

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON SELECT BUDGET/REVENUE

Call to Order: By Rep. Ed Grady, on January 13, 1993, at 4:10 P.M.

ROLL CALL

Members Present:

Rep. Ed Grady, Chair (R)
Rep. Jerry Driscoll, Vice Chair (D)
Rep. Mike Foster (R)
Rep. Bob Gilbert (R)
Rep. Bea McCarthy (D)
Rep. Mary Lou Peterson (R)
Rep. Joe Quilici (D)

Staff Present: Teresa Cohea, Legislative Fiscal Analyst
Mary Lou Schmitz, Committee Secretary

Members Excused: Rep. John Johnson

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

CHAIRMAN GRADY called the meeting to order and called on **Teresa Cohea, LFA** to discuss a few more figures. **Ms. Cohea** provided more detail on "cat and dog" bills, or the miscellaneous appropriations that the legislature passed for the 1993 biennium, **EXHIBIT 1. Table 1** shows the "cat and dogs" that are included in the LFA current level and also in the OBPP current level. The reason they are included is: 1) they have ongoing revenue sources so in most cases the fees are collected, put in the general fund, and the appropriation is from the general fund but there is a revenue source specific to this program; 2) when the appropriation was set up in a "cat and dog" bill the legislature specified that it would be ongoing. The \$4.1 million "cat and dog" appropriations shown in Table 1 are in the LFA and the OBPP.

The second page shows three "cat and dogs" that the executive budget includes in the current level but are not included in the LFA current level. Again, the reason the committee wanted these brought to their attention was some members might want to include this in the base. If so, this would increase the \$215.6 million projected deficit.

She referred to Attachment A for a combined fund balance sheet

that showed the general fund and the SEA without any of the confusing Supplemental transfers in between. The target the committee adopted, \$1.837.9 billion, is shown at the bottom of the page, Attachment A, for the 93 biennium. Also shown is a \$99.3 million expenditure increase.

Ms. Cohea said included in the target the general appropriation line is \$926.5 million but the agency specific pages showed \$908.8 and a question arose concerning the difference between the two. **EXHIBIT 1, 1-11-93**. There are two reasons for the difference. Included in the total expenditures were \$13.5 million of one-time expenditures that the LFA removed from the base before they constructed the 94-95 budget. Those one-time adjustments are itemized in Attachment B, **EXHIBIT 1, 1-13-93** so the committee can see exactly what was pulled out. Examples of those would be the Legislative Fiscal Analyst and the Legislative Council offices received funding to deal with the January-July Special Sessions. Those are not on-going costs and were pulled out of the base before the current level was constructed. The Department of Revenue got \$1 million Supplemental to deal with property tax appraisal. Clearly, that is not on-going and was taken out of the base. In addition, because you are dealing with one year, actual expenditure 92, agencies spent less than their appropriation, so they reverted \$4.2 million.

Ms. Cohea said if the committee decides to instruct subcommittees how to implement the target you have set, presumably you need a target by subcommittee. You may wish to use the \$908.8 million as a starting point because that has the one-time expenditures out. To the \$908.8 million ongoing base, you will need to add \$8.3 million in continuing appropriations. Those figures are shown in the balance sheet, Attachment C, and are in the target.

Ms. Cohea said there was discussion concerning costs above what was in the LFA current level. You would need to add that to the projected deficit. The first one is statutorily appropriated foundation payment. OPI, in its latest figures, has found enrollment in elementary schools higher than anticipated in the first semester. Based on foundation in the 1995 biennium preliminary projections, approximately \$1 million in program costs will need to be added in the 1995 biennium. This is a statutory appropriation so unless you change the law this cost will occur.

Ms. Cohea said SRS has given LFA and OBPP notice that it appears, with the latest case-load numbers for Medicaid, an upward revision in 1995 biennium costs may be needed.

Ms. Cohea said there was some discussion of whether the projected deficit needed to be augmented by a pay plan amount. In the \$215.6 million deficit, there is no projection of a pay plan for the 1995 biennium. The **Racicot** budget includes \$5 million general fund for the biennium and that would pay \$20 per month, each year, for the increased Health Insurance Benefit.

Ms. Cohea referred to the "cats and dogs" issue and said if the Committee felt that any "cat and dog" beyond what is already in the LFA current level was ongoing, then that number would need to be added to the projected deficit. **Table 1, EXHIBIT 1, 1-13-93.**

REP. DRISCOLL asked if there is any money for fires in the \$1.837 billion figure? **Ms. Cohea** said there is in 1993 and referred to the 1993 biennium column, **Attachment A, EXHIBIT 1, 1-13-93**, is approximately \$7.87 million for fires. About \$1.2 million is in the \$22.3 million supplemental number you have already appropriated in the two special sessions. **REP. DRISCOLL** asked if the number was in **Attachment B** and **Ms. Cohea** said all of those items are in the \$926.45 number in **Attachment A.**

Dave Lewis, Director, OBPP, handed out copies of a letter sent to the Agencies at the request of the Committee, asking them to come back with a prioritized list of their programs by next week, **EXHIBIT 2.**

Addressing a discussion on one-time monies, **SPEAKER MERCER** said it has been the target of the Committee that they are not interested in one-time monies to balance the budget. One-time monies, perhaps, used for the ending fund balance would be all right but proposals raised by **REP. DRISCOLL** are within the **Racicot** budget. They will be the options considered along with other innovative ideas **REP. DRISCOLL** or others might have to fill the revenue gap and take care of the expenditures. He hopes the Committee, within the Resolution, would direct the House concerning funding the permanent expenditures, would use permanent revenues.


In answer to questions, **Ms. Cohea** said if the Committee wanted to continue HB 999 it could do it within this target, but if so, it would require reducing something else. Alternately, you could add the cost of HB 999 to the projected deficit of \$215.6 million.

REP. ZOOK pointed out that if you were to add the total of those figures in any one of them, or all in general, those dollars may not go to those particular Bills. He feels you cannot bind the appropriations with the subcommittee to that particular action. As an example, subcommittees may decide not to fund Genetic Engineering any longer.

SPEAKER MERCER said the Committee's job is to gather as much information as possible and set some reasonable targets. The target that has been set has a basis in logic because the expenditure level is set at the level from last time. It will be difficult to maintain but seems to provide a good balance between expenditure reductions and potential revenue increases. The objective is to get this target out and hopefully, get it approved or adjusted by the House and then get it to the committees. He asked the Committee to complete their work no later than tomorrow.

ADJOURNMENT

Adjournment: 4:50 P.M.



REP. ED GRADY, Chair



MARY LOU SCHMITZ, Secretary

EG/mls



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

1-13-93
EMENDIT 1
1-13-93
HB HR 2

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

January 13, 1993

TO: Members and Observers of the Select Committee on Budget and Revenue

FROM: Teresa Olcott Cohea
Legislative Fiscal Analyst *Teresa Olcott Cohea*

RE: Material for Wednesday's Meeting

At Tuesday's meeting, the members requested the following information.

Cat and Dog Bills

Members asked:

1) which miscellaneous ("cat and dog") appropriations passed by the last legislature have been continued in the LFA current level. These "cat and dog" appropriations were considered current level because they had ongoing revenue sources or the legislature specified that they were ongoing. OBPP also included these appropriations in its current level base. Table 1 provide this information.

Table 1 "Cats and Dogs" Included in LFA Current Level			
<u>Bill</u>	<u>Title</u>	<u>Revenue Source</u>	<u>1993 Biennium Appropriation</u>
SB232	Vehicle identification	Fees	\$0*
HB579	County treasurer automation	Fees	1,359,024
HB93	Nursing home bed fee	Fees	2,493,027
HB959	Income tax revision	General fund	186,930
HB14	Quarterly estimated tax	General fund	<u>77,971</u>
Total			\$4,116,952

*Appropriation eliminated during January 1992 special session but fees continued. Legislature specified that the new program would be implemented in the 1995 biennium.

2) which "cat and dog" appropriations did OBPP include in its current level but are not included in the LFA current level? Table 2 provide this information.

Table 2 General Fund "Cats and Dogs" Included in OBPP Current Level But NOT in LFA Current Level		
<u>Bill</u>	<u>Title</u>	1993 Biennium <u>Appropriation</u>
HB999	In-state treatment	\$2,273,320
HB30*	METNET	600,000
HB365	Genetic engineering	60,000
*Executive Budget also includes \$0.9 million in its 1995 biennium miscellaneous general fund appropriations to expand this program.		

Combined General Fund and SEA Balance Sheet

Members asked for a balance sheet that showed combined general fund and school equalization account (SEA) expenditures. The requested balance sheet is attached (Attachment A), showing the \$1,837.9 million "target" the committee adopted.

Reconciliation of Expenditures

In attachment A, \$926.5 million is shown as the 1993 biennium figure for the general appropriations act. This figure includes \$13.5 million of "one-time" expenditures and \$4.2 million of reversions that occurred in fiscal 1992. Table 3 shows the derivation of the \$908.8 million general fund expenditures/appropriations by agency that were considered ongoing in the current level. Attachment B details the adjustments for "one-time" expenditures made in each agency.

Table 3 Reconciliation of 1993 Biennium General Appropriation Act (Millions)	
Expenditures	\$926.5
Adjustments for "one-time" expenditures	(13.5)
FY92 Reversions	(4.2)
	\$908.8

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If the committee adopts agency-specific targets, it may wish to use the \$908.8 million number as the beginning point for target, since this removes "one-time" expenditures. To this number would need to be added the \$8.2 million in agency-specific continuing appropriations shown on the balance sheet. (Continuing appropriations shown in fiscal 1993 are the unexpended portion of biennial appropriations.) Attachment C shows these continuing appropriations by agency and the revised agency total.

If the committee adopted \$917.0 million (\$908.8 + \$8.2) as the target for agency budgets, that would allow \$9.5 million of "unallocated" money within the committee's \$1,837.9 million target. These "unallocated" funds could be used to compensate for agencies in which the target budget reduction cannot be achieved or for budget modifications/other "new spending" the House wishes to adopt.

Additional Costs

The committee mentioned that it might want to include several other costs in its projected deficit. Possible items for discussion include:

1) increased foundation costs. OPI is currently updating its enrollment estimates to reflect increased enrollment reported in late December. Under current law, the funds to pay current foundation schedule costs for these students is statutorily appropriated, so the projected deficit needs to include this cost. We will provide you with this number as soon as OPI completes its work.

2) medicaid increases. SRS staff say that their estimate of medicaid costs may be revised upwards in February when data through January becomes available. Currently, they do not have an estimate of the general fund cost of such a revision.

3) pay plan. The \$215.6 million projected deficit does not include funds for any pay plan increase. The Executive Budget includes \$5.0 million general fund for this purpose. This would pay the costs of a \$20 per month increase in health insurance premium contribution in the 1995 biennium.

4) cats and dogs. If the committee wishes to continue funding for any cat and dog shown in Table 2 in the 1995 biennium, the cost will need to be added to the \$215.6 million projected deficit.

**Office of Legislative Fiscal Analyst
General Fund & School Equalization Accounts
Expenditure Figures in Millions**

	Current Level 93 Biennium	Current Level 95 Biennium	Dollar Change
General Appropriations			
General Act Plus Pay Plan	\$926.467	\$1,026.459	\$99.992
Supplementals	22.330	0.000	(22.330)
Miscellaneous	2.879	0.000	(2.879)
Continuing	<u>9.863</u>	<u>0.000</u>	<u>(9.863)</u>
Sub-Total	\$961.539	\$1,026.459	\$64.920
Other Appropriations			
Governor Elect	0.050	0.000	(0.050)
Feed Bill	<u>5.425</u>	<u>5.000</u>	<u>(0.425)</u>
Sub-Total	\$5.475	\$5.000	(\$0.475)
Statutory Appropriations			
Public Schools (K-12)	802.323	839.723	37.400
Property Tax Reimbursement	38.431	39.846	1.415
Debt Service	24.314	25.728	1.414
TRANS Interest	6.464	Unknown	(6.464)
Retirement	<u>6.700</u>	<u>7.814</u>	<u>1.114</u>
Sub-Total	\$878.232	\$913.111	\$34.879
Reversions	(\$7.305)	(\$7.305)	\$0.000
Totals	<u>\$1,837.941</u>	<u>\$1,937.265</u>	<u>\$99.324</u>

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 DATE 1-13-93
 HB HR2

ATTACHMENT B

One-Time Expenditures Removed From Current Level Base

1101	Legislative Auditor	\$5,114	HB2 - computer equipment
1102	Legislative Fiscal Analyst	25,272	HB142 and HB1
1104	Legislative Council	276,598	HB966, fedd bills, HB2 - Reapportionment
2110	Judiciary	302,434	HB903
3101	Governor's Office	8,648	HB2 - January special session costs
3201	Secretary of State	26,813	HB2 - Vo-Tech election
3202	Commissioner of Political Practices	1,150	HB2 - termination pay
3401	State Auditor	157,643	HB2 - budget mods, transfers
3501	Office of Public Instruction	1,187,110	HB999 and HB2 legal costs
4110	Justice	1,743,424	HB2 - transfers, budget mods
4201	Public Service Commission	73,353	HB2
5102	University System	97,400	HB365 and HB125, HB2 - SID payment
5114	Arts Council	0	
5115	Library Commission	3,306	HB2 - Library of Congress dues and library grants
5117	Historical Society	4,995	HB2 - electronic security
5201	Fish, Wildlife and Parks	0	
5301	DHES	537,929	HB696
5401	Transportation	75,762	HB2 - McCarty farms
5501	Lands	6,045,725	HB2 - fires
5603	Livestock	0	
5706	Natural Resource and Conservation	1,626	HB2 - Missouri River lawsuit
5801	Revenue	1,356,518	HB340, HB959, HB2
6101	Administration	381,939	HB30, HB268
6201	Agriculture	0	
6401	Corrections and Human Services	639,914	HB2 - prison riot, legal costs, targeted case management, HB528
6501	Commerce	128,497	HB2 - automation of census data, Microbusiness Finance start-up, HB131, HB746
6602	Labor	124,222	Job training
6701	Military Affairs	22,806	HB179
6901	Social and Rehabilitation Services	40,773	Unbudgeted expenditure
6911	Family Services	210,078	HB371, 489, 569
	TOTAL	\$13,479,109	

ATTACHMENT C

Office of Legislative Fiscal Analyst
General Fund Comparison
1992-93 Biennium vs. 1994-95 Biennium

Agcy Code	Agency Name	Current Level Fiscal 1992-93 General	Continuing Fiscal 1993 General	Total Fiscal 1992-93 General	Current Level Fiscal 1994-95 General	Current Level Dollar Difference	Current Level Percent Difference
1101	Legislative Auditor	\$2,405,934		\$2,405,934	\$2,598,280	\$192,346	7.99%
1102	Legislative Fiscal Analyst	1,640,161	57,695	1,697,856	1,730,163	32,307	1.90%
1104	Legislative Council	3,531,458	451,189	3,982,647	4,948,118	965,471	24.24%
1111	Environmental Quality Council	557,134		557,134	599,665	42,531	7.63%
2110	Judiciary	16,409,133	100,936	16,510,069	18,046,448	1,536,379	9.31%
3101	Governors Office	4,716,106	28,805	4,744,911	5,048,068	303,157	6.39%
3201	Secretary Of States Office	1,862,677	13,154	1,875,831	1,865,520	(10,311)	-0.55%
3202	Commissioner Of Political Prac	254,823	24,138	278,961	251,177	(27,784)	-9.96%
3401	State Auditors Office	4,140,769	44,433	4,185,202	4,285,698	100,496	2.40%
3501	Office Of Public Instruction	88,780,459	3,152,714	91,933,173	90,428,764	(1,504,409)	-1.64%
4107	Crime Control Division	929,671	1,716	931,387	948,664	17,277	1.85%
4108	Highway Traffic Safety	366,160		366,160	420,000	53,840	14.70%
4110	Department Of Justice	21,849,203	235,870	22,085,073	26,894,613	4,809,540	21.78%
4201	Public Service Regulation	4,100,213	76,403	4,176,616	4,345,112	168,496	4.03%
5101	Board Of Public Education	208,748	1,232	209,980	229,268	19,288	9.19%
5100	Montana University System	246,182,349	115,459	246,297,808	250,382,166	4,084,358	1.66%
5113	School For The Deaf & Blind	5,418,939	19,965	5,438,904	5,626,423	187,519	3.45%
5114	Montana Arts Council	149,869	2,811	152,680	262,874	110,194	72.17%
5115	Library Commission	2,070,961	101,601	2,172,562	2,328,265	155,703	7.17%
5117	Historical Society	2,509,240	16,725	2,525,965	2,790,788	264,823	10.48%
5201	Dept Of Fish, Wildlife & Parks	778,023		778,023	846,110	68,087	8.75%
5301	Dept Health & Environ Sciences	6,472,799	544,250	7,017,049	6,616,383	(400,666)	-5.71%
5401	Department Of Transportation	611,342	91,273	702,615	461,689	(240,926)	-34.29%
5501	Department Of State Lands	17,561,922	20,026	17,581,948	18,700,093	1,118,145	6.36%
5603	Department Of Livestock	1,227,616	1,580	1,229,196	1,148,509	(80,687)	-6.56%
5706	Dept Nat Resource/Conservation	8,657,844	53,506	8,711,350	10,375,645	1,664,295	19.10%
5801	Department Of Revenue	38,784,319	698,916	39,483,235	43,420,054	3,936,819	9.97%
6101	Department Of Administration	6,433,468	20,242	6,453,710	7,020,738	567,028	8.79%
6201	Department Of Agriculture	2,124,606		2,124,606	1,942,467	(182,139)	-8.57%
6401	Dept. Corrections & Human Ser	146,938,264	679,935	147,618,199	164,701,766	17,083,567	11.57%
6501	Department Of Commerce	5,119,155	666,390	5,785,545	5,441,618	(343,927)	-5.94%
6602	Labor & Industry	1,453,872		1,453,872	1,396,969	(56,903)	-3.91%
6701	Adjutant General	4,084,257	397,793	4,482,050	4,321,645	(160,405)	-3.58%
6901	Dept Social & Rehab Services	199,296,681	8,753	199,305,434	260,595,985	61,290,551	30.75%
6911	Department Of Family Services	61,137,485	637,660	61,775,145	75,439,238	13,664,093	22.12%
	Sub-Total	\$908,765,660	\$8,265,170	\$917,030,830	\$1,026,458,983	\$109,428,153	11.93%
One-Time Continuing							
1109	House		208,460				
1110	Senate		231,366				
6107	Long-Range Building		1,158,102				
	Totals	\$908,765,660	\$9,863,098	\$917,030,830	\$1,026,458,983	\$109,428,153	11.91%

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Office of Legislative Fiscal Analyst
 General Fund & School Equalization Accounts
 Revenue Figures in Millions

EMBIT
 DATE 1-13-93
 HB 2

	Current Level 93 Biennium	Current Level 95 Biennium	Dollar Change
General Fund	\$1,010.4	\$946.0	(\$64.4)
School Equalization	<u>800.5</u>	<u>792.3</u>	(8.2)
Total Before One-Time	\$1,810.9	\$1,738.3	(\$72.6)
One-Time Adjustments	193.3	13.0	
Total After One-Time	<u>\$1,617.6</u>	<u>\$1,725.3</u>	<u>\$107.7</u>

OFFICE OF THE GOVERNOR
STATE OF MONTANA

EXHIBIT 2
DATE 1-13-93
HB HR2

MARC RACICOT
GOVERNOR



STATE CAPITOL
HELENA, MONTANA 59620-0801

MEMORANDUM

DATE: JANUARY 12, 1993

TO: EXECUTIVE BRANCH AGENCIES

FROM: DAVE LEWIS, DIRECTOR *Dave Lewis*

SUBJECT: PROPOSED SPENDING CUTS

The House Select Committee on Budget/Revenue has asked me to request that every agency submit to their appropriation subcommittee by January 21, 1993, a prioritized list of its general fund spending as contained in Governor Racicot's budget for FY94 and FY95. This request is to develop information that will allow subcommittees to achieve the overall spending target that the select committee established. That target is the total of actual FY92 expenditures and FY93 appropriations for the general fund. The target has been established in the form of a grand total for state government and will be allocated among agencies by the subcommittees.

Obviously preparing, on this short of notice, a prioritized list will require using a broad brush approach. Generally the information contained in the Appendix to the Governor's Executive Budget will provide a place to start. The reports which are included in this document were submitted by you to comply with Section 4 of HB8 enacted in the July 1992 special session. This amendment was to 17-7-111(2)(d)(i), MCA. The language generally requires agencies to submit a list of duties prioritized to reflect the importance of those duties.

More specifically, the subcommittees want a prioritized list of duties/programs/activities showing the general fund base [FY92 actual and FY93 appropriated] and other funds, with the executive recommendations for FY94 and FY95.

The committee members stressed that they also wish to see either state statutory requirements for each activity or reference to federal law or regulation. In addition, agencies are asked to identify earmarked sources that could be "de-earmarked" to provide additional revenue for general fund programs.

Those agencies which complied fully with 17-7-111 in their budget submission should have little trouble in adding funding to their duties and statutory authority.

This is the basic information requested by the select committee and I would suggest that agencies take the requests quite seriously. If the information is not forthcoming, I suspect the subcommittees will not be pleased, since it will make their job much harder.

Please submit the information to OBPP and the Legislative Fiscal Analyst. The analysts will prepare copies for the sub-committees. Please feel free to contact this office for further guidance.