

MINUTES OF THE MEETING  
FINANCE AND CLAIMS COMMITTEE  
MONTANA STATE SENATE

March 6, 1987

The fourteenth meeting of the Senate Finance and Claims Committee met in room 108 of the State Capitol on the above date. The meeting was called to order by Senator Regan, Chairman at 3:45 p.m. for the purpose of hearing House Bills 343 and House Bill 4.

ROLL CALL: All members present except Senators Story, Senator Keating and Senator Stimatz. Senator Story was excused.

CONSIDERATION OF HOUSE BILL 434: Representative Donaldson, sponsor of House Bill 434 said this bill is the supplemental appropriation bill which has been a rather controversial bill in the House. It has two major provisions in it; one it provides the funding for the supplemental appropriations and secondly it attempts to balance the 1987 short fall over the 1987 biennium. The bill in total amounts to \$45.7 million and is the largest supplemental in the history of the state. Of that amount \$23.6 million is general fund and \$22 million is special revenue funds.

Representative Donaldson explained the supplemental. He said these supplementals are here basically by the action of the governor. We can move money from the second biennium to the first biennium and then during the regular session can request money to keep the agencies running.

A narrative explanation of HB 434 is attached as exhibit 1, House Bill 434.

Representative Donaldson said on the last page the purpose of the bill was that money left would revert back to the Educational Trust, and did not feel this had been accomplished. He said the Department of Administration had a couple of amendments, one--the words unencumbered on page 7, line 3 he felt that any unencumbered on unencumbered on June 30 in fact, there would be no reversions. In fact if you want to revert those monies beyond what remains in the block on June 30 this should be amended to change that. The other concern, he said, on July 15 some school payments to make and a zero balance does not look good on our bonding companies, so you may want to change that. He said he would have no objection to the changes. He said again this is a total appropriation of \$45,745,781 which is the largest

supplemental in the history of the state and listed the 1979 biennium as 15.8 million, 1981 as 18.9; 1983 as 15.8; 1985 was 9.2 and 1987 as 45.7 million.

PROPOSERS TO HOUSE BILL 434: Dave Hunter, Director of the Office of Budget and Program Planning (OBPP) said he would not speak to the individual sections of the bill since the agency representatives were present and would answer questions. He said, I have two sets of amendments and both pertain to the final section on page 7 of sub 2 of section 5 which says "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 educational trust fund account". I have an amendment that would strike that subsection. That would mean that the estimated \$7 million that would remain in the general fund on June 30 would remain there rather than be transferred back to the Education Trust. I think it is important that the state have some cash balance on hand on July 1. When we go to issue the tax revenue anticipation notes in July to fund the cash flow for the state of Montana, it is important that we not go back to those rating services and say the state of Montana has zero cash. I think that will affect our ability to issue bonds, the cost of the bonds and will have an impact on the general fund revenue in the coming year. I think that before we get revenue in July we make sure we have the ability to make our first payroll we have the ability to pay the bills of state government without having to go out and borrow money to do that.

Mr. Hunter said this set of amendments he would recommend to the committee as the preferred way to go, and that he had another set of amendments, exhibit 3, attached, if the committee disagreed with the first one. He said he felt it was clear in the House that the intention was that the money revert. He said he felt in fairness to the committee and the Legislature that if that was in fact what they wished to do, for the state of Montana to have a zero cash balance on July 1, then we should make sure the language does that, and this amendment would do so.

Senator Regan said we would not take executive action on the bill today, we would just hear it.

Bob Randall, former member of the State Tax Appeal Board, said he would like to apologize to the committee because they don't have the figures together. He said this was not enough and he would like to get some figures together and give them to the committee. The board is going to be out of money before the end of the fiscal year. He said they were trying to be conservative when they made the estimates and now find they are not going to be sufficient.

Larry Akey, Chief Deputy to Jim Waltermire, Secretary of State, said he has an amendment he would like to propose to the bill. Senator Gage has copies of the amendments. Basically they provide us with appropriation authority to spend additional state special revenue money on the Centralized Ag Link Program as a result of some changes in some Federal legislation, the farm bill supplement that is in 434 is not going to be sufficient. In some sense I am asking you for the authority to spend some money that I already have in the bank. Those are revenues that are from users who choose to subscribe to the service. I do have substantial cash balances available, I just need authority to spend it. I would be available for questions.

There were no further proponents and Senator Regan asked if there were opponents.

OPPONENTS TO HOUSE BILL 434: Eric Feaver, President of the Montana Education Association, said it would be very difficult for us to be a proponent of this bill. He said when you read the title you know what is happening to education in this state. In order to fund the supplementals and make the state end up the fiscal year in the black we are going to take from the Education Trust 1/3 of the money which is to be used for Education. He said he felt this was tantamount to telling the Legislature that the trust is fair game for anything else the Legislature needs to fund. He said he would suspect that if HB 434 passes in its present form there will be no educational trust by the end of this session. He said he felt that the Legislature in using this money was avoiding the issue of structural tax reform in the state, avoiding the difficult issue of making expenditures and revenues match. He said he would also like to point out on page 3 there seems to be an inherent unfairness in the way the local block grant program is going to be funded, even out of this unfair way of funding. He said if the legislature was going to take the fund they should at least be distributed fairly.

Gordon Morris, Montana Association of Counties said he was an opponent to a part of this bill and a proponent to a part of it. Page 3, beginning on line 18 wherein it sets forth the language that says funds available within the local government block grant account shall be distributed. He then said he protested the way the state financial obligation to Lewis and Clark County would be paid in the amount of \$1,814,000 which this bill proposes to be paid out of the local government money. He said the argument that the other counties should pay for the Lewis and Clark mistakes is not logical. He gave a boost to SB 200 as having the strongest argument for its passage by virtue of this type of dealing and unfairness in terms of the way the block grant has been administered and managed since it was implemented in 1982. He said there are far more questions in

his mind now than he would have anticipated if the Department of Commerce had not distributed the checks. They went out at 61% of the funding. In the special session in 1986 we had anticipated 85% and we had advised local governments across Montana they could expect it. Most of them budgeted at 75% to be safe, now received 61% and were in trouble.

Court Harrington, Montana State Treasurers Association, said he would like to reiterate what Gordon Morris said. He said when the Legislature decided to eliminate the property tax on motor vehicles the counties were sure that they would be made whole, and I think that there has been a breach of faith in that promise.

Bob Anderson, School Boards Association said he wanted to be on the record as opposing this bill. He said they look at the school trust money as part of the building blocks they use in their process, and realize the Legislature had a difficult time too, but felt this was a poor answer.

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

QUESTIONS FROM THE COMMITTEE: Senator Gage asked when he should present amendments, and Senator Regan said they would save amendments for executive action since she had promised Senator Keating and other members who could not be here that they would not act on the bill today. Senator Gage asked if he could then explain the 2 that had not been addressed so that if there were questions from the committee they could be addressed. He said the Attorney General's office had requested an amendment of \$56,520 to come from the motor vehicle account for additional rent on the facilities in Missoula for the forensic lab. He said they had the budget in the subcommittee and he sent around some pictures of the old facilities they moved out of. He said, I would point out to you when you are in a facility that the architectural and engineering people in the state say a strong wind storm may blow it down on you, I would suggest a strong desire and need to get those people out of that facility.

Senator Gage said the other amendment came in from the Environment Quality Council whose budget we also heard in our subcommittee. During the course of the discussion the LFA office had some old equipment that was replaced and they gave the equipment which was nearly worn out and so old that IBM would no longer issue a maintenance contract on it, and they gave it to the ECQ to use as long as it would last and just in the last couple of days it gave up the ghost and they are asking for some equipment. I guess I want you to realize I was one who was not particularly supportive of their budget, but if we are going to have them they certainly can't put out their work in long hand on yellow

pads. They do need equipment to do the required work if you are going to keep that department in operation. They need \$7500 in general fund to purchase enough equipment to enable them to put out the reports.

Senator Tveit said, a little on that law suit. Who was responsible? Dave Hunter said he would give a little background on it. He said, basically the issue in the law suit was that the treasurer in Lewis and Clark County had to certify in 1982 what the reimbursement rate was for counties and Lewis & Clark certified a figure of \$32 and some cents. Sometime later they discovered they had made an error, that the figures should have been \$39 and some cents. Lewis and Clark County made the error, they discovered they had made the error some years later and then filed suit against the Department of Revenue saying they were owed more money because they had made an error and were not receiving the proper amount of reimbursement. They took the case to district court and won. The Department of Revenue took it to the Supreme Court and the Supreme Court awarded the money, so basically we are proposing to fund a Supreme court order that came about because Lewis and Clark County Treasurer made an error in 1982. The Supreme Court said the law was clear and they should get full reimbursement. There are two parts to the block grant, the full funding, the full reimbursement that we have made every year except this year, fiscal year 1987 and the June special session said we would prorate the money and that during those fiscal years, 82-86, we have given an extra \$2 million during that time period that has flowed back to all the other counties, because if there was more money than was necessary for full reimbursement, then that money went to cities and counties in excess of that, so for opponents to argue it is unfair to take it out of other counties hides, while it has some truth in fy'87, they have also gotten the advantage in fiscal years '82 through '86 of about \$2 million of excess money that has flowed to them.

Senator Smith said if they had found the problem before there would probably have been money to reimburse them. The problem now is we are at the end of the cycle and now it is taking money from the other counties that they should have received.

Senator Regan said we would have plenty of time for discussion on each of these points, but right now the questions should be addressed to those present.

Senator Smith said earlier Representative Donaldson made the statement that money from the next biennium could be used, then they could ask for a supplemental to reinstate those funds. The concern I have, the \$1,875,000 that was borrowed from the block grant program from the next year and then was used to fully fund the 100%. My question is, why then are

you asking the counties to reduce the funding down to 61% when in the regular session they were promised 85% and now--why wasn't that asked in a supplemental to make up that difference? Dave Hunter said, because we were unclear whether the law in fy '86 would allow proration we moved money from fy '87 to fy '86 so we could make the full payment on March 1 of last year and the amount of money was \$1.8 million. When we came to the June special session they specifically changed the statute to say that proration of block grant was the statute and we would prorate the amount of money that was available. We got to the 85% in the June special session because this legislature appropriated \$6.5 million of additional general fund, and the 85% was projected through our projection of oil taxes because 1/3 of the oil severance tax is dedicated to the block grant. Prices have not been as high as we projected, so part of the short fall is also related to oil prices not being as high as we anticipated. That short fall counties would have had regardless of the Lewis and Clark county law suit. We have proposed to you, the Natural Resources subcommittee has recommended to the full committee that this award be paid out of the block grant. The alternative is we could give this million \$, put it out in the block grant to all counties, and we have to come up with this amount in the general fund for the Supreme Court award. We recommend that since we have given about \$2 million in excess to the counties over those years it would be appropriate to pay it out of the block grant.

Senator Regan said she had a question for Claudia or the Board of Education. The question is, your legal costs on page 3 of the explanation, we are spending something in excess of \$100,000 over this sex equity suit, yet the Board of Education has asked for something in excess of \$17,000. Why do you need that money? Isn't the Office of Public Instruction adequately defending that suit? Claudia Morton, said the OPI is defending their part of the suit, the Board of Education is also named as a defendant and is therefore defending itself in the suit. It is only the underfunded law suit we are defending, and since we don't have an attorney on our staff that is a contracted attorney. The Board of Education tried to get out of being a defendant in this law suit and were told that we could not.

Senator Regan said the narrative seemed to indicate you are involved in both suits. Claudia Morton said, no, the narrative is incorrect. We were not named and we are not involved in the Title IX law suit.

Senator Regan said, then it is only the Foundation Program and this money is for legal council contract? Claudia Morton answered yes. She said they felt they had an obligation to defend their role in determining what a basic education is.

Senator Bengtson said she would like a question addressed to the person from the Secretary of State's office. She said, you are charging user fees and you are asking for additional spending authority. Are you going to raise the fees. Mr. Akey said they anticipate no raise in fees. Senator Bengtson asked how much per month, and he answered, the fee to register buyers is based on the number of farm products they requested and the volume of information they receive. An average buyer pays \$60 to \$70 a year.

Senator Bengtson said she should come and visit with him, but she had had a number of complaints about the whole system as far as a lending agency providing timely information to the computer and the information that users are paying for is out dated and not serving them very well. That is the complaints I am getting, and since this is a new program in the state we are not getting very good reports on it and I personally would like to get an update on that. Mr. Akey said he would do so at her convenience.

Senator Regan asked, if this money were not appropriated, would it revert to the general fund and was told no, it is a state special revenue fund allocated by statute for operation of the state ag link.

Senator Smith addressed a question to Mr. Hunter, -- the reason for all supplementals is the reason we are here today. My question is, why was the block grant program treated different than other supplementals? Mr. Hunter answered, that because the block grant program was specifically prorated in statute in June we did not request a supplemental for the block grant program. What we have requested is clear authority to pay the settlement for Lewis and Clark county out of the funds of the block grant.

Senator Smith said, I am not addressing the block grant program, I am talking about the money that was borrowed from the prior year and then reduced the amount that was reimbursed the next year. Dave said he did not think this was treated any differently. They had other instances where they moved money from '86 to '87 to solve those problems and comply with the statute.

Senator Regan asked if there were someone here from the Auditor's office, and addressed a question. She said, I have a question and perhaps some members of the subcommittee who dealt with this question may also be able to contribute. The central payroll technician, \$20,000. I realize it is a piddling sum and it comes from special revenue. If those revenues are not spent do they not revert to general fund? Terry Lore, Audit Department said no. They have to be used for central payroll only.

Senator Regan asked, what are the auditor's monies which are a special fund that revert if not expended at the end of the biennium? Terry Lozure said that would be the insurance and security regularities. Senator Regan asked if this was submitted to the subcommittee and they were told yes. Mr. Lozure said it passed, unanimously.

There were no further questions, and the hearing was closed on House Bill 434.

CONSIDERATION OF HOUSE BILL 4: Representative Thoft, House District 63, Ravalli, and chief sponsor of House Bill 4 said the cultural and aesthetic grant program. He passed out a sheet of explanation, attached as exhibit 1, H. B. 4.

PROPOSERS OF HOUSE BILL 4: Brenda Schye, Montana Cultural Advocacy said she would point out a couple of things. One is you are not being asked to foot the total bill on these projects because there is substantial local support for them as well. The total price tag with most of it being funded from other sources is close to \$8 million, and we are grateful that the legislature has recognized the value of these endeavors. The other thing is that many of these projects have statewide rather than just local benefits.

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

QUESTIONS FROM THE COMMITTEE: Senator Gage asked, when the request went out for grant proposals, were they broken into the four categories, or how did they determine a challenge grant? Dave Nelson, Executive Director of the Montana Arts Council said yes. A group could apply in a specific category and receive an appropriate application form for that category.

Senator Bengtson asked Representative Thoft, did you find that reviewing these grants it was somewhat easier after the legislation we passed last time.

Representative Thoft answered yes, and he would like to compliment the people on the citizens review committee for the job they did. We went through this and did not make very many changes in their recommendations.

Senator Regan said she could see "rank". Was the way they were ranked by the citizens review committee? Representative Thoft said yes. Senator Regan then asked about the rank # 40 as the first one--what is that, alphabetical order or what? Madalyn Quinlan (LFA), said this was in alphabetical order.

Senator Regan asked, how do we know what priority was assigned to them by the committee? Madalyn Quinlan said



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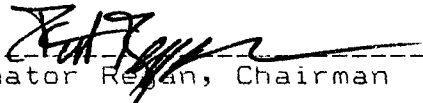
that priority will not show up in the bill. Senator Regan asked, but there are some that are ranked as low as 66.

Madalyn Quinlan said the Arts Council still follows the priority listing of the finance subcommittee. Senator Regan asked if she could have a list and the gentleman from the Arts Council said he would provide one for her.

Senator Thoft closed by saying without going through all of the projects that pretty well takes care of the bill.

Senator Regan declared the hearing closed on House Bill 4.

The meeting adjourned at 4:55 p.m.

  
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Senator Regan, Chairman

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ROLL CALL

50th LEGISLATIVE SESSION - - 1987

Date 3-6-89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR REGAN	✓		
SENATOR HIMSL	✓		
SENATOR JACOBSON	✓		
SENATOR BENGTSON	✓		
SENATOR STIMATZ		✓	
SENATOR HARDING	✓		
SENATOR HAFHEY	✓		
SENATOR SMITH	✓		
SENATOR KEATING			✓
SENATOR STORY		✓	
SENATOR BOYLAN	✓		
SENATOR JERGESON	✓		
SENATOR TVEIT	✓		
SENATOR MANNING	✓		
SENATOR HAMMOND	✓		
SENATOR GAGE	✓		

DATE \_\_\_\_\_

COMMITTEE ON \_\_\_\_\_ BILL NO. \_\_\_\_\_

BILL NO. \_\_\_\_\_

# VISITOR'S REGISTER

[illegible]

(Please leave prepared statement with Secretary)



JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

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*N B 4*

February 3, 1987

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 3-6-87

*H* BILL NO. 4

TO: Representative Bob Thoft, Chairman  
Long-Range Planning Subcommittee

FROM: Madalyn Quinlan  
Associate Fiscal Analyst

SUBJECT: House Bill 4 - Cultural and Aesthetic Grant Program

The cultural and aesthetic grant program is funded with one-third of the interest earnings from the coal tax park acquisition trust fund. The statute (Section 15-35-108, MCA) says that these interest earnings are to be appropriated "for the protection of works of art in the state capitol and other cultural and aesthetic projects."

The interest earnings available for appropriation in the 1989 biennium are estimated to total \$1,160,000. These revenues, along with a projected ending fund balance of \$86,975 in fiscal 1987, bring total funds available for appropriation to \$1,246,975.

Table 1  
Long-Range Planning Subcommittee Action  
Cultural and Aesthetic Grant Program  
1989 Biennium

Funds Available for Appropriation	\$1,246,975
Less: Funding for 57 Grant Projects	1,127,417
Operating Expenses, MT Arts Council	<u>84,400</u>
Ending Fund Balance	<u><u>\$ 35,158</u></u>

The subcommittee held hearings on 87 applications, approved funding for 57 of these and denied funding for another 30 projects. The projects are divided into four categories: 1) special projects, 2) operating support, 3) capital expenditures, and 4) challenge grants. Challenge grants are a new category this session, and the funds are used to help groups who are establishing permanent endowments. The "challenge" exists in that groups have to raise \$3 of matching funds for every \$1 that they receive from the cultural and aesthetic grant program. This same requirement of a three-to-one match applies to capital expenditures.

Table 2  
Categories of Project Funding  
Cultural and Aesthetic Grant Program

	Amount Funded	Percent
23 Special Projects	\$ 283,365	15.89
12 Operating Support	374,800	25.72
10 Capital Expenditures	179,252	33.25
12 Challenge Grants	<u>290,000</u>	<u>25.14</u>
57 Total Projects	<u>\$1,127,417</u>	<u>100.00</u>

The \$84,400 appropriation for operating expenses is an increase of \$51,100 and reflects a shift in the funding of administrative costs. The Montana Arts Council estimates the total cost of project administration to be \$143,557 for the 1989 biennium. In the 1987 biennium, cultural and aesthetic project funds provided 24 percent of the total administrative costs. Under House Bill 4, the cultural and aesthetic project fund would fund 59 percent of the administrative costs in the 1989 biennium. The increase in the appropriation of cultural and aesthetic project funds will free up \$39,000 of federal funds to be used for grants to artists and art programs.

Table 3  
Cultural and Aesthetic Project Administration  
Sources of Funding

	- - 1987 Biennium - -		- - 1989 Biennium - -	
General Fund	\$ 19,516	14.08%	\$ 19,516	13.59%
Cult. & Aesth.	33,300	24.03%	84,400	58.79%
Federal Funds	<u>85,779</u>	<u>61.89%</u>	<u>39,641</u>	<u>27.62%</u>
Total	<u>\$138,595</u>	<u>100.00%</u>	<u>\$143,557</u>	<u>100.00%</u>

Long-Range Planning Subcommittee Action  
Cultural and Aesthetic Projects  
1989 Biennium

29-Jan-87

Rank	Grant Number	Category	Organization	City	Amount Recommended	Committee Action	Difference
40	192	Spec Proj	Aleph Movement Theatre	Helena	\$7,500	\$7,500	\$0
5	184	Spec Proj	Archie Bray Foundation	Helena	\$19,200	\$19,200	\$0
76	235	Oper Sup	Bigfork Art & Cultural Center	Bigfork	\$0	\$6,000	(\$6,000)
17	242	Cap Expend	Billings Preservation Society	Billings	\$25,000	\$25,000	\$0
9	207	Chall Grnt	Billings Symphony Society	Billings	\$15,000	\$15,000	\$0
59	228	Cap Expend	Butte Silver-Bow Arts Chateau	Butte	\$0	\$7,752	(\$7,752)
39	232	Chall Grnt	Copper Village Museum	Anaconda	\$10,000	\$10,000	\$0
18	187	Oper Sup	Custer County Art Center	Miles City	\$20,000	\$20,000	\$0
4	188	Spec Proj	Custer County Art Center	Miles City	\$6,165	\$6,165	\$0
15	206	Cap Expend	Daly Mansion Preserv Trust	Hamilton	\$30,000	\$30,000	\$0
44	246	Cap Expend	Daniels County Museum Assn	Scobey	\$7,000	\$7,000	\$0
58	259	Spec Proj	Dull Knife Memorial College	Lame Deer	\$5,000	\$5,000	\$0
38	221	Spec Proj	Fort Peck Tribal Museum	Poplar	\$10,000	\$10,000	\$0
3	233	Chall Grnt	Fox Theatre Corporation	Billings	\$40,000	\$40,000	\$0
46	210	Chall Grnt	Gallatin County Hist Society	Bozeman	\$15,000	\$15,000	\$0
43	249	Chall Grnt	Garnet Preservation Assn	Missoula	\$15,000	\$15,000	\$0
11	178	Chall Grnt	Great Falls Symphony	Great Falls	\$25,000	\$25,000	\$0
26	177	Spec Proj	Great Falls Symphony	Great Falls	\$7,500	\$7,500	\$0
49	191	Cap Expend	Helena Civic Center	Helena	\$10,000	\$7,500	\$2,500
2	260	Cap Expend	Helena Film Society	Helena	\$75,000	\$50,000	\$25,000
25	231	Oper Sup	Hockaday Center for the Arts	Kalispell	\$20,000	\$20,000	\$0
19	208	Spec Proj	Livingston Depot Foundation	Livingston	\$20,000	\$20,000	\$0
27	257	Cap Expend	Miles Community College	Miles City	\$12,000	\$12,000	\$0
47	248	Spec Proj	Milwaukee Rode Cultural Proj	Helena	\$10,000	\$10,000	\$0
7	251	Chall Grnt	Missoula Children's Theatre	Missoula	\$20,000	\$20,000	\$0
37	247	Oper Sup	Missoula Children's Theatre	Missoula	\$16,000	\$16,000	\$0
52	179	Spec Proj	Missoula Mendelssohn Club	Missoula	\$4,000	\$4,000	\$0
23	212	Chall Grnt	Missoula Museum of the Arts	Missoula	\$25,000	\$25,000	\$0
14	176	Chall Grnt	Missoula Symphony Association	Missoula	\$40,000	\$40,000	\$0
33	190	Oper Sup	Montana Arts Council	Helena	\$34,000	\$60,000	(\$26,000)
81	202	Spec Proj	Montana Ballet Company	Bozeman	\$0	\$10,000	(\$10,000)
35	200	Chall Grnt	Montana Chorale	Great Falls	\$10,000	\$10,000	\$0
57	241	Spec Proj	Montana Chorale	Great Falls	\$6,000	\$6,000	\$0
12	175	Oper Sup	Montana Historical Society	Helena	\$50,000	\$95,000	(\$45,000)
28	205	Oper Sup	Montana Institute of the Arts	Billings	\$10,300	\$10,300	\$0
51	213	Cap Expend	MSU - Museum of the Rockies	Bozeman	\$10,000	\$10,000	\$0
14	181	Oper Sup	MSU - Shakespeare in the Park	Bozeman	\$22,500	\$40,000	(\$17,500)
0	183	Chall Grnt	MSU - Shakespeare in the Parks	Bozeman	\$25,000	\$15,000	\$10,000
22	223	Oper Sup	MSU - Vigilante Players, Inc.	Bozeman	\$20,000	\$20,000	\$0
13	196	Spec Proj	MSU - Media and Theatre Arts	Bozeman	\$30,000	\$25,000	\$5,000
20	238	Oper Sup	MT Art Gallery Dir Assoc	Billings	\$31,600	\$22,500	\$9,100
42	226	Spec Proj	MT Assoc of Symph Orchestras	Billings	\$5,000	\$5,000	\$0
56	203	Spec Proj	MT Dance Arts Association	Billings	\$6,000	\$6,000	\$0
8	199	Spec Proj	MT Performing Arts Consortium	Billings	\$30,000	\$30,000	\$0
48	240	Spec Proj	MT United Scholarship Service	Great Falls	\$30,000	\$30,000	\$0
34	215	Spec Proj	Northern Lights Institute	Missoula	\$20,000	\$20,000	\$0
55	256	Spec Proj	Northern Montana College	Havre	\$12,000	\$12,000	\$0
29	193	Spec Proj	P.S. - A Partnership	Bozeman	\$14,000	\$14,000	\$0
21	189	Spec Proj	Salish Kootenai College	Polson	\$20,000	\$15,000	\$5,000
50	254	Spec Proj	String Orchestra of the Rockies	Missoula	\$10,000	\$10,000	\$0
54	227	Cap Expend	St. Mary's Mission	Stevensville	\$7,500	\$10,000	(\$2,500)
66	194	Spec Proj	Twin Bridges Public School	Twin Bridge	\$0	\$3,000	(\$3,000)
36	237	Oper Sup	UM - MT Repertory Theatre	Missoula	\$50,000	\$50,000	\$0
6	250	Chall Grnt	UM - School of Fine Arts	Missoula	\$60,000	\$60,000	\$0
1	243	Cap Expend	Yellowstone Art Center	Billings	\$29,000	\$20,000	\$9,000
41	219	Spec Proj	Yellowstone Chamber Players	Billings	\$8,000	\$8,000	\$0
30	195	Oper Sup	Young Audiences of Western MT	Missoula	\$15,000	\$15,000	\$0

FORWARDED AND CLAIMS  
EXHIBIT NO. 1

DATE 3-6-87

BILL NO. 4

32	220	Oper Sup	Beall Park Art Center	Bozeman	\$9,840	\$0	\$9,840
16	209	Spec Proj	Billings Preservation Society	Billings	\$10,000	\$0	\$10,000
53	185	Oper Sup	Brunswick Gallery	Missoula	\$7,500	\$0	\$7,500
45	224	Spec Proj	Butte Historical Society	Butte	\$10,000	\$0	\$10,000
80	234	Spec Proj	Butte School District #1	Butte	\$0	\$0	\$0
62	217	Cap Expend	Carbon Co Historical Society	Red Lodge	\$0	\$0	\$0
72	245	Spec Proj	Center for Public Vision	Bozeman	\$0	\$0	\$0
78	261	Spec Proj	Copper Village Museum/Art Ctr	Anaconda	\$0	\$0	\$0
83	204	Spec Proj	EMC Department of Music	Billings	\$0	\$0	\$0
84	198	Spec Proj	Gallatin Co Historical Soc	Bozeman	\$0	\$0	\$0
79	186	Spec Proj	Glasgow Kiwanis	Glasgow	\$0	\$0	\$0
63	180	Cap Expend	Hamilton City Library	Hamilton	\$0	\$0	\$0
82	253	Oper Sup	Huntley Project Museum	Ballantine	\$0	\$0	\$0
61	225	Spec Proj	Loft Community Theatre	Bozeman	\$0	\$0	\$0
67	214	Spec Proj	Missoula Summerfest Committee	Missoula	\$0	\$0	\$0
77	239	Spec Proj	Montana Chorale	Great Falls	\$0	\$0	\$0
70	197	Spec Proj	Montana Institute of the Arts	Great Falls	\$0	\$0	\$0
65	201	Cap Expend	Montana Institute of the Arts	Billings	\$0	\$0	\$0
75	252	Spec Proj	Montana State Music Teachers	Whitefish	\$0	\$0	\$0
71	216	Cap Expend	MSU - KUSM Television	Bozeman	\$0	\$0	\$0
68	222	Cap Expend	Powell Co Museum/Arts Found	Deer Lodge	\$0	\$0	\$0
74	258	Spec Proj	Rocky Mountain Film Institute	Missoula	\$0	\$0	\$0
87	229	Spec Proj	Snowbird Chapter Sweet Adelines	Bozeman	\$0	\$0	\$0
69	255	Spec Proj	String Orchestra of the Rockies	Missoula	\$0	\$0	\$0
86	182	Cap Expend	St. Ignatius Mission	St. Ignatiu	\$0	\$0	\$0
64	211	Spec Proj	Two Eagle River School	Dixon	\$0	\$0	\$0
85	244	Cap Expend	UM - Dept of Geology	Missoula	\$0	\$0	\$0
31	230	Spec Proj	UM- Art Department	Missoula	\$20,000	\$0	\$20,000
73	236	Spec Proj	UM- Repertory Theatre	Missoula	\$0	\$0	\$0
60	218	Oper Sup	Yellowstone Art Center	Billings	\$0	\$0	\$0
					\$1,132,605	\$1,127,417	\$5,188

SENATE FINANCE AND CLAIMS  
EXHIBIT NO. 1  
DATE 3/6-87  
BILL NO. HB 434

SUPLEM89.Nar

HB 434

The following narrative explains briefly the supplementals being requested by state agencies for fiscal year 1987. The narrative is presented in the same order as the supplemental bill.

#### GENERAL GOVERNMENT

##### SECRETARY OF STATE

###### Food Security Act

\$108,117 State Special Revenue - This supplemental provides for systems development and conversion costs to meet the requirements of section 1324 of the federal food security act of 1985. Fee revenues from users of the central notice system will pay for this service. The system is used by lending institutions to verify ag lien information. These lenders provide the funding for the system.

##### STATE AUDITOR

###### Central Payroll - Technician

\$20,162 State Special Revenue - This supplemental for the Central Payroll Program provides funds to fill a payroll technician position lost during the budget reductions. This position was previously funded through the general fund. This request asks for funding from the payroll special revenue account. Most of the funds come from federally funded programs.

###### Central Payroll - Fed reporting

\$35,000 State Special Revenue - This increase provides central payroll with funds to account for Medicare Tax Report and Comp Time modifications to the payroll system. These two system mods are required by federal regs. A budget amendment was requested by the auditor, but was rejected due to not meeting the emergency provision of the budget amendment law.

###### Fiscal Management

\$11,400 General Fund - The communications budget for the Audit Division is augmented to compensate for a 6% increase in the number of warrants being mailed. This increase pays for the cost of postage.

###### Insurance

\$6,000 State Special Revenue - This increase provides for expansion in the long distance telephone expenditures for the Insurance Division. This division has experienced increases in the number of questions and complaints being registered due to the current uncertainties in the insurance industry.



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DEPARTMENT OF JUSTICE

County Attorney Payroll

\$57,200 General Fund - This increase provides funds for the county attorney payroll costs that had to be paid in fiscal year 1986. The anticipated cost was lowered due to the passage of HB11 during the June Special Session. This bill allows a freeze of certain salaries at the county level. Because some salaries were frozen, less is needed in the supplemental request.

Law Enforcement Academy

\$10,500 State Special Revenue - This supplemental provides additional funding for the Law Enforcement Academy Division to include an Emergency Vehicle Operations and First Responder component in their basic curriculum.

DEPARTMENT OF REVENUE

Beneficial Use Litigation

\$3,864 General Fund - These funds will be used to contest an appeal made on the Beneficial Use Tax for powerlines used by the Coal Strip consortium for tax years 1984-85. There is approximately \$3 million in protested taxes.

DEPARTMENT OF ADMINISTRATION

Reappraisals

\$402,541 General Fund - This supplemental provides funding to replace money transferred to the State Tax Appeals Board to cover the substantial increase in workload stemming from property tax appeals because of the completion of reappraisal. County appeal costs account for \$378,900 of the increased cost.

Manual Disparity

\$33,750 General Fund - This supplemental is also for the State Tax Appeals Board. After the reappraisal of 1978 an issue known as manual disparity or the "34%" issue arose. Nearly 2,000 appeals to STAB are affected by the potential ruling. The ruling is expected at anytime.

\*\*\*\*\*

EDUCATION

OFFICE OF PUBLIC INSTRUCTION

Title IX Sex Equity Lawsuit

\$100,609 General Fund - This supplemental provides funds to pay for expenses incurred by the Office of Public Instruction in its defense in the Title IX Sex Equity Lawsuit. This suit involves athletic programs in Montana's Public Schools.

Foundation Program Lawsuit

\$234,313 General Fund - This request helps pay for expenses

incurred in the Foundation Lawsuit brought against the state by various school districts. The suit challenges Montana's system and level of funding k-12 education.

#### School Transportation

\$281,586 General Fund - This supplemental provides funding for the state transportation costs of K-12 education. Because the reimbursement amount to local schools is set by statute, any shortfall in the transportation payments is funded through the supplemental process.

#### School Foundation Program

\$1,000,000 - General Fund - This amendment is based on the assumption that the revenue generated to the school equalization account will not be sufficient to cover the anticipated reimbursements to public schools. Statute provides that any shortfall in equalization aid shall be funded through the supplemental process.

#### BOARD OF PUBLIC EDUCATION

##### Litigation Defense

\$17,525 General Fund - This request provides funding for expenses incurred because of added legal costs. These added costs stem from the Board's involvement in two lawsuits involving Title IX and the Foundation Program funding system.

#### MONTANA UNIVERSITY SYSTEM

##### Board of Regents

\$4,500 General Fund - Supplemental funding is requested to provide per diem compensation at statutory compensation levels for Board of Regent members. The current budget contains only \$25 allowances despite the current law calling for \$50 allowances. Board members had to serve about 50% of FY86 without per diem reimbursement because of the inaccurate funding level.

##### MSU - Fee Waiver

\$207,657 General Fund - Montana State University is requesting a supplemental appropriation to correct an error in the Scholarship and Fellowships appropriation. Mandatory fee waiver funding was not included in MSU's appropriation for either fiscal 86 or 87. The fact that funds for mandatory waivers were not included in the appropriation does not relieve the University of its responsibility to grant fee waivers to those students who qualify for them.

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NATURAL RESOURCES

SENATE FINANCE AND CLAIMS

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DATE 3-6/87

BILL NO. NB 434

DEPARTMENT OF STATE LANDS

Central Administration - Twin Bridges

\$11,800 General Fund - State Lands requests funding to maintain minimal caretaking services at the Childrens' Center at Twin Bridges. The department had to repossess the property in August of 86. Funding is needed for a contract for caretaking and utilities.

Forestry - Fire

\$557,462 General Fund - This request is for fire suppression costs in the Forestry Division. Because of the difficulty in estimating what kind of fire season we will have, the legislature has adopted the policy of paying for past fire costs by supplemental funding. This request covers the 1986 fire season and one carryover bill from the 1985 season.

DEPARTMENT OF COMMERCE

Local Government Block Grant

Language is added to allow compliance with the Supreme Court order requiring the state to make payment to Lewis and Clark County. This payment is for \$1.83 million and represents payments not received in the past. This amount has been distributed to other counties over the life of the block grant program.

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INSTITUTIONS

DEPARTMENT OF INSTITUTIONS

Corrections Medical

\$680,000 General Fund - This request is for augmentation of the corrections medical budget. The supplemental is needed due to two reasons. First, the average daily population has increased substantially over the 1984 population on which the appropriation was based. Second, the cost per resident has escalated (Institutions cont.)

beyond the 1984 base cost. The appropriation was based on an average cost of \$575.94 per year. Actual costs in FY 85 was \$738.82.

Worker's Compensation

\$1,974,297 General Fund - This supplemental is to cover increased Workers' Comp costs for all of the institutions. A breakdown by institution is:

Montana State Hospital	-	\$1,129,999
Montana Developmental Center	-	416,959
Montana State Prison	-	331,176
Eastmont	-	71,442
Center for the Aged	-	20,588
Vets Home	-	10,157
Pine Hills	-	(3,086)

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1-895

DATE 3-6-87

BILL NO. 234

Mountain View

Others

(3,068)

130

Total

\$1,974,297

MOUNTAIN VIEW SCHOOL

\$4,000 State Special - Mountain View School is requesting additional authority for its Canteen operation. The canteen sells goods to residents and needs extra authority to continue current services.

PINE HILLS SCHOOL

\$15,000 State Special - This request is for canteen authority similar to the request at Mountain View.

MONTANA STATE PRISON

Prison Lawsuit

\$351,291 General Fund - This supplemental provides funding for payment of damages incurred at the Prison because of a law suit involving a malpractice settlement incurred by a local physician and his insurance company. Apparently the doctor's contract had a hold harmless clause leaving the state liable under the original lawsuit by a former inmate.

Canteen

\$244,998 State Special - The prison needs added canteen spending authority because of the large increase in population. This program provides goods such as cigarettes and personal items to inmates.

SWAN RIVER FOREST CAMP

Canteen

\$15,000 State Special - Like the prison, this request is for the canteen operating fund which does not have adequate authority to continue providing goods to inmates at the facility.

MONTANA STATE HOSPITAL

Canteen

\$12,162 State Special - Canteen operations needs additional authority at the state hospital for continued service to residents.

YOUTH TREATMENT CENTER

\$140,000 General Fund - Sale of the Youth Treatment Center to a private provider (Rivendale) was delayed one month. This supplemental is for operations of the facility for this time period.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1 - Pg. 6

DATE 3/6/87

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BILL NO. HB 434

HUMAN SERVICES

HEALTH AND ENVIRONMENTAL SCIENCES

Certificate of Need

\$35,713 General Fund - This supplemental provides funding for the department to continue certificate of need operations in fiscal year 1987. Federal health planning funds were not reauthorized. The department has enough federal authority to carry the program through February. The health planning bureau provides the staff and technical support necessary for the department to administer the Montana certificate of need legislation which sunsets June 30, 1987.

DEPARTMENT OF LABOR AND INDUSTRY

Social Security Offset

\$20,702 General Fund - This supplemental is required to reimburse a private insurance company for costs they incurred in Young Motor Company v. Division of Worker's Compensation decided by the Montana Supreme Court. The decision enabled the claimant to be eligible for the Social Security Offset Program.

Workload Increases

\$313,064 and \$23,223 State Special - These supplementals are due to the serious backlog in workload for the State Insurance Fund in FY86. Additional FTE's to deal with the backlogs were authorized through a transfer from other programs within Labor and Industry. These positions were continued into Fy 87 to continue the effort of reducing the backlog of work.

Actuary Report

\$6,114 - State Special - This supplemental pays for a second opinion obtained from an actuary on the fiscal condition of the Worker's Comp fund.

Audit

\$60,536 - State Special - This supplemental provides funding for an independent audit of the Worker's Comp. Program by the Office of the Legislative Auditor.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Foster Care

\$1,727,008 General Fund, (\$107,922) Federal Special & \$378,377 Other Special (county) - Foster care benefits require a supplemental appropriation due to foster care and group home placements above the number estimated by the 1985 session. In addition, the number of placements by type of placement also changed between the last legislature and this session as differ-

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1-Pg 7

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ent foster care benefits have different funding mixes.

AFDC

\$2,378,109 General Fund, \$5,915,012 Federal Special & \$196,745 Other Special (county) - The most recent estimate of AFDC caseload for FY87 is 9,352. Budgeted caseload for FY87 is 8,083. This supplemental request provides funding for the anticipated caseload through the end of FY87. These costs are based on 8,464 regular cases @ \$321.50 per month and 888 UP cases @ \$422.00 per month.

Day Care

\$48,203 General Fund & \$94,563 Federal Special - The AFDC day care appropriation was reduced by the June special session. Increased AFDC caseloads are causing this benefit to be used more than anticipated.

General Assistance

\$2,905,006 General Fund - The state General Assistance Program will increase due to the district court ruling that SRS cannot limit any recipient's GA benefits to two months in any twelve month period. The amount was increased 1.5 million due to the inability to move unexpended funds from FY 86 to FY87.

Nonresident GA

\$150,000 General Fund - This supplemental is for nonresident general assistance. The cost is due almost entirely to the cost of one accident of a nonresident. The entire biennial appropriation for this program was \$60,000.

Medical Assistance Administration

\$2,500 General Fund & \$7,500 Federal Special - This supplemental request would fund preadmissions screening for psychiatric treatment at Rivendell Youth Treatment Center and expert witness testimony if adverse findings are appealed.

State Medical

\$2,547,951 General Fund - Claims for state medical assistance are higher than estimated during the 1985 Legislature. To date the number of claims paid is running much higher than a year ago. This program is 100% general fund.

Medicaid Youth

\$488,400 General Fund & \$1,011,600 Federal Special - Rivendell Youth Treatment Center is expected to receive medicaid certification retroactive to January 1st of this year. This supplemental funds the cost of those medicaid eligible youth at the facility.

Medicaid Other

\$7,045,153 General Fund & \$13,698,532 Federal Special - Supplemental appropriation is requested in the medicaid other program due to higher than anticipated AFDC caseloads and higher numbers of claims.

SENATE FINANCE AND CLAIMS

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DATE

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Consultec Claims

\$60,000 General Fund & (\$20,000) Federal Special - This supplemental provides funding to pay Consultec for processing claims. Because of increased claims in the state medical program, this additional amount is requested.

12 Mill Levy Deficiency

\$218,958 - General Fund - This supplemental is necessary to fund the shortfall anticipated in County mill levy funding. The amount is based on the revenue estimates formulated by the joint committee on revenue estimates.

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TRANSFER OF EDUCATION TRUST FUNDS

The House added section 5 which transfers \$35 million of Education Trust funds to the General Fund to pay for the cost of these supplementals and help balance the FY87 state budget. Any balance remaining in the general fund at fiscal year end will be transferred back to the Trust Fund.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

DATE 3-6-87

BILL NO. HB 434

PROPOSED AMENDMENT TO HB 434, THIRD READING

1. PAGE 7, LINES 3 and 4.

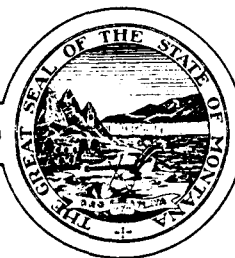
Following: "UNSPENT"

Strike: "AND UNENCUMBERED ON JUNE 30, 1987,"

Insert: "AFTER FISCAL YEAR END ADJUSTMENTS"



OFFICE OF THE GOVERNOR  
BUDGET AND PROGRAM PLANNING



TED SCHWINDEN, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

(406) 444-3616

HELENA, MONTANA 59620

Amendment to HB 434

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Line 2

Strike: Lines 2 through 5

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 3-6-87

BILL NO. 434

The intent of the section 5 (2) is to revert any monies not needed to balance the budget in FY87.

The section should be stricken to provide for a moderate cash balance in FY87 (\$6.98M). If the state has a zero cash balance on July 1st we will have to borrow to make the state payroll in July. A zero cash balance will make it more difficult to sell Tax and Revenue Anticipation Notes that are used to provide for cash flow and provide general fund revenue through increased interest earnings.