

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By CHAIRMAN ROGER DEBRUYCKER, on February 10, 1993, at 5:00 P.M.

ROLL CALL

Members Present:

Rep. Roger DeBruycker, Chairman (R)
Sen. Cecil Weeding, Vice Chairman (D)
Sen. Gerry Devlin (R)
Sen. Greg Jergeson (D)
Rep. John Johnson (D)
Rep. William Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Theda Rossberg, Committee Secretary

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

Committee Business Summary:

Hearing: DEPARTMENT OF LIVESTOCK
General Fund Targets

Executive Action: DEPARTMENT OF LIVESTOCK
General Fund Targets

HEARING DEPARTMENT OF LIVESTOCK

Roger Lloyd, Legislative Fiscal Analyst, reviewed the General Fund Expenditure Targets for all the agencies. **EXHIBIT 1**

He said under column F the amount has been increased by \$170,000 because of language this committee instructed him to put in HB 2.

The second change is under bills in the Department of Agriculture. Under column F those figures have been reduced slightly since this committee removed 1.00 FTE in the Plant Industry Division. If legislation passes, the bills with the

double asterisks will have general fund decreases of approximately \$701,000.

In the Additional General Fund Supplemental in Department of State Lands, this committee approved an increase above the original supplemental for fire suppression contained in HB 3 by \$67,440. That increased the general fund deficit by that amount and increased the target by a like amount.

Jack Salmond, Chairman, Board of Livestock reviewed a fact sheet with the committee. EXHIBIT 2

Leonard Grove, Board Member, Board of Livestock, said since he had been on this board all they have done is cut the budget. They asked the administrators to help them and they did, and still served the industry. He asked the committee to look at what they have done by the testimonial on the facts sheet.

He said he knows they have to cut their budget but asked the committee to keep the livestock industry viable in this state.

Don Herzog, Board Member, Board of Livestock, said this was his fourteenth year on the Board and his tenure will be coming to an end very soon. As a taxpayer and citizen he pays a sizeable amount of taxes. He urged the committee to not hurt business in this state. They cannot afford to lose any more businesses in the state and survive. As the committee makes the cuts, they should keep that in mind.

Mr. Salmond reviewed the fund balance analysis Page 3, EXHIBIT 2. He said they were instructed to find ways to meet their \$184,674 target, which they have done.

SEN. DEVLIN said he knows the department made some serious cuts, and the committee didn't have to do it for them; they did it themselves. They have had the most austere budget that he had seen in any of the budgets. If all the agencies brought in their budgets like they have, the state wouldn't be in the trouble are today.

He said he was concerned about their fund balances, because he knew they get robbed. He asked if their fund balance was based upon what their balance was now. **Mr Salmond** said yes, that is right.

SEN. DEVLIN asked whether, if this committee did nothing more than replacing the Milk & Egg Program and a portion of the Diagnostic Lab and Centralized Services with State Special Revenue (HB 0516), that ending fund balance would take that into account.

John Skufca, Administrator, Centralized Services for the Department of Livestock, said this would be new money and would replace general fund. Those fund balances on the sheet address

the current state special revenue for the next biennium.

If HB 516 passes, that would be a new revenue source for the Department of Livestock of \$550,993 over the biennium that would replace general fund. They would have a net of zero impact if the programs were continued.

SEN. WEEDING asked CHAIRMAN DEBRUYCKER if he was the sponsor of HB 516. CHAIRMAN DEBRUYCKER replied yes. He said the bill provides for a fee per hundred on raw milk to fund the Milk and Egg Program and also puts \$70,000 into the University for the laboratory.

A Dairy Representative said the bill that CHAIRMAN DEBRUYCKER is carrying would raise about \$370,000. The dairy industry wants to get away from general fund money and be self-funded if it can.

Mr. Lloyd said in three places this committee instructed him to put language in the bill to the effect that, if HB 516 is passed and approved, the general fund will be eliminated or reduced in FY 94 and FY 95 and state special revenue fund increased by a like amount. The total amount is \$495,993. The language was not put in Centralized Services where the department is saying state special revenue could be used to replace general fund in the amount of \$55,000 for the biennium or \$27,500 per year.

SEN. DEVLIN asked if they think HB 516 will pass. CHAIRMAN DEBRUYCKER said the first hearing will be Tuesday afternoon.

SEN. WEEDING said if HB 516 does pass, the problem is to convince them to use the money for these purposes.

Motion: SEN. JERGESON moved to adopt language that declares the agency target in HR 2 is reduced by \$510,667 and the revenue increased by a like amount.

Discussion:

SEN. DEVLIN said they are still behind even with all the funding switches. The motion is to add to the target; he would rather just say they have come within \$510,667 and that's it.

SEN. JERGESON said the reason he made the motion was because it was suggested that if they did not meet their target, it would be made up in some other agency. If every subcommittee follows the pattern that this agency has, then some other agencies are going to have to make up the \$99 million.

SEN. DEVLIN said he thought they made a mistake by not starting at FY 92 current level.

SEN. JERGESON said he didn't think they should add the \$510,000 of cuts from the Department of Commerce because they didn't make those cuts in the Department of Livestock.

SEN. DEVLIN asked if they should go back to the FY 92 current level.

SEN. JERGESON said the target that they were advised to make in reductions is from their legislative action to date of \$1,845,375 to get them to the FY 92 current level.

SEN. DEVLIN asked how the targets set up. Mr. Lloyd said the targets were set at actual FY 92 general fund expenditures by the departments plus FY 93 appropriations.

Vote: Motion FAILED 3-3.

REP. WISEMAN asked if there were other subcommittees having the trouble this committee is having. They are going to get an extra \$516,000 because of the increase on milk, but they can't count it.

Tape 1, B.

Les Graham, private consultant, said historically this argument over the budget has taken place over the years. They were advised through the years that the best thing to do was to borrow from the general fund if they were running short of funds. He didn't think HB 516 will have a problem. He said the dairy industry will not oppose it. The sooner they get out of using general fund, the better.

Mr. Salmond said that fund balance is needed to run the department for one year.

CHAIRMAN DEBRUYCKER asked if they could get the \$510,000 out of their ending fund balance. Mr. Salmond said they didn't have that in their ending balance.

Mr. Lloyd said the LFA level on the blue sheet does reflect spending of the fund balance. The LFA is lower than the target as well as what the Executive proposed. The LFA used the fund balance as dictated by the last legislative session and replaced general fund entirely in Centralized Services and reduced general fund in the Diagnostic Laboratory. This committee instructed him to reverse that and fund those programs at the Executive level.

SEN. JERGESON said if that fund balance is reduced, there will be a cash-flow problem two different times of the year.

REP. WISEMAN said what would happen if they took the \$510,000 and have two years to increase the balance. If HB 516 passes, they are okay with their cash-flow. If it doesn't pass, they have two years to get them out of the cash-flow problem.

Jim Hagenbarth, Board of Livestock, said on the per capita, if that is increased by 10%, the most they would receive would be \$80,000.

Mr. Salmond said the action the Board took in January will have an \$80,000 impact lowering the ceiling for the three years.

SEN. WEEDING asked what the 10% meant in the terms of dollars for the biennium. Mr. Salmond said that would be \$107,000 per year.

SEN. JERGESON said one way to meet the target without the funding switch would be to eliminate the Milk & Egg Program and downsize the Diagnostic Laboratory and anything else that has general fund, by the amount of money necessary to achieve the target. They have to come up with a committee bill to eliminate the statutes to eliminate the Milk and Egg Program. If HB 516 passes, the earmarked revenue goes back into the budget.

Mr. Skufka said when they go to the FY 96 budget, it will remain about the same as FY 95. There was considerable discussion among the committee members as to how they were going to reach the target for the Department of Livestock.

Mr. Lloyd said the language which he wrote for CHAIRMAN DEBRUYCKER is wording that says to bring the general fund down to the LFA level (Column B, on the blue sheet, EXHIBIT 1) it would bring the general fund appropriation closer to the LFA level. To reduce general fund by \$538,871 and increase state special revenue by the same amount, would take a motion by this committee to fund the program in that manner.

Mr. Salmond said if it is taken out of their fund balance, they will have to reverse some of the Board action.

Mr. Skufka said if HB 516 does pass and funds the Milk & Egg Program, that doesn't help the fund balance because they currently are not funding those programs.

SEN. DEVLIN asked if they wanted the committee to go back through the budget and take the LFA all the way. Mr. Skufka said if the committee approves the LFA level, they have picked up some money needed somewhere else because that would be more than \$510,000. The LFA level is \$1.148 million so they would be putting in almost \$700,000.

Mr. Lloyd said the major differences between the LFA and the Executive is in the funding, not the expenditures. In Central Management, the LFA budgeted zero general fund and used state special revenue fund balance. In the Diagnostic Laboratory less general fund was used, but the LFA used a greater amount of state special revenue. The other major area of differences is in the meat inspection program where a budget modification was approved for 2.00 FTE for about \$40,000 general fund.

SEN. WEEDING asked if language could be stated, "If HB 516 passes, it cannot come out of the fund balance."

SEN. JERGESON said the language could say that the Milk & Egg

Program, the Diagnostic Laboratory and Centralized Services are funded out of state special revenue. Contingent language could be attached saying, "If HB 516 passes, those programs would be funded with the new revenue."

The committee continued discussion on where to find the \$510,000 target goal.

Motion: SEN. WEEDING moved to approve the switch from general fund to state special revenue of \$325,993 from the Milk & Egg Program, \$170,000 from the Diagnostic Laboratory and \$15,000 out of Centralized Services for a total of \$510,000 to state special revenue. Language would be included to the effect that "If HB 516 passes, the state special revenue would come from fees because of that legislation."

Tape 3, A.

Mr. Lloyd said the language passed previously is stricken. There will be three sets of language for each of the three programs, for example: "The Milk and Egg Program general fund is reduced by \$161,802 in FY 94 and \$164,191 in FY 95 and state special revenue increased by a like amount." "The Central Management Program is reduced by \$27,500 each year and state special revenue increased by a like amount." "The Diagnostic Laboratory is reduced by \$85,000 each year and state special revenue increased by a like amount."

Vote: Motion CARRIED 5-1 with SEN. JERGESON voting no.

Mr. Lloyd said the committee has approved the general fund modification in the Meat Inspection Program for \$3,500 of federal indirect funds to replace general fund in Centralized Services.

Mr. Skufka said the department continually replaces general fund with state special revenue and they never gain any advantage by doing that. The revenue they generate goes back to general fund instead of replacing taxes on the livestock owners.

Motion/Vote: SEN. JERGESON moved to approve \$7,000 of federal indirects to replace state special revenue funds. Motion CARRIED unanimously.

HOUSE NATURAL RESOURCES SUBCOMMITTEE

February 10, 1993

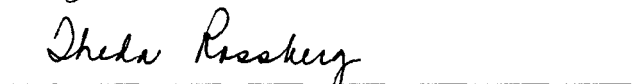
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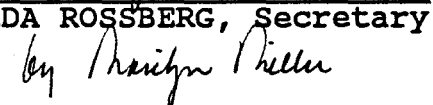
ADJOURNMENT

Adjournment: 7:30 P.M.



ROGER DEBRUYCKER, Chairman



THEDA ROSSBERG, Secretary


RD/tr

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

5:00 PM

NATURAL RESOURCES SUB-
COMMITTEE

BILL NO.

DATE 2-10-93 SPONSOR(S)

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
DR DON FELICIA	DIET LUSTIC		
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Leonard Gove	"		
Walt SHEETS	"		
Bob Mortensen	"		
Don Demore	BOH		
John Leland	DOL		
Bill QUINN	Dept Livestock		
JACK SEDGWICK	" "		
John Skufca	" "		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

EXHIBIT #1
DATE 2-10-93
HB 5:00 PM

NATURAL RESOURCES AND COMMERCE
GENERAL FUND EXPENDITURE TARGETS
1995 BIENNIIUM

Agy. Agency/Contingency Bill	(A) -- Target -- Current Level Fiscal 1992-93	(B) LFA Current Level Fiscal 1994-95	(C) - Difference - LFA C/L Dollar Cut	(D) Legislative Action To Date*	(E) Over(Under) Target (D-A)	(F) Contingent GF Impact	(G) E + F
4201 Public Service Regulation	\$4,107,342	\$4,345,112	\$237,770	\$4,481,044	\$373,702		\$373,702
5201 Fish, Wildlife, & Parks Senate Bill 235 or other legislation	778,023	846,110	68,087	1,382,071	604,048	(597,542)	6,506
5501 State Lands LC1404	17,830,506	18,700,093	869,587	18,479,582	649,076	(750,000)	(100,924)
5603 Livestock LC1341	1,334,708	1,146,509	0	1,845,375	(510,667)	(495,993)	14,674
5706 Natural Resources & Conservation LC1404	8,687,976	10,375,645	1,687,669	9,517,299	829,323	(1,737,302)	(907,979)
6201 Agriculture LC1249 ** House Bill 167 ** House Bill 193 ** Senate Bill 98 **	2,124,606	1,942,467	0	2,019,207	(105,399)	(127,183) (108,907) (586,440) (112,214)	(1,040,143)
6501 Commerce *	5,129,278	5,441,618	312,340	5,441,618	312,340		312,340
Unallocated Additional GF Supplemental (DSU)	(368,439) (67,440)	0 0	368,439 67,440		368,439 67,440		368,439 67,440
Totals	\$39,556,560 Subcommittee Target Budget	\$42,799,554	\$3,611,332	\$43,166,196 Subcommittee Action	\$3,609,636 Difference	\$4,515,581	\$805,945

The LFA General Fund Status Sheet reflects column D less column B (Legislative action less LFA): \$366,642

* Shaded areas reflect LFA current level. The subcommittee has not yet voted on p of the agencies.
See bill Secre. General Revenue, 100,500.

EXHIBIT #2
DATE 2/10/93
HB

FACTS - DEPARTMENT OF LIVESTOCK

Per Capita fees on livestock are the major revenue source for the Department of Livestock. Head counts for taxable purposes dropped from a high of 2,204,000 in 1977 to 1,591,000 head in 1986. From 1978 to 1993 the department has reduced the total F.T.E.'s from 137 to 106. This represents a total reduction of 23% (this does not include the Meat/Poultry Inspection Program).

The department implemented major program reductions. These included: the loss of 17.9 F.T.E. (21 positions) saving \$714,000, and reductions in operational expenditures of \$330,000 for the biennium, for a total impact of \$1,044,000 for fiscal years 1986 and 1987 respectively. This represented a 14.7% reduction in positions and an overall department reduction of approximately 12.1%. This illustrates the cost saving measures initiated by the Board of Livestock.

Through fiscal year 1993, the department has requested and gained back 3.0 F.T.E.

All of the these management decisions were initiated by the Department and Board of Livestock prior to and without executive or legislative mandated budget reductions.

Since 1986 the livestock head counts have made a slight recovery each year and are currently at 1,816,455 head. This increase in annual livestock head counts occurred after the Board of Livestock had set its annual per capita fees. By the end of

F.Y. 93 the department estimates that its available funds will amount to \$4,613,000.

Currently the Board has put into place actions to reduce the department's available fund balances; one of those measures is a 10% reduction (\$218,000 per year) in the per capita fee paid on cattle. This was approved by the Board on January 15, 1993. The Diagnostic Laboratory project as approved by the Long Range Building Committee will amount to \$1,200,000. This action is a result of a four (4) year study by the Board.

The department's budget, as approved by the subcommittee, would retain a fund balance at fiscal year end 1995 of approximately \$2,475,000. This amounts to a reduction in funds available over two years of \$2,138,200 or 46%. Legislative action in 1992 reduced Department fund balances by an additional \$295,000. Cash flow requirements for the department force it to maintain an adequate fund balance at fiscal year end, since the majority of revenue is received only twice a year - December and June.

The department's budget has historically been funded at approximately 20% General Fund. If the budget currently being considered is approved by the budget subcommittee, the general fund portion will be reduced to 11.2%. These percentages are contingent upon passage of HB516.

EXHIBIT 2
DATE 2-10-93

FUND BALANCE ANALYSIS

<u>Estimated</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Beginning Balance	4,613,200	2,977,201
Revenue	<u>3,936,984</u>	<u>3,936,984</u>
Funds Available	8,550,184	6,914,185
Expenditures	4,372,983	4,439,246
Lab Project	<u>1,200,000</u>	<u>0</u>
Fund Balance F.Y.E.	2,977,201	2,474,939

The revenue calculation for each year of the biennium takes into account the Boards action on January 15, 1993 of reducing the per capita fee on cattle by 10%, assumes that this reduction will continue thru the biennium. (The 10% adjustment equals \$414,152 for the biennium).

EXHIBIT 2
DATE 2-10-93

Switch the Milk & Egg Program and a portion of the Diagnostic Lab and Centralized Services Programs to State Special Revenue. (Via - HB 0516)

This option would save for the biennium General Fund in the amount of:

Milk & Egg Program	\$325,993
Diagnostic Lab	\$170,000
Centralized Services	<u>\$ 55,000</u>
	\$550,993

EXHIBIT 2
DATE 2-10-93

Switch the Centralized Services Program
to 100% State Special Revenue and federal funding.
(This program will receive an additional \$7,000
thru the biennium in federal indirects
to offset other state special revenue.)

\$161,313

Switch a portion of the Diagnostic Laboratory from
General Fund to State Special Revenue.

\$23,361

Total General Fund Savings =

\$184,674

These fund switches can be accomplished without increasing fees
by using existing fund balances in the department's State Special
Revenue funds.