

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION ONE CONTINGENCY STARTUP JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **CHAIR MARY LOU PETERSON**, on August 2, 1993, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Mary Lou Peterson, Chairman (R)
Sen. Harry Fritz, Vice Chairman (D)
Rep. Marjorie Fisher (R)
Sen. Gary Forrester (D)
Rep. Joe Quilici (D)
Sen. Larry Tveit (R)

Members Excused: Sen. Harry Fritz

Members Absent: None

Staff Present: Jon Moe, Legislative Fiscal Analyst
Terri Perrigo, Legislative Fiscal Analyst
Clayton Schenck, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
John Patrick, Office of Budget & Program Planning
Claudia Johnson, Committee Secretary

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

Committee Business Summary:

CHAIR MARY LOU PETERSON informed the committee that this is a discussion between the agencies and the committee to discuss ideas and ask questions. There will not be any executive action taken during this meeting. **CHAIR PETERSON** asked the agencies to include in their discussion ideas for consolidating, eliminating or drawing back, and what the prime importance is in their area.

CHAIR PETERSON asked for each agency to respond to "what would be the consequence if their position was eliminated"?

REP. JOE QUILICI asked each of the departments if there were any guidelines that the committee should take into consideration on the cuts that are needed to give the committee an idea on what is to take place during this meeting? **Scott Seacat** replied that

Dave Lewis, Budget Director, informed him that the legislative agencies should plan on between 5 percent to 10 percent in budget cuts.

CHAIR MARY LOU PETERSON said the Legislature is trying to avoid across-the-board cuts without consideration of a less or more important function, or damage will be done. She said they should have some kind of goal, but didn't know what the 10 percent will amount to in dollars.

SEN. LARRY TVEIT asked if the LFA has figured on the 5 percent and 10 percent so the committee will know what the impact will be? **Terry Cohea** distributed information regarding the potential suspension of HB 671, and said if a straight 4 percent of the general fund is used, then everyone will benefit. On pages 5 and 6 of the referendum will show the Governor's authority to reduce expenditures. She said if everything is excluded under the law there will be \$863.6 million that is subject to cuts. The exclusions will include: debt service, Legislative Branch, Judicial Branch, special education, elected official salaries and the school equalization account which is not on the general fund list. If Governor Racicot chose to deal with suspension through state government cuts would require an 8.4 percent reduction in both years. There is potential difficulties for human service benefits because they comprise of \$257.1 million of the \$863.6 million or 30 percent. She said they can deal with the 5 percent and 10 percent, but the difficulty is that most of the Human Service programs are required by federal law. **EXHIBIT 1**

**HEARING ON LEGISLATIVE AUDITOR (OLA)
SCOTT SEACAT, Legislative Auditor**

Scott Seacat, distributed an internal staff memo regarding the fiscal 1994 budget reductions/staff meeting. **Mr. Seacat** said the OLA have taken the traditional reductions that are expected, i.e., salary freezes. He said they have identified a problem in their personal budget office and will be announcing on Tuesday that he will be laying off five people. The operating expense budget was reviewed and they are trying to identify where to make the 5 percent and 10 percent cuts in those categories as requested. He said this will save between \$75,000 and \$100,000. The 5 percent cut will require the office to be reduced by \$69,000, and a 10 percent cut will amount to \$138,000. The layoffs will reduce his office staff about 13 percent in comparison to the FTEs at the beginning of the 1993 Legislature. He said the layoffs will be the first of their kind in the history of the legislative branch agencies. **EXHIBIT 2**

SEN. LARRY TVEIT asked **Scott Seacat** if the OLA's main responsibility is auditing, and if so, what do they audit, and is it statewide? **Mr. Seacat** said the OLA has a number of responsibilities that are in compliance with state and federal law. They audit every state agency once every two years to ensure compliance with federal law. The OLA performs audits for

lottery security, and executive branch agencies. **SEN. TVEIT** asked if that includes local and city governments? **Mr. Seacat** replied it is the responsibility of the local government Audit Program in the Department of Commerce. **SEN. TVEIT** asked if that meant the OLA is not involved in the auditing or bidding on audits that come from the Department of Commerce? **Mr. Seacat** said that is correct.

CHAIR MARY LOU PETERSON asked **Mr. Seacat** if he was already preparing to cut FTEs? **Mr. Seacat** said that is correct. During the regular session his office came before the committee to offer a 4.0 FTE reduction in compliance with the Cobb Amendment. Because of a shortfall in the personal services budget and lack of vacancy savings he will lay off five people effective September 3, 1993.

REP. JOE QUILICI asked **Mr. Seacat** what will be the total dollar amounts be of the people that will be laid off? **Mr. Seacat** replied it will be a total of 15 percent. The personal service cut will be \$121,000, and the 5 percent cut will amount to \$69,000.

REP. QUILICI asked **Mr. Seacat** if he has looked for other cuts? **Mr. Seacat** said he shouldn't say this, but the OLA have discovered they can be comfortable with the cuts in their budget of approximately \$75,000 as opposed to the \$69,000 they were given.

LEGISLATIVE FISCAL ANALYST

TERRY COHEA, LEGISLATIVE FISCAL ANALYST

Terry Cohea distributed information on an overview of the LFA budget. The budget for the biennium is approximately \$20,000 less than the 1993 biennium. The Legislature reduced the number of FTE by 1.2 or 6 percent. The 1.0 FTE was a vacant secretarial position and as part of the HR 2 cuts another secretarial position was reduced from 1.0 to .8 FTE. The LFA currently has only 1.8 FTE for clerical staff. While the Legislature is in session the staff works extra hours preparing for the session and during the session. The LFA staff worked about 6,000 hours for the 1993 session in extra time which attributes to approximately 2.82 FTE for that period. She said during the peak times the office needs the extra staff and to find an experienced one for that period of time is nearly impossible. She referred to the table on the letter updated on July 23, 1993, which is an updated version of a letter presented during the 1993 session. The table shows the prioritized budget reductions for the 1995 biennium. The Legislative Finance committee took items one through six to reduce the office budget by \$53,131. Items seven through nine would reduce the budget by an additional \$65,000. When the items were presented to her committee in January of 1993, there was concern the impact will effect not only their office, but other agencies. Item #7 has been cut from \$18,000 to \$4,000, but she said it could be cut further because it is a contingency appropriation. Another area to cut would require a change in the law so that the finance committee wouldn't have to meet every

quarter. The law currently requires that budget amendments be reviewed every 90 days. The committee has already reduced their budget to meet only the bare minimum number of times as required by law. They will meet four times during FY 1994, and three times during FY 1995, because the Legislature will be in session for 90 days. If the law were changed there would be a savings of \$4,100 by having one less meeting. She said it wouldn't impact the committees because they come from all over the state, but it will have an impact on the agencies because it would be a longer time before they can spend money under budget amendments. The committee has been assigned to review the money that has been transferred from FY 1995 to FY 1994. She said SB 378 which passed this last Legislature requires her office to review about 350 earmarked accounts in the next 15 months, and around 80 statutory appropriations to prepare a report for the next Legislature. Item #9 eliminates one analyst which would reduce some of the services for the Legislature. **Ms. Cohea** referred to the last page of her handout which shows the required duties of the LFA staff. There are five statutory duties they are required to perform. She said the committee rated three of the duties as high priority, and the other two were listed as lower priorities: assisting the legislators in compiling and analyzing fiscal information and reviewing the budget amendments and supplemental appropriations. Her office has taken the lead in reducing the amount of staff time spent on both of these items, and adopted a policy stating the staff cannot spend more than 16 hours on any individual legislative requests. If a legislator needs more time than that, the management committee will review it. She said that Jim Haubein has been preparing a report for 10 years in regard to the budget amendments, and that report has now been reduced by 90 percent. The only amendments written up as issues now are ones the committee needs to consider more carefully.

EXHIBIT 3

CHAIR PETERSON commented to **Ms. Cohea** that she is pleased that the LFA has been able to reduce the number of hours for an individual legislator's request. **CHAIR PETERSON** asked **Ms. Cohea** if item #7 for \$4,000 (of her handout) could be in the feed bill, i.e., for the special session if there are some areas where this small amount could be used? **Ms. Cohea** said yes, but this is usually done in the general session.

**LEGISLATIVE BRANCH
COMPUTER NETWORK UPDATE**

CHAIR MARY LOU PETERSON wanted to know where they stand at this time and what is going on with this issue? **Terry Cohea** said the 1993 Legislature made a 37 percent reduction to the legislative branch computer network budget. Because of reversions from the 1991 biennium budget for the legislative branch computer network, the LFA, Legislative Auditor, Legislative Council, and the EQC received permission from the Legislative Finance committee to purchase additional network equipment from fiscal 1993 funds that would have reverted. A considerable amount of equipment was

purchased, which takes the pressure off the budget for FY 1994 and FY 1995. This means that some of the maintenance contract money will not be needed, because most of the equipment has a one year maintenance agreement. She said it may be possible to reduce the 1995 biennium network budget further. **CHAIR PETERSON** asked **Ms. Cohea** how much was the appropriation for? **Ms. Cohea** said it is \$440,000.

LEGISLATIVE COUNCIL
BOB PERSON, EXECUTIVE DIRECTOR

Mr. Person said he responded to the inquiries made by the subcommittee during the regular session as to where reduction in the Council's budget could be made. He said there isn't much his office can do within the budget they have at this time to reduce anything. They have eliminated their training budget, the travel budget, and other miscellaneous incentives that build a strong and stable staff environment. During the regular session his office looked at the interim studies and conference program as a way to make further reductions. **Mr. Person** reiterated what he said to the subcommittee during the regular session in regard to the equipment budget: there are two areas the Legislature needs to be careful with in order to continue forward: 1) staffing level and the balance; and 2) the tools that the staff uses to support the functions that they perform.

REP. MARJ FISHER asked **Bob Person** if he had a list of priorities on what would need to be eliminated if the Legislature needed to take action and not do away with some of his top priorities? **Mr. Person** said he submitted a list to the subcommittee during the regular session, and the Legislature should be able to use that to determine what needs to be done. **Mr. Person** said in response to his office working for the Legislature and their needs, the level of staff capacity needs to be maintained during the interim the same as the session. He said if the staff is cut the Legislature will be looking at bare minimum staff and it will take the Council much longer to produce bills.

SEN. GARY FORRESTER made reference to a comment made by **Mr. Person** stating that the budget is being handled in a disjointed manner for legislative travel expenses, and felt that the legislators are traveling as much as they ever have. **Bob Person** replied that the effect will be seen and felt. He said the subcommittee in the regular session cut most of the travel, but the appropriation committee brought back \$125,000 of it.

Bob Person said several members of the committee have asked him about saving money in the legislative branch through some kind of reorganization. **Mr. Person** said if any of the members on this committee wanted to work with this idea he would be willing to work with them. He said the committee needs to work carefully though, because they will not be saving money in the short run.

REP. JOE QUILICI asked **Bob Person** what kind of savings would the committee be looking at with the reorganization? **Mr. Person** said it has been studied over the years and he has not been able to identify any specific savings that could be achieved by reorganizing.

CHAIR PETERSON said the consolidation of the equipment being used is a step in the right direction for saving the time and effort spent on the machinery.

CHAIR PETERSON asked **Mr. Person** to make a list and line item the equipment that is already in place and a list of future purchases, and which ones could be postponed, etc., for the next meeting.

SEN. GARY FORRESTER said the committee is hearing the same thing on the 10 percent cut across-the-board. He said the agencies have been cut for the last three sessions, and now the committee needs to look at changes in statute, and cutting entire agencies. The committee will need to decide now what would happen if entire agencies were eliminated, e.g., if **Mr. Person's** job is gone and everyone in the office went with him. He said the committee needs to start looking at the big decisions in order to get where the government needs to be. **SEN. FORRESTER** said that **REP. QUILICI** said it well when he said that the cuts will not be taken from the Appropriations Report 1994/1995 Biennium books. **SEN. FORRESTER** said the committee members know where the cuts are going to come from and it isn't out of this book. If the government wants to work and the people want the government to work it will have to be whole departments and not the 5 percent and 10 percent anymore.

REP. QUILICI said over \$493,407 was spent in 1993 on interim studies that are probably necessary in a lot of cases, but after the studies were finished there was only \$146,000 left. He said that full agencies will need to be cut if anything was expected out of General Government and Transportation. He said the worst thing this committee could do would be to take money out where federal monies will be lost and put everyone out of work all over the state. He said this was done in the last session to the tune of \$32 million.

REP. MARJ FISHER said that the last thing the Legislature should be doing is passing bills that add more people on. She said maybe the agencies should be telling the legislators that they do not want any more people.

CHAIR PETERSON said the comments made today are a sounding board and what is said is important. The reason for the meeting today is to listen to what the agencies have to say and not take any action at this time for fear of taking cuts that will do damage. She said the goal of the subcommittee is to consolidate or eliminate programs. She said the subcommittee is only dealing with 8 percent to 9 percent of the general fund money. She said

the subcommittee is not dissolving anything if they do not eliminate programs.

REP. GARY FORRESTER said that all of the legislative branch and agencies will need to be at the next meeting to make the big cuts. He asked if any of the agency directors would come before the subcommittee or the leadership and ask that their job be eliminated? He asked **CHAIR PETERSON** if she was going to direct agency directors today to recommend cuts at the next meeting?

CHAIR PETERSON said she understands the other subcommittees are meeting the same way as this committee in an informal, non-voting way for this discussion. She said this committee will end with notes taken on what is being provided and where the subcommittee stands. She said the OBPP committee will meet after the subcommittees are finished to work with the ideas that have come out of these meetings and place them on a list where things can be decided.

Terry Cohea gave a summary of the status of the other three subcommittees that have met already:

The Education Subcommittee has had the same discussion as this subcommittee, and they have decided that rather than give a directive to the agencies they will wait for the executive budget. **Ms. Cohea** said the executive branch is already asking the agencies to do something with the Budget office, and the subcommittees shouldn't ask for anything different. The Education Subcommittee is interested in the Budget Office completing their preliminary work, when that is done it will be made available to her office for analysis and then all of the subcommittees will meet on the same day and discuss OBPP's proposals. The Natural Resource committee is also interested in that same approach. They sent a letter asking agencies for specific information about what programs and statutes could be eliminated. The Long Range Building committee has discussed this and is also interested in the idea of the subcommittees meeting on the same day.

SEN. GARY FORRESTER asked **John Patrick, Budget Office**, if this means that the Governor's office will come to the next meeting with recommendations of priorities on whole programs and not the 5 percent and 10 percent cuts. **Mr. Patrick** said the Budget Office will be preparing a list of ideas and recommendations on priorities and those that will be exempt based on the statutes.

CHAIR PETERSON said the subcommittees are unique because normally the Budget office would normally have the budget recommendation and then the subcommittees would respond to it, but this meeting is to send ideas to the Budget Office.

**ENVIRONMENTAL QUALITY COUNCIL (EQC)
DEBORAH B. SCHMIDT, EXECUTIVE DIRECTOR**

Deborah B. Schmidt distributed information on the overview of the EQC's budget. She said the general fund appropriation for the EQC in the 1995 Biennium is \$42,531 less than the LFA current level budgets for the biennium which is a 7 percent reduction from current level. The general fund appropriation for FY 1995 is \$2,783 less than the actual expenditures for the 1993 biennium after the special session reductions. She said FTE were reduced by .50 for a general fund savings of \$18,756. The EQC staff level is the same as 1981, so there hasn't been any new growth in comparison to their statutory assignments which have grown considerably. **Ms. Schmidt** referred to the list on the original letter dated January 25, 1993 that prioritized their budget for the 1995 biennium. She said their equipment is handed down to them from the Legislative Council. **Ms. Schmidt** replied to the question that is asked of the department directors about their jobs being eliminated. She said the requirement to provide natural resource information to legislators will not be eliminated because someone will have to do the work. She said it is possible that there would be benefits to combining agencies at some point, and combining functions. Members of the Council, and herself included, are willing to consider some of the benefits to the legislators for this consolidation. She said the issue is who would do their work? Natural resource issues in Montana are some of the most controversial issues that the legislators deal with. The Council and the staff feel that the functions they perform are very important. The committee and the staff are willing to make reductions and reduce staff in order to maintain some form of the functions that they do. **EXHIBIT 4**

Terry Cohea said that **REP. COBB'S** subcommittee will be discussing in their next committee the growth in public health which has doubled in size. They received the largest number of employees during the last time. The growth was in the actual permitting process which is different than what the EQC performs.

Debbie Schmidt responded to **Ms. Cohea's** comments. She stated that it is difficult to sort out the different environmental specialist positions, but said the same job titles are found in EQC, in the Department of Health and Environmental Sciences, the Department of State Lands, Department of Transportation, Department of Fish, Wildlife, and Parks, and the Department of Agriculture. She said the vast majority of the staff people are there because of federal mandates; from the federal Clean Air Act, the federal Clean Water Act, Pesticide Registration laws in terms of State Lands, the Surface Mining Reclamation Act or coal and uranium for the state's Hard Rock Reclamation laws. The alternative is not to receive primacy for administration of those programs on Montana state government and to allow the Federal Environmental Protection Agency or the office of Surface Mining or the Department of Agriculture to administer those programs on

behalf of the citizens and industries of Montana. She said the regulated community shudders at the thought of that happening, and it is at the request of the industries that those programs be administered at the state level, because the money is generally provided through the federal agencies. She gave an example of an environmental specialist in the Department of Transportation that makes sure that the environmental consequences of pouring asphalt next to a stream are minimized when an highway project is undertaken. An environmental specialist at the Department of Agriculture is charged with registering and placing restrictions on the labels of certain pesticides by aerial applicators. She said the EQC's job is to try to work with the legislators to make sure there isn't unnecessary duplication, and to understand those programs and the pros and cons of having the federal government administer the programs versus the state government. The environmental specialists at EQC do legislative drafting, legislative staffing for the committees, and respond to the legislators request for information. They train state agencies in the state government on how to do their job more efficiently.

REP. JOE QUILICI asked **Debbie Schmidt** how many FTE are in the EQC to implement the Montana Environmental Policy Act (MEPA)? **Ms. Schmidt** said the EQC employees assist in the implementation of MEPA. She said there is one FTE that is allocated to train and answer questions on the preparation of environmental impact statements, environmental assessments, and working with the agencies.

REP. JOE QUILICI informed the committee that two members from the Consumer Council were present, and there isn't any general fund monies involved.

CHAIR PETERSON asked the two members to introduce themselves. **Bob Nelson, Consumer Council** and **Steve Harlan, office manager.** **Mr. Nelson** said his office was created by the Montana Constitution. Their mandate is to represent consumers and proceedings before regulatory agencies, i.e., Public Service Commission, and other agencies like the Federal Energy Regulatory Commission of the ICC, the FCC, and courts that might be involved in appeals of regulatory decisions. The Constitution established the funding mechanism which is a tax on the gross proceeds of regulated utilities. The Legislature promulgated statutes that enact further requirements, i.e., how the calculation of the tax rate will be made, and requires that any excess they have at the end of the year is reverted and goes to offset the tax for the following year. There are five FTE who operate in one program. **CHAIR PETERSON** asked if there is a consultant who is involved with the rating and if that person is working at this time? **Mr. Nelson** said that person was hired in October of 1992, based on the Consumer committee's earlier action which was ratified by this subcommittee and the Legislature of 1993. **Mr. Nelson** made note that **REP. JOE QUILICI** is chairman of the Consumer Council committee.

JUDICIARY

THE SUPREME COURT OF MONTANA

PATRICK A. CHENOVICK, COURT ADMINISTRATOR

Mr. Chenovick distributed information that summarizes the duties of the Judicial Branch. Mr. Chenovick said that the Judicial powers are constitutionally mandated and cannot be reduced during the term of office. He said they are the only elected officers that have this constitutional protection. Of the \$10 million general fund appropriated for the judicial branch, \$6.7 million is judicial salaries, or 61 percent of his budget. During the regular Legislature his branch came before the subcommittee in regard to reductions, and presented ideas to the committee that would get them down to the committee's target, and he commented that they went below the target for reductions. The assessment of the ½ percent came against judicial salaries. Their budget was cut by \$117,867 for a 2 percent vacancy savings and a ½ percent budget balancing reduction which went against judicial salaries and compounded that ½ percent up to 1 percent. He said they had to absorb the Old Fund Liability tax that was passed but not funded by the Legislature which effected the judicial salaries by \$33,000. He said the balance of these funds will have to come out of other operating monies and salaries. He informed the committee that he had met with John Patrick of the Budget Office to look at each program to see what programs could be eliminated. He cannot find any programs in his office that can be eliminated because they are at the bottom now. They looked at each program to see what would be the consequences of eliminating that program and came to the conclusion that significant cuts are impossible due to statutory and constitutional functions that are required by the Judicial Branch. He read from the Constitution, Article 3, section 1. states: The power of the government of this state is divided into three distinct branches; Legislative, Executive and Judicial, no person or persons charged with exercise of power properly belong to one branch so exercise and power properly belong to either of the others except as in this Constitution expressly directed or permitting". In Article 2, section 16, it states "Courts of justice shall be open to every person and speedy remedy afforded for every injury of person, property or character. Right in justice shall be administered without sale, denial or delay". He said the people of the state that he has spoken with do not want to slow the courts down nor make justice move slowly. He feels they have operated within their budget and have always operated judicially and are fiscally responsible. He said at the end of FY 1993, they will revert approximately \$25,000 even after the cuts from the special sessions. He was given some ideas during his visit with John Patrick for some consolidation with the University of Montana law library and law school to be combined with the state library in Helena under the Judicial Branch. He has spoke with the Court's Law Library Committee about this and they feel it is possible, but not without a detailed study. He questioned how it could save money, but there is a bond issue to be floated to build a new Business Administration building in

Missoula, and if the law library were moved to Helena the building could be used by the Business Administration. He said there will be costs involved in Helena with the remodeling of space to provide for this. **EXHIBIT 5**

CHAIR PETERSON commented these are the kind of ideas the legislators need to look at and discuss. She commented on the information he distributed noting the Judicial Branch has reduced the Bar exams to a single examination each year. **CHAIR PETERSON** asked if this will accommodate the people that want to take this exam? **Mr. Chenovick** said it will be an inconvenience because it will only be held in July now, where it used to take place in February also. He said they have 130 people registered to take the exam. The law school and the Board of Examiners is working with them and feels it will work. He said **SEN. JUDY JACOBSON** sponsored SB 271 during the regular session called the Foster Care Review Panel. They received \$113,000 to do this program which is new. He spoke with **SEN. JACOBSON** and informed her this program could be eliminated. **CHAIR PETERSON** asked is the Foster Care Review different than how Foster Care was review before? **Mr. Chenovick** said the difference is the Foster Care Review Panel will be in the Judicial Branch Government and have the force of law. He said this is a pilot program and if it worked out the other ones would be eliminated and this one would be put into place. **Mr. Chenovick** said these appointments would be volunteers appointed by the youth court judge.

REP. JOE QUILICI wanted to know how far the Foster Care program has been implemented at this time? **Mr. Chenovick** said they haven't done anything with it at this time. **REP. QUILICI** said if the program is held off they will save \$113,000 of the general fund money. He feels the committee should keep this in mind for future consideration for cutting programs.

CHAIR PETERSON asked **Mr. Chenovick** how much has been saved in the reduction of volumes of the Montana Reports that are purchased? **Mr. Chenovick** said they used to purchase over 200 volumes each year. They are purchased for each district judge and one for each justice. He said with the codes becoming available on CD ROM it could be reduced even more.

REP. MARJ FISHER wanted to know how much will be saved by removing the telephones that were used by the law clerks? **Mr. Chenovick** said that each justice has two law clerks that do legal research and help judges write opinions. By pulling out one telephone from each district, they saved over \$1,000.

SEN. GARY FORRESTER asked **Dave Lewis** in regard to Marvin Dye, Director of the Department of Transportation (DOT) about his support for the cuts that the Legislature was making and Marvin Dye's comment was that while he didn't support the cuts he would not oppose the cuts. During the interim period it has now come out that the Legislature did not do as good of a job that they

could have, and asked **Mr. Lewis** if he is now prepared to give the legislators a list of the cuts so they will know what they need to do? **Mr. Lewis** said these subcommittees are his office ideas, and have informed the leadership that his office is prepared to work with the agencies and prepare a budget to present to the special session if there is one that will re-balance the budget. The Governor has instructed his office to come up with \$70 million to \$90 million in cuts for him to review and determine if he will present those to the Legislature. The leadership said they wanted the opportunity for the subcommittees to meet and give their thoughts on the benefits of the agencies, and the reason the agencies are before this subcommittee. His office is not prepared at this time to put forth their budget, but will be by the third week of August. It is his understanding that the leadership wants all of the subcommittees to meet on the same day and have a round robin to present the various budget options and possibilities. He said the Governor has asked that his office prepare the options for him and make some preliminary decisions on what he will discuss. These decisions will be brought back to the subcommittees to receive responses so his office will be able to finalize their package to go before the special session. He said if there isn't a special session, this will be the first step in preparing the budget for 1995. This work will not be lost, but it is a part of the cycle that needs to take place. He said when his office presented Governor Racicot's budget on the first day of the 1993 Legislature and informed the legislators at that time that the directors will continue to work with this and make suggestions to the subcommittees. He said a very large part of the \$99 million in cuts came from the directors of the SRS, Corrections and the various other departments as they worked throughout their budgets and became familiar with their programs, and they were able to bring forth their ideas for the committee to work on. He commented that it was never said by his office that this is the end of the process because they intend to keep on going. He said there is a process set up for them to review the agencies and their major recommendations when they come back in 1995. He said this is an interim step, and if there is a special session, they will be bringing more recommendations back. He doesn't apologize for not bringing those recommendations to the regular session. He said the Governor's directors had been in office less than four months at the time the session ended and his office had provided a lot of suggestions as they went through the process and are providing more suggestions. He said there will be more reductions in programs and changes in priorities as his office receives them. He said they are not intending to go to an "across-the-board" situation. For planning purposes his office has asked the agencies to identify what they would look at as the lowest 10 percent if they had to look at resetting priorities within the agency. It is not his intent to apply that on an across-the-board manner. He said they will be seeking again program reductions in various agencies that maybe greater than the 10 percent, and perhaps other agencies will not be hit as hard. His office has informed the leadership that they intend to present a budget on the first of September 1993. The

leadership wanted his office to have the opportunity to sit in on these discussions between the subcommittees and agencies and they agreed to do that, but they were never committed to present their budget at this point. **SEN. FORRESTER** said that after going through a regular session, and that he didn't hear anything from the Governor's office, he heard a lot from department directors whether they were executive or legislative branches that they could not cut any further. He said, now to hear from the Budget director that they could have done more, disappoints him. He felt that if Mr. Lewis knew that more could have been done during the regular session, he should have made it known to all of the subcommittees where they stood.

CHAIR PETERSON commented that after the regular session was over she felt it was the best they have done. With the goals they had before them and the work they did it was the consensus that the legislators had accomplished something. She thought that maybe the government is in a revolution with tax reform. She said the people in her district are not talking about tax reform, but spending reform.

REP. JOE QUILICI asked **Dave Lewis** about the general government transportation budget of \$75 million and if he knew that the committee will not be able to come near that amount, and will he have specific places in this budget where the committee could do away with full bureaus and agencies; and will he come back to this committee with these recommendations? **Mr. Lewis** said there are several areas that his office is talking to the directors about, but the Governor has not made any final decisions that would involve the elimination of programs that are in review of this subcommittee. He said it is too early to know what will be brought back to this committee to be worked on and placed on the table. The Governor will need to review these recommendations before he can make any policy decisions and bring those recommendations back to the committee. **REP. QUILICI** referred to **Mr. Lewis's** remark that the 5 percent and 10 percent cuts will not make it and the committee will have to look under this budget to get the job done. **Mr. Lewis** said the reason his office gave the figure of 10 percent is they had to start somewhere. When the analysts met with the agencies they had to ask the agencies to identify at least the 10 percent as the lowest priority. He said this will open the door to discussing program changes and eliminations that are needed. He said it is not their intent to allocate a 10 percent reduction to give to each of the agencies. This is for purposes of getting a policy discussion started of what changes the agencies can make to downsize.

Rex Rankin, Deputy Clerk of the Court, said he represents Ed Smith, who is an elected official. He said this small office has operated efficiently, and under Article 13, the courts must be open to all people. The Clerk of Court is an essential office. It serves the public and private sector and the Supreme Court could not operate without a Clerk of Court office. He said if

the office were eliminated they would still need four people to process the 637 filings.

CHAIR PETERSON asked **Mr. Rankin** if he knew how other Supreme Courts handled their court clerks and if it is similar to ours? **Mr. Rankin** said yes, that is his understanding. He said the clerk is a member and elected to the executive Board of the National Conference of Teller Court Clerks.

**GOVERNOR'S OFFICE
MIKE LAVIN**

Mr. Lavin informed the subcommittee that the Governor's office has assumed their responsibilities in regard to budget reductions over the last decade. He said FTEs in the Governor's office have gone from 134 which includes the OBPP in 1977 to 55 FTEs in the current fiscal year which amounts to a 60 percent reduction. He said in 1977, OBPP had 34 FTEs, and currently there are 16.25. The budget for operations has been reduced over the years. In 1981, then Governor Schwinden had a travel budget of \$16,000 and a staff of six, today Lt. Governor Rehberg travel budget is one half of that and has three authorized staff positions. The Governor's travel budget in FY 1981 was \$84,000, currently it is only \$24,000. He said these reductions can be seen in every program contained within their office. The current administration has nine exempt staff and one of those is a summer intern. The additional authorized positions in the Governor's office are now vacant and will stay that way for part of the year to make their vacancy savings which amounts to \$90,000 this fiscal year. The OBPP lost 1.75 current level FTE this biennium. This was not filled because of previous vacancy savings. His office lost 1.5 FTE for the same reason. He said after these positions were eliminated, further vacancy savings were imposed. He feels that the Governor's office has set a good example for every previous across-the-board cut. He informed the committee that his office will resist any further across-the-board cuts. They met subcommittee target reductions by eliminating smaller programs in their entirety, i.e., the Flathead Basin Commission that was established in 1983 lost their general fund support, but the Legislature did refund it later through the Resource Indemnity Trust Tax (RIT). The state Aging Coordinator was eliminated which had been a part of the Governor's office since 1986. The Aging Council also lost their general fund and was integrated into the Department of Family Services, which he felt was a good management move. Previous to the special session, the OBPP eliminated the Intergovernmental Review Clearing House function which was a part of the office since the mid-1970s. He said the OBPP is currently preparing recommendations for budget reductions and will be submitted to the Governor later this month. He recapped how the Governor's office is funded by a program with general funds. The Governor's office receives approximately \$2 million per year in general fund money. He said 5 percent of that in round numbers will be equal to \$112,000 and 10 percent would equal \$225,000. He listed each program and how

they are funded with general fund money: The Governor's office receives \$900,000 in general funds; the Executive residence - \$48,000; the Air Transportation - \$133,000; the OBPP - \$793,000, the Lt. Governor's office - \$174,000; the Citizens Advocate - \$58,000; and the Board of Visitors - \$138,000.

CHAIR PETERSON asked **Mike Lavin** if the Citizens Advocate has stayed within the budget after changes were made from the Legislature? **Mr. Lavin** said they have. **CHAIR PETERSON** asked about the 18 directors under the executive branch and if some of those could be eliminated or consolidated? **Mr. Lavin** said yes. They will be part of the recommendations that the office will be coming out with later this month.

REP. JOE QUILICI commented that the Northwest Power Planning Council budget will not be looked at and wanted to know if that is being implemented at this time? **Mr. Lavin** said that is going on at this time. **REP. QUILICI** said there aren't any state funds involved with this because they receive their funds through Congress and under the BPA's budget. **REP. QUILICI** asked **Mr. Lavin** about the aircraft that belongs to the Governor's office and wanted to know if the airplane is being used for other purposes besides for the Governor? **Mr. Lavin** said yes. The Power Planning Council have used the plane along with other several state agencies. He said they have brought in approximately \$10,000 by charging the other agencies to use the airplane.

SEN. LARRY TVEIT asked **Mike Lavin** about the \$4 million he spoke of, \$2 million comes from general fund, but where does the other \$2 million comes from? **Mr. Lavin** said there are a number of federal grants they receive. **SEN. TVEIT** asked if the Power Council is included in this also? **Mr. Lavin** replied that is correct, and said it will not be in there any longer. The Portland office has assumed all of the costs of that program.

REP. QUILICI said there were two bills passed this last session HJR 7 and HB 660. He wanted to know for HJR 7 (regarding the Office of Public Policy) if grants from interest on income from RIT funds and if this office of Public Policy is being implemented at this time. **Mr. Lavin** said they have just interviewed six men and women that have applied and are prepared this week to make a recommendation to the Lt. Governor and to the Governor as to whom they feel that person should be. He said in regard to HB 660, the Montana Community Services Act, they are prepared to name the Advisory Board, but have not advertised the position at this time.

CHAIR PETERSON asked **Mike Lavin** if the subcommittees will see any of the recommendations out of the Governor's on their cuts? **Mr. Lavin** said they hope to have some of those recommendations to present to the subcommittee towards the end of this month.

SECRETARY OF STATE
DOUG MITCHELL, Chief Deputy

Mr. Mitchell distributed information on the Secretary of State's recommendations for state cuts. He informed the committee that last session, the Secretary of States office was before this committee asking for the reduction of \$1.7 million of general fund money from their operation and demand that they operate more like a business. He said this has made the office a more efficient operation. The office was before the 1991 Legislature and suggested that government could be reorganized and that the records management functions of the Department of Administration and the Secretary of State could be combined and would save \$600,000 in duplicated efforts in 1991. He said this has been an significant improvement for both agencies. He proposed specific modifications for the Secretary of State's budget: 1) He would like for this committee to adopt in case there is a special session or in the regular session to reduce their general fund budget by approximately 22 percent; 2) discuss several areas outside of their purview which they believe, through their experience as administrators, could gain efficiencies in state government; and 3) present a proposal that he feels has some merit by placing state agencies together to create management efficiencies, etc., that will be beneficial for both the short and long term. The Secretary of State's office was appropriated \$121,814 in general fund dollars. The four proposed modifications will require that three of them will be statutory changes and will total to an net amount of \$27,076 or 22.2 percent of their general fund budget. He noted that \$2,500 of that is only one time money, and the rest will be continuing money to the general fund: 1) Eliminate Printing of Title 13 - \$ 5,700; 2) Reduce election administrator workshops - \$ 5,000. He said they will keep the workshops in the odd numbered year because of the new legislation they need to implement; 3) Reduce fireproof storage - \$2,500; and 4) Increase Legislative filing fees - \$13,876. The fee structure is a percent, i.e., one percent of what the person's salary is. The legislative candidates pay a flat fee of \$15, and this proposal will take the fee to a .5 percent because it is a biennial salary instead of an annual salary which would increase the fee to approximately \$50. At the 1992 filing rate it would raise the additional fees mentioned above, whether the rate for legislators go up or down it will continue to change. He said one of the problems the office has is dealing with two base budgets. He said most of their time is spent on trying to figure out where the money went as they translate LFA and OBPP base. He feels it makes more sense to have the Legislature determine a process whether legislative enactment or a process that the Legislature request to have one base. He felt the legislators will be able to look at one budget for modifications that are base issues and do substantive cutting. The other issue is there are no negotiated travel rates for the state, it is usually through a travel agent and pay full rate. He said businesses of the state's size should have an negotiated rate with airlines or travel agencies. He said the

Secretary of States office has spent much time looking where agencies could be combined to effectuate substantial cost savings. There are two areas they have found that would give them significant reorganization opportunities in state government: 1) records management; and 2) business licensing. He said 70 percent of their money is spent in this area. He said there are other agencies that are involved in this same endeavor, i.e., the State Historical Society, State Library, and the Department of Commerce. By combining these agencies under one organizational structure to create substantial administrative cost saving. A number of other states have centralized archiving and licensing services under the umbrella of the Secretary of State. The state of Washington have succeeded in one stop licensing. By doing this the efficiencies of the management level staff could account for a savings during the first biennium of better than three quarters of a million dollars in personnel services alone. It will create efficiencies in management, document processing and records management procedures, and efficiencies in the use and cost of legal counsel for similar functions. He said the government should have an open mind and look at these issues. **EXHIBIT 6**

REP. JOE QUILICI asked **Doug Mitchell** to explain the reorganizing of departments to gain economies of scale when the services are similar? **Mr. Mitchell** gave an example stating the legal counsel for the Department of Commerce could be combined with the Secretary of State's office. He said in regard to management whether there are 35 employees or 75 employees, maybe the manager of the Department of Commerce should have his job and he would go on the wayside. He commented that when the Secretary of State's office took the records management from the Department of Administration his office did not take any budget management personnel, but were able to get the economy to scale by managing more people, and stated he manages an additional 10.5 FTE. **REP. QUILICI** asked if the legal services were combined and placed under the Justice Department, would this mean of the Secretary of States office would have to go to the Justice Department to receive these services and would this work in the Secretary of State's office? **Mr. Mitchell** said it wouldn't. He explained "what would happen on election day when his office receives 50 legal phone calls and they could not reach legal counsel"? His office receives numerous calls on a daily basis which requires legal services.

REP. MARJ FISHER asked **Doug Mitchell** if the records could be moved to the Department of Commerce instead of the Secretary of State's office? **Mr. Mitchell** said that is an option.

CHAIR PETERSON said this subcommittee was responsible for making the big changes on how the Secretary of State's office would work, and felt the office was doing a good job in implementing those changes. **Doug Mitchell** said it is working very well. The office is able to operate with less general fund money. The fees have remained constant and they have not had any difficulties.

**COMMISSIONER OF POLITICAL PRACTICES
ED ARGENBRIGHT, COMMISSIONER**

Mr. Argenbright said his office has 3.25 FTE. They are charged with campaign finance reporting, practices, oversight of the Initiative of 1980 of the lobbying reporting requirements. He said the publishing of the campaign books is overwhelming. His office is interested in maintaining an independent agency where people can find information that they may need. The money and influence is increasing in Montana. He said there was over \$291,000 spent in the last Attorney General campaign; the State Auditors campaign spent \$230,000; and the Governor's campaign was \$2.7 million. His office can inform the people of Montana where the dollars are coming from and how they are spent. He said the service that he and his staff of two provide is very critical. In the recent ballot issue the reporting requirements showed that for Referendum 111 there was \$144,000 spent for the issue and \$160,000 against, and \$137,000 of that came from out-of-state utilities. He said in the last session there were 801 registered lobbyists who reported expenditures of \$3.7 million compared to \$1.4 million spent in 1983. His office budget is salary, and his operating cost are spent on non-warrant transfers which pay the rent, and telephone, etc. He said there is a pending court case on a complaint that was filed in 1992 in regard to the 1988 election campaign for Governor. The case is still pending and legal fees are charged, and he did not know where his office could absorb a 10 percent cut. He said this is the first year they are making their information available on diskettes and charge \$5. He is in the process of recruiting volunteers who will spend time in Helena at their own expense to look at three questions: 1) how can his office make campaign reporting easier and make the information more accessible; 2) how to discourage last minute distorted campaign ads; and 3) how can they get information about political practices and financial reporting requirements out to the public in a better way. He informed the committee it is his goal to build credibility in the political process of Montana.

REP. MARJ FISHER asked Ed Argenbright what he would suggest in placing spending caps on the campaign program? Mr. Argenbright said people have the right to express their opinions on political issues. He said in some states the individuals are limited to the amount of dollars that they can contribute.

**STATE AUDITOR'S OFFICE
MARK O'KEEFE, Insurance Commissioner**

Mr. O'Keefe said the Insurance Department has been brought up to standards through a major bill that was passed this last Legislature. Montana is scheduled to be reviewed this fall after the preaccreditation examination which will place it within the minimum federal requirements for insurance regulations. He said the major work in the office is issuing between 7,000 to 9,000 warrants a day and is the biggest cost to the department. His

office has come up with some ideas to change the way some things have been done and asked for the committee's rebuttal if they felt the ideas will work. **Mr. O'Keefe** informed the committee the office operation cost is around \$3 million. He said they are a revenue producer and bring in approximately \$30 million per year. He said there are two issues that need to be addressed in his office: 1) if cost are to be cut, can the office bring in more income for the state at a reduced cost; and 2) if the costs are lowered due to budget cuts it could lower the income. He said if an investigator in securities is cut to save the state \$25,000 per year, the state could also lose \$100,000 per year in fines that person could have brought in.

Mr. O'Keefe introduced **Tom Crosser**, Deputy for Fiscal Control and Management. **Mr. Crosser** spoke about the warrants and the bad debt collection areas that he is in charge of. He gave a break down of his costs in the warrant writer system into three components: 1) one third of his cost is in postage; 2) one third in data processing to produce the warrants; and 3) the other one third goes to his personal service cost, i.e., legislative audit fees. He said in order to cut cost in his program he will have to deal with the number of warrants that his department is producing. His office is working with the Department of Social Services (SRS) on electronic fund transfers (EFT). He said they will need to be careful that the system will not cost the state more in data processing costs than the savings in the postage. He feels it is an area that is improving but needs to be expanded in regard to state payroll warrants and retirement warrants to retirees. He informed the committee that one of the problems with the warrant program is that every dollar that is cut out of the base expenditure for that program the state is only gaining .29¢ of general fund. In order to make a substantial general fund savings in the program a lot more dollars will have to be cut than what the target would be for the general fund. He said that legislation would need to be passed to require and mandate EFT for state employees and retirees instead of a choice of hard copy or transfer. He said another idea they are looking at is charging a fee for a hard copy and no fee for the EFT. This will eliminate the costs to the teachers, PERS, and the state payroll program that the office is currently charging them. He said the general fund savings per year to do this program will save about \$9,800 per year. **Mr. Crosser** said his budget for postage is \$265,000 per year and most of that is for the warrants, and it would be an significant savings if these could be electronically transferred. He said the office is looking at warrant consolidation, because there are some agencies that cut a number of checks to the same person on the same day, but they need to make sure that the computer application wouldn't be more costly than what can be saved. He said another area that could make more money for the general fund would be with the child support program and bad debt. If an state employee has a state refund owed to them but they owe on their child support that money could be used to offset that debt. He said they added that Department of Revenue file and collected \$472,000 last year which was placed

into the general fund. He said there is another file that could be used and that is the refund from the Department of Fish, Wildlife, and Parks (FW&P). He said that currently instate refunds for applications for permits totals over \$3.5 million. If the state could receive the same number of dollars against the state income tax refund files, the state could collect about \$200,000 per year in additional revenue. He said they will need the cooperation of the department to collect and utilize when a warrant is cut to use the payee I.D. number for that individual. He said that 70 percent to 80 percent of the people's driver's license numbers are their social security number which is entered on their conservation license and could be used to collect revenue.

SEN. GARY FORRESTER wanted to know why the EFT cannot be used for per diem and milage? **Mr. Crosser** said the payroll system is separate and the retiree system is a separate system where they could have EFTs. There is potential that this will be done in the future.

REP. MARJ FISHER asked if legislation would be needed to collect the money from the FW&P? **Mr. Crosser** replied that is correct.

Mark O'Keefe explained that FW&P is good at being very confidential. It takes time and energy to punch in valid I.D. #s onto a system the Auditor's office could use, but it will cost the FW&P to do this and they cannot be forced to spend their money this way if they don't want to.

REP. JOE QUILICI asked **Mark O'Keefe** what can he cut from his agency? **Mr. O'Keefe** said he wasn't able to give numbers at this time. Based on the cuts the office received last session they have not filled positions due to vacancy savings. He said unless the Legislature is forced to come into town, than the office will give the numbers that he feels his office will have to take. He said the office is looking at FTEs and budget money (i.e., Health Care Task Force) that could be given up if it comes to budget cuts. He feels that re-engineering and changing job assignments will allow them to reduce personnel, but doesn't feel there will be a cost savings in the long run.

**DEPARTMENT OF JUSTICE
HIGHWAY TRAFFIC SAFETY DIVISION
AL GOKE, Administrator**

Mr. Goke informed the committee that his agency is largely funded by federal funds. They have \$85,000 in gas tax which pays for a match on certain salaries in his division and the expenses associated with it. His office administers \$180,000 of the DUI reinstatement fees which is reimbursed to the counties that choose to start DUI task forces. Legislation was passed for \$300,000 during the last session for them to pass on to all counties in the state which must in turn give the money to the incorporated towns and cities based on population. The \$300,000

is a bookkeeping process which is not burdensome to the office or the state. He said that traffic accidents in Montana cost approximately \$250 million per year and felt that state resources should be allowed to reduce this. **Mr. Goke** informed the committee that the DUI Task Force that is in place in 20 counties throughout the state have reduced road traffic alcohol related deaths by 70 percent. He feels that the local governments are responsible for traffic safety and it is his duty to be their resource, i.e., DUI Task Force. **Mr. Goke** said his capacity to reduce programs are limited to the DUI Task Force which is the only administrative money in his agency which effects the general fund.

**BOARD OF CRIME CONTROL
ED HALL, Administrator**

Mr. Hall said the board is made up of 18 members appointed by the Governor and is attached to the Department of Justice. The mission of the board is to promote public safety by improving and strengthening the coordination of the justice system. He said there are many justice functions that are not strictly law enforcement prosecution related and these are the things that the board takes care of. The board handles the licensure of the peace officers, coroners, detention officers, dispatchers and under recommendation from the legislative auditor to also include the juvenile probation officer. He said the board issues approximately 350 licenses are year. The board takes care of the functions needed by the victims that are hurt or injured in crimes. He said there is a 1-800 number that is in place that took care of over 500 victims. They have 19 assistant programs throughout the state that handle victims of crimes. The board administers grants to local agencies that promote public safety. He said there were 11 task forces that covered 23 counties for drug re-enforcement operations which made over 650 arrests for drug offenses, seized 161 lbs of drugs, etc. He gave a synopsis of all the grant programs that the board is involved in, i.e., the D.A.R.E. program, and early release program of prisoners from Deer Lodge and other systems.

REP. MARY LOU PETERSON asked **Ed Hall** about the justice coordination? **Mr. Hall** said the legislative auditor did an performance report on the juvenile justice system and made 21 recommendations. The 21st recommendation made to the Governor was to take charge of the juvenile justice system and for them to work out the other 20 recommendations. The Governor has charged the Youth Justice Council which is part of the Board of Crime Control to implement the remaining 20 recommendations and they are required to report quarterly to the audit committee. **REP. PETERSON** asked if that would require extra expense? **Mr. Hall** replied they would be doing this within their existing staff resources. He said they have reduced duplication by combining with the Departments of Health, Family Services and themselves, Crime Control.

DEPARTMENT OF JUSTICE
DENNIS TAYLOR, Deputy Director

Mr. Taylor said the department had reduced their budget by \$2.6 million at the end of the 1993 session and reduced 23 FTEs. He said the department was given \$1 million in added responsibilities by the Legislature and are just in the process of implementing. New mandates in the workers compensation investigation and fraud, consolidating and streamlining gaming and liquor and data processing changes that will bring the motor vehicle registration on to the main frame. The vacancy savings placed on them by the Legislature amounted to \$1 million per year and 40 to 45 FTE will be left vacant besides the 23 FTE that were reduced during the session. The consolidation of the liquor enforcement area that began in 1989 is now also implemented in the department through the gaming control division. He is concerned about the Montana Highway Patrol which is currently at the 1970 staffing level. There are only 51 officers on Montana roads at any one time. With the Montana travel promotion there are record traffic counts. He said there are times that a 200 mile stretch is uncovered or nearly 10 percent of the state is without regular highway patrol services. **Mr. Taylor** said there are several studies going on at this time to look at the title and registration program in Deer Lodge to reduce the long term cost and the results of this study will be presented in the 1995 Legislature. He said the office is working on a pilot program with the OPI to license student drivers at the end of a successful completion of drivers education courses. He said during the last session, HJR 25 asked the department to study the provisions of state legal services and how state law enforcement services are provided. Another study is being conducted by Judy Browning in the Governor's office to find ways to streamline, improve, and consolidate the provision of state legal services. **Mr. Taylor** is working with Mike Lavin to find ways of bringing together private investigators and law enforcement services which are used by the Departments of Agriculture, Department of Fish, Wildlife, and Parks, State Auditors office and other offices involved in law enforcement and coordinate these activities. He said if further cutbacks are required, their recommendation to the committee, the Governor, and the Legislature as a whole, is to avoid the temptation to continue what has been a decade of across-the-board cuts. He said it is the Attorney General's opinion that they can no longer practice across-the-board cuts. To achieve lasting cost savings there needs to be overall priorities set across all governments, state and local, and all funds, not just general fund agencies, but organizations like the Department of Transportation and the Department of Fish, Wildlife and Parks and the Department of Health and Environmental Sciences and other fund agencies with the same critical eye as general fund agencies in the last decade. He said the department cannot sustain it's current effort or do their job and keep motivated productive workers if they are forced to absorb another round of across-the-board cuts. He said it is now time to eliminate whole programs and reduce mandates, eliminate non-essential services

and set statewide governmental priorities. He said if the department is to do away with any services it will be the issue of the driver's license services in the 42 rural counties. He said the long term recommendations that may be valuable to the Legislature are the results of HJR 25 studies. He feels there will be improvements in quality through streamlining and developing the areas to improve services and reduce costs. **Mr. Taylor** said the department has \$10 million in annual general fund dollars that takes care of the Department of Justice, and all the divisions and programs involved.

REP. JOE QUILICI asked if the Attorney General Joe Mazurek and Governor Mark Racicot have sat down and discussed the issues of where specific cuts could be made in the Justice Department? **Mr. Taylor** said the department is a very small agency and said "what you see is what you get". He said if there are to be substantial eliminations of services and programs they will be back before the committee with the same list they had during the regular session.

CHAIR MARY LOU PETERSON asked **Mr. Taylor** if everything that is done in the department is a mandated task or are some rules or tradition? **Mr. Taylor** said the department went through a rigorous review in preparation for submission of Governor Stephen's budget. The statutes can only be changed through legislative action. He said the department's workload has increased dramatically and have received a 25 percent reduction.

**Stan Hughes, Gallatin County Treasurer and
President of the State Association**

Mr. Hughes said when there are cuts in the Department of Motor Vehicle (DMV) it effects the county offices who provide the local services for motor vehicle.

**Kevan Bryan, Yellowstone County Treasurer
Vice President and Legislative Chairman
of the Montana County Treasurer's Association.**

Mr. Bryan said that he and **Mr. Hughes** were asked by **SEN. GARY FORESTER** to present their knowledge to the committee. He distributed and read his written testimony. **EXHIBIT 9**

**DEPARTMENT OF TRANSPORTATION
MARVIN DYE, Director**

Mr. Dye presented and introduced Tom Barnard, Division Administrator for the Highway Division; Pat Sanden, Administrator, Rail and Fencing Division; Jim Curry, Budget Analyst; and Bill Salisbury, Administrator of the Administration Division.

Mr. Dye spoke of the cuts that are taking place in their current level budget. He said with the gas tax in place it is obvious

that the DOT in fiscal year 1995 will spend approximately \$5 million to \$7 million per year more than they are collecting. He feels in order to keep expenditures and revenues at a minimum they have found that maintenance will not impact the delivery of services and reduction of some sections are not necessary. He said it is mainly just finding ways of doing things a little more economically. The department has \$26 million in payment reservation, i.e., SOS, RTF or through the maintenance budget, and said that reductions can be found there. He feels that the department can reduce the overall budget by the \$5 million to \$7 million per year. He spoke of the special coal tax revenue of approximately \$5 million per year that comes into the state and said this is a problem. He has been assured that the Motor Vehicle Division diversion of \$5.3 million this biennium would not be continued next time, and stated it will be a big help. Under SB 257, the gas tax bill increased the distribution to cities by approximately \$2.8 million per year. The Department of Fish, Wildlife, and Parks roads cost \$1.3 million per year. The off-road vehicle, snowmobile, etc., will be receiving an increase on top of what they are receiving now and feels that should be capped. If all of this is done, the department would be able to operate within the existing current revenue. He said the department has approximately \$160,000 in general fund in the budget, and \$100,000 of that is for the biennial appropriation for the McCarty Farms litigation. The lawsuit is coming along and feels that by November the \$100,000 will be under contract for the case should it materialize. The other \$60,000 is being used to match the federal rail grant.

Rep. Quilici asked **Mr. Dye** how has the Intermodal Surface Transportation Efficiency Act (ISTEA) effected Montana since its passage in Congress? **Mr. Dye** said ISTEA has imposed more federal requirements on the state. They now have to do all modes of transportation planning that they never had to do before. There is impact by development of management types of systems and said there are 5 to 6 systems that Montana has to put in place that helps determine the priorities for road maintenance and reconstruction. The environmental impacts and congestion litigations are other major issues which when taken as a whole, causes a significant burden that the state of Montana has to bear.

CHAIR MARY LOU PETERSON asked **Mr. Dye** to repeat what he said about the \$5 million coal tax issue? **Mr. Dye** said the DOT has received fees other than the gas tax, motor vehicle fees, i.e., GVW fees, and mineral and coal tax which have been removed at this time with the exception of the \$5 million in coal tax. He said "roughly \$4.9 million" is going into the fund each year. He has heard from sources that to balance the budget, the DOT will lose that \$5 million. He said the \$5 million will give them a \$10 million a year problem. He said if the coal tax goes they are looking at the \$2.8 million given to the cities under SB 257. The other funding of \$1.3 million would come from FW&P.

SEN. LARRY TVEIT asked **Mr. Dye** if the Noxious Weed Program is now under biological maintenance? **Mr. Dye** said the Noxious Weed Program has been under the DOT budget for a long time. He said the counties do the spraying and the DOT reimburses them.

SEN LARRY TVEIT asked **Mr. Tom Barnard** about the \$100,000 that had been amended for the Noxious Weed Program? **Mr. Barnard** said the \$100,000 was left in the maintenance program and it would be made available. The money that was already in the fund for weed control will go to the County Weed Control District. He said the DOT is not involved with the weed control itself because of the liability nor do they have the people trained to do it.

Clayton Schenck said that the Legislature specifically stated that the \$100,000 is eliminated for the purchase of biological agents, but it can be used for spraying. He said the Noxious Weed Control budget is within the maintenance budget.

**DEPARTMENT OF REVENUE
MIKE ROBINSON, DIRECTOR**

Mr. Robinson said he doesn't have any specific recommendations for the committee today for implementing programs. He distributed a written report on the revisions that the department is trying to do within all of the divisions. He spoke of the impacts from the regular session and how the department has accommodated some of those changes. There were reductions of FTEs in the director's office in the research components program. Jack Ellery moved to the Department of Family Services and he will not be replaced to utilize the vacancy savings. There has been elimination of upper management in the centralized services division. They are working on an proposal to combine central services and data processing which would eliminate an administrator in the department. He said the reduction of the \$100,000 in that division and combining the two agencies will help them to accommodate that reduction. **Mr. Robinson** said his staff is going through all of the divisions to determine how the operation can be done more efficiently. The transfer of the investigators to the Department of Justice has gone well. The combination of the licensing for liquor and gambling will be a cost efficiency. There will be more cost savings in the licensing area and elimination of duplication. **EXHIBIT 7**

**DEPARTMENT OF ADMINISTRATION
LOIS MENZIES, Director**

Ms. Menzies said she sees the department as providing the infrastructure to state government. They basically do two things: 1) provide cost savings by providing centralized services; and 2) a control function which helps agencies to behave as a single company or business. The consequences of cutting too deeply will effect these obligations that the agencies have. She gave an example of one of the duties being eliminated. In the classification bureau the need will still

exists, but they will be pushed down to other agencies which would have to develop that expertise or add staff to perform those duties. She said when this happens the agencies with money tend to do things that agencies without money can't do, (i.e., pay inequities, classification differences), or they lose the cost savings they could have in purchasing if they could consolidate those services. **Ms. Menzies** gave her thoughts on the consolidation. She said if they need to centralize services it should be done across-the-board if cost savings are a result, i.e., mail rooms that are independent from the department's should be brought in, and print shops in other agencies should be brought into the department if it will make it cost effective. She said that general services, personnel, purchasing, and accounting are general funded and those costs could be spread to other agencies. These could be spread across to the proprietary accounts, state special revenue, and a federal special revenue. The payroll program recoups their costs from other non-general funded agencies.

CHAIR MARY LOU PETERSON asked about the personnel directors in the other agencies and asked if they do the same job as the personnel in the Department of Administration? **Ms. Menzies** said no. Every department that has a personnel officer offer day to day advice in hiring, terminations and personnel policies that are specific to that agency versus to what the personnel division does which is more global. The division personnel sets standards, and provides advice on a statewide level.

DEB FULTON spoke about the central mail room. She said the only agencies that they are not involved with at this time are agencies that have insert capacities, i.e., payments, auditing requirements, etc. She said with the automation that is started, the department will also be involved with inserting mail. To be able to do this they will need another FTE at a time when other agencies are eliminating FTEs.

Lois Menzies said there will be a reduction in rental rates for FY 1994/95; \$27,000 in general fund for FY 1995, and \$44,000 in FY 1995. She said this is a result of language in HB 2 that states they cannot charge anymore for rent than what is needed to operate the program. She said they are looking at reductions in computer processing rates, and how much it will cost to upgrade the mainframe computer. She said approximately 44 percent of the money collected from processing rates is general fund money. The department is looking at a new revenue source that will tax punitive damages and law suits. She said they want to encourage local agencies to join in on cooperative purchasing between state and local entities. The volume of supplies would drop the prices for both state and local government.

REP. JOE QUILICI asked **Ms. Menzies** if the department has looked at reorganization? **Ms. Menzies** said in 1983 the department had 12 divisions and currently there are eight. She will be looking

at eliminating more departments if there is a way of combining them.

**DEPARTMENT OF MILITARY AFFAIRS
GENERAL GENE PRENDERGAST, ADJUTANT GENERAL**

General Prendergast said his department forms the Military Affairs, National Guard, DES and the Veterans Affairs. He said they have been involved with the floods in the midwest and distributed a mission statement which shows the mission's responsibilities. He explained the emergency support provided through the Guard and Disaster and Emergency Services Division to the civil authorities as directed by the Governor. He informed the committee that General Sullivan, Chief of Staff, is touring the flood area and he has commented that the states that have the DES directly under the supervision of the Adjutant Generals are the states that are working the best and Montana is included in this. **General Prendergast** spoke of the federal programs that are provided by the Guard. The MED Ready Program that will assist the Indian Tribes in Montana. The first program will take place on the Cheyenne Reservation. The National Guard will be able to use their training programs for medical assistance, i.e., inoculations. The Guard is starting programs to assist the youth of Montana to receive their GED, etc. **EXHIBIT 8**

SEN. GARY FORESTER asked **General Prendergast** if this will be a weekend program? **General Prendergast** said there will be active duty special work programs. It will put people on active duty for periods of time to go in and assist in the programs. The people in the Guards will do their annual training in their Military Occupational Specialty (MOS) at the Reservations. He said the programs are federally funded.

General Prendergast said the department is looking at reductions down the road with cuts to personnel in DES and Veteran's Affairs. He said they are also talking about closing armories in the smaller towns.

REP. JOE QUILICI said at the NCSL convention they were informed that the guard will be playing a more active role with National defense with the cuts in the military and asked **General Prendergast** if he has received that information? **General Prendergast** said yes. They will meet with James Lee Witt, Federal Emergency Management Affairs (FEMA), on September 3, 1993, in Denver and James Wood who will be speaking about the additional mission for the National Guard to be involved with FEMA. He said there is talk of placing FEMA under the National Guard Bureau under the Department of Army at the national level so they will have that chain of command and the line of communication in case of emergency disasters.

General Prendergast said the status of the Army Air National Guard is very positive through FY 1996.

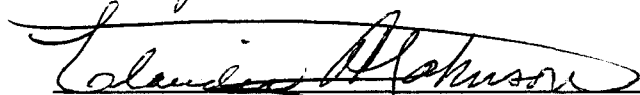
REP. JOE QUILICI asked General Prendergast if Governor Mark Racicot has gone over any ideas with him on specific cuts that the Military Affairs should look at? General Prendergast said no. They are looking at the percentage cuts at the present time if there is to be a cut across-the-board at 10 percent or 5 percent.

CHAIR MARY LOU PETERSON closed.

ADJOURNMENT

Adjournment: 4:30 p.m.


MARY LOU PETERSON, Chair


CLAUDIA A JOHNSON, Secretary

MLP/cj



TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
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HELENA, MONTANA 59620-1711
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EXHIBIT 1
8-2-93
GEN. GOV'T. &
TRANSPORTATION
SUBCOMMITTEE

June 23, 1993

TO: Legislative Finance Committee
Revenue Oversight Committee

FROM: Teresa Olcott Cohea
Legislative Fiscal Analyst

RE: Potential Suspension of House Bill 671

Petition for Referendum

On June 1, 1993, Montanans for Better Government filed a petition for a referendum on House Bill 671 (HB671), the income and corporation tax revision enacted by the 1993 Legislature. Sponsors of the petition are seeking a vote on the bill in the November 1994 election. If a sufficient number of signatures are gathered, implementation of the bill will be suspended pending the election.

Under current law, the Secretary of State must send written notice of the approval or rejection of the petition sheet to the sponsor within 28 days. During this period, the Office of Budget and Program Planning (OBPP) prepares the fiscal note and the Attorney General's office reviews the petition and prepares a fiscal statement. Signatures may not be collected until the Secretary of State has given final approval on the petition.

As of June 23, OBPP had prepared the fiscal note and the Attorney General's office had completed its review. The deadline for the Secretary of State's office to respond to the petition sponsor is June 29.

Article III, section 5 of the Montana constitution provides that signed petitions seeking a referendum on an act passed by the legislature must be filed within six months after adjournment of the legislature that passed the act. To comply with this and statutory deadlines, signed petitions must be delivered to county election officials by September 22, 1993. County election officials must complete their verification of signatures and forward the petitions to the Secretary of State by October 22. When sufficient signatures have been filed with the Secretary of State, he must "immediately" certify to the Governor that the petition has qualified for the ballot and (if applicable) the law has been suspended pending the vote.

Legal Issues Regarding Suspension

The Montana constitution provides that:

Referendum.(1) The people may approve or reject by referendum any act of the legislature except an appropriation of money. A referendum shall be held either upon order by the legislature or upon petition signed by at least five percent of the qualified electors in each of at least one-third of the legislative representative districts.....

(2) An act referred to the people is in effect until suspended by petitions signed by at least 15 percent of the qualified electors in a majority of the legislative representative districts. If so suspended the act shall become operative only after it is approved at an election, the result of which has been determined and declared as provided by law.

The Secretary of State's office calculates that approximately 20,000 signatures of registered voters are needed to place the issue on the ballot. As few as 26,000 signatures are necessary to suspend its implementation until the vote.

Greg Petesch, Legal Director, Montana Legislative Council, has prepared the attached memo concerning the effect and impact of a referendum on HB671. Following is a summary of his findings. After each finding, I have included information on the potential fiscal impact.

1) *If HB671 is suspended, the previous law is in effect until the election on the referendum.* Tax year 1993 tax returns would need to reflect the previous income and corporation tax law in existence prior to passage and approval of HB671. The previous law imposed a 4.7% surtax on personal income and corporate tax liabilities for tax year 1993.

2) *If HB671, after being suspended, is rejected by voters in the election, the provisions of previous law apply to tax years 1993 and beyond.* Based on current revenue estimates, that would result in \$72.7 million lower revenue collections during the 1995 biennium (\$66.3 million personal income tax and \$6.4 million corporation tax.)

3) *If HB671, after being suspended, is approved by the voters in the November 1994 election, its provisions would be effective for both tax years 1993 and 1994.* However, returns for tax year 1993 would have been filed based on previous tax law. Department of Revenue (DOR) staff say further research is necessary to determine whether tax liability for the difference between previous law and HB671 could be retroactively collected. Thus, there may be a revenue loss even if HB671 is approved by voters.

4) *If sufficient signatures to place the referendum on the November 1994 ballot are gathered but not enough to suspend HB671, the bill will be in effect for tax year 1993. Whether HB671 is effective for tax year 1994 would depend on the outcome of the election.* Anticipated collections in fiscal 1995 are \$39.6 million.

Potential Impact on State Budget

Table 1 shows anticipated collections from HB671. The \$72.7 million biennial total comprises 4.0 percent of total anticipated general fund and SEA revenue during the 1995 biennium.

Table 1 HB671 Estimated Collections, 1995 Biennium (Millions)		
	FY94	FY95
Personal income tax	\$29.911	\$36.340
Corporation tax	3.185	3.268
Total	\$33.096	\$39.608

While HB671 revenues comprise a relatively small part of total revenues, they are important in maintaining a balanced budget. Based on HJR3 revenue estimates (as adjusted for revenue measures passed during the session) and appropriations approved by the 1993 Legislature, the projected ending fund balance in the general fund at the end of fiscal 1995 is \$24.6 million. The projected cash balance is a negative \$17.0 million.

If revenue collections are reduced \$72.7 million by voter rejection of HB671, the projected fund balance would be negative \$48.1 million and the projected cash balance a negative \$89.7 million at the end of the 1995 biennium.

These balances do not include the \$10.1 million additional revenue that the DOR estimates will be received as a result of property tax reappraisal. Because DOR had not yet completed its work, this information was not available to the legislature when it adopted final revenue estimates in HJR3.

Magnitude of Potential Budget Reductions

The following information illustrates the magnitude of budget reductions necessary to offset a \$72.7 million revenue decrease. It is presented for informational purposes only and is not intended as a recommendation.

Current spending

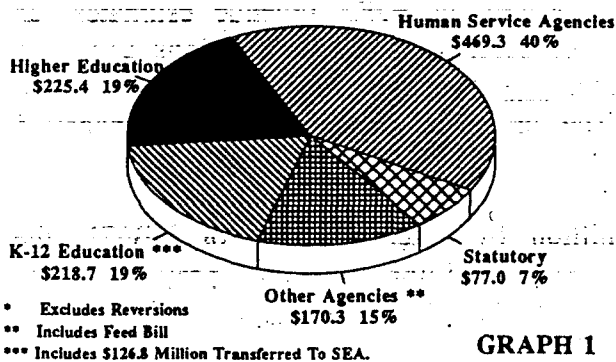
Graphs 1 and 2 shows appropriations from the general fund and SEA approved by the legislature for the 1995 biennium. Table 2 shows the same information in a different way, listing general fund appropriations for agencies or statutory appropriations in descending order of magnitude.

As Graph 1 shows, human service agencies (the departments of Social and Rehabilitation Services, Family Services, and Corrections and Human Services) consume 40 percent of the general fund. Higher education and state support for K-12 education consume another 38 percent. The seven statutory appropriations shown in Table 2 account for 7 percent. Only 15 percent of the total general fund is spent by the 33 state agencies shown in Table 2.

While Table 2 shows \$211.9 million general fund appropriated for public schools, another \$685.3 million is distributed from the SEA. As Graph 2 shows, state support for K-12 is the state's single largest expenditure area and comprises 49 percent of total combined general fund and SEA spending.

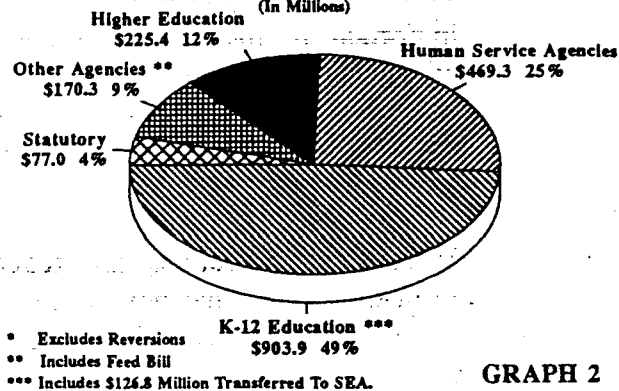
If education and human service agencies were exempted from budget reductions, all general fund appropriations from items 12 through 46 on Table 2 would need to be eliminated effective January 1, 1994, in order to generate \$72.7 million of general fund savings.

**1995 Biennium General Fund
Disbursements By Agency - \$1,160.7***
(In Millions)



GRAPH 1

**1995 Biennium General Fund/SEA
Disbursements By Agency - \$1,846.0**
(In Millions)



GRAPH 2

Table 2
1995 Biennium General Fund Appropriations

Rank/Agency/Purpose	Appropriations	% of Total	Cumulative Appropriations	Cumulative %
1 Social & Rehabilitation Services	\$246,128,081	21.20%	\$246,128,081	21.20%
2 Higher Education	225,882,812	19.46%	472,010,893	40.67%
3 Public Schools*	211,908,071	18.26%	683,918,964	58.92%
4 Corrections & Human Services	153,387,711	13.21%	837,306,675	72.14%
5 Family Services	69,801,812	6.01%	907,108,487	78.15%
6 Revenue	41,230,401	3.55%	948,338,888	81.70%
7 Property Tax Reimbursement**	36,672,000	3.16%	985,010,888	84.86%
8 Justice	22,882,143	1.97%	1,007,893,031	86.83%
9 Debt Service**	20,035,000	1.73%	1,027,928,031	88.56%
10 State Lands	16,713,145	1.44%	1,044,641,176	90.00%
11 Judiciary	10,934,146	0.94%	1,055,575,322	90.94%
12 Health & Environmental Sciences	8,569,210	0.74%	1,064,144,532	91.68%
13 Retirement Benefits**	7,814,000	0.67%	1,071,958,532	92.35%
14 Administration	7,706,415	0.66%	1,079,664,947	93.02%
15 District Court Reimbursement**	7,209,000	0.62%	1,086,873,947	93.64%
16 Office of Public Instruction	6,760,101	0.58%	1,093,634,048	94.22%
17 Natural Resources & Conservation	6,652,337	0.57%	1,100,286,385	94.79%
18 Pay Plan	6,493,800	0.56%	1,106,780,185	95.35%
19 Feed Bill	5,000,000	0.43%	1,111,780,185	95.78%
20 School for the Deaf & Blind	4,965,335	0.43%	1,116,745,520	96.21%
21 Governor's Office	4,474,010	0.39%	1,121,219,530	96.60%
22 State Auditor	4,187,193	0.36%	1,125,406,723	96.96%
23 Legislative Council	4,150,665	0.36%	1,129,557,388	97.32%
24 TRANS Interest**	4,073,000	0.35%	1,133,630,388	97.67%
25 Military Affairs	3,983,632	0.34%	1,137,614,020	98.01%
26 Commerce	3,059,534	0.26%	1,140,673,554	98.27%
27 Historical Society	2,684,173	0.23%	1,143,357,727	98.50%
28 Legislative Auditor	2,624,893	0.23%	1,145,982,620	98.73%
29 Long Range Building	2,600,000	0.22%	1,148,582,620	98.95%
30 Library Commission	2,308,504	0.20%	1,150,891,124	99.15%
31 Legislative Fiscal Analyst	1,683,553	0.15%	1,152,574,677	99.30%
32 Labor & Industry	1,591,973	0.14%	1,154,166,650	99.44%
33 Depository Banking Services**	1,105,000	0.10%	1,155,271,650	99.53%
34 Agriculture	988,729	0.09%	1,156,260,379	99.62%
35 Crime Control Division	921,614	0.08%	1,157,181,993	99.70%
36 Livestock	895,658	0.08%	1,158,077,651	99.77%
37 Fish, Wildlife & Parks	627,042	0.05%	1,158,704,693	99.83%
38 Environmental Quality Council	554,348	0.05%	1,159,259,041	99.87%
39 Highway Traffic Safety	361,397	0.03%	1,159,620,438	99.91%
40 Montana Arts Council	252,728	0.02%	1,159,873,166	99.93%
41 Commissioner of Political Practices	245,736	0.02%	1,160,118,902	99.95%
42 Board of Public Education	212,997	0.02%	1,160,331,899	99.97%
43 Transportation	162,761	0.01%	1,160,494,660	99.98%
44 Secretary of State	121,814	0.01%	1,160,616,474	99.99%
45 DUI Testing Equipment**	100,000	0.01%	1,160,716,474	100.00%
46 Less Reversions	(1,750,000)		(1,750,000)	
Total	\$1,158,966,474	100.00%	\$1,158,966,474	

* Includes appropriations to OPI for schools in HB2, HB667, and estimated SEA supplemental
 **Statutory appropriation

Governor's authority to reduce expenditures

As amended during the July 1992 special session, section 17-7-140, MCA, allows the Governor to require agencies to reduce their spending by up to 10 percent during a biennium, with certain exceptions. As Table 3 shows, with the

exceptions, the total general fund budget subject to this reduction during the 1995 biennium is \$863.6 million. An 8.4 percent in both fiscal 1994 and fiscal 1995 applied to all eligible general fund expenditures would save \$72.5 million.

<p style="text-align: center;">Table 3 General Fund Appropriations Subject to Gubernatorial Reduction, 1995 Biennium (Millions)</p>	
Total Agency Budgets*	\$951.9
Exclusions	
Debt Service	0.3
Legislative Branch	8.9
Judicial Branch	10.9
Special Education	67.7
Elected Official Salaries	<u>0.5</u>
Subject to Reduction	\$863.6
*Excludes statutory appropriations	

Some potential difficulties with this option include:

- 1) the effective fiscal 1994 reduction rate would be approximately 16.8 percent, since the review and comment procedure contained in section 17-7-140 would make implementation prior to January 1, 1994, difficult;
- 2) human service benefits comprise \$257.1 million of the \$863.6 million subject to the gubernatorial reduction. Many of these benefits are entitlements under federal or state law; and
- 3) public and legislative involvement in budget reduction decisions would be reduced if they were done by Executive Order.

Legislative reductions

The legislature has the authority to revise any appropriation during the biennium when it is in effect, except constitutionally-protected statutory appropriations for debt service. In the January 1992 special session, the legislature reduced both fiscal 1992 and fiscal 1993 appropriations. Fiscal 1993 appropriations were further reduced during the July 1992 special session.

Table 4 shows for illustration purposes only the savings generated from various general fund and SEA reductions. The first column shows the savings generated from a 1 percent reduction. The second column shows the reduction needed in that item only to generate \$72.7 million savings. In both columns, the fiscal

impact is based on an effective date of January 1, 1994. Savings would obviously be greater if they were in effect for the entire biennium.

Table 4 Impact of General Fund Reductions, 1/94 through 6/95		
	1% (Millions)	Needed to Generate \$72.7 million (percent)
Budget Balancing Reduction	\$2.8	26.0
Montana University System	1.6	45.4
School Equalization Program	6.0	12.1
Vacancy Savings	1.5	48.5

Budget Balancing Reductions. The estimated reductions were calculated on the same base used in House Bill 2, which excluded the University System (with the exception of the Office of the Commissioner of Higher Education), the Department of Corrections and Human Services, District Court Reimbursement, and Family Assistance and Medicaid in the Department of Social and Rehabilitation Services. Budget balancing reductions applied to total general fund appropriations, including personal services.

Montana University System. The estimated reduction includes all components of the MUS except the Office of the Commissioner of Higher Education (CHE).

School Equalization Program. The estimated reduction includes the equalization and guaranteed tax base payments, for one-half of fiscal 1994 and all of fiscal 1995. State support is calculated on an annual basis, so the legislature could lower state support for all of fiscal 1994 by changing the statutes and reducing payments in the second half of the fiscal year. A 1 percent reduction for both years of the biennium would yield \$8.0 million of savings and a 9.1 percent biennial reduction would be needed to generate \$72.7 million of savings. The estimated reduction does not include \$10.1 million in appropriations made from the school equalization account for transportation, METNET, and other non-equalization purposes.

Vacancy Savings. The estimated reduction is calculated on the same base as used in House Bill 2, which included exemptions for the MUS (with the exception of CHE), some elected officials' salaries, some legislative agencies, and direct care workers in DCHS and the Montana School for the Deaf and Blind. Vacancy savings applies to personal services funding only.

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Exhibit 2
8-2-93

MEMORANDUM

July 26, 1993

To: All Staff

From: Scott A. Seacat

Re: Fiscal Year 1993-94 Budget Reductions/Staff Meeting

PERSONAL SERVICES PROJECTIONS The FY 1993-94 Budget projections show a continued shortfall in Personal Services appropriations (approximately \$135,000 for the year). The shortfall is primarily due to our inability to budget for and receive appropriations for promotions. Past funding of the new pay plan and the way the salary "snapshot" is taken also impacts the shortfall.

Traditionally, promotions have been paid for through the vacancy savings generated when vacated positions are filled at entry level. Because we have not experienced turnover in over a year, we have not generated that vacancy savings. As a result, we continue to project Personal Services expenditures in excess of available appropriations.

CAN WE MOVE MONEY FROM OPERATIONS During fiscal years 1991-92 and 1992-93, we established a target savings account. We achieved the required savings and then moved the savings to cover a portion of the Personal Services shortfall. We will not be able to cover the shortfall in the same manner this year. It is clear that additional cuts will have to be taken in the Personal Services portion of the budget.

PERSONAL SERVICES OPTIONS A number of different actions will be taken in the Personal Services budget area to reduce expenditures to the level of our appropriation. These actions are as follows:

PERMANENT PERSONAL SERVICES REDUCTION The office must address the continuing shortfall in Personal Services on a permanent basis. The operating expense and equipment portions of the budget are not significant enough to continue to absorb the problem year after year. Accordingly, we will reduce Personal Services expenditures on a permanent basis. This will be accomplished by September 3, 1993 in the following manner.

FUNCTION	TARGET REDUCTION	EQUIVALENT FTE
FINANCIAL COMPLIANCE	\$72,681	3
ADMINISTRATION AND EDP	\$24,227	1
PERFORMANCE	\$24,227	1

HIRING FREEZE. We are currently fully staffed. We will continue with the freeze on hiring for all positions that become vacant due to staff termination.

FREEZE ON PROMOTIONS AND LEVEL INCREASES Until further notice, there will be no promotions. This is a significant departure from current policy and represents placing the administration of a merit based pay

plan on hold for the short term. While such a departure is not consistent with traditional and effective management practices of the Office of the Legislative Auditor, such action is required in the face of the Personal Services reductions.

In addition, no funding was provided to make adjustments in the merit based pay plan. The automatic adjustments that were a part of the law were amended out. Accordingly, there will be no salary adjustments within grade. This action is consistent with the action taken by other Legislative Branch Agencies.

REDUCED WORKING HOURS (VOLUNTARY). The office will accept requests to allow employees to permanently reduce their hours worked to an amount less than 2080 hours per year. Hourly pay rates will remain the same for the reduced hours. Request must be made to the appropriate Deputy Legislative Auditor by August 9, 1993. If approval to permanently reduce hours is granted by the Deputy Legislative Auditor, any subsequent increase in hours must be approved by the Legislative Auditor.

AUTHORIZED LEAVE WITHOUT PAY (VOLUNTARY). The office will continue to allow employees to voluntarily take Leave Without Pay. Leave Without Pay must be coordinated with and approved by the appropriate deputy.

REDUCTION IN FORCE. If the above actions do not provide the Personal Services reductions required, a Reduction In Force may be necessary and will be accomplished in accordance with state law and administrative rules. Any Reduction In Force will be based upon review of all positions and the individuals for which the Legislative Auditor or Deputy Legislative Auditors are responsible. All positions will be subject to review. Current organization structure will be included in the review. Criteria used in the review of all positions will be documented and available to all staff members upon request no later than August 4, 1993. Final recommendations on a Reduction In Force will be made to the Legislative Auditor on or before August 11, 1993. Any individual subject to a Reduction In Force will be so notified by the Legislative Auditor no later than August 16, 1993. A Reduction In Force will be effective at the end of the work day on September 3, 1993.

ADDITIONAL CUTS MAY BE REQUIRED. The Personal Services Reduction is projected to save \$121,134. Actual savings may be higher or lower depending upon actual positions eliminated. In addition, we anticipate a Special Legislative Session this fall. The best estimate at this time is that no new taxes will be enacted; therefore, agencies will have to make General Fund cuts of between 5% and 10% each year of the biennium. This amounts to between \$69,120 and \$138,240 per year. We are currently reviewing the Operating Expense and Equipment portion of the budget to determine if additional cuts can be made. Cuts required during the anticipated special session may impact the Personal Services budget.

Any vacancy savings achieved through voluntary leave without pay, staff terminations, etc., may mitigate the need for additional cuts. The projected expenditures will be monitored monthly. If additional cuts are needed, they may be accomplished through another Reduction In Force, mandatory leave without pay, or a temporary shutdown of the office.



SUBCOMMITTEE

EXHIBIT 5
8-2-93

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
PO BOX 201711
HELENA, MONTANA 59620-1711
406/444-2986TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

July 29, 1993

TO: Members of the General Government Subcommittee

FROM: Teresa Olcott Cohea
Legislative Fiscal Analyst *TH*

RE: August 2 Meeting

To assist the subcommittee in its August 2 discussion of potential budget reductions and efficiencies in state government, I have prepared the following summary of the 1995 biennium budget for the Office of the Legislative Fiscal Analyst (LFA).

I have also enclosed a copy of a January 25 budget reduction memo prepared for the subcommittee, updated through July 23.

General Overview of LFA Budget

As Table 1 shows, the general fund appropriations for the LFA for the 1995 biennium are \$19,932 less than the appropriations for the 1993 biennium (after special session reductions). The number of FTE authorized for the 1995 biennium was reduced by 1.2 FTE in session years (0.7 FTE in non-session years) or 6 percent. Prior to and during the 1993 session, LFA staff worked 5,858 hours of extra time to prepare the Budget Analysis and staff the appropriations process--the equivalent of 2.82 FTE.

Table 1
Appropriations for Office of Legislative Fiscal Analyst
1993 and 1995 Biennia

1993 Biennium*		1995 Biennium	
FY92	\$844,639	FY94	\$841,041
FY93	<u>876,389</u>	FY95	<u>860,055</u>
Total	\$1,721,028	Total	\$1,701,096

*Includes special session reductions

Previous Budget Reduction Memo

During the 1993 regular session, the General Government subcommittee asked agencies for prioritized budget reductions: 1) meeting the HR2 target; and 2) exceeding the HR2 target by 5 percent. The Legislative Finance Committee discussed the LFA budget and established 9 prioritized budget reductions. The attached letter lists those priorities and the impacts of each budget reduction. The subcommittee (and subsequently the legislature) adopted #1-#6 of these reductions.

If implemented effective January 1, 1994, the three remaining budget reductions would reduce the agency's appropriation by a further \$64,941. As the memo details, the Legislative Finance Committee was concerned that these budget reductions would have adverse impact on the services provided to the legislature.

In reviewing the office's statutory responsibilities, the Legislative Finance Committee ranked three of the agency's five duties as #1 or highest priority. Two of the agency's five statutory duties were ranked as #2 or lower priority:

1) assisting individual legislators in compiling and analyzing financial information; and

2) reviewing requested budget amendments and supplemental appropriations for compliance with statutory criteria.

The Legislative Finance Committee has adopted policies to limit staff time spent on both these activities:

1) legislative requests. The LFC restricts time spent on individual legislative requests to 16 hours of staff time. Any request that would require more hours must be approved by the Management Committee. While LFA staff completed 447 legislative requests in fiscal 1993 for 86 individual legislators, less than 5 percent of staff time was spent on this activity.

2) budget amendment review. During fiscal 1993, the committee approved a new format for the budget amendment report, which cut the size of the report by 90 percent and significantly reduced staff time spent preparing the report.

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cc: Legislative Finance Committee



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
PO BOX 201711
HELENA, MONTANA 59620-1711
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

January 25, 1993 (Updated July 23, 1993)

Representative Mary Lou Peterson
Montana House of Representatives
Seat No. 11
Helena, MT 59601

Dear Representative Peterson:

In response to your January 21 memo, I am providing a prioritized list of general fund budget reductions for the 1995 biennium. Items #1 through #6 total \$53,131 (the difference between the 1995 and 1993 biennium current level). Items #7 through #9 total \$83,878, the additional 5% cuts requested in the memo (\$64,941 if implemented in January 1, 1994). These items are prioritized in descending order: #1 would have the least adverse impact on our agency and #9 will have the most adverse impact.

Also attached is a list of the five duties assigned to this agency by statute. My committee has reviewed and prioritized these duties, as shown on the attachment. Since our agency is very small (16 FTE), we have only one program. The five statutory duties assigned to us all relate to the budget process and are all necessary (in my view) to assist the legislature in performing its constitutional responsibilities of adopting a balanced budget, ensuring strict accountability for state funds, and overseeing the operations of state government. Therefore, I have listed budget reductions that would change some of the ways these duties are performed, but would not eliminate any of the functions.

Table 1
Prioritized Budget Reductions, 1995 Biennium

<u>Items</u>	<u>Biennial General Fund Savings</u>
1) Consultant appropriation	\$18,700
2) Legislative request data processing	14,700
3) Reduce publication costs	
Budget Analysis (250 copies)	2,000
Approp Report (250 copies)	2,000
4) Reduce equipment	4,240
5) Staff	
Training	1,000
Travel	1,100
6) Reduce secretary to 0.8 FTE	<u>9,391</u>
Legislative action to date	<u>\$53,131</u>
7) Remainder of legislative request appropriation	\$4,000
8) One less committee meeting*	
Salaries	1,500
Travel expenses	2,600
9) Eliminate one analyst (1/94 - 6/95)	<u>56,841</u>
Subtotal	<u>\$64,941</u>
*Requires statute change	

#1-Consultant contingency (\$18,700)--The legislature has appropriated contingency funds for the last several biennia to allow the Legislative Finance Committee to hire consultants or legal counsel on issues that may confront the legislature or the committee during the interim. In most biennia, none of the contingency has been spent and the funds revert to the general fund. Eliminating this contingency appropriation would have no adverse impact on the agency, but would restrict the committee's ability to respond to important issues that arise unexpectedly.

#2-Legislative request contingency (\$14,700)--The 1991 legislature provided \$18,700 for computer costs associated with legislative requests. Data processing costs for computer runs on some data bases (income tax, pay plan, etc.) cost between \$50-\$1000 per run. The Legislative Finance Committee has adopted a policy to ensure this appropriation is allocated equally among the caucuses.

To date, we have spent none of the 1993 biennium appropriations. Computer runs requested during the two special sessions were funded within the

ENVIRONMENTAL QUALITY COUNCIL

ENVIRONMENTAL QUALITY OPERATIONS PROGRAM

Mission

To effectively and efficiently meet statutory and other assigned responsibilities embodied in the Montana Environmental Policy Act and other relevant statutes and directives that will lead to informed decisions on state natural resource policy.

Statutory authority

Montana Environmental Policy Act--Title 75, chapter 1, MCA;
2-15-1018, MCA--requires participation of an EQC staff person on the Natural resource information system advisory council;
75-10-111, MCA--requires review of solid waste management plans;
75-20-221, MCA--participation in proceedings under Major Facility Siting Act;
85-2-105, MCA--requires EQC staffing of Water Policy Committee;
90-4-112, MCA--requires EQC evaluation of renewable energy sources program within DNRC (inactive)
Various joint legislative resolutions directing completion of interim studies.

Goals and objectives

1. Facilitate the implementation of the Montana Environmental Policy Act (MEPA) (1-MT)
 - To gather information concerning conditions and trends in the quality of the environment (75-1-324)
 - To review state programs and activities to determine the extent to which the programs meet the policies of MEPA (75-1-1-3) and other relevant statutes and rules (75-1-324)
 - To develop recommendations for state policies that improve natural, social, and economic environments (75-1-324)
 - To conduct investigations, studies, surveys, research and analyses relating to the use and conservation of the natural resources of the state and of environmental quality (75-1-324)
2. Assist the legislature in developing, revising, and evaluating natural resource and environmental policy (MEPA) (1-MT)
 - To draft legislation on natural resource related issues (75-1-324 and by agreement with Legislative Council)
 - To provide legislators with research on natural resource related issues (75-1-324)
 - To staff natural resource standing committees and other standing committees at the request of the legislature
3. Facilitate and advise state agencies in the implementation of the environmental review process required by MEPA (1-MT)
 - To conduct training programs and prepare and update a

Rep. Peterson

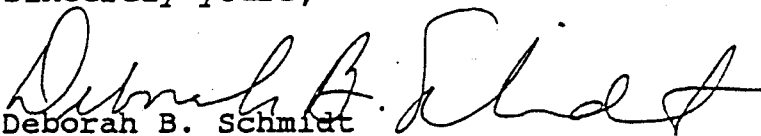
Page 3

Please note that if staff hours are reduced as provided in item 6), the EQC will not allow staff to work to earn comp time while also taking voluntary leave without pay. Over half of our staff currently supplements their income with additional jobs, and they will certainly need to increase their hours elsewhere if staff hours are reduced at the EQC.

The EQC has determined that implementation of the Montana Environmental Policy Act (MEPA) is its top priority. Already the state is reaping benefits from the EQC training program on MEPA implementation. The state's natural resources are better managed, more defensible agency decisions are being made with increased efficiency, reducing the cost to the state from litigation. MEPA implementation will continue to receive priority; interim studies and research and mediation on natural resource issues will be undertaken at substantially reduced levels.

I hope this information is helpful to you and to the Subcommittee. Please let me know if I can provide further information.

Sincerely yours,


Deborah B. Schmidt
Executive Director

Enclosures

cc: Environmental Quality Council

personal services costs for staffing the Water Policy Committee, which is required by statute, be born by the Water Policy Program, which is funded through RIT interest. At least 1 FTE is necessary to staff the Water Policy Committee, and those costs are now funded through the general fund.

EQC staff is currently working between 65 and 75 hours per week, and comp time hours are accumulating fast. Clearly the demand for EQC staff services has not diminished. Indeed, as natural resource programs are cut, the need and demand for the information, research, and conflict resolution that the EQC provides increases.

Prioritized Budget Reductions, 1995 Biennium

<u>Items</u>	<u>Biennial General Fund</u>
<u>Savings</u>	
1) Eliminate Rent	5,000
2) Eliminate .5 FTE Resource Specialist Position	37,531
Subtotal	42,531
3) Reduce Contracted Services (Reduce Printing of Reports)	4,000
4) Travel (Two less EQC meetings) (No out-of-Helena hearings) (Plan that not every member will attend)	12,000
5) Reduce Council compensation (Two less EQC meetings) (Plan that not every member will attend)	4,000
6) Reduce Staff Hours (Voluntary Leave Without Pay) (88 hours x 5.5 FTE)	<u>7,857</u>
Subtotal	<u>27,857</u>
Grand Total	<u>70,388</u>



STATE OF MONTANA
ENVIRONMENTAL QUALITY COUNCIL

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3742

Deborah B. Schmidt, Executive Director

GOV. STAN STEPHENS
Designated Representative
Art Wittich

HOUSE MEMBERS
Jerry Driscoll, Chairman
Ed Grady
David Hoffman
Bob Raney

SENATE MEMBERS
Jerry Noble, Vice Chairman
Steve Doherty
Dave Rye
Bill Yellowtail

PUBLIC MEMBERS
Doug Crandall
John Fitzpatrick
Mona Jamison
Helen Waller

January 25, 1993

Representative Mary Lou Peterson, Chair
General Government and Transportation
Subcommittee on Appropriations
State Capitol
Helena, Montana 59620

Dear Representative Peterson:

As you requested in your January 21 memo, I am providing a prioritized list of general fund budget reductions for the 1995 biennium. The first two items total \$42,531 (the difference between the 1995 and 1993 current level as identified by the LFA). Items 3) through 6) total \$27,857, the additional 5% cuts requested in your memo.

Because our agency is so small (6 FTE), we have very little flexibility in meeting these targeted cuts. All our responsibilities are required by statute (see attached description of duties), so the services we provide to the Legislature, state agencies, and the public will be reduced according to which of those mandated responsibilities are most clearly identified as having at least some discretion in how they are accomplished. For example, the Legislature usually assigns interim studies to the EQC and the Water Policy Committee. Four studies have been tentatively proposed by various agencies and groups so far. If the total cuts discussed in this memo are adopted, it is unlikely that any of these studies can be conducted at any meaningful level. Travel outside of Helena for public hearings and discussions would be eliminated.

The members of the EQC have asked me to convey to you their concern over the automatic inflation included in the charges to the EQC for services performed by other agencies. EQC members believe that if our agency is held to actual 1993 biennium levels, then those charges for services performed by other agencies for us should be "frozen" as well.

EQC members have also suggested that at least some of the

Table 1
Prioritized Budget Reductions, 1995 Biennium

<u>Items</u>	<u>Biennial General Fund Savings</u>
1) Consultant appropriation	\$18,700
2) Legislative request data processing	14,700
3) Reduce publication costs	
Budget Analysis (250 copies)	2,000
Approp Report (250 copies)	2,000
4) Reduce equipment	4,240
5) Staff	
Training	1,000
Travel	1,100
6) Reduce secretary to 0.8 FTE	<u>9,391</u>
Legislative action to date	<u>\$53,131</u>
7) Remainder of legislative request appropriation	\$4,000
8) One less committee meeting*	
Salaries	1,500
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9) Eliminate one analyst (1/94 - 6/95)	<u>56,841</u>
Subtotal	<u>\$64,941</u>
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#1-Consultant contingency (\$18,700)--The legislature has appropriated contingency funds for the last several biennia to allow the Legislative Finance Committee to hire consultants or legal counsel on issues that may confront the legislature or the committee during the interim. In most biennia, none of the contingency has been spent and the funds revert to the general fund. Eliminating this contingency appropriation would have no adverse impact on the agency, but would restrict the committee's ability to respond to important issues that arise unexpectedly.

#2-Legislative request contingency (\$14,700)--The 1991 legislature provided \$18,700 for computer costs associated with legislative requests. Data processing costs for computer runs on some data bases (income tax, pay plan, etc.) cost between \$50-\$1000 per run. The Legislative Finance Committee has adopted a policy to ensure this appropriation is allocated equally among the caucuses.

To date, we have spent none of the 1993 biennium appropriations. Computer runs requested during the two special sessions were funded within the

GEN. GOV'T. & TRANSPORTATION
SUBCOMMITTEE

EX 3
8-29

(and subsequently the legislature) adopted reduction items 1) and 2).

The reduction items 3) through 6) still represent possible savings, although the following modifications should be noted:

3) At its June meeting, the EQC approved the elimination of preparation of an annual report, thus accounting for a possible reduction of \$5,000 instead of \$4,000;

4) The EQC directed holding hearings outside of Helena at the request of affected parties on two interim study topics assigned by the legislature related to hazardous waste management and water quality nondegradation. In addition, projected travel costs have increased due to the appointment of new members residing farther from Helena than in the previous biennium, thus accounting for a possible reduction of \$11,000 instead of \$12,000.

If implemented effective January 1, 1994, the remaining budget reduction items 3) through 6) would result in the further reduction of \$27,857 from the EQC's appropriation. With the exception of the \$5,000 savings from the elimination of the annual report requirement, the EQC remains concerned that the remaining reductions would have adverse impact on the services provided to the legislature. The agency would be unable to complete its workplan as approved by the EQC at its June meeting.

The EQC's statutory responsibilities were increased during the 1993 legislative session. In addition, four interim studies were assigned to the EQC and Water Policy Committee, which is staffed by the EQC. These studies resulted from four highly controversial natural resource issues faced by the legislature that are likely to consume considerable legislative interest in 1995, unless resolved through the consensus process employed by the EQC.

As with other state agencies, the EQC must respond to additional needs with fewer resources. The members and staff recognize the difficulty of your task and stand ready to assist you in your work in any way that they can.



GENERAL GOVERNMENT SUBCOMMITTEE
STATE OF MONTANA
ENVIRONMENTAL QUALITY COUNCIL
STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3742

Exhibit 4
8-2-93

Deborah B. Schmidt, Executive Director

GOV. MARC RACICOT
Designated Representative
Glenn Marx

HOUSE MEMBERS
Joann T. "Jody" Bird
Vicki Cocchiarella
Dick Knox
Scott Orr

SENATE MEMBERS
Steve Doherty
Lorents Grosfield
Dave Rye
Bill Yellowtail, Chair

PUBLIC MEMBERS
Bob Boeh
Jerry Noble, Vice-Chair
Jeanne-Marie Souvigney
Gregory Tollefson

July 30, 1993

TO: Members of the General Government Subcommittee
FROM: Deborah B. Schmidt, Executive Director *DBS*
RE: Subcommittee Meeting August 2, 1993

After meeting with the Chair and Vice-Chair of the Environmental Quality Council (Senator Bill Yellowtail and former Senator and public member Jerry Noble), I have prepared the following information to assist the subcommittee in its deliberations. This memo includes a summary of the 1995 biennium budget for the EQC and a copy of a January 26 budget reduction letter prepared for the subcommittee. I have provided additional information updating the January 26 letter.

EQC Budget Overview

The general fund appropriations for the EQC for the 1995 biennium are \$42,531 less than LFA current level budgets for the biennium, resulting in a 7 percent reduction. The general fund appropriations for the EQC for the 1995 biennium are \$2,783 less than the actual expenditures for the 1993 biennium (after special session reductions).

The number of FTE authorized for the 1995 biennium was reduced by .5 FTE or 8.3 percent. Prior to and during the 1993 session, EQC staff worked 1631.5 hours of extra time to prepare for and staff the natural resource related session activities--the equivalent of .78 FTE.

Previous Budget Reduction Memo

During the 1993 regular session, the General Government Subcommittee asked agencies for prioritized budget reductions in order to: 1) meet the HR2 target; and 2) exceeding the HR2 target by 5 percent. The attached letter lists those priorities and discusses the impacts of those reductions. The subcommittee

During the 1993 biennium, the legislative revenue estimates, as adopted during the 1991 regular session, were revised twice. LFA staff monitored revenues monthly and assisted the legislature in the revision process.

3. Provide for the fiscal analysis of state government and make reports as requested by the legislative finance committee and the legislature (1-MT)

--prepare reports on important fiscal issues, enabling legislators to review and formulate legislative policy

During fiscal 1992, we prepared over 40 such reports, which were widely distributed to legislators, state agencies, and the public.

4. Assist legislative committees and individual legislators in compiling and analyzing financial information (2-MT)

--provide assistance to legislative committee as assigned by law. During the current biennium, we provided assistance to the Legislative Finance Committee, Revenue Oversight Committee, Joint Postsecondary Education Committee, and the Computer Technology subcommittee.

--answer legislative requests for information on state fiscal issues. In fiscal 1992, we responded to 228 such requests.

5. Review requested budget amendments and supplemental appropriations for compliance with statutory criteria (2-MT).

--In fiscal 1992, we analyzed 251 budget amendments and 17 supplemental appropriation transfers and reported our conclusions to the Legislative Finance Committee for its review.

Notes:#1 indicates highest priority

#2 indicates lower priority

MT indicates all the listed tasks are established under Montana law

TOC3I:lt:HB8.rpt

OFFICE OF THE LEGISLATIVE FISCAL ANALYST

Mission

To provide the legislature with information and fiscal analyses it needs to perform its constitutional duties of adopting a balanced budget, ensuring strict accountability for state funds, and overseeing the operations of state government.

Office of the Legislative Fiscal Analyst

Statutory authority

5-12-302, MCA General duties of office
5-18-107, MCA Assistance to Revenue Oversight Committee
17-7-301 and 17-7-404, MCA Supplemental and budget
amendment review

Goals and objectives

1. Assist the legislature in budget process (1-MT)

--prepare a current level budget and analyze the executive budget prior to each regular and special legislative session

--provide staff assistance to legislature during the appropriation process

--maintain historical records of legislative appropriation action

During the 1993 biennium, we prepared four volumes of budget analyses prior to the 1991 regular session and two special sessions, extensive working budget documents during the sessions, and five volumes of appropriation reports after these sessions.

2. Estimate revenue from existing and proposed taxes (1-MT)

--provide data and recommendations concerning revenue estimates to Revenue Oversight Committee prior to each legislative session, in compliance with section 5-18-107, MCA

--provide staff assistance in the revenue estimating process during legislative sessions

--monitor and report on revenue collections throughout the biennium

#8-One less committee meeting (\$4,100). Under current law, the Legislative Finance Committee has 90 days in which to review requested budget amendments and appropriation transfers. The 1995 biennium request includes funds for four meetings in fiscal 1994 (one every 90 days) and three meetings in fiscal 1995 (one every 90 days when the legislature is not in session). If sections 17-7-301, MCA, (appropriation transfers) and 17-7-404, MCA, (budget amendments) were amended to allow the committee a longer period to review these requests, it could meet less frequently. The impacts of this proposal include: 1) state agencies would be delayed in spending funds subject to budget amendment and appropriation transfer review; and 2) the committee would have fewer meetings in which to discuss other fiscal issues and committee business. Eliminating one meeting during the biennium would save \$1,500 in legislative salaries and \$2,600 in travel costs.

#9-Eliminate one analyst (\$56,841). Currently, the office has 14 professional staff (the director, two principal analysts, four senior analysts, and seven associate analysts). Our workload is driven by the legislative cycle. The peak workload is from October prior to the regular legislative session until late April when the session ends. During this seven-month period, the staff works an average 60-70 hour per week. For the 1993 regular session, the extra hours worked totaled 5,858--the equivalent of 2.82 FTE. During the "off-season", staff are encouraged to use the compensatory time earned during this period, but most staff aren't able to use the full balance due to the ongoing responsibilities of the office to prepare interim reports, review budget amendments, and maintain office computer systems, etc. Eliminating one analyst would require a cutback in analysis prior to the session and reduced services to subcommittees during the session, since existing staff **could not** be asked to work an additional 1,751 hours during the seven-month budget analysis/session period to offset the elimination of an analyst.

I hope this information is useful. Please call if I can provide anything further.

Sincerely,



Teresa Olcott Cohea
Legislative Fiscal Analyst

TOC3K:mb:RP7-23.ltr

Enclosures

cc: Legislative Finance Committee members

current office appropriation and with "feed bill" funds. We anticipate that a significant portion of the current biennium's \$18,700 appropriation will be spent this session on tax simulations as various tax reform proposals are discussed.

Reducing the 1995 biennium appropriation by \$14,700 would leave \$1,000 for each caucus for computer runs during the 1995 session. Reducing the funds available for this purpose limits the legislature's ability to have independent analysis of the impact of proposed tax changes and pay plan proposals.

#3-Limit publications (\$4,000). By reducing the number of Budget Analysis and Appropriations Report printed from 400 to 250, we can save \$4,000 during the biennium. This would allow one set for each legislator, OBPP and LFA staff, and agency, leaving approximately 25 sets for the public and press. While this would not allow lobbyist, citizen groups, and the general public to receive a copy (as they do now), we could provide a loose-leaf set from which groups could make copies of the needed pages (at their own expense). Some interest groups may argue that this change will reduce their access to public documents.

#4-Reduce equipment (\$4,240). This would leave \$1,500 per year for replacement of computer monitors, calculators, and small office equipment. (The funds for replacement computer software and hardware are included within the Legislative Branch Automation Plan in the Legislative Council budget.) Since our budget for equipment replacement during the 1993 biennium was only \$2,500, office equipment is aging and subject to breakdown. An equipment budget of only \$1,500 per year in the 1995 biennium will be "tight".

#5-Reduce staff travel and training (\$2,100). Included in the budget request is \$4,000 for the biennium for staff to travel to state agencies outside Helena and \$2,100 for training. Reducing this amount by \$2,100 would allow fewer on-site visits during the budget analysis process and limit training to essential computer update classes for key data processing staff.

#6-Reduce secretary position by 0.2 FTE (\$9,391). In our 1995 biennium budget, we request elimination of a secretarial position (0.5 FTE in non-session years, 1.0 FTE in session years.) Through automation, we have been able to reduce our secretarial needs from 4.0 FTE in session years (3.0 FTE in nonsession years) to 2.0 FTE. Further reducing the clerical support by 0.2 FTE would require analysts to perform tasks now performed by clerical staff and increase the workload of the remaining secretarial staff.

#7-Eliminate legislative request contingency (\$4,000). This would totally eliminate the line-item appropriation for computer costs associated with legislative requests. While we would be able to undertake a few of the less costly runs within the current level data processing budget, we would not be able to provide legislators with information on the impact of proposed tax changes or pay plans. As discussed above, reducing funds for this purpose limits the legislature's ability to have independent analysis of the impact of proposed tax changes and other fiscal issues.

handbook and other information assisting agencies in implementing MEPA

--To review each document submitted to the EQC under MEPA and provide constructive comments on those documents

--To respond to agency requests for information on MEPA implementation

4. Provide information, studies, and research to legislators, state agencies, and the public on environmental matters (MEPA) (1-MT)

--To assist businesses and citizens in learning Montana's environmental regulations and permits (Index of Environmental Permits)

--To mediate disputes among agencies, business, and citizen groups on natural resource issues

--To provide a forum for discussion of environmental matters affecting citizens, industry, and state agencies

--To respond to requests for information from the public and the legislature.

eqcgoals

The Supreme Court of Montana
Office of the Court Administrator

PATRICK A. CHENOVICK
Court Administrator



Justice Building Room 315
215 North Sanders
P.O. Box 203002
Helena, Montana 59620-3002
Telephone (406) 444-2621
FAX (406) 444-3274

August 2, 1993

Representative Mary Lou Peterson, Chairman
General Government Subcommittee
Room 420
State Capitol
Helena, Montana 59620

Dear Chairman Peterson and members of the Subcommittee:

The Judicial Branch recognizes that due to a possible special legislative session to deal with fiscal short comings, each branch of Montana government must evaluate functions under their control.

Before we presented our budget proposal to the 53rd Legislative session, we examined all of the operations of the Judiciary with belt tightening in mind. We presented during our subcommittee hearing a tight, skeletal budget that barely allows the Judiciary to perform it's constitutional and statutory functions.

The Judicial budget proposal for FY 94-95 was reduced a total of \$986,325. In addition, in the last weeks of the session our budget was cut \$117,867, for 2% vacancy savings and a 1/2 % budget balancing reduction.

The assessment of the 1/2% came against judicial salaries which cannot be reduced, Article VII, Section 7 (1) of the Montana constitution states;

"All justices and judges shall be paid as provided by law, but salaries shall not be diminished during terms of office".

Judicial salaries are \$6,715,131 of the \$10,934,146 general fund appropriation, or 61%. Because we have discretion over only 39% of the budget, the 1/2% reduction was compounded to close to 1%.

Our budget also was reduced due to the passage of the Old Fund Liability tax of .005% that was

not funded. On judicial salaries alone (not including salaries of other employees) it requires an expenditure of \$33,576 for the biennium.

With these budget reductions, the Judiciaries FY 1994-95 budget is \$406,822 less than the FY 1992-93 budget. This reduction is significant due to the fact that the 44 elected judges received a salary increase of \$6,000 over the biennium, for a cost of approximately \$264,000.

These budget reductions forced the court to reduce expenditures in many areas. We have;

- 1) eliminated a statewide case tracking system for district courts,
- 2) reduced the number of volumes of Montana Reports that we buy,
- 3) reduced the rates that we pay investigators,
- 4) reduced the number of Bar examinations to a single examination each year,
- 5) reduced travel both in-state and out-of-state,
- 6) canceled and consolidated subscriptions,
- 7) forced vacancy savings even on critical positions,
- 8) removed telephones used by law clerks,
- 9) limited usage of automated law research tools.

While the Judiciary is divided for budgeting purposes into various programs and functions, we do not believe it is possible to slice the functions into categories whereby we can recommend significant cuts or complete elimination. We have no program or functions where "significant cuts or complete elimination" is possible. The proper functioning of the Judicial System as a whole relies entirely on the health of each of its parts.

The Judiciary is not just an 'agency' or 'department' of the Executive Branch. It is a separate and equal tri-partite member of our form of government. Article III, section 1 of the Montana Constitution states:

The power of the government of this state is divided into three distinct branches -
- legislative, executive, and judicial. No person or persons charged with the exercise of power properly belonging to one branch shall exercise any power properly belonging to either of the others, except as in this constitution expressly directed or permitted.

Article II, section 16 of the Constitution requires that

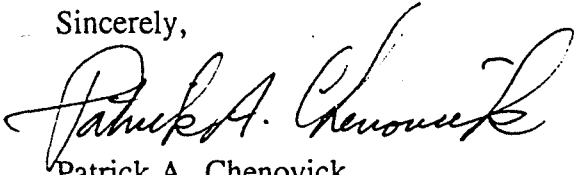
Courts of justice shall be open to every person, and speedy remedy afforded for every injury of person, property, or character....Right and justice shall be administered without sale, denial, or delay.

It must also be noted that the Clerk of Court is a statewide elected official. He has his own budget and has direct control over that budget as an elected official. This budget accounts for \$360,703 of our discretionary funds.

The Judicial Branch must perform constitutional duties and has always operated fiscally

responsible.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick A. Chenovick". The signature is fluid and stylized, with a large initial "P" and a long, sweeping underline.

Patrick A. Chenovick
Court Administrator

Specific Proposals
Office of the Secretary of State
August 2, 1993

Eliminate Printing of Title 13	\$ 5,700
Reduce Election Administrator Workshops <i>to bi</i>	\$ 5,000
Reduce Fireproof Storage	\$ 2,500
Increase Legislative Filing Fee	\$ 13,876
NET TO THE GENERAL FUND	\$ 27,076

Total General Fund Appropriation: \$121,814

Recommendations as % of General
Fund Appropriation 22.2 %

Other Recommendations:

- 1) Consider legislatively determining one base budget for budgeting purposes.
- 2) Consider negotiating travel contract with airlines or travel agencies.
- 3) Consider reorganizing departments to gain economies of scale when services are similar.

Exhibit 7
8-2-93
GEN. GOV'T. &
TRANSPORTATION
SUBCOMMITTEE

August 2, 1993

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

PRINCIPLE TAX LEGISLATION AFFECTING THE DEPARTMENT OF REVENUE
53rd LEGISLATIVE SESSION
Regular Session, 1993

Office of Research and Information
Montana Department of Revenue

July 30, 1993

MISSION STATEMENT

The mission of the Department of Military Affairs is four fold:

- o To provide mission-ready forces to the Federal Government as directed by the President
- o To provide emergency support, through the Guard and Disaster and Emergency Services Division, to civil authorities as directed by the Governor
- o To provide support to the community as approved by proper authority, and
- o To provide benefit support to Montana Veterans and their family members.

County of Yellowstone

TREASURER

P.O. Box 35010
Billings, MT 59107-5010General Government & Transportation Appropriations Subcommittee
Testimony by Kevan Bryan
August 2, 1993

Chairman Peterson & members of the committee, my name is Kevan Bryan. I serve as the Yellowstone County Treasurer and as the Vice President and Legislative Chairman of the Montana County Treasurers' Association. We have come here today at the recommendation of Senator Gary Forrester.

Before I get started, I would like to commend the Department of Justice for its efforts in the area of motor vehicle operations. I would also like to commend the Attorney General for retaining Dean Roberts as the administrator. We have had a few disagreements with the Department, such as in the 1991 session, but it has always resulted in something better than either side proposed on its own.

We've heard a lot about reinventing, or reengineering government today. Sometimes the phrase is overused. What we want to simply say is that it is up to each of us to continually determine government's scope. Not "what can government do", but "what should government be doing?"

As you face a painful special session, you must recognize that departments shouldn't just be cut, but should be challenged to rethink how each task fits into their overall mission.

Our Association stands ready to help the Department of Justice in any way possible in the area of motor vehicle operations. What we are here to do today is strongly urge that a cost/benefit analysis be conducted to challenge many of those operations to justify their continued existence. Allow me to provide you a brief taste of changes that may be worthy of consideration.

In our Attorney General's letter to Chairman Peterson on January 27, 1993, the possibility of not titling personal trailers, snowmobiles, boats and off-highway vehicles was raised for a savings of almost a half of a million dollars. But two reservations were brought up. There is a revenue stream and discontinuing titles may mean the loss of security of a person's property and may hamper efforts to recover stolen property.

Well, the State should not title certain vehicles just to raise revenue. As an aside, we don't see how the revenue loss of \$1.6 million listed could be right. We are not talking about registration and other fees, just title transfer amounts, something like \$5.00 for which the State gets something like \$3.50. Besides, this can be made revenue neutral by recapturing the title fee with slight increases in flat fee registrations. For example, have the Department determine the total number of snowmobiles and the total of those that changed ownership in the past year. That gives you an average ownership turnover. If it is 1 out of 6, take 1/6 of the title fee and add it to the regular flat fee. It would not be a large increase.

Also, how enhanced are our recovery efforts for boats, OHVs and campers in the past three or four years since these titles have been required? Have the benefits outweighed the costs? Only something like 17 states title OHVs, 10 states for snowmobiles and about 26 title boats (most of them are coastal states).

Two states title OHVs for liens only. Why don't we?

One state titles snowmobiles for liens only. Why don't we look at it?

Why don't we eliminate title requirements for personal trailers. Only around 20 states title all trailers. We could break it off at 500 lbs. which is the point where a dealer needs a license to sell, or better yet at 8,000 lbs GVW, where we go from small trailer plates to large ones.

If counties could collect the new \$4.00 lien fee when the customer comes in, it would save literally thousands of hours a year across the state for car dealers and local government.

Why do we now title campers? What have we gained vs. what it has cost?

Why must we continue to issue 2 plates on cars and trucks? Manufacturing and shipping costs are sizeable. In 1991, Yellowstone County issued around 21 tons of plates. That couldn't have been cheap. And poor Deer Lodge. Toward the end of some fiscal years, we have been told that there is no more budgeted money for freight to get supplies to us.

We mentioned this proposal to the Department representatives this morning and they told us that they will oppose using one plate. That's fine. Again, we are not claiming that any of these ideas are perfect. But several states have gone to one plate. Have we at least asked law enforcement in those states how it has worked out? Did their initial fears materialize?

Kevan Bryan Testimony/Pg.3

Why not allow a two year registration option on at least flat fee vehicles, such as motorhomes, snowmobiles, campers, boats, travel trailers, OHVs etc., and minimum assessed cars and trucks? If you are worried about losing small fees that will now only be charged once instead of twice, consider making the taxpayer pay a doubled fee in those cases.

These suggestions would involve statutory changes. But just as important are administrative changes. These often are neither enacted or periodically reviewed for how much sense they make. Again, this is nothing against Attorney General Mazurek and his staff. Much was inherited from Marc Racicot, who inherited it from Mike Greely etc. Who knows how far back it goes? But as with our rush to title everything that moves, these rules tie down every single contingency to the point where there is no flexibility, and sometimes the ridiculous prevails. A reasonable, secure and common sense system can exist which will protect the taxpayer without smothering him or her, while driving our costs out of control. Let me provide you a few brief examples. Many others exist.

1. Since we eliminated the use of "no interest statements" as a valid release of interest in March of 1990, counties face double or triple the work as can the state.
2. If a vehicle is sold by Ernie's Auto at a certain address in Billings, but Ernie is registered at the same address as Ernie's Auto Sales, the state requires a "one & the same" statement, which increases everyone's workload.
3. If a person's name is not printed at the top of the back of a title, even though signed with the name also listed elsewhere, Deer Lodge returns the title for the county to print the name. Therefore, the State handles it twice too. I understand that no one wants to expose the State to a lawsuit, but something has to be better.
4. If we submit a title request without a \$4.00 lien filing fee and no contract information (meaning no lien is on the vehicle) but do not write "none" in one place on a form called an MV-1, the State sends it all back so that we can write "none" for them. Again, double the work and postage.

There is more, but you get the idea. Taken singly, many of these ideas don't save huge sums. But when gathered together they can and will.

Kevan Bryan Testimony/Pg.4

In order to absorb staff reductions, we all must look at everything that you are doing. It's almost like a type of zero based budgeting for bureaucracy instead of money.

The Department of Justice has done a truly admirable job over the past several years. We commend them for it. And they have faced some painful cuts. But so has local government.

Please, those of you who face these difficult challenges in the House and Senate, encourage and support changes that must be made within state government and remember the effects on local government. We stand ready to help.

Thank you for your time and consideration.