

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

February 6, 1987

The fifth meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. Senator Regan called the meeting to order at 4:18 p.m. to hear Senate Bill 175.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 175: Senator Halligan, Senate District 29 and chief sponsor of Senate Bill 175 said this bill would require that money appropriated in excess of the amount needed to fund district court expenses in criminal cases be used for district court grants, and that he would like to have Gordon Morris address the bill since he knew a lot more about it and could explain it better to the committee.

PROPOSERS OF SENATE BILL 175: Gordon Morris, executive director, Montana Association of Counties said Senate Bill 175 is the result of the work done by the Montana Association of Counties and he would give a little of the background of the bill. In the 1985 session we were successful in getting legislation to fund district court costs associated with district court operation, S.B. 25. The criminal reimbursement program then went into effect at the end of that session and we funded that program with a fee increase on motor vehicles. was funded through a fee to raise \$2.7 million to go into this program. The Governor's budget included \$1.2 million for a grant in aid program, with \$2.7 million to be generated and used for court costs. He said the administration cut \$1.3 million and put it back into the general fund and cut the remaining in two equal payments. The program goes into the first year, we had approximately \$3 million that was available, and a like amount the second year of the biennium.

Mr. Morris read from a letter attached as exhibit 1, said he felt this was money collected for a specific purpose and should not be put in the general fund. He also said the committee might want to look at page 3 since it had pointed out the committee might want to clarify on page 3, line 14 where it states (b) all revenues, except district court grants, required by law to be deposited in the district court fund for the previous fiscal year. He said he felt if there was more money generated than used then it should be used for the grant in aid fund, not general fund.

Gary Rowe, Office of Budget Administration, Butte-Silver Bow spoke as a proponent of Senate Bill 175. His written testimony is attached as exhibit 2.

Tom Harrison, Clerk of Court Association, said he was a proponent of Senate Bill 175 and would urge the committee to vote for the bill.

There were no further proponents, no opponents, and Senator Regan asked if there were questions from the committee.

Senator Regan said she had a question. She said, if I read this right, after we fund the district court for criminal cases anything left over would go to fund juvenile. After the criminal part what else are you talking about in here?

Gordon Morris answered that he felt it was only a case of clarification and Senator Regan again asked what more is funded in the bill and was told the grant-in-aid program. Mr. Morris explained that after funding 100% then they could come in for an amount of money in a grant-in-aid.

Senator Regan asked Senator Halligan if, when he proposed the 2 mills 2 years ago if he could remember a conversation they had in regard to the amount it would raise and Senator Halligan said he thought he was aware that it would be more.

Senator Smith asked if they had really put some of the fees into the general fund, and does this mean that some counties had to increase property taxes to fund the needed court costs because of that money taken out? Gary Rowe said if he understood the question correctly that was the case in Butte Silver Bow. Because the \$700,000 was not distributed under the terms of the old grant-in-aid program that meant that we had trouble. There is no way of controlling it and if you reduce the revenue there is no other place for it to come from. Senator Regan asked Curt Nichols to address the situation.

Curt Nichols, Legislative Fiscal Analyst (LFA) said the appropriation for the district courts was \$3,170,633. The vehicle fees raised about \$2.4 million and about \$2.5 was distributed to the court, so some more money was distributed than the vehicle fees raised, but not as much as the appropriation allowed.

Gordon Morris said he had the numbers with him. The appropriation in F Y 86 was \$3, 170,633. The actual expenditures were \$2,296, 816. The motor vehicle suspense fund collections were \$2,409,577. The total unexpended balance which included the state general fund contribution to the program that I indicated initially, the total reversion was \$727,106 and we would have assumed that the difference would have stayed in the program to fund

grant-in-aid. If you take a look at the LFA budget those figures are there and we have that and I think they have available copies. They are projecting for this coming biennium, estimated revenue at \$2.7 million.

Senator Himsel said he had a question, that he was having some difficulty in following it. This is the special assessment that was put on motor vehicles that was distributed to the courts. A temporary program was what the intent was. You are objecting and we have covered the emergency balance, but there was a surplus and the surplus then went into the general fund, but the complaints I heard was the public that was paying the cost couldn't figure out why they were paying additional automobile tax to take care of the court. I don't conclude that that money was ear-marked for your area any more than to cover the criminal court cost. Mr. Morris asked why then did we leave the grant-in-aid program in the bill?

Senator Himsel said that was not the intent to do that, the intent was to cover the criminal court costs, not to replenish any deficits in the other fund.

Senator Regan asked Senator Halligan why this was not taken to the subcommittees to go through the process--why are we in here with this?

Senator Haffey said are you saying that implied in this part of the law was the language you are trying now to implant in the law, the grant-in-aid and all the things you've been talking about? Are you saying the intent of the Legislature last time is that if there were funds in excess then they ought to go to the grant-in-aid program. Senator Halligan answered that as sponsor of the bill to tie all the district court costs and the grant-in-aid programs together, it was my understanding--it certainly was not specifically stated as such in any bill.

Senator Smith said I have a bill that has already put this back in because of the sunset and my argument is this--if the fees were put on the court costs then that is where it should go. If it isn't going to go there, then we should lower the fees that we collect. It should not go to the general fund through the back door.

Senator Keating said he had a question of Mr. Morris. If this bill were to pass, would there be any more money spent in the district court than that that is collected through the license fees for that purpose? Gordon Morris answered, no. Whatever the amount was it would go to fund the criminal expenses and anything that was left in the motor vehicle fund for district court purposes would then move into funding the grant-in-aid program based on the provision in the existing state law.

Senator Keating said but it would all be collected through the motor vehicle fee fund and it wouldn't be any more than what is collected through the vehicle fees. Mr. Morris answered that that is correct. If you take a look at the LFA report on page c 169, option b, this is actually what we are talking about. (copies of the pages attached as exhibit 3)

Senator Harding asked a question of Gordon Morris. She said, I think the reason for this, the counties -- are they able to raise enough through their set mill levy? She said Butte Silver Bow had a different form of government and could go to the people for a mill levy, but how about the other counties. Do you have any figures on how they sit in their district? Gordon Morris said he did not have the figures with him, but felt safe in saying in the case of Butte Silver Bow, they are levying approximately 15 mills for district court purposes. Cascade county this last year tried to get a special authority. They have recorded expenses in excess of \$800,000 in excess of what 6 mills in Cascade county will raise.

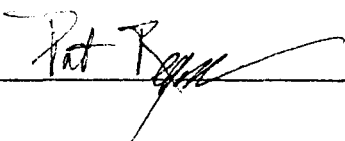
Senator Gage said he would like to follow up on Mr. Morris's statement to Senator Keating that there would not be more spent in District Court than the fees bring in. I would have to say that you are a bit in error in that assumption. Mr. Morris said if you view it that way, you are probably correct. I think what I was intending to imply was that our goal was to have the appropriated amount by the legislature match what is anticipated in the way of collections.

Senator Regan asked Mr. Morris why he didn't then go before the Appropriation subcommittee and have them do it. Why come to us--it belongs in the subcommittee to appropriate these monies at the level they see fit and to give that recommendation to the full Finance and Claims and Appropriation.

Mr. Morris said he felt the reason they came to this committee is because of the language on page 2 of the bill. The existing language says to the extent funds are appropriated for that purpose, but if we look to strike that language then we will go to appropriations and make sure of the appropriations.

Senator Halligan said in closing that the clarification that they felt needed to be made would be done and was hoping the committee would agree. He said he felt if the committee did not want the grant-in-aid they would remove it.

Senator Regan declared the hearing closed and the meeting adjourned at 6:05 p.m.



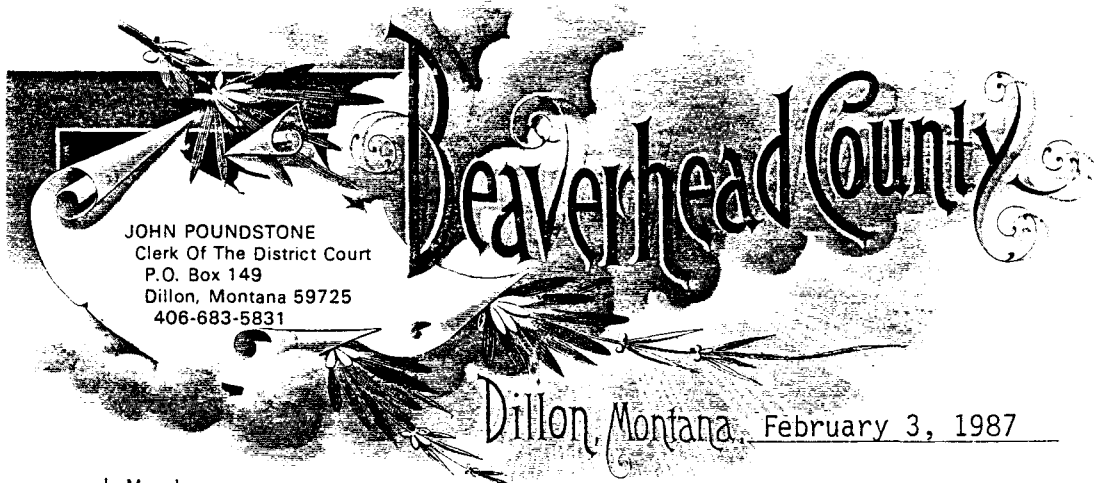
ROLL CALL

50th LEGISLATIVE SESSION - - 1987

Date 2-6-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR REGAN	✓		
SENATOR HIMSL	✓		
SENATOR JACOBSON	✓		
SENATOR BENGTON	✓		
SENATOR STIMATZ	✓		
SENATOR HARDING	✓		
SENATOR HAFPEY	✓		
SENATOR SMITH	✓		
SENATOR KEATING	✓		
SENATOR STORY	✓		
SENATOR BOYLAN	✓		
SENATOR JERGSON	✓		
SENATOR TVEIT	✓		
SENATOR MANNING	✓		
SENATOR HAMMOND	✓		
SENATOR GAGE	✓		

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JOHN POUNDSTONE
Clerk Of The District Court
P.O. Box 149
Dillon, Montana 59725
406-683-5831

Mr. Chairman Regan and Members
Senate Finance and Claims Committee
Montana State Legislature
Helena, MT 59620

Re: Proponent position, Senate Bill 175

Dear Mr. Chairman and Members:

This is to strongly urge your favorable consideration and "do pass" recommendation for SB175 earmarking surplus district court criminal reimbursement funds. The bill's intent and construction are excellent and it addresses a profound need extremely well.

The old adage of an ounce of prevention being worth a pound of cure holds true in this case. Under our Constitution, defendants and citizens, properly, have to be afforded due process. Of course, district courts are one of the primary mechanisms for that. It is impossible to predict when and to what extent our courts, funded at the local level, will be called upon to provide services which far outstrip our ability to pay for them.

It is law like is contained in SB175 which would go a long way in reducing vulnerability to such profound fiscal issues as you now face. In addition, the state general fund has already benefited to an extent greater than it should have. Three-quarters of a million dollars goes a lot longer way at the local level than it does in Helena. Robbing Peter to pay Paul is one thing; gambling that Paul never wakes up is quite another.

Unless the state wants to deal with being surprised by expenses totally beyond anticipation, the only alternative to passing SB175 is to issue all fifty-six counties crystal balls which are guaranteed 100% accurate. Since that is not realistic, please "do pass" SB175. It is darned good law.

Thank you very much for your attention and consideration.

Sincerely yours,

Clerk of District Court, Beaverhead County
Legislative Committee, Montana Association of Clerks of District Court

CC: File

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 2-9-87

BILL NO. SB 175



Office of Budget Administration
Butte-Silver Bow Courthouse
Butte, Montana 59701
406/723-8262

ref 2

Testimony for SB 175
February 6, 1987
Submitted by Gary Rowe
Budget Administrator

Butte-Silver Bow has struggled for a number of years to find a logical and affordable financial solution with which to operate its District Courts. To date, our local government, as well as some other counties in the state, has been largely unsuccessful in this effort.

Butte-Silver Bow enthusiastically embraced the concept of the now defunct District Court Grant-In-Aid program (in fact, we would like to see that program funded and operational.) From our perspective, the only problem with the old grant program was that its appropriation was never sufficient to fund all of the eligible requests. This fact mandated the annual pro rata reduction of eligible grants to counties.

Butte-Silver Bow was undoubtedly one of the loudest complainers concerning the horrible unfairness of the legislature not providing a large enough appropriation to fund all grant requests. However, viewed with hindsight and in comparison to its successor program, the state assumption of certain criminal expenditures, the grant-in-aid program was a veritable boon for Butte-Silver Bow. The only aspect of the new program with which we can totally agree is that it is aptly named because its financial effect on Butte-Silver Bow District Courts has indeed been criminal.

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SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 2-6-87
BILL NO. SB 175

For a variety of reasons, Butte-Silver Bow suffered a severe revenue loss as a result of the replacement of the old grant-in-aid program with the criminal expenditure reimbursement program. The following table indicates just how drastically our District Court's revenue declined as a result of the new program:

	<u>District Court Grant-In-Aid Program</u>	<u>State Assumption of certain criminal Expenditures Program</u>
1983	\$190,055	
1984	177,903	
1985	220,000	
1986		\$ 60,355
1987		55,000 (estimate)

As you can see from the above table, Butte-Silver Bow received about \$220,000 in the final year of operation of the old grant-in-aid program. In the first year of operation of the criminal reimbursement program, our city-county received only about \$60,000. That very significant revenue loss had to be shifted to the already overburdened property tax. In terms of our county's taxable valuation, that loss amounts to 4.5 mills.

We are convinced that the revenue losses which Butte-Silver Bow and other counties have incurred as a result of the new criminal reimbursement program, were an unintended consequence of the enabling legislation. Presumably, the intent of the legislation was to assure that state resources were being utilized in those areas where the need was greatest. However, in Butte-Silver Bow's case, its relatively low percentage of criminal to civil cases has caused a financially detrimental effect.

Even though Butte-Silver Bow has not fared very well, we understand the reality of the situation is that we must operate our District Courts within the context of the new program. However, the aspect of the program which we deem must be changed is the matter addressed by Senate Bill 175.

SENATE FINANCE AND CLAIMS

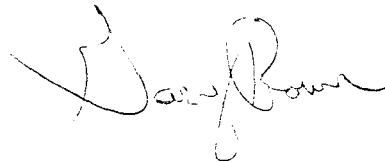
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 DATE 2-9-87
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At the close of the new program's fiscal year, there was unexpended budget authority in the amount of \$727,106. That amount of state general fund authority was reverted at year end and did not carry forward into fiscal year 1987. Given the circumstances of Butte-Silver Bow and other counties, this reversion of program budget authority is extremely unpalatable.

Even if those funds had been distributed as is called for in SB 175, it certainly would not have completely eliminated Butte-Silver Bow's revenue loss. However, such a distribution would have reduced some of the local tax load and would have somewhat equalized the flow of state funds to counties for district court purposes.

Counties are faced with a difficult task in developing budgets for district courts. County officials are faced with a plethora of conflicting demands. The revenue side of the budget is dominated by property taxes which are too high already. The expenditure side is affected by mandated state activities and the considerable latitude given to District Court Judges in determining the amount of appropriation needed to carry out the duties of their office.

County officials are left in the middle trying to balance irreconcilable demands. The passage of SB 175 would provide counties with a valuable tool in accomplishing this task. Butte-Silver Bow strongly urges the passage of SB 175. Thank you.



SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2 P-4 3

DATE 2-9-87

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STATE FINANCE AND CLAIMS
 EXHIBIT NO. 3
 DATE 2-9-87
 BILL NO. SB 175

Table 20
 Local Government Block Grant Funding Options

	----- Fiscal 12988 -----		----- Fiscal 1989 -----	
	Revenues	Percent of Program Funded	Revenues	Percent of Program Funded
Fully Funded LC36 Program	\$17,971,867	100.0%	\$18,356,358	100.0%
Option A:				
Oil Severance Tax	6,414,000	35.7%	6,318,000	34.4%
Option B:				
Oil Severance Tax	6,414,000		6,318,000	
Reinstate Vehicle Fees	<u>2,313,100</u>		<u>2,313,100</u>	
Total Option B	<u>\$ 8,727,100</u>	<u>48.6%</u>	<u>\$ 8,631,100</u>	<u>47.0%</u>
Option C:				
Oil Severance Tax	6,414,000		6,318,100	
Reinstate Vehicle Fees	2,313,100		2,313,100	
Raise Vehicle Fees (\$5.00/veh)	3,220,000		3,220,000	
General Fund	<u>5,000,000</u>		<u>5,000,000</u>	
Total Option C	<u>\$16,947,100</u>	<u>94.3%</u>	<u>\$16,851,200</u>	<u>91.8%</u>
Option D:				
Oil Severance Tax	6,414,000		6,318,000	
Reinstate Vehicle Fees	2,313,100		2,313,100	
Raise Vehicle Fees (\$5.00/veh)	<u>3,220,000</u>		<u>3,220,000</u>	
Total Option D	<u>\$11,947,100</u>	<u>66.5%</u>	<u>\$11,851,100</u>	<u>64.6%</u>
Option E:				
Oil Severance Tax	6,414,000		6,318,000	
(Current Level) General Fund	<u>11,557,867</u>		<u>12,038,358</u>	
Total Option E	<u>\$17,971,867</u>	<u>100.0%</u>	<u>\$18,356,358</u>	<u>100.0%</u>

ISSUE 2: CONTINUED GENERAL FUND SUPPORT OF DISTRICT COURT CRIMINAL CASES COSTS

The 1985 legislature provided general fund for certain expenses related to criminal cases in district courts. Section 3-5-901, MCA, states certain costs which the state would assume to the extent funds were available. In fiscal 1986 the legislature appropriated \$3,079,720 and for fiscal 1987 \$2,995,229 was appropriated. Of the \$3,079,720 appropriated in fiscal 1986, \$2,503,250 was expended.

To offset the costs to the general fund the legislature added to the vehicle registration fee which was deposited into the general fund. The cost of the fee is dependent upon the age of the vehicle being registered. Table 20 contains the current fee schedule.

Table 21
District Court Fees

<u>Vehicle Age</u>	<u>Fee</u>
0-4	\$7.00
5-7	5.00
Over 8	2.50

In fiscal 1986 the fee deposited into the general fund totaled \$2,409,577. The estimated revenue for fiscal 1987 is \$2,733,000.

The legislation which established the fee has a sunset date of July 1, 1987. Therefore, the revenues which the general fund receives to offset the costs will no longer be available. The current level budget contains \$2,579,903 (\$2,500,000 for grants and \$79,903 for administration) per year for distribution to the district court. If the legislature continued the fee on into the next biennium, the general fund would receive an additional \$2.7 million per year. If the costs are kept at the \$2.58 million level the general fund would gain \$0.2 million per year.

Option A: Amend the sunset date until July 1, 1989 (or eliminate the sunset entirely) and maintain the current revenue flow to the general fund from vehicle registrations. This would increase revenue to the general fund by \$2.7 million per year.

Option B: Remove the sunset date and dedicate the revenues to the program. This option would eliminate the general fund support of the program and reduce general fund revenues by the amount of fees collected.

Option C: Allow the fee to expire. The legislature would then be faced with the question of appropriating general fund for the program. If the current level program is maintained the general fund cost would be \$2,579,903 per year.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. _____

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BILL NO. _____