

## MINUTES

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

#### COMMITTEE ON APPROPRIATIONS

Call to Order: Chairman Bardanouve, on January 16, 1989, at 2:55 p.m.

#### ROLL CALL

Members Present: All members present except those listed below. Ex-Officio members, Speaker Vincent and Representative Harper were present.

Members Excused: none

Members Absent: Representatives Peterson, Menahan and Nisbet

Staff Present: Judy Rippingale, LFA

Announcements/Discussion: Representative Bardanouve said we would discuss de-earmarking, and said they had as yet no word from the Governor's office on his budget. He said he had received a note saying they did not have the figures ready.

#### HEARING ON DE-EARMARKING ACCOUNTS AND BUDGET

Representative Spaeth that he could understand Mr. Shackelford's problems, but the subcommittees needed the direction from the budget office and asked if perhaps we could get him to come down and answer some of the questions they had. Chairman Bardanouve said he had talked to Mr. Shackelford and had been told he did not have the answers yet, but would try to get them soon.

Speaker Vincent, asked if someone from the committee serving as a liaison could go down and see either Mr. Shackelford or the Governor and ask when we might expect the details. He said he believed they had been promised for today. Representative Bardanouve said we were to get the recommendations Wednesday and Mr. Shackelford said he wasn't quite ready, then on Friday he told us he would have it Monday, and I wasn't aware he would not be here until a few minutes ago when I picked up this note on my desk.

Representative Quilici asked if there was any way we could

pick a definite date as to when the gentleman could be down here. He said when the subcommittees asked for recommendations on issues such as the pay plan, they were told they were working under the executive budget, and were told it was the old executive budget. He said he felt they had to have some direction in the subcommittees for information on these issues, and would follow up the Speaker's recommendation to see if some questions could be answered without getting in detail on the budget. Representative Peck suggested a committee be sent to speak to the budget director.

Representative Bardanoue said he did not want to get into a big hassle over this, that he realized with a new administration they had a lot of problems to solve and is probably in a tight situation now. He said he did realize also that it put some of the subcommittees in a bind as to what to do. He said that while he did not want to make a big issue of it he also felt they would need some vital figures soon.

Motion: Representative Peck made a motion that a committee be appointed to go up and converse with Mr. Shackelford about a definite time and place when we can have a meeting that would be definitive, dealing with budget questions. Second by Rep. Spaeth, voted, PASSED unanimous of those present.

Representative Harper suggested to include in the questions to Mr. Shackelford that we are having a problem with fiscal notes, the flow of fiscal notes and the fulfillment of the statutory requirement that a fiscal note be done in 6 days. The crunch for the budget office comes during the fiscal note time, and I understand while there is a freeze on hiring, comp time and overtime. I would like to know how the Legislature can do it's job statutorily if we don't have the fiscal notes.

Representative Bardanoue appointed Representatives Quilici and Thoft to go talk to Mr. Shackelford.

Discussion was held on questions the committee felt most important to discuss today if possible, and to ask Mr. Shackelford about. They included, in addition to the fiscal notes, pay raise, etc., the recycle period for Appraisals, if the administration is or is not agreeable to the vacancy savings decision we passed in this committee, the inflation rate which was a 0 all except the 48 items and implementation of the state of the state proposals.

De-earmarking was discussed while the committee was gone.

Mrs. Rippingale said they had notified and sent letters to everyone involved. She said Karen Munro and Teresa Timm from the Dept. of Administration (D of A) were present.

List of Testifying Proponents

Kathy Fabiano, Central Services, Office Public Instruction

List of Testifying Opponents:

Randall Mosley, State Lands

Tanya Ask, State Auditor's office

Kathy Anderson, Independent Insurance Agencies of  
Montana

Doug Mitchell, Secretary of State's office

Peggy Haaglund, Montana Association of  
Conservation Districts

Ray Hoffman, Centralized Services, Public Health Dept.

Representative Cody, House District 20, Wolf Point

Testimony:

Randall Mosley (328) said the State Lands ask consideration in not transferring the fund balance in the State Foresters Nursery revenue fund into the general fund at the end of this year. He explained they sell tree seedlings to farmers and ranchers over the state. Funds generated are deposited in an ear-marked fund to help fund the general operation, to fund needed improvements. He said they have been planning since 1984 to gradually increase the balance in this account to pay for needed capital improvements to the nursery. He said projects to use these funds are presently before the Long Range Planning Committee. See EXHIBIT 2.

Tanya Ask said both the Insurance and Securities Dept. have ear-marked accounts set up for their funding mechanism. They are made up of regulatory fees charged to the industry for a specific purpose. See EXHIBIT 3.

Kathy Anderson (450) said the fees charged to the agents and to the companies go to regulating the insurance in the state of Montana. She said that about 40% was going back into the general fund and in 1987 HB 372 increased their fees that are collected from the Insurance Commissioner's office. She said their Association supported the fees for funding and for some of the fees to go toward an actuary and an in-field investigation team. These positions were cut out but the insurance

companies continue to pay the fees.

Peggy Haaglund said she would like to go on record as supporting the Dept. of State Lands policy of earmarking funds to make improvements on their facility in Missoula. See EXHIBIT 4.

Doug Mitchell said they would like to oppose the reclassification of their ear-marked funds. He said their office processes the Agricultural UCC filing fees in their UCC bureau and many are federally mandated programs in the farm bill.

Kathy Fabiano (591) said they had 2 accounting entities which the previous administration had felt was restricted, and the present administration felt could be better handled by de-earmarking and reclassifying it to the general fund. She said one was the School Law Publication account which had a fund balance at the end of '88 of \$32,758 and the Indirect Cost Pool with a balance of \$19,161 at the end of fiscal year '88. She said the balance to the general fund at year end is preferable to changing the funding sources from year to year. She explained what the different options available would do and said beginning with the year '90 if this was through the general fund the expenditures and revenues would be increased by an equal amount. She said this is the option they prefer and it is the option the D of A has recommended.

Ray Hoffman said they have 5 entities on this list and we have no problem in converting them to the general fund as long as the general fund authority is coming with it. He gave the example of Rabies vaccine with an ending fund balance of \$6,162. The appropriation the Department has requested is \$52,702. It is hard to determine how much we might buy within any one year. The vaccine currently is bought by the department and in turn provided to the individual that needs that type of service and they reimburse the dollar amount to the Dept.

Representative Cody said most of these funds are coming from fees people are paying for certain services. She felt that what she had heard was a good indication of what she was feeling. If those fees are being handled correctly and there is a balance in the funds, then she felt it was to the benefit of government and not something to be taken and thrown into the general fund and then everyone has to worry about approval of that general fund expenditure. She mentioned in the MAR, put out by the Administrative Code Committee, the

second account here was the Ag Lien filing fees, Mr. Bertelson had requested fees for filing notice of Agricultural Liens, and said it would be increased from \$7 to \$10, and the rules are being amended to make fees commensurate with cost. She then questioned the fund balance \$162,893. She felt if the program was doing so well, there is a balance, and they are asking for an increase of \$3, why? She said she felt this was wrong, that she felt the people were being taxed indiscriminately for that particular service.

### Discussion

Chairman Bardanouve asked for a clarification of general fund authority. Mr. Hoffman said if he were correct, this says these accounts be de-earmarked and reclassified as general fund. He asked if the subcommittee would put in the authority the agency would need to fund the program. Chairman Bardanouve said yes, all the funds would be appropriated by the subcommittee after the case was presented to them.

Representative Bardanouve said often it depended upon which position you were in as to your outlook. He said this was proposed by the D of A and realized the more earmarked funds we have the less control the Legislature has over the spending. He said we as a Finance Committee favor adopting the recommendation of the D of A, and will try to meet your concerns as soon as possible.

### Report of Committee from Governor's Office: (933)

Representative Quilici said they had talked with Mr. Shackelford who had been in a meeting but came up to talk to them. He said Mr. Shackelford will not come before the committee today, mainly because he does not have the answers for the committee. He said they had asked him various questions that had been mentioned in committee and was meeting with the Governor this afternoon and would come up with the answers that were asked, but that he did not have them as yet. Representative Thoft concurred with the report.

Representative Marks said he had a question in regard to the de-earmarking. He said a couple of the people who said they were concerned about the fund balances being put in the general fund, some indicated this was a reserve for operation. We publish the codes in the Legislative Council, we have cut the balance out and transferred that to the general fund. We took it down to a level where we felt there was operating reserves in it, and

he wondered if the people with those concerns would feel more comfortable if the amount was only taken down to a minimum operating draw versus taking it all.

Mrs. Rippingale said these accounts before you, the point you are discussing is not the fund balance, the reason for the discussion is that these will no longer be earmarked and the revenue will go into general fund and the expense will be appropriated as general fund.

Representative Peck said that because the fund shows a balance it does not mean that the fund is paying all the expense of the operation either. There may be state employees that handle what really produces the fund and we can track them in the general fund, Mrs. Rippingale said there would not be separate accounting entities. They do have separate revenue codes so that this can be tracked compared to the expense.

In answer to Representative Cody's question on the OPI accounts not being on the list, Mrs. Rippingale said the new Superintendent does not oppose having these accounts de-earmarked. In answer to Rep. Cody's question on the 6 accounts she was told the 6 with the asterisk are in a Senate bill to de-earmark them if it passes.

Representative Bradley asked if it would be an appropriate line of action if each subcommittee dealing with the specific items put them on the agenda to be taken up in the subcommittee and the determination to de-earmark them or not be done in the subcommittee.

Chairman Bardanouve (320) said if agreeable we will assign the accounts to the subcommittees and they will make the recommendations to the Appropriations Committee accordingly.

#### ADJOURNMENT

Adjournment At: 3:50 p.m.

  
REP. FRANCIS BARDANOUVE, Chairman

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# DAILY ROLL CALL

HOUSE APPROPRIATIONS

COMMITTEE

51st LEGISLATIVE SESSION + 1989

Date 1/16/89

NAME	PRESENT	ABSENT	EXCUSED
REPRESENTATIVE BARDANOUVE	✓		
REPRESENTATIVE SPAETH	✓		
REPRESENTATIVE PECK	✓		
REPRESENTATIVE IVERSON	✓		
REPRESENTATIVE SWIFT	✓		
REPRESENTATIVE QUILICI	✓		
REPRESENTATIVE BRADLEY	✓		
REPRESENTATIVE PETERSON		✓	
REPRESENTATIVE MARKS	✓		
REPRESENTATIVE CONNELLY	✓		
REPRESENTATIVE MENAHAN		✓	
REPRESENTATIVE THOFT	✓		
REPRESENTATIVE KADAS	✓		
REPRESENTATIVE SWYSGOOD	✓		
REPRESENTATIVE KIMBERLEY	✓		
REPRESENTATIVE NISBET		✓	
REPRESENTATIVE COBB	✓		
REPRESENTATIVE GRINDE	✓		
REPRESENTATIVE CODY	✓		
REPRESENTATIVE GRADY			



# LEGISLATIVE FINANCE COMMITTEE

The following is a list of accounting entities whose fund balances will be transferred to the general fund on June 30, 1989 in accordance with Section 17-2-111, MCA. The committee recommends that these accounting entities be de-earmarked and reclassified as general fund.

DATE 7/16/89  
HB Approved

A/E	Account Title	Agency Number	Agency	FY88 Fund Balance
02093	Westlaw	2110	Judiciary	\$ 5,667
02464*	Ag Lien Filing Fees	3201	Secretary of State	162,893
02047	Copying Fees	3202	Comm. of Political Pract.	519
02044*	Securities Regulatory Acct.	3401	State Auditor's Office	244,836
02060*	Insurance Regulatory Acct.	3401	State Auditor's Office	240,108
02401*	Police/Fire Retirement Fund	3401	State Auditor's Office	103,790
02119	Crime Control Fees	4107	Board of Crime Control	37
02013	Law Enforcement Academy	4110	Department of Justice	16,719
02014	Justice Insurance Clearing Acct.	4110	Department of Justice	-0-
02804	Escheated Estates	4110	Department of Justice	-0-
03141	I.D. Special Services	4110	Department of Justice	7,324
03944	Motor Veh. Prop. Tax Conversion	4110	Department of Justice	14,420
03014	Athletic Program	5113	School for Deaf & Blind	-0-
02059	EMT Certification	5301	Department of Health	(711)
02418*	Subdivision Plat Review	5301	Department of Health	51,289
02847	Insurance Proceeds	5301	Department of Health	56,941
03028	Legal Services	5301	Department of Health	3,361
03817	Rabies Vaccine	5301	Department of Health	6,162
02031	Foresters Nursery	5501	Dept. of State Lands	88,043
02438	Floodway Obstruction Removal	5706	Dept. of Natural Resources	400
03036	Centralized Services	5706	Dept. of Natural Resources	5,344
02441*	Cigarette Enforcement	5801	Department of Revenue	6,277
03902	Vehicle Assessment	5801	Department of Revenue	4,059
02035	MDC Donated Fnds-Prevoc. Ctr.	6402	MT Developmental Center	-0-
02846	MDC Canteen	6402	MT Developmental Center	-0-
02914	OFA-Canteen	6404	Center for the Aged	11,844
02917	MSP Canteen	6409	Montana State Prison	51,655
02918	SRYFC-Canteen	6410	Swan River Youth For. Camp	4,471
02919	SRYFC-Clothing Account	6410	Swan River Youth For. Camp	37,168
02920	Veteran's Home-Canteen	6411	Montana Veterans' Home	326
03113	Third Party Reimb-MVN	6411	Montana Veterans' Home	109,573
03932	Vet's Home Interest & Income	6411	Montana Veterans' Home	218
02921	MHS-Canteen	6412	Montana State Hospital	59,247
03933	MSH-Interest & Income	6412	Montana State Hospital	-0-
02028	Prop Occup Admin Services	6501	Department of Commerce	-0-
02079	Fireworks Wholesalers	6501	Department of Commerce	520
02101	GA Training	6602	Dept. of Labor & Industry	-0-
02915	MUS-Canteen	6911	Dept. of Family Services	737
02916	PHS-Canteen	6911	Dept. of Family Services	3,336
03931	PHS-Interest & Income	6911	Dept. of Family Services	63,967
Total				\$1,360,540=

\*6 A/E's are statutorily established, although fund balances are unrestricted. Legislation has been introduced to remove earmarking requirements.

EXHIBIT 2/16/87  
DATE Appropriation

TESTIMONY ON TRANSFER OF UNOBLIGATED BALANCE  
IN NURSERY FUND TO GENERAL FUND

The Department of State Lands requests the committee's consideration in not transferring the fund balance in the State Forester Tree Nursery's earmarked revenue fund to the general fund.

The Department operates a tree nursery to provide tree seedlings for wind-breaks, shelterbelts, conservation plantings and reforestation. These tree seedlings are sold mainly to farmers and ranchers and have had a tremendous impact over the years in reducing wind erosion. Funds generated from the sale of nursery trees are deposited in an earmarked revenue account to help fund general operations of the nursery and fund needed improvements.

Accounting Entity	FY 88 Ending Fund Balance
02031-Foresters nursery	\$ 88,043

The department has been planning since 1984 to gradually increase the cash in this account until such time as the balance would enable needed capital improvements to the tree nursery. The following priority projects to use these earmarked funds are now before the Long-Range Building Committee; nursery shop building, \$101,000, nursery storage building, \$22,000, and the nursery freezer-cooler unit, \$24,000.

The spending authority for these Long Range Building Projects is from the Nursery earmarked revenue account. The current fund balance, projected to be \$118,000 at FY 89 year end, plus anticipated revenues over the next biennium provides the funding source for the nursery building projects. Any transfer of these fund balances at the FY 89 year end will remove the funds to construct these sorely needed nursery improvements. The Department believes this funding source is the best alternative to finance necessary nursery long range building and capital improvements, since, as you are well aware, both the general fund and long range building monies are very tight.

The Department requests that you consider the nursery earmarked account as necessary to fund obligations for upcoming nursery improvements and not transfer the existing fund balance at FY 89 year end.

EXHIBIT 3  
DATE 1/16/89  
~~Appropriation~~

Testimony  
House Appropriations Committee  
January 16, 1989  
Submitted by Tanya Ask  
State Auditor's Office

### Insurance and Securities Regulatory Accounts

The State Auditor's Office, which encompasses the Montana Insurance and Securities Departments, objects to the reclassification of Insurance and Securities Departments as general fund agencies. Regulatory fees, which make up the regulatory accounts, are fees charged an industry for the specific purpose of regulating that industry. Neither the insurance nor the securities industry has ever received the amount of regulation for which the state of Montana has charged it. The annual reversion to the general fund reflects that overcharge.

The securities and insurance accounts are statutory, providing the entire funding for the securities and insurance departments. They should not be treated in the same fashion as miscellaneous accounts set up by agencies to handle receipts annually reverting to the general fund.

We will oppose Senate Bill 78, which attempts to abolish the statutory insurance and securities accounts. We will support a measure by Rep. Jerry Driscoll to establish the insurance and securities regulatory trust accounts as permanent revolving accounts.

INS 512-1

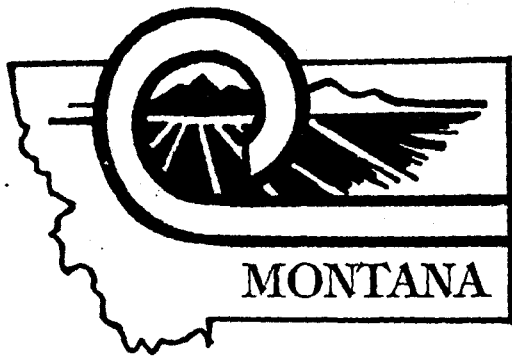


EXHIBIT 4  
DATE 1/16/89  
HB Appropriations

MONTANA

Association of Conservation Districts

1 South Montana  
Helena, MT 59601

443-5711

TESTIMONY ON TRANSFER OF UNOBLIGATED BALANCE IN DSL NURSERY FUND TO  
GENERAL FUND

January 16, 1989

*Mr. Chairman*  
~~Honorable Chairman~~ and Members of the Committee:

For the record, my name is Peggy Haaglund and I am executive vice president of the Montana Association of Conservation Districts.

I want to go on record of supporting the DSL policy of earmarking the nursery fund balance for nursery improvement projects and their request to keep the money in that fund and not have it transferred to the general fund.

The program of the nursery in Missoula is to be complimented for the fine service they perform for Montana. Montanans actively use this program for windbreaks, shelterbelts, conservation plantings and reforestation. The demand for trees and shrubs will continue to grow with the enactment of Federal and State conservation programs.

It is the opinion of the conservation districts that this facility is definitely a necessary ~~facility~~. It is ~~also~~ necessary, if the program is to continue to grow as demand increases, to repair old buildings and construct new buildings in order to continue offering trees and shrubs for use.

It is a good policy for a unit of government to be able to depend on earmarked fund balances for capital improvement projects. We also think it is good policy to allow this type of fund because often if they lose that money, it becomes the policy of, "either spend it or lose it," and we have all been through that thinking era before and found that it cost government a lot of money. If an agency is able to earmark funds, it is my opinion those funds are usually very well managed.

I encourage you to not transfer these funds to the general fund and allow the DSL Nursery in Missoula to perform the improvements they have been planning.

Thank you.

*Peggy Haaglund*