents were disregarded in previous installments."

(2) "Coal severance tax permanent fund" means a fund identified in 17-6-203, consisting of coal severance taxes allocated thereto under Article IX, section 5, of the Montana Constitution.

NEW SECTION. Section 3. Purpose. (1) The legislature finds that state equali-

zation aid for public education under 20-9-344 is apportioned and distributed to provide an annual minimum operating revenue for the elementary and high schools in each county and that the apportionment of aid does not take into account a district's ~~insurance costs and~~ capital expenditures.

(2) The purpose of (this act) is to equalize the costs of capital projects ~~and insurance~~ by providing for low-interest loans to school districts and for repayment of the loans based on ability to pay.

NEW SECTION. Section 4. Education building ~~and insurance~~ account created--coal severance tax appropriated. (1) There is an education building ~~and insurance~~ account in the state special revenue fund category established in 17-2-102.

(2) Beginning July 1, 1987, the legislature, upon a vote of three-fourths of the members of each house, may appropriate from the coal severance tax permanent fund an amount, up to \$10 million, requested by the superintendent of public instruction, to be transferred to the education building ~~and insurance~~ account on the first day of each fiscal year. The superintendent of public instruction may request an appropriation of \$10 million for an amount that would create a balance of ~~\$30~~ \$15 million in the education building ~~and insurance~~ account, whichever is less.

(3) In addition to the appropriation required by subsection (2), the following must be deposited in the education building ~~and insurance~~ account:

- (a) proceeds of the bonds issued under (section 6);
- (b) any fees or charges collected by the superintendent of public instruction for servicing loans; and
- ~~(c) insurance premiums paid to the superintendent of public instruction under (section 16).~~

(4) Deposits in the education building ~~and insurance~~ account are statutorily appropriated as provided in 17-7-502 to the superintendent of public instruction for the following purposes:

- (a) loans to school districts under (sections 11, 17, and 18);
- ~~(b) payment of insurance claims under (section 17 and 18);~~
- (c) costs incurred in defending a denial of ~~an insurance claim~~ or a civil suit against an employee administering the education building ~~and insurance~~ account;
- (d) administrative expenses incurred by the superintendent of public instruction, including but not limited to salaries and other personnel expenses, equipment, operating expenses, office space, and the costs of hiring necessary consultants, ~~actuaries,~~ and auditors;
- (e) costs of servicing loans; and
- (f) interest on money transferred to the education building ~~and insurance~~ account from the coal severance tax permanent fund under subsection (2), at an annual rate of 10% for fiscal years 1988 and 1989 and at a rate 1% below the rate paid by school districts under (section 13) thereafter. This interest must be transferred to the coal severance tax income fund and allocated as provided in 17-5-704(2).

(5) The superintendent of public instruction may use a portion of any money remaining in the education building ~~and insurance~~ account at the end of a fiscal year to pay the interest due during the next fiscal year on outstanding bonds issued by any school district if:

- (a) the bonds were issued before the effective date of (this act) or the obligation was approved by the superintendent of public instruction before the bonds were issued;
- (b) the interest rate is more than 7% but not more than 9%; and
- (c) the bonds were issued to finance ~~insurance premiums, insurance losses, or~~ one or more of the capital expenditures enumerated in (section 11).

(6) The board of investments shall invest any surplus remaining in the education building ~~and insurance~~ account, after the appropriations in subsections (4) and (5) have been made, as provided in 17-6-201; but if the balance in the account on June 30 of any year exceeds ~~\$30~~ \$15 million after interest has been paid to the coal severance

tax permanent fund under subsection (4), the excess over ~~\$30~~ \$15 million must be transferred to and retained in the coal severance tax permanent fund until all funds appropriated from the coal severance tax permanent fund have been repaid.

NEW SECTION. Section 5. Education building ~~and insurance~~ debt service fund.

(1) There is an education building ~~and insurance~~ debt service fund within the debt service fund type established in 17-2-102.

(2) The state pledges, allocates, and directs to be credited to the education building ~~and insurance~~ debt service fund, as received:

(a) any principal and accrued interest received in repayment of a loan made from the proceeds of bonds issued under (section 6);

(b) all interest earned on proceeds of bonds issued under (section 6); and

(c) revenue or money otherwise required to be deposited in the education building ~~and insurance~~ account pursuant to (section 4), as determined by the board of examiners, in connection with the issuance of bonds under (section 6).

NEW SECTION. Section 6. Authority to issue education building ~~and insurance~~ bonds. The board of examiners is authorized to issue and sell bonds for the purpose of financing loans to school districts, subject to the limitation in (section 10).

NEW SECTION. Section 7. Deposit of bond proceeds. Proceeds from education building ~~and insurance~~ bonds must be deposited in the education building ~~and insurance~~ account established in (section 4).

NEW SECTION. Section 8. Provisions for education ~~and insurance~~ bond issues.

(1) The board of examiners is authorized to prescribe the form in terms of education ~~and insurance~~ bonds and to do whatever is lawful and necessary for their issuance and payment.

(2) The members of the board of examiners and officers and employees of the departments, boards, or agencies of state government are not personally liable or accountable by reason of the issuance of any education building ~~and insurance~~ bond.

(3) A holder of education building ~~and insurance~~ bonds or any person or officer who is a party in interest, subject to any applicable agreements, may sue to enforce and compel the performance of the bond provisions as set out in (this act).

(4) In case a member of the board of examiners whose signature appears on bonds issued under (this act) ceases to be a member before the delivery of the bonds, his signature is nevertheless valid and sufficient for all purposes, the same as if the member had remained in office until delivery.

(5) The board of examiners may provide for the issuance of refunding obligations for refunding any obligations then outstanding that have been issued under (this act), including the payment of any redemption premium and any interest accrued or to accrue to the date of redemption of the obligations. The issuance of refunding obligations, the maturities and other details, the rights of the holders, and the rights, duties, and obligations of the state, are governed by the appropriate provisions of (this act) that relate to the issuance of obligations.

(6) Refunding obligations issued as provided in subsection (5) may be sold or exchanged for outstanding obligations issued under (this act). The proceeds may be applied to the purchase, redemption, or payment of outstanding obligations. Pending the application of the proceeds of refunding obligations, with other available funds, to the payment of principal, accrued interest, and any redemption premium on the obligations being refunded and, if permitted in the resolution authorizing the issuance of the refunding obligations, to the payment of interest on refunding obligations and expenses in connection with refunding, the proceeds may be invested as provided in (section 4).

NEW SECTION. Section 9. Tax exemption of bonds -- legal investments. (1) All bonds issued under (this act), their transfer, and their income, including any profit made on their sale, are exempt from taxation by the state or any political subdivision or other instrumentality of the state, except inheritance, estate, and gift taxes.

(2) Bonds issued under (this act) are legal investments for any person or board

charged with investment of public funds and are acceptable as security for any deposit of public money.

NEW SECTION. Section 10. Pledge of education building ~~and insurance~~ account -- tax deposit limit on additional bonds. (1) The money in the education building ~~and insurance~~ account is pledged to the payment of the principal and interest on all education building ~~and insurance~~ bonds.

(2) The legislature shall provide for the continued assessment, levy, collection, and deposit in the education building ~~and insurance~~ account of a portion of the coal severance tax sufficient to pay the annual debt service charges on all outstanding education building ~~and insurance~~ bonds.

(3) The board of examiners may not issue education building ~~and insurance~~ bonds unless the total amount of bonds outstanding, including the proposed issue and any other education building ~~and insurance~~ bonds approved but not yet issued, can be serviced with no more than two-thirds of the average amount deposited in the education building ~~and insurance~~ debt service account during the preceding 3 fiscal years.

NEW SECTION. Section 11. Loans to elementary and secondary school districts. A school district with bonding authority under 20-9-402 may apply to the superintendent of public instruction for a loan to finance all or part of the cost of:

- (1) construction of new buildings;
- (2) acquisition, expansion, remodeling, or alteration of existing buildings;
- (3) site acquisition and improvements;
- (4) architectural fees; or
- (5) purchase of initial equipment for new or enlarged buildings.

NEW SECTION. Section 12. Administration of loan program. The superintendent of public instruction shall:

- (1) administer the loan program established by (this act);
- (2) service loans made or contract and pay for the servicing of loans; and

(3) collect reasonable fees or charges for the servicing of loans. The fees and charges must be deposited in the education building ~~and insurance~~ account pursuant to (section 4).

NEW SECTION. Section 13. Terms and conditions of loans. (1) A school district shall repay a loan issued under (section 11) in amortized payments at an annual interest ~~rate 1% below~~ the rate established for the bonds issued under (section 6) to finance the loan.

(2) Subject to the approval of the qualified electors as provided in Title 20, chapter 9, part 4, a district shall levy at least 2 mills but not more than 35 mills annually to finance its loan payments.

(3) The superintendent of public instruction shall establish a plan in which the loan period corresponds to the annual mill levy required to repay the loan. The plan must provide that:

(a) if the district can repay the loan with an annual levy of 10 mills or less, the loan period may not exceed 10 years;

(b) if the district requires an annual levy of 35 mills to repay the loan, no interest may be charged on the remaining principal after 20 years; and

(c) the maximum loan period is 30 years.

NEW SECTION. Section 14. Limits on loans. (1) No more than \$5 million may be loaned to school districts from the education building ~~and insurance~~ account during fiscal year 1988.

(2) After June 30, 1988, no loan may be made to a school district from the education building ~~and insurance~~ account that reduces the account below the amount required to pay the debt service on all outstanding bonds, ~~or impairs the insurance loss reserve.~~

NEW SECTION. Section 15. Rulemaking authority. The superintendent of public instruction shall adopt rules:

- (1) prescribing the form and content of applications for loans from the education building and insurance account;
- (2) establishing criteria for approving loans to school districts under (section 11);
- (3) providing for the servicing of loans and the establishment of reasonable fees or charges to be made; and
- (4) describing the terms and conditions for making loans, subject to the provisions of (section 13).

NEW SECTION. Section 16. Self-insurance reserve fund. (1) The education building and insurance account established by (section 4) is a reserve fund for a statewide deductible self-insurance plan for elementary and secondary school districts.

(2) A school district that elects to subscribe to this plan must pay into the education building and insurance account an annual premium based on the type and extent of coverage. Premiums are established by the superintendent of public instruction and must be set at a 75% loss ratio for comprehensive insurance and at an 80% loss ratio for liability insurance.

(3) A school district may elect to subscribe to the plan for comprehensive coverage as defined in (section 17), liability coverage as defined in (section 18), or both.

NEW SECTION. Section 17. Comprehensive insurance. (1) Under the statewide deductible self-insurance plan established in (section 16), comprehensive insurance covers risks other than liability to:

- (a) school buildings at 60% of the insured value;
 - (b) school equipment and supplies at 60% of the insured value related to the premium paid and accountable on inventory;
 - (c) school buses and cars at replacement value related to the premium paid; and
 - (d) other property at the discretion of the superintendent of public instruction.
- (2) The deductible paid by the district on school buildings, equipment, and

supplies is the greater of \$1,000 or 1% of the district's general fund budget, to a maximum of \$25,000 for the first loss. Each loss thereafter carries an additional deductible of \$1,250 or 1.5% of the district's general fund budget, whichever is greater.

(3) Sixty percent of each loss, less the deductible, must be paid to the district from the education building and insurance account.

(4) Forty percent of each loss, plus the deductible, must be loaned to the district from the education building and insurance account under the following terms and conditions:

(a) The district shall repay the loan in amortized payments at the annual interest rate established for loans in (section 13).

(b) Notwithstanding any provision of law to the contrary, a district shall levy at least 2 mills but not more than 10 mills annually to finance its loan payments, even though as a result of this levy the maximum levy as otherwise provided by law is exceeded thereby, provided that the revenue derived therefrom is not used for any other purpose.

(c) The loan period is 10 years or less.

(5) If losses exceed 75% of the premium income, all losses must be prorated equally up to 60% of each individual loss. The amount of the loss to the district is added to the loan required by subsection (4).

NEW-SECTION. Section 18. Liability insurance. (1) Under the statewide deductible self-insurance plan established in (section 16), liability insurance coverage is limited to \$750,000 for each claim and \$1.5 million for each occurrence.

(2) The deductible paid by the district is the greater of \$1,000 or 1% of the district's general fund budget, to a maximum of \$25,000 per loss.

(3) Eighty percent of each loss, less the deductible, must be paid to the district from the education building and insurance account.

~~(4) Twenty percent of each loss, plus the deductible, must be loaned to the district from the education building and insurance account under the following terms and conditions:~~

~~(a) The district shall repay the loan in amortized payments of the annual interest rate paid for loans under (section 13).~~

~~(b) Notwithstanding any provisions of law to the contrary, a district shall levy at least 2 mills but not more than 10 mills annually to finance its loan payments, even though as a result of this levy the maximum levy as otherwise provided by law is exceeded thereby, provided that the revenue derived therefrom is not used for any other purpose.~~

~~(c) The loan period is 10 years or less.~~

~~(5) If losses exceed 80% of the premium income, all losses must be prorated equally up to 80% of each individual loss. The amount of the loss to the district is added to the loan required by subsection (4).~~

NEW SECTION. Section 19. Administration of statewide deductible self-insurance plan -- rulemaking authority. (1) The superintendent of public instruction shall:

~~(a) adopt rules for the conduct of business under (this act);~~

~~(b) determine insurance premiums and establish a method of collection;~~

~~(c) pay, adjust, or deny claims arising under (sections 17 and 18);~~

~~(d) administer and service the loans required by (sections 17 and 18);~~

~~(e) maintain the education building and insurance fund on an actuarially sound basis, with a reserve sufficient to liquidate the claims liability of the deductible self-insurance plan provided for in (section 16);~~

~~(f) collect reasonable fees or charges for the servicing of loans; and~~

~~(g) provide for an annual audit of the education building and insurance fund by the legislative auditor or an independent certified public accountant.~~

~~(2) All claims against the education building and insurance fund arising under~~

~~(sections 17 and 18) must be presented to and filed with the superintendent of public instruction, and the superintendent of public instruction may settle any claim subject to the terms of the insurance.~~

~~(3) The provisions of Title 33 do not apply to the superintendent of public instruction when he is exercising the powers and duties provided in this section.~~

NEW SECTION. Section 20. Immunization, defense, and indemnification of employees of the superintendent of public instruction. The provisions of 2-9-305 apply to employees whose salaries are paid by the education building ~~and insurance~~ account, except that the cost of defending an action taken against an employee who is civilly sued for his actions within the course and scope of his employment must be paid from the education building ~~and insurance~~ account.

Section 21. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made and provided in this section.

(3) The following laws are the only laws containing statutory appropriations:

(a) 2-9-202;

(b) 2-17-105;

(c) 2-18-812;

(d) 10-3-203;

(e) 10-3-312;

- (f) 10-3-314;
- (g) 10-4-301;
- (h) 13-37-304;
- (i) 15-31-702;
- (j) 15-36-112;
- (k) 15-70-101;
- (l) 16-1-404;
- (m) 16-1-410;
- (n) 16-1-411;
- (o) 17-3-212;
- (p) 17-5-404;
- (q) 17-5-424;
- (r) 17-5-804;
- (s) 19-8-504;
- (t) 19-9-702;
- (u) 19-9-1007;
- (v) 19-10-205;
- (w) 19-10-305;
- (x) 19-10-506;
- (y) 19-11-512;
- (z) 19-11-513;
- (aa) 19-11-606;
- (bb) 19-12-301;
- (cc) 19-13-604;
- (dd) 20-6-406;
- (ee) 20-8-111;
- (ff) 23-5-612;

- (gg) 37-51-501;
- (hh) 53-24-206;
- (ii) 75-1-1101;
- (jj) 75-7-305;
- (kk) 80-2-103;
- (ll) 80-2-228;
- (mm) 90-3-301;
- (nn) 90-3-302;
- (oo) 90-15-103; and
- (pp) Sec. 13, HB 861, L. 1985; and
- (qq) (sec. 4).

(4) There is a statutory appropriation to pay the principal, interest, premiums, and cost of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for such payments."

NEW SECTION. Section 22. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 23. Requirements for approval of appropriation from coal severance tax permanent fund -- severability. Because sections 4 and 10 appropriate and pledge money from the coal severance tax trust fund established by Article IX, section 5, of the Montana constitution, a vote of three-fourths of the members of each house is required for enactment of sections 4 and 10. If sections 4 and 10 are not

approved by the required vote, sections 4 and 10 are void and the remaining sections of this act are valid and remain in effect in all valid applications upon enactment.

NEW SECTION. Section 24. Codification instruction. Sections 1 through 20 are intended to be codified as an integral part of Title 20, chapter 9, and the provisions of Title 20, chapter 9, apply to sections 1 through 20.

NEW SECTION. Section 25. Effective date. This act is effective July 1, 1987.

-End-

mec5

EXHIBIT 3
DATE 2/20/87
HB 463

Amendments to HB 463 (third reading)

1. Page 1 line 8
Following "of"
Striking "one"
Inserting "two-tenths of a".

2. Page 1 line 15
Following: "of"
Striking: "one"
Inserting: "two-tenths of a".

Amend House Bill 434 Second Reading (Yellow)

1. Title, line 7.

Following: "1987"

Insert: "TRANSFERRING \$35 MILLION FROM THE LOCAL IMPACT AND
EDUCATION TRUST FUND ACCOUNT TO THE GENERAL FUND;"

2. Page 5.

Following: line 24

Insert: "Section 5. Transfer to general fund -- reversion. (1)
There is transferred \$35 million from the local impact and
education trust fund account funded by 15-35-108(3)(b) to
the general fund:

(2) All funds transferred to the general fund pursuant
to subsection (1) that are unspent and unencumbered on June
30, 1987, revert to the local impact and education trust
fund account."

XT01

e:amdhb434.1fa

20-Feb-87

ESTIMATED ADMINISTRATIVE OVERHEAD SAVINGS IN THE DEPARTMENT OF REVENUE
 RESULTING FROM MOVING MOTOR FUELS DIVISION TO THE DEPARTMENT OF HIGHWAYS

OVERHEAD CATEGORY	FTE	FY 88	FY 89
MAIL/CASHIERING	1.50	\$32,000	\$32,000
DP SUPPORT	1.00	\$28,000	\$28,000
LEGAL	0.25	\$11,700	\$11,700
ACCOUNTING/OTHER CENTRALIZED SVCS	1.24	\$33,500	\$33,800
LEGISLATIVE AUDIT		\$3,000	\$0
TOTAL EST. OVERHEAD SAVINGS	3.99	\$108,200	\$105,500
HIGHWAYS SPECIAL REVENUE APPROPRIATED IN THE 1989 BIENNIUM (DIR OFFICE)		\$95,482	\$80,365
GENERAL FUND SAVINGS		\$12,718	\$25,135

ASSUMPTIONS:

- (1) The overhead savings in mail/cashiering is the same as estimated by the department for fiscal 1986.
- (2) One FTE programmer/analyst will be necessary to maintain the motor fuels system. Since this system is moving to the Department of Highways, it will not be necessary to maintain an additional programmer/analyst in the Department of Revenue.
- (3) Five percent of the legal staff's time was spent on motor fuels, as indicated by the agency.
- (4) The department indicated a minimal amount of time is spent by other centralized services staff on the Motor Fuels Division. Five percent was considered to be a minimal amount of time.
- (5) The legislative auditor estimated this amount could be reduced from the Department of Revenue's legislative audit costs (and added to Highways) if the division was moved.

NOTE: The Department of Highways has not yet determined the cost of the Motor Fuels Division if House Bill 221 becomes law. They are looking at the problems of the physical location of the division, how it would be integrated into their organization and the data processing integration between the Highways' systems and the system developed by the Department of Revenue for the Motor Fuels Division. Although the Highway Department has not developed costs for House Bill 221, they anticipate the costs will not exceed \$806,267 in fiscal 1988 and \$788,714 in fiscal 1989 which are the costs currently budgeted for the Motor Fuels Division in the Department of Revenue for the 1989 biennium.

VISITOR'S REGISTER

HB APPROPRIATIONS COMMITTEE
 BILL(S) 627, HJR16, HB721, 742, 434 DATE 2/20/87
 SPONSOR(S) 382, 463 -

NAME	REPRESENTING	BILL NO.	SUP-PORT	OP-POSE
BRENDA Schye	MONT. Cultural Advocacy	HB 742		X
Bill FORT	MT ART COUN	HB 742		X
Bob Beck	ODD/DNRC	HB 742		X
Lon Jackson	MACD	HB 742		X
RODIN HARPER	WORD / DNRC	HB 742		X
Bill Hudson	CPI	HB 382	✓	
Bill Hudson	CPI	742		X
DAVID DARBY	DEPT OF NAT. RESOURCES & CON	742		X
Charlotta Morton	Board of Public Ed	HJR16	✓	
Janey Smith	MSU Student			
Bethany H. Hill	MSU Student			

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR VISITOR'S STATEMENT
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY