

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON INSTITUTIONS

Call to Order: By Rep. William Menahan, on February 13, 1989, at 8:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Taryn Purdy, Associate Fiscal Analyst

Announcements/Discussion: HEARING - MONTANA STATE PRISON

Curt Chisholm, Director, Dept. of Institutions explained the budget needs for the Montana State Prison and the five industry areas: ranch and dairy, license plate factory, industries training, industries revolving and prison canteen. Spending authority is appropriated by each session of the legislature to allow these five programs to operate. Mr. Chisholm introduced Jack McCormick, Warden, Bill Wells, Business manager for Montana State Prison, Ron Paige, ranch and dairy manager, Johnal Holst, Manager of the formal industries program, David Watkins, in charge of pre-vocational training, and Ross Swanson, Business Manager for all these programs.

Mr. Chisholm stated that upon adjournment today the full appropriations committee is going to be dealing with supplementals. In discussing the medical budget dilemma where they are projecting to be in arrears by about \$48,600, they have agreed with the committee that it is best not to deal with language to take money out of the unspent worker's comp money. It would probably be clearer to recommend an up front appropriation to cover that deficit.

TAPE 1A 67

Dan Russell, Administrator, Corrections Division, stated that in an earlier meeting he provided the committee with all the programs in the corrections division, and the Montana State Prison is a major component of that. The major problem there is overcrowding. The program was designed for 754 inmates and the high has been over 1050, so they are double bunking everything they can in that facility. Mr. Chisholm, in introducing Ron Paige, explained a new ranch advisory committee that consists of some legislators, including Rep. Bardanouve, assists the ranch with the daily operations.

Mr. Paige explained the prison ranch, which is a self-supporting revolving fund operation. It comprises nearly 40,000 acres, with 2500 acres irrigated where they grow grain, alfalfa hay, grass hay and irrigated pasture. They calved over 1300 cows and carried some of them over as yearlings. The dairy milks from 210 to 240 cows and pasteurize, homogenize and package milk, make ice cream, cottage cheese and yogurt which are delivered to all the institutions in the state as far east as Lewistown. Besides providing these dairy products to the institutions at somewhat reduced cost another primary function is to provide work and training to the inmates. The average crew would be 45 to 50. They try to balance these purposes with the objective to run the ranch as a business and make a profit so their budget requests are designed as to what they think they need to operate most productively and most profitably.

Sen. Aklestad asked Mr. Paige what the gross and net were last year. They gross about \$1.5 million and net about \$320,000. Sen. Aklestad asked where those net funds go and was advised they are in the revolving fund in the state Treasury. The revolving fund in that program accumulates from year to year. They then ask for their appropriation level and the money is used to pay for asset replacements and any projects they have requested to their appropriation, and for cash flow problems. There is a little over \$1,000,000 in the fund now.

TAPE 1A 180

Sen. Bengtson noticed there was a lot of difference between the executive recommendation and the LFA for equipment and asked if they spend out of their cash balance. She asked about ear-marking funds and wondered if this was different than other accounts. Taryn Purdy explained this is a proprietary as opposed to a state special revenue. Proprietary accounts were not addressed by the Dept. of Administration as far as fund balances. Therefore, this fund balance would not automatically revert. Mr. Russell stated there is a statute or provision that indicates that profits from the sale of goods and services go back into the operations program, so the money is to be used for the continued operation. The agency comes in every biennium just for spending authority. They have had some serious problems with their dams and engineers will have to be hired. Also additional staff housing is needed. They will be asking for spending authority which doesn't entail any money from general fund.

To answer a question from Sen. Bengtson about the acquisition of all the land, Mr. Chisholm stated the state acquired some initial land and some is school trust land, but the total acreage becomes the responsibility of Montana State Prison. There are civilian supervisors who are hired to supervise the inmates and there is some land leased.

Rep. Grady asked about the high profit rate and wondered if the cost of labor would be responsible for that. The inmates

are paid from \$3.00 to \$3.50 per day which gives them money for canteen and personal needs. There are four ranch supervisors and four dairy supervisors. All the costs are paid out of the revolving fund. Sen. Bengtson asked if the supervisors are the 12.5 FTEs and are they on the state pay matrix. Mr. Paige assured her they were.

Rep. Peterson mentioned the elk herd on the prison land and the problems it entails for the neighbors. Mr. Paige said it is a problem but there is not much they can do.

TAPE 1A 251

Jonhal Holst, manager for the Industries Program and license plate program, explained his operation and answered questions from the committee. This program includes print shop, sign shop furniture manufacturing, furniture refinishing, logging operations and license plate facility. All of those operations with the exception of the license plate facility are on the revolving account basis. They provide work opportunities and on the job training for inmates in all those areas. The main markets are state agencies, city-county governments, and non-profit organizations. They can sell the new furniture to state agencies in compliance with State Purchasing requirements and all the sales go through the contracted businesses. The inmates who work in the shops are paid a percentage of the production. Base pay rates start at \$.30 to \$.50 an hour and is pro-rated on how much they produce.

The print shop is employing from 3 to 6 inmates and provides print service mainly to the Dept. of Institutions for forms, reports, letters and paper. The sign shop employs 3 to 5 inmates and produces signs for Dept. of Fish, Wildlife and Parks, converting from standard wood size to aluminum size. They also produce signs for city-county government such as street signs.

They do logging on the prison ranch and at times make playground equipment and use rough cut lumber where needed. That operation employs from 8 to 14 inmates.

The Upholstery shop produces new office equipment, such as executive chairs and secretary chairs. They also do re-upholstery work for state institutions and the state agencies. They also do refinishing work. This shop employs 5 to 8 inmates.

The furniture shop manufactures a complete line of oak office furnishings, including desks, file cabinets, conference tables and custom furniture. They do furniture restoration and refinish both wood and metal furnishings. That shop is employing inmates. The license plate facility is not a revolving account operation. The funding comes through the Dept. of Justice. They produce approximately 500,000 plates a year in varying kinds and sizes and employ from 14 to 16 inmates.

TAPE 1A 398

Rep. Menahan asked who the dealerships are and how they are chosen. They had two days of meetings a year ago and met with several businesses in the state and sent out letters to major communities soliciting their assistance establishing criteria to utilize in their selecting dealerships. There were 20 to 30 businesses in attendance. Out of that developed the criteria that everyone thought was fair for that dealership selection process. They ended up with three businesses having dealerships in Great Falls, Helena, Bozeman and Billings. They are looking at expansion. The dealerships can mark up anything they want as the prison sells at their wholesale cost. Sen. Bengtson asked about the argument that arose when they started competing with the private sector. Mr. Russell stated they had the authority to sell directly to all state agencies and all department institutions. Two sessions ago the furniture dealers came in and said they did not think they should have that exclusive where they could sell directly to the state, but what they suggested was they would bid against them. They said what they would like to see is to sell on the open market through the Prison and make a profit. What they are doing now is a public/private partnership having worked it out together, and they have very few concerns about it.

Sen. Aklestad asked how they establish their cost and Mr. Russell stated they work up a labor and overhead rate based on actual operating costs and take the current material price into consideration, marketing costs etc. to establish a wholesale price. Wholesale prices generally are what they use for State agency and dealerships. They now have a revolving account set up and about \$130,000 in it right now to help maintain their cash flow. The agreement set up with the wholesalers is statutory and they have entered into contract with them.

TAPE 1A 602

Sen. Harding asked if they make highway signs for the state and Mr. Russell stated they cannot because of federal money used in highways and they specifically state no prison articles can be used.

David Watkins, manager, stated the industries training program takes into account the training the inmates receive while they are in prison and upon completion of that training receive a certificate for job hiring requirements once they are out. Employers ask for employment records, achievement, length of service, a personal portfolio and housing record.

Tape 1B 158

They also provide pre-vocational training to the inmates and cover business skills, auto mechanics, heavy equipment mechanics, farm equipment, welding machine shops and horticulture. Each one of these training components has a production end too. They sell service to other managers within

the prison itself. They have a metal clad shop and have a contract with a travel promotion in Helena to take data entry mailing lists for the state. They have a career service to provide new direction for the inmates in career choices. They provide a short course to help them prepare to take the driver's license test.

Bill Wells, business manager, addressed the canteen program. Basically the canteen is the only facility whereby inmates can obtain some general items such as tobacco, coffee, pop, candy and toiletries. They utilize money they have received either in the form of inmate pay or have received from home or from working on fires etc. The prison has just recently changed policy on ordering televisions. For a number of years they bought the TVs as a separate item themselves from outside vendors. Then they changed the policy and are selling them through the canteen. They set specifications on the type of TVs or stereos that are available. Sen. Harding asked about the markup and Mr. Wells stated they take their cost and mark it up 8%. The intent of the canteen is not to make money but is to provide to the inmates some products. There are two individuals paid by the general fund and administrators of that program have responsibilities to the prison in general to make sure the operation is running effectively.

Ms. Purdy briefly went over the budget issues and referred to D-35, prison ranch and dairy; personal services decreased slightly which is primarily due to a reduction in the worker's compensation experience modification factor. There was a vacancy savings originally applied in both the executive and LFA budgets, 4% and 2% respectively. Operating expenses increased in the price of corn and solid feed costs and in utilities costs of the new administration building addition. Equipment is included at the average of actual fiscal 1986, 1987, and 1988 level. The primary issue here is does the committee wish to add authority for certain contingencies.

TAPE 1B 348

Under license plate factory operating expenses do rise slightly due to shipping boxes and fire suppression services, but primarily it is an increase in aluminum, scotchlite and other materials necessary for the manufacture of license plates. There is an increase from fiscal 1990 to fiscal 1991 which is due to the utilization of inventory stockpiles. This program is once again completely funded by the Dept. of Justice. Ms. Purdy explained to Rep. Grady that new bills in the hopper that might affect any of this are not reflected in the budget issues here.

The next budget is prison industries and there is a substantial increase in operating expenses. This is due to the projected increase in sales level and therefore an increase in the resulting raw materials. Under prison canteen there will be a slight increase but what it does is increase appropriated fiscal 1989 expenditures by 4.5% each year. The issue here is to

whether or not an anticipated increase in population would be reflected in the canteen sales and whether or not actual increases in sales which are estimated at about 24% will be placed in the canteen. Revenue is generated from the sale of items.

TAPE 1B 400

Prison Industries training - there has been an increase here primarily due to an increase in anticipated purchases of parts in the motor vehicle maintenance program. Industries training is reimbursed for the cost of the parts by the party receiving the work. Contracted services for the horticulturist were removed from the current level as requested. The primary issues here are whether or not the legislature will fund an increase in garden size or an increase in the number of students taking place in the training. The second major issue is what level of general fund support will be provided to this program. There is a difference between the executive and the LFA in that the executive includes general fund at approximately 38% of the total cost for this program, while LFA includes general fund at 38 percent of total costs, factoring out the increase in the cost of parts.

Mary LaFond, OBPP, stated that in the ranch and dairy they have asked for overtime for supervisors that was not recommended and asked for some additional equipment other than what was in long range building. The budget office supports those increases. They are asking for the authority to spend that additional money. In the license plate program they have taken issue with the \$1.00 a pound aluminum that the budget office had recommended. OBPP agrees that the price is nowhere near \$1.00 a pound. The agency stated they would have to have \$1.70 a pound. Also she would like to suggest they could boiler-plate these additions of \$5,000 in 1990 and \$15,000 in 1991 for repair and maintenance in the event of major equipment breakdown. If they don't need the repair and maintenance to keep their operation that would revert back and if they do need it they will have the additional money to put into their old equipment. There is a modification in care and custody for correctional officers and the average daily population is at 1040 in 1990 and 1077 in 1991 which is below what they are experiencing now so they will have to change that modification.

Jack McCormick, Warden, addressed a couple of issues. The civilian employees for the ranch are putting in long hours and have averaged during the last fiscal year between 1100 and 1500 extra hours above and beyond the 2,088 hours they are working. They decided to pay up to 300 hours for overtime work as they could not pay the exact hours. In the last year they compensated those supervisors for approximately 150 hours. They would like to have this situation recognized and they feel there is an issue of fairness with their supervisors.

TAPE 1B 570

He referred to repair and maintenance in the tag plant and they are operating with very old equipment there. They did not spend the money designated for the replacement cost and this machinery has been going for two shifts per day. The agency requested in fiscal 1990 \$21,400 and fiscal 1991 31,400. They have made requests similar to this in the last two legislative sessions. Now they follow preventive maintenance with that equipment and as major breakdowns occur they try to deal with it.

Mr. McCormick addressed one other question in the canteen program and there is a substantial difference between the two recommendations. They requested a supplemental to allow them to increase the amount of money they spend on that program. They would hate to tell the inmates they have to shut down the program. He believes the increase of 24.4% is the correct figure on growth.

Mr. McCormick answered a question from Rep. Menahan concerning the staff pay and how they feel. He said they are disappointed and expressing dissatisfaction, especially from the union employees. The employees are on the state pay plan but receive compensations for overtime but the ranch supervisors do not receive the comp time. They could never collect the additional pay.

TAPE 2A 40

Ms. LaFond stated the committee would have to give the agency authority for \$135,000 for additional housing and a sprinkler system for \$200,000 if this goes through. They have 6 dams but this one needs attention right away at a cost of \$110,000 for inspecting and fixing.

Mr. Wells stated the dam has to be brought up to the engineer's specifications before a permit can be obtained from the Dept. of Natural Resources to operate the dam. This is the \$110,000 amount.

Ms. LaFond also stated that the executive had allowed \$5,000 for legal fees in water rights. They agreed to add the additional \$5,000 in that area for a total of \$10,000. Discussion followed and the agency answered questions concerning these legal fees.

ADJOURNMENT

Adjournment At: 10:00 a.m.


REP. WILLIAM MENAHAN, Chairman

WM/ms

3724.min



MONTANA STATE LIBRARY

TED SCHWINDEN, GOVERNOR

1515 E. 6TH AVENUE

STATE OF MONTANA

(406) 444-3115

HELENA, MONTANA 59620

February 13, 1989

Senator Gary Aklestad
Montana State Legislature
State Capitol
Helena, MT 59620

Dear Senator Aklestad:

This letter is in response to the question which you asked last week during our budget hearing before the Institutions and Cultural Education Subcommittee. Your question was about why the coal severance tax payments for library federations and for networking have fallen as they have over the last several years. Following is the information which we have deciphered concerning this issue:

- (1) The 12% take-out for the highway reconstruction trust fund has had a significant impact on these funds. These payments were at the rate of 6% of the coal severance tax collections from July 1, 1986 through June 30, 1987, and thereafter were 12%.
- (2) The percentage of the coal severance tax itself is now at the 30% rate on most coal (i.e., over 7,000 BTU). My understanding is that in 1989 and 1990 the rate will drop to 25%. In 1991 it will drop to 20% and after 1991 it will drop to 15%. Production of coal, except for last year when the quota of 33 million tons was exceeded by 6.2 million tons, has remained fairly constant. At the same time the price of approximately \$10 in 1983-84 has now dropped to \$7.50 per ton.

All of these factors together have meant that the actual percentage of coal severance tax funds available to libraries has

Senator Gary Akelstad
February 13, 1989
Page 2

been reduced. In 1985, for example, the percentage available was .5%. In the 1987 biennium this shrank to .44% and for the 1989 biennium it will be .38%.

I hope this information will be useful. Attached is a copy of actual and estimated coal severance tax fund distribution to libraries which may be helpful to you. Please let us know if we can be of further help.

Sincerely,

A handwritten signature in cursive script that reads "Richard Miller".

Richard Miller
State Librarian

Enclosure

RM/jb

cc: William (Red) Menahan

MONTANA STATE LIBRARY

STAN STEPHENS, GOVERNOR

1515 E. 6TH AVENUE

STATE OF MONTANA

(406) 444-3115

HELENA, MONTANA 59620

COAL SEVERANCE TAX DISTRIBUTION

FY 88 - ACTUAL

| | |
|--------------------------|----------------|
| STATE LIBRARY OPERATIONS | \$ 69,084 |
| GRANTS TO FEDERATIONS | <u>229,916</u> |
| | \$299,000 |

FY 89 - ESTIMATED

| | |
|--------------------------|----------------|
| STATE LIBRARY OPERATIONS | \$ 69,084 |
| GRANTS TO FEDERATIONS | <u>152,916</u> |
| | \$222,000 |

FY 90 - AS PER OBPP ESTIMATES

| | |
|--------------------------|----------------|
| STATE LIBRARY OPERATIONS | \$ 69,084 |
| GRANTS TO FEDERATIONS | <u>129,916</u> |
| | \$199,000 |

FY 91 - AS PER OBPP ESTIMATES

| | |
|--------------------------|---------------|
| STATE LIBRARY OPERATIONS | \$ 69,084 |
| GRANTS TO FEDERATIONS | <u>98,916</u> |
| | \$168,000 |

| | |
|--|-----------|
| DECREASE IN GRANT FUNDING FY 88 to FY 91 | \$131,000 |
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MSL/JW
02/89

VISITOR'S REGISTER

SUBCOMMITTEE _____

AGENCY(S) _____

DATE 2-13-89

DEPARTMENT _____

| NAME | REPRESENTING | SUP- PORT | OP- POSE |
|----------------|------------------|--------------|-------------|
| Bill Thompson | MT. STATE PRISON | | |
| JACK MCCORMICK | MSP | | |
| DAVID WATKINS | MSP | | |
| JOHNAL HOLST | MSP INDUSTRIES | | |
| Bill Wells | MSP | | |
| Ron Paige | MSP Ranch | | |
| ROSS SWANSON | II INDUSTRIES | | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.