

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By Chairperson Connelly, on January 9, 1989,  
at 8:00 a.m.

#### ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Claudia Montagne, Secretary; Carroll South  
and Madalyn Quinlan, Legislative Fiscal Analyst's  
Office

Announcements/Discussion: There was discussion by the  
committee as to meeting time, and the decision, based  
on committee meeting conflicts and workload, was to  
meet at 8:00 a.m. This will insure an adjournment by  
10:00 a.m. in most cases. Tom O'Connell, Dept. of  
State Administration, Architecture and Engineering  
Division, announced that Curt Chisholm of the Dept. of  
Institutions requested to be placed later on the  
hearing schedule, towards the end of January. After  
some discussion relative to the level of Institutions'  
requests, this change in schedule was accepted by the  
committee.

#### LONG RANGE BUILDING PROGRAM

Tape 1:A:000

TOM O'CONNELL AND JIM WHALEY, Architecture and Engineering  
Division, Department of Administration (A&E), presented an  
overview of the State's Construction program. Mr. O'Connell  
indicated that their office had prioritized projects within  
the program and that he and Mr. Whaley would be supporting  
the program in general. They will be present at all  
meetings on the Capital Construction Program and will be  
available for questions. The plan before the committee is a  
six year plan, and projects scheduled for the next two  
bienniums have no cost estimates at this time.

REP. THOFT requested a breakdown of the sources of Fish,  
Wildlife & Parks monies.

The Long Range Building Program (LRBP) was initiated in 1965  
to provide one overall program for the construction and

maintenance of state buildings. Each biennium since that time, the Legislature has made an appropriation for a Capital Construction Long Range Building program. Funding for that generally comes from the cigarette tax or the Capital Projects Fund. In addition to that, there is State Special Revenue, Federal Special Revenue and auxiliary funds from the University system. In reality, the cigarette tax provides a small portion of the building program's expenditures. The Capital Projects Fund is composed of the cigarette and tobacco tax as well as the supervisory fees that Architecture and Engineering charges for any projects funded by monies other than cigarette tax, (1% of the cost of the project), and the interest earnings on cash reserves.

The cigarette tax (1:A:041) is currently \$.16 a pack, 79.75% of which goes into the debt service account, and 20.25 % goes into the Cash Account. The Cash Account is to be dealt with this year, because the proposed projects in the bonded program will be retired using State and Federal Special funds. (Fish, Wildlife and Parks Projects).

The book provided the committee, Capital Construction Program (EXHIBIT 2), lists projects submitted by each agency in prioritized order. Architecture and Engineering then evaluated and prioritized these projects for presentation to the Legislature, specifically the Long Range Planning Committee.

The total LRBP (1:A:061) is slightly over \$24,000,000. In comparison to past years, this is a decrease. This decrease in expenditure has been due to a decline in the cigarette tax, and the absence of a bonded program. The only way to fund new construction, Mr. O'Connell said, was with the bond program. He said that in FY 1984-85, the cigarette tax generated \$5,200,000, while the cigarette tax is estimated to generate \$4,000,000 in FY 90-91. At the same time, expenditure requests have increased from \$118,000,000 to \$185,000,000 this biennium. Because revenues are dropping, and due to the need to take care of existing buildings, the projects found in the program this biennium are for health and safety, repair and maintenance, and handicap access improvements. The only new projects will be FWP headquarters and hatchery improvements, and a prison housing unit.

The Capital Construction program's recommended projects (1:A:098) number 65 from all funding sources. Some of these will breakdown into smaller units, with Architecture and Engineering administering up to 200 projects at a time. The cost of these projects is \$4,100,000, a reduction in monies spent on the care and maintenance on state buildings. In 1977, the Long Range Building Program, through this

committee, funded state projects at \$16,300,000. To provide an equal dollar value today, it would require \$27,740,000.

One of the tools implemented by the Legislature in 1985 was the Major Maintenance Plan. It is required of each state agency to list maintenance projects completed and those projected for the future, so that the committee can see what has been done and what the needs are. Because of the limited funds, priorities are not set forth in both the Major Maintenance Plan and the Capital Construction Program. All projects have been prioritized in the Capital Construction Program book, agency by agency.

By law, A & E has to submit a balanced budget plan to the Legislature regardless of the amount of money to be expended. Mr. O'Connell prepared a revenue estimate from his division and from the Legislative Fiscal Analyst's Office. He stated that the \$24,500,000 program represents a balanced budget, he believed (EXHIBIT 1).

SEN. MANNING (1:A:165) asked for the amount that \$.01 of the \$.16 cigarette tax is worth in dollars and cents. Madalyn Quinlan and Tom O'Connell stated that the little over 20% goes into the Cash Account. Sen. Manning then asked what portion goes into the General Fund. Mr. O'Connell stated that the Debt Service Account takes nearly 80% of the \$11,000,000. There is also 11% of the Corporate License Tax, and 11% of the Income Tax that flows into the Debt Service Account. Whatever is not needed for the Debt Service Account reverts to the General Fund. So whenever a bonded project is proposed and funded, it will indirectly affect the General Fund. SEN. HIMSL (1:A:191) commented that those license and income tax amounts were backup funds. However, Mr. O'Connell indicated that in actuality, the cigarette tax alone is not sufficient and had to pull some monies from either the Corporate License Tax or the Income Tax to service the debt. Madalyn Quinlan stated that 10% of the individual income tax and 10% of the Corporate License tax go into the Debt Service Account together with the Cigarette Tax. Judy Waldron indicated that \$10,000,000 is needed to service debt, and that the Debt Service Account totals \$38,000,000. So there is a \$28,000,000 balance that then goes into the General Fund. But the cigarette tax alone could not cover the debt service. It is not designated which source of funding in the Debt Service Account comes first or is spent first.

Alternatives for funding capital improvements (1:A:243) were as follows:

1. Eliminate earmarked revenue source, cigarette tax and compete for general fund dollars;
2. Change in the percentage of the cigarette tax

that goes to the debt service account and to the cash account.

The first alternative was not considered viable, and the second was roadblocked by the fact that the cigarette tax portion that goes to the bonded programs was not, as it is now, able to cover the debt service account by itself.

To illustrate the problems of maintaining state buildings with dwindling revenues (1:A:282), Mr. O'Connell stated that if all of the \$4,100,000 were to go into repair and maintenance of facilities, this would represent 0.2% of the total value of the state's facilities (over a 1 billion dollar investment). This is equivalent to \$100 per year on a \$50,000 home.

REP. THOFT (1:A:305) asked regarding the beginning cash balance and the threat last session that it would be taken. He asked Mr. O'Connell to comment on why that could not be allowed to occur. Mr. O'Connell answered that the beginning cash balance is money that is unencumbered and is needed to operate and insure continuity of projects. Without this cash balance, the division would be operating on a monthly pay as you go basis, an impossible situation.

MR. O'CONNELL (1:A:336) then brought to the committee's attention the administration's revenue estimate, the LFA's revenue estimate, and the difference between them, which is in the amount predicted to be generated from the cigarette tax (EXHIBIT 1). The difference is in the amount of \$559,000. Both came from Revenue Estimating Committees. When the committee gets the bill, it will be predicated on the administration's, or the lower, estimate.

JIM WHALEY (1:A:372), Facility Planner for the Architecture and Engineering Division, presented and explained the two books, the Capital Construction Program and the Major Maintenance Plan (EXHIBITS 2 & 3). He said that there is a total of \$188,000,000 being requested, some of this being from other funding sources. The bulk of this, or \$150,000,000, is for the Capital Projects Fund. The Dept. of Fish, Wildlife and Parks and Dept. of Highways in particular have projects utilizing State Special Revenue (\$11,000,000); Dept. of Fish, Wildlife and Parks have requests utilizing Federal Special Revenue in the amount of \$5,000,000, and the Dept. of Military Affairs has \$8,000,000 worth of requests. On the other projects, agencies have the resources to collect either private funds or other funds. Most notably is the University System's proposed expenditure of \$11,000,000, \$10,000,000 of which is for a Life Science Building at UM, and \$650,000 of which is for a Centennial Mall at MSU. Private funds or federal funds are sought for the Life Science Building, and for the Centennial Mall, the

University Foundation is going to collect private funds.

Sections present prioritized lists agency by agency (1:A:429), as well as the A & E Division's prioritized lists of projects. These sections are exclusive of the Dept. of Institutions and the University System, which are listed separately. Agencies requests total approximately \$24,000,000 for the Capital Projects Fund, with another \$25,000,000 from other funding sources. The Dept. of Institutions is listed separately and the requests total \$7,000,000. The University System projects cover health and safety, major maintenance, renovations, and major construction. Their total is \$73,000,000 with \$60,000,000 coming from the Capital Projects Fund, and the remainder from other sources. There are also projects listed for the next two bienniums, since the Long Range Building Program is a six year program.

The Administration's priorities (1:A:546) are listed in order, with life and safety issues first (priorities #1-5), followed by roof replacement projects (priorities #6-9), handicap accessibility projects (priority #10), and general repair projects (priorities #11-18). The Administration's priorities (priorities #19 - 62) are those projects funded by other sources, usually State Special Revenues, and are listed according to agency priority, beginning with the Dept. of Agriculture.

Three projects funded by the sale of bonds (1:A:618) rather than cash are all within the Dept. of Fish, Wildlife and Parks. REP. THOFT asked the source of the monies to service these bonds. Mr. O'Connell stated that it is license money and federal matching monies. It has to remain within FWP. These are General Obligation bonds, but have to be retired by FWP revenues.

MR. WHALEY (1:B:051) continued with an overview of the Major Maintenance Plan (EXHIBIT 3) which contains maintenance projects completed within the last biennium and projected for the next two biennium. He stated that these have no funding source; therefore, these projects are contained in the Capital Construction Program.

Carroll South called attention to the fact that Pine Hills School and Mountain View School are no longer within the Dept. of Institutions, but are now in the Dept. of Family Services.

Mr. O'Connell said that Governor Stephens has indicated that, although the program and bill were developed under the Schwinden administration, the hearing process could proceed with his general support.

ADJOURNMENT

Adjournment At: 9:25 a.m.

  
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REP. CONNELLY, Chairperson

MEC/cm

0725.MIN

## Long Range Planning

DATE \_\_\_\_\_

1-9-89

\$ 1.00

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EXHIBIT 1  
 DATE 1-9-89  
 HB Long Range  
Public Works

REVENUE ESTIMATES  
 CAPITAL PROJECTS FUND  
 FY90 and FY91

	Administration	LFA	Difference
Estimated Beginning Cash Balance	\$ 813,445	\$ 813,445	-0-
Revenues			
Cigarette Tax	\$4,021,000	\$4,580,000	\$ 559,000
Interest Earnings	\$ 400,000	\$ 400,000	\$ -0-
Supervisory Fees	\$ 175,000	\$ 175,000	\$ -0-
Deferred Payments (EMC)	\$ 20,000	\$ 20,000	\$ -0-
Total Revenues	\$4,616,000	\$5,175,000	\$ 559,000
Funds Available in the 90-91 Biennium	\$5,429,445	\$5,988,445	\$ 559,000
Expenditures			
A&E Operating Expenses	<u>\$1,122,241</u>	<u>\$1,096,524</u>	<u>\$ 25,717</u>
Funds Available for Capital Projects	\$4,307,204	\$4,891,921	\$ 584,717

Proposed Capital Construction Program (CPF only) \$4,101,246  
 Balance of \$205,958 as per Administration Revenue Estimate  
 Balance of \$790,675 as per LFA Revenue Estimate

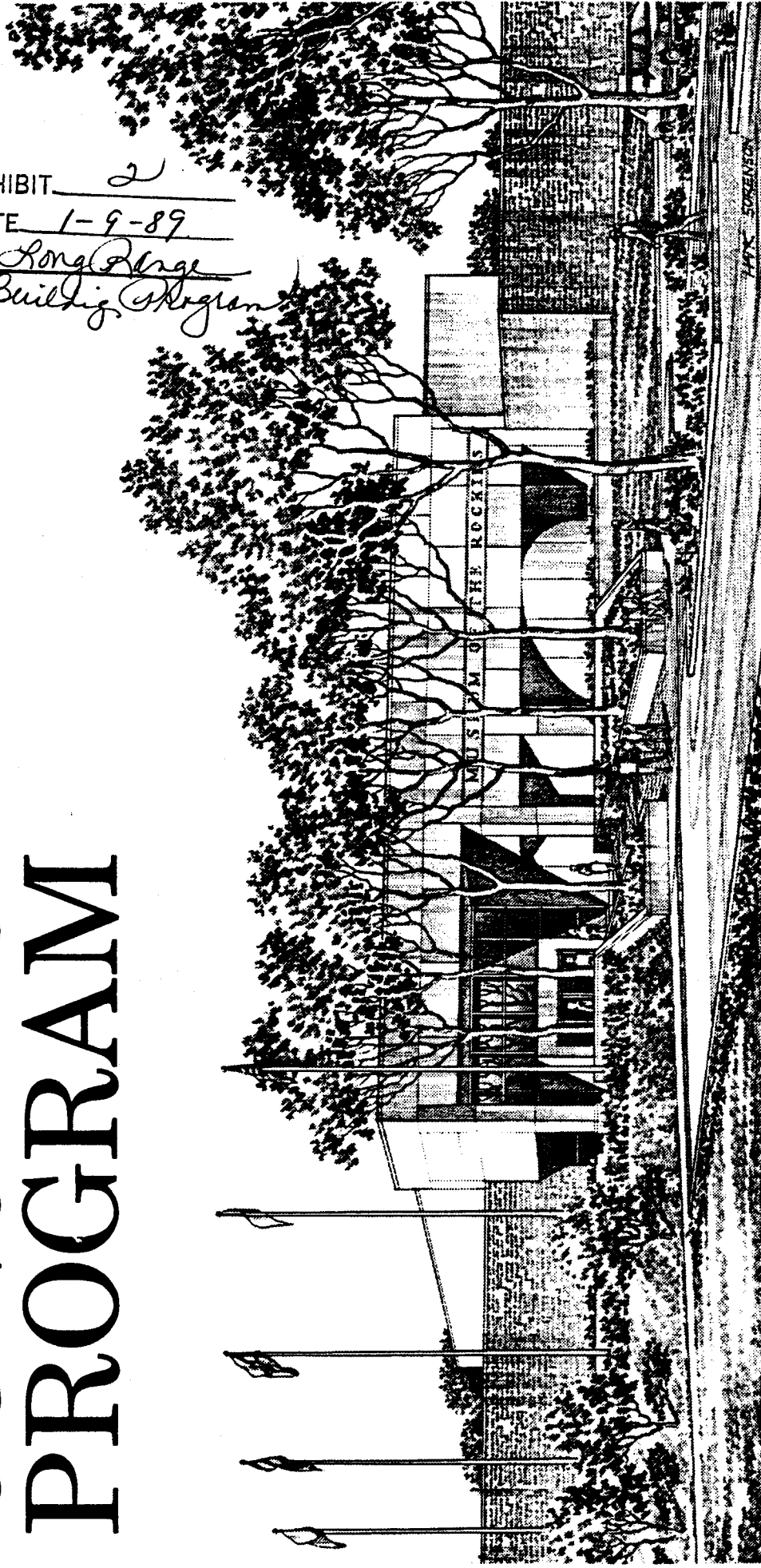


# CAPITAL CONSTRUCTION PROGRAM

EXHIBIT 2

DATE 1-9-89

HB. Long Range  
Building Program

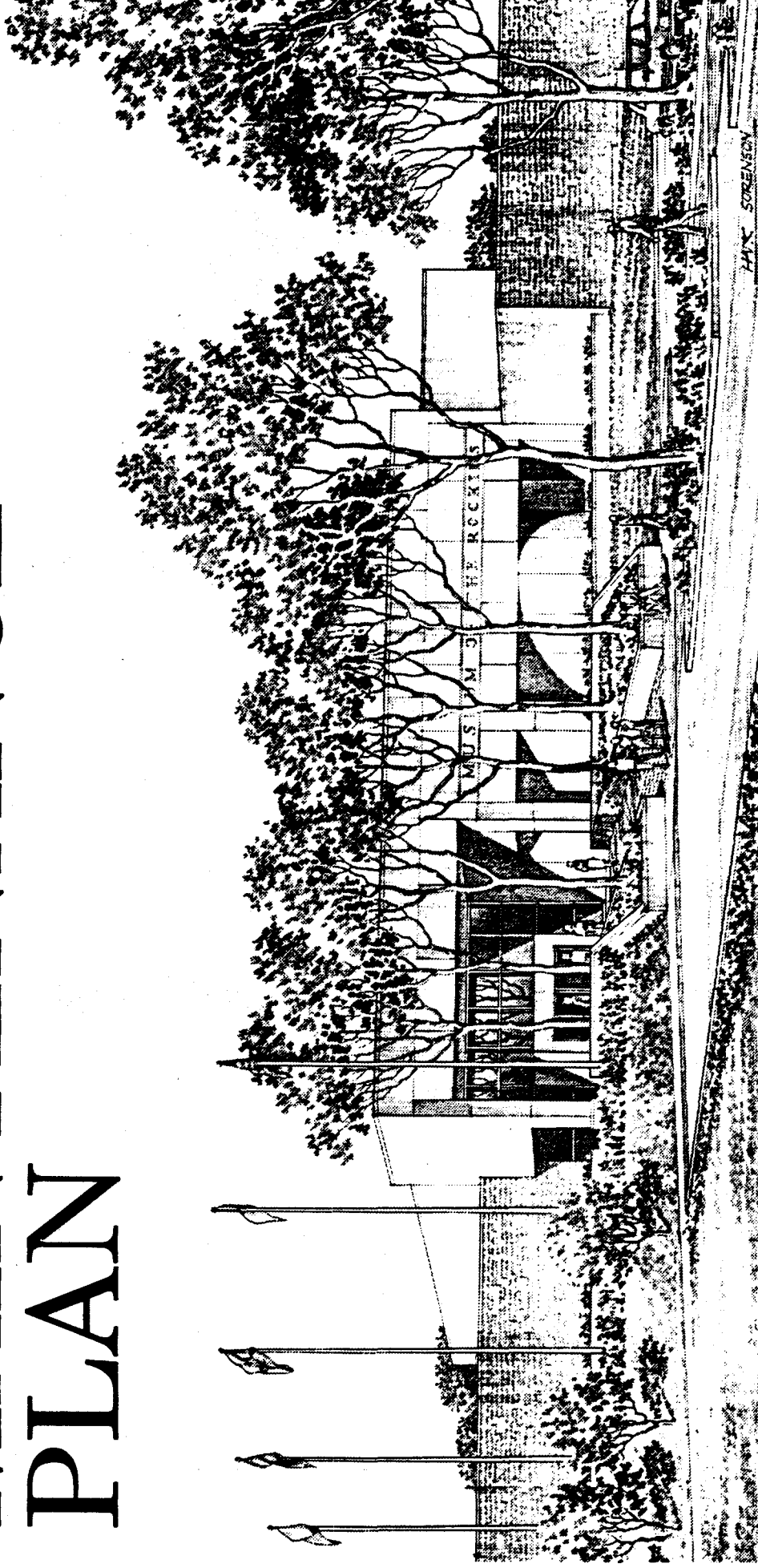


Museum of the Rockies

## state of montana 1990-1991

EXHIBIT 3  
DATE 1-9-89  
HB Long Range  
Bullis, Oregon

# MAJOR MAINTENANCE PLAN



Museum of the Rockies

state of montana 1990-1991