

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION

JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By **CHAIRMAN ERNEST BERGSAGEL**, on November 17, 1993, at 2:00 P.M.

ROLL CALL

Members Present:

Rep. Ernest Bergsagel, Chairman (R)
Sen. Bob Hockett, Vice Chairman (D)
Rep. Francis Bardanouve (D)
Sen. Ethel Harding (R)
Sen. Eleanor Vaughn (D)
Rep. Tom Zook (R)

Members Excused: None

Members Absent: None

Staff Present: Jim Haubein, Legislative Fiscal Analyst
Jane Hamman, Office of Budget & Program Planning
Leslie Mielke, Committee Secretary

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

Committee Business Summary:

Hearing: Fire Safety Systems-Pine Hills and
Mountain View
Deferred Maintenance Projects
State Fund Building Improvements
General Fund Reduction-HB5
Prison Building Projects Reductions

Executive Action: Fire Safety Systems-Pine Hills and
Mountain View
Deferred Maintenance Projects
State Fund Building Improvements
Prison Building Projects Reductions

ANNOUNCEMENTS/Discussion:

CHAIRMAN ERNEST BERGSAGEL introduced members of the committee. He said this would be the only meeting for this subcommittee.

HEARING ON FIRE SAFETY SYSTEMS-PINE HILLS AND MOUNTAIN VIEW

Tape No. 1:A

Informational Testimony:

Ms. Jane Hamman, Office of Budget and Program Planning, presented the first issue on the agenda which is reducing the fire safety systems projects at Pine Hills and Mountain View by \$110,000. The Department of Family Services is using more community based services, she said, so it will not be using all of the cottages at these two facilities. Therefore, the capital improvements related to fire systems approved during the last session will not all be needed. The project approved last session totalled \$627,000. Ms. Hamman brought a copy of HB2 so the committee could see where this information will be. **EXHIBIT 1.**

Mr. Jim Haubein, Legislative Fiscal Analyst Staff, was asked where this item was in **EXHIBIT 2**. He replied that it was on page F2, item number 2, and again in the LFA book, page F-1, item number 2.

Questions, Responses, and Discussion:

SEN. ELEANOR VAUGHN questioned if there would be enough fire alarm systems in place if these cottages were not vacated.

Mr. Jim Whalen, Architecture and Engineering Division, responded that the project is in process of getting an architect to look at designs, solutions and identify the problem more explicitly. Mr. Whalen said it was his opinion that the \$517,000 remaining should be adequate funds to take care of the real severe needs of this project in a reasonable manner.

REP. FRANCIS BARDANOUVE asked which cottages would not be opened and what the present enrollment of these schools is.

Mr. Whalen replied the cottages being looked at are Spruce Cottage at Mountain View School and Crazy Horse and Joseph at Pine Hills School. The ones at Pine Hills School are both older cottages built, perhaps, in the 1920's. Presently, the enrollment at Pine Hills is around 80 and about 20 to 25 at Mountain View. REP. BARDANOUVE said the enrollment is down quite a bit. It used to be over 100, he said.

REP. TOM ZOOK said both are vacant now and one is slated for demolition.

Motion/Vote: REP. BARDANOUVE MOVED THAT THE COMMITTEE ACCEPT THE REDUCTION OF \$110,00 AT PINE HILLS AND MOUNTAIN VIEW. The motion carried unanimously.

HEARING ON DEFERRED MAINTENANCE PROJECTS

Tape No. 1:A

Informational Testimony:

CHAIRMAN BERGSAGEL said that during the last session, the committee talked about the money taken from the Long Range Planning Committee (LRP) and moved into Institutions. The LRP was left roughly \$2.5 million short of revenue. A list of projects was prioritized and these items were based on health services and compliance with federal law. That language is still in HB5, he said. Part of the Governor's proposal asks this committee to take \$2.6 million out of the General Fund appropriation and use it to balance the budget. If this proposal is approved, it would leave the LRP \$2.6 million short. **CHAIRMAN BERGSAGEL** anticipated that this topic would be brought up in the full appropriations committee and would be deliberated at that time. Discussion about this proposal follows.

Mr. Tom O'Connell, Administrator, Architecture and Engineering, presented **EXHIBIT 3** which shows the priority of funding projects established in accordance with HB5.

Ms. Hamman said that, in the Executive Budget recommendation, if the committee takes out the \$2.6 million of General Fund money, everything shaded is unfunded. See **EXHIBIT 3**. The proposal states that the first \$2.6 million formerly authorized for clean coal technology from the coal trust would finance the highest priorities. The shaded areas of the Executive Budget include a whole list of the next highest priorities which would be funded with additional coal tax money.

There was agreement between **REP. ZOOK** and **Mr. Haubein** that if these projects were unfunded from this committee, there were yet more steps in the legislative process before this was a final decision.

DISCUSSION ON USE OF COAL TAX MONEY

SEN. ETHEL HARDING and **REP. BARDANOUVE** emphasized that to use money from the coal trust fund required 75% approval of both houses.

REP. BARDANOUVE stated he could not support the use of coal money.

There was a discussion about providing a backup for litigation. **SEN. BOB HOCKETT** stated there were to be few or no supplementals at the end of the biennium. He asked, for example, if the State would default if there is a litigation problem.

Mr. O'Connell concurred. Right now, the State has a disagreement with one of its contractors. If the State should go to arbitration and lose that, there would be no mechanism to pay it.

They would have to come back to the Legislature to get another appropriation to pay that.

SEN. HOCKETT asked if there had been any unexpected crises in the building maintenance and repair area.

Mr. O'Connell said he does not get those requests specifically because he works on specific projects. However, he mentioned some brick buildings and steam lines at Montana State University. **SEN. HOCKETT** said the facilities are not getting better without maintenance.

REP. ZOOK said the Governor's proposal is a long range program which he could support since \$2.6 million was actually a small sum as far as what was needed in taking care of the state's facilities.

DISCUSSION ABOUT CLEAN COAL TECHNOLOGY

SEN. HARDING questioned if the committee approved the Governor's plan and reduced this \$2.6 million and then there was not a 3/4 vote in both houses, she wondered if the \$2.6 million would come out of the corpus of the trust. A discussion arose regarding the legislature's authorizing \$35 million for clean coal technology, which Montana was not getting, **SEN. HARDING** said. The legislature had previously approved this.

Ms. Hamman concurred. The bill has been drafted, but not yet introduced, which recognizes that \$35 million has been authorized for clean coal technology. That money is in the permanent fund now. The bill proposes to transfer the \$35 million to the long range building account. The bill would require that all of the \$35 million, except that which has been appropriated by the legislature for the next biennium, remains in long term investments. Interest earnings would go to the General Fund. Over the next seven years, there would be that additional money to replace the General Fund.

Ms. Hamman said the legislature authorized the \$35 million for clean coal technology demonstration. In addition they appropriated some funds both to Eastern Montana for a clean coal technology center and to the DNRC to administer the program in 1991. The Executive Budget recommends that those funds be stopped, or the funds which were not spent, go back into the trust or the General Fund.

Ms. Hamman said this was set up as a clean coal demonstration within the permanent fund. Language was then added to make it a loan.

DISCUSSION ABOUT TREASURE STATE ENDOWMENT PROGRAM

SEN. HOCKETT explained that this was a loan but there was no provision that they ever had to pay it back. **SEN. HOCKETT** took

information from pages 30 and 31 of the summary of the fiscal analyst's analysis and talked about the Treasure State Endowment Program, which is the clean coal technology. He said there is a point in the summary which says the State would lose about \$175,000 of interest to the General Fund because of money diverted to the Treasure State Endowment. He asked about the kind of income losses the committee could expect if this money was diverted.

Ms. Hamman replied there was a projected loss of \$175,000 of interest earnings to the General Fund. This deficit is included as a revenue loss in the executive budget for 1994 and 1995.

REP. BARDANOUVE said he would oppose using coal money because he did not want to take money out and then not support the coal money. The program would be abolished completely, he said.

SEN. VAUGHN expressed concern that taking this money out for building maintenance would lead to opening the coal trust to more things.

CHAIRMAN BERGSAGEL said he did not think that this alone would lead to it. However, since \$500 million has not been encumbered, he anticipated that someone would be seeking its use.

REP. BARDANOUVE concurred with **SEN. VAUGHN**. **REP. BARDANOUVE** cited an example where money was authorized for clean coal technology and that project has fallen to the wayside. Now they want to use clean coal money for maintenance, he said.

REP. ZOOK said his answer to **REP. BARDANOUVE** was that he believed in a representative government. If 75% of both houses of the legislature think something is needed badly enough, whether he is of the same position, it is a proper situation.

Mr. Haubein said the coal trust balance has increased as follows:

\$447 million in 1990
\$470 million in 1991
\$496 million in 1992
\$551 million in 1993
\$496 million in 1994 (projected)

This information is found in the LFA book, page reference 32. Part of the 1994 projection is invested in Treasure State Endowments, **Mr. Haubein** said, and does not leave the permanent fund. The interest is not going into the permanent fund. The Legislature took \$10 million out on July 1, 1993, and moved this amount to Treasure State Endowments. This is growing at approximately \$15 million a year. The interest goes to the Treasure State Endowment Fund for ten years, then will end.

SEN. HARDING asked if recipients of the Treasure State Endowment Fund would repay what they have taken out of Treasure State.

Mr. John Tubbs, Department of Natural Resources, said that HB663 dealt with the Big Sky and Treasure State Endowment. Interest from the earnings would fund these programs. The Treasure State was funded initially from a loan from the Board of Investments because of the small deposit to begin the project. The Board will be repaid from future earnings of this trust. There are two deferred loans for engineering studies in two communities. These loans will be repaid in one lump sum, he said. There is a provision in the Treasure State which expands the bond program much like the water project is handled, he added.

Motion/Vote: REP. ZOOK MOVED TO REDUCE THE MAINTENANCE MONEY BY \$2.6 MILLION AND MOVE THIS AMOUNT TO THE GENERAL FUND. The motion failed on a tie, SEN. HOCKETT, REP. BARDANOUVE AND SEN. VAUGHN voted no.

Motion/Vote: REP. BARDANOUVE MOVED THAT THE \$2.6 MILLION BE LEFT ALONE. The motion passed unanimously.

HEARING ON STATE FUND BUILDING IMPROVEMENTS

Tape No. 1:B

Informational Testimony:

Ms. Carla Smith, State Fund, asked for approval of the project to remodel the basement of the Workers' Compensation Building. She reiterated that during the regular session the State Fund Board of Directors was given the authority to set the budget for the State Fund. As a result of legislation passed during the session regarding the Safety Culture Act, medical costs containment, fraud detection and investigation, the Board authorized additional staff to carry out these functions. Also, in order to improve delivery of benefits to injured workers and to improve service to policy holders, some other positions were authorized. In total, the State Fund has authorized 35 positions for the current year over the base. The Board of Directors, which sets the budget for the State Fund, has approved the remodeling. Several months previous, the Department of Administration tried unsuccessfully to locate suitable rental property within close proximity to the current building. An architect appointed by the Department of Administration provided an estimate to do the remodeling of \$110,000, which will accommodate 24 additional FTEs. They are not asking for remodeled space for all new FTEs.

Questions, Responses, and Discussion:

SEN. HOCKETT asked where the \$110,000 was coming from and how much was in the fund.

Ms. Smith explained that the State Fund operates from the proprietary fund and all its money comes from employer premiums. There is approximately \$300 million in the fund now, the majority of which is set aside to pay claims liabilities into the future.

SEN. VAUGHN asked if using \$110,000 from the State Fund would

jeopardize payment of claims liability in the future.

Ms. Smith said claims which are incurred today pay out over many years into the future. The State Fund is not experiencing a cash flow problem and has moved out of the hole quite a bit.

REP. BARDANOUVE asked about how many years were projected before the Workers' Compensation Fund liability is paid off. **Ms. Smith** replied that, if things continue as they did this last year, they expect to be in a positive position in four years, meeting the surplus requirement passed by the legislature long before the year 2003 requirement in the bill.

Motion/Vote: **REP. BARDANOUVE** MOVED TO APPROVE THE REQUEST OF WORKERS' COMPENSATION FOR \$110,000. The motion passed unanimously.

DISCUSSION OF GOVERNOR'S PROPOSAL FOR ALLOCATION OF CLEAN COAL MONEY

Should the bill pass which allows the legislature to spend the clean coal money, **CHAIRMAN BERGSAGEL** asked if the committee was interested in prioritizing the additional \$7.5 million in revenue.

Ms. Hamman said the draft of LC92, which would be the coal tax money, includes the list of all projects. That will be separate entirely from HB2 and the amendments from HB5 because that's where the three-quarters vote is needed.

CHAIRMAN BERGSAGEL said that the administration has already prioritized the projects; that this committee would not need to address the deferred maintenance unless it chose to do so.

SEN. HOCKETT said he was assuming because of the committee's decision on the \$2.6 million that the moving of the coal tax money into deferred maintenance was not dead. He said he would support use of coal tax money because he feels strongly about maintenance of buildings and repair.

There ensued discussion that subcommittees would not hear any bills. LC92 would probably be referred to the House Appropriations Committee. **REP. ZOOK** said it was assumed it would be a faster process to have hearings in full committee, rather than hearing bills in subcommittees. **REP. ZOOK** said he would have no problem with this committee meeting to discuss LC92, assuming it got this far, because members of this committee are the people with the most knowledge about this subject.

SEN. HOCKETT expressed concern that some agency with a pressing need was overlooked.

Mr. O'Connell said they used submittals from the last session. In addition, agencies were asked to submit the highest priority

projects, which did not receive funding last session. He said, while there are probably other needs which are not reflected, this list was compiled in order to get it before the legislature.

Ms. Hamman said that, although time was limited, agencies were sent priority lists. The agencies were given one week to respond to the priorities and dollar amounts. The OBPP and A & E reviewed these requests.

CHAIRMAN BERGSAGEL said the committee would not review maintenance programs at this time.

HEARING ON PRISON BUILDING PROJECTS REDUCTIONS

Tape No. 1:B

Informational Testimony:

Ms. Hamman said that during last legislative session, major reductions were made in the Department of Corrections and Human Services in excess of \$5 million a year. To contribute to the statewide effort to reduce the General Fund, it was determined there could be about a \$2 million reduction in bonding for the men's prison list of projects which result in a General Fund savings of about \$192,000 in interest payments and principal payments on bonding. The only way to realize that kind of savings at the men's prison is to adopt LC51, LC52 and LC53. **REP. GRADY** will sponsor all three of them. See **EXHIBIT 2**, page F3.

Questions, Responses, and Discussion:

SEN. HOCKETT asked if funds which are garnered from the agreement to make components for Toyota would be included in LC51.

Mr. Rick Day, Department of Corrections and Human Services, said that the funds from that project would be part of Prison Industries. It is projected that Prison Ranch and Industries would be able to contribute between \$300,000 to \$600,000 over the biennium. Much of the contribution would come not through Prison Industries but would come from the ranch, depending on the variable successes and where the cash balance is.

Mr. Day said they had come up with four projects--the perimeter fence, laundry, offices and vocational-education, dairy dorm and food service. If the Prison Industries' ranch account could be freed up, with the flexibility much like a business, to make capital improvements and maintenance as is needed in the system, it would allow the adult correctional system to use the funds.

DISCUSSION OF THE PRISON RANCH

REP. BARDANOUVE said he does not see the purpose of LC51. Last session, for example, a surplus was taken out of the prison ranch account. If there is more money than needed in the prison ranch account, it can be used. **REP. BARDANOUVE** said he and other

legislators had worked hard to see that the prison ranch pays off. It was losing money every session for many years and was taking money out of the General Fund. It is now on a cash basis, making money. He asked why that account should be frozen by statutory appropriation.

Mr. Day said this allows the ranch the freedom to essentially run like any other business would. It allows the ranch manager's advisory board to spend surplus funds on capital improvements and maintenance of the correction system. The reason the ranch is in business is to give that type of flexibility to the system, **Mr. Day** said.

REP. BARDANOUVE asked if this surplus was to be invested in the ranch.

Mr. Day said the surplus would not be restricted to just the ranch operation. It would allow the excess to be invested in the adult correction system. The idea is that money generated through inmates' labor from industries and the ranch would be reinvested in the correctional system by the people who are working in it and running it. It gives people more incentive to do the job better, he said. The inmates could enhance their own environment by doing their jobs well. **Mr. Day** believes this will give the ranch and industries operations the ability to improve what they can support in the future.

REP. BARDANOUVE said he did not like statutory appropriations.

Mr. Day said the language intended in the legislation is to direct the unappropriated portion toward maintenance and capital improvement in the correction system. This money cannot be put just any place in state government. Money generated from the correctional system must go back into the correctional system.

Ms. Hamman said that, from an accounting point of view, this is a very confusing statute because it's called the Industries Account but there are two different accounting entities--one for the ranch and one for industries. The proposed amendment simply states that it's to be used for the adult correctional system.

REP. BARDANOUVE asked if the ranch and prison industry accounts would become a common account.

Mr. Day said that while they would not become a common account, they are covered under one statute.

REP. BARDANOUVE said he wouldn't want to jeopardize the ranch activity if the industry program makes an error.

DISCUSSION ON THE INTENDED PURPOSE OF LC51, LC52 AND LC53

Mr. Day said the combination of these three bills are not the only solutions to help work down the \$2 million. However, with

the combination of the three, they can still try to move ahead with these projects, save some money in each place and accomplish the projects.

CHAIRMAN BERGSAGEL asked if these three bills would bring a \$2 million savings.

Mr. Day said they would offset \$2 million in bonds and that is a \$192,000 projected savings in the General Fund.

CHAIRMAN BERGSAGEL clarified that theoretically \$192,000 would be saved.

SEN. VAUGHN was concerned about how much prison labor would be used when there are so many people unemployed.

Mr. Day said prison labor would only be applied to the dairy dormitory which is not the largest project. The largest project is the laundry, and there are other construction projects. In tight times, this helps achieve two objectives. (1) It allows the prison to proceed with other projects, using standard construction, and (2) it takes advantage of inmate labor on one specific project.

REP. BARDANOUVE said the money for the dairy dorm came from a prison ranch account meeting. The prisoners on the ranch generated the money to build a dorm.

Mr. Day concurred; however, he said, the amount set aside will not quite cover the total needed.

DISCUSSION ON REDUCTION OF BONDING

Mr. Haubein said the three bills are intended to save \$2 million worth of bonding; they would be \$2 million less, which in turn, saves \$192,000 in debt service in fiscal 1995. The committee would need to consider, if these three bills pass, reducing the bonding in HB5 by \$2 million.

SEN. HOCKETT asked **Mr. Haubein**, whether the committee could also assume that the \$175,000 would almost offset the loss on the coal tax money.

REP. BARDANOUVE asked how the \$2 million would be used.

Mr. Haubein said these three bills would allow the prison to cut costs. They would be able to use some statutory appropriations to do some of these projects out of the ranch fund. Therefore, they would need \$2 million less in bonding authority for the prison ranch projects. That's where the \$192,000 is coming from. If the bonds are not reduced, the bonding authority will still remain there and still could be used.

CHAIRMAN BERGSAGEL asked if the committee wanted to address the

bonding issue now or if they preferred to wait to see the outcome of these particular bills.

Tape No. 2:A

REP. BARDANOUVE said he would support a motion whereby the bonding will be reduced if these bills pass.

CHAIRMAN BERGSAGEL asked if he was suggesting contingency language in all three bills.

Mr. Haubein said that would mean amending this portion of the bill and then adding the contingency language. It could be done at a later date if these three bills passed.

Ms. Hamman said the Executive Budget recommends that it be left as excess authority. The bonds will not be issued in that amount rather than raising that issue again.

SEN. HOCKETT said he doubted if the State would issue bonds for something it was not going to do anyway. He suggested the committee wait to see what happens.

CHAIRMAN BERGSAGEL recommended watching to see what happens to those three bills. If the committee decides it wants to do something, it can do it at that time.

REP. BARDANOUVE said he would recommend to the full committee that the Long Range Planning Committee supports these bills.

Motion: **REP. BARDANOUVE** MOVED THAT THE COMMITTEE APPROVE LC53, KEEPING EACH ISSUE SEPARATE, THEREBY HAVING THREE SEPARATE MOTIONS.

Substitute Motion: **SEN. HOCKETT** offered a substitute motion that the committee act on all three.

CHAIRMAN BERGSAGEL said the motion will be that the Long Range Planning Committee recommends to the Legislature approval of the passage of these three pieces of legislation.

Substitute Motion: **REP. BARDANOUVE** MOVED THAT THERE BE A DIVISION OF THE MOTION AND THE COMMITTEE VOTE ON LC53 AND LC52. The motion failed 1-5 with **REP. BARDANOUVE** voting yes.

Motion/Vote: **SEN. HOCKETT** MOVED THAT THE LONG RANGE PLANNING COMMITTEE RECOMMEND TO THE LEGISLATURE THAT IT APPROVE THE PASSAGE OF LC51, LC52 AND LC53. The motion passed unanimously.

DISCUSSION OF VARIOUS TOPICS

THE CULTURAL TRUST FUND

Tape No. 2:A

REP. BARDANOUVE expressed concern about the administration taking the cultural trust money.

CHAIRMAN BERGSAGEL said the administration was not going to attack the coal trust money which is available for grants. This totals \$1.8 million. There were excesses in that fund which have been placed in a statutorily appropriated fund earning interest. This is the \$6.8 million they are going to use to fund property tax relief. Part of the operation of the Arts Council is funded by the \$6.8 million. He said he is not clear where the money will come from to make up for the administration of the Arts Council. He reiterated that the administration is not going after arts and cultural grants but after a statutorily appropriated fund sitting there. He said this fund is being targeted because it requires only 51 votes to be used.

REP. BARDANOUVE replied that this is the beginning of the end of the arts program. He said that, by 1995, General Fund money will no longer fund the Arts Council.

REP. ZOOK cited what happened to the school fund. Schools are still financed. He said he sees nothing wrong with agencies and other interested parties competing for the General Fund money.

PLANNING AND IMPLEMENTATION OF BUILDING PROGRAMS

Mr. O'Connell listed some of the long range projects around the state:

Eastern Montana Veterans' Home: under construction.

Engineering-Physical Sciences Building at MSU: ready to bid.

Business Administration Building at UM: in final phase of planning; scheduled to be bid in late winter, early spring.

The Montana State Prison: has taken a huge change in direction because of shifts in priorities. They are presently concentrating on the laundry-vocational building, the fence and the high side kitchen project. What happens in the Special Session will have an effect on this project.

Boulder project: They anticipate bid opening in the March time frame. It is a difficult and complex project. Asked about cost overruns, Mr. O'Connell said the original figures were set at \$8.66 million and raised by the legislature to \$10.5 million. He said he does not want to ask for any more money from the legislature.

Women's Correctional Center: They are reviewing options for the Rivendell facility. There are now no plans for a new facility. If it goes ahead, it will be in a different manner than was presented to the legislature last session.

Warm Springs: The estimates for the work to be done are way over the \$260,000 appropriated. This project is at a standstill.

Libby Armory: With the plans completed, they are watching inflation and construction costs. **Col. Stricker, DMA,** said funding is an issue the military is examining at both the state and federal level. All concerned with this project are planning to move forward with it, he said.

Northern Montana College Gymnasium: The construction there has corrected serious safety problems. The concrete slabs have been corrected; the swimming pool, roof and major portions of the building have been rebuilt; major improvements have been made.

Galen facility: They are doing some temporary patching to the roofs. There has been some talk of a Western Montana Veterans' Home at the facility. In response to a question, **Mr. Whalen** said, as of July 1, there are no patients. There is one person watching the property.

Butte Job Service project: has not proceeded since the last legislative session.

Butte Vo-Tech project: bonds have been sold.

SRS Educational Warehouse: No substantial work has been done yet.

DISCUSSION OF THE EDUCATIONAL WAREHOUSE PROJECT

Ms. Debra Fulton, Department of Administration, said SRS has not yet proceeded with the Educational Warehouse.

CHAIRMAN BERGSAGEL summarized the background of the current warehouse. SRS initially requested money for repairs. There was a discussion about the rent of the property and what could be done in putting the rent toward building a facility. The estimated cost was \$1.7 million. This plan was approved by this committee and the legislature. The warehouse was to be shared by SRS and OPI. Theoretically, these agencies would share services and be able to cut administrative costs. The owners of the present facility offered it for sale, and the committee rejected their offer at that time. Since then, the owners have written **CHAIRMAN BERGSAGEL** lowering their price.

SEN. HOCKETT said it looked like an unhandy facility in the way it is put together, particularly in the frozen food storage. The building looks like it is filled to the maximum. If the education people were added to it, **SEN. HOCKETT** said, it would not serve both functions.

Ms. Fulton said there was an additional problem with that facility because the owners do not own the land on which it sits and there is an underground storage tank on the property. SRS chose not to get involved with those issues.

RECAP HB5

Ms. Debbie Owen, Department of Administration, addressed what the Department of Administration has done to comply with the language of HB5. LRPB bonds were issued in September totalling \$3.185 million. They blended new LRPB projects of \$1.2 million with the Butte refinancing of approximately \$1.95 million. This blending essentially moved the savings from the Butte refinancing into this biennium. It was moved forward so they could offset the increases for new projects. The net effect of that issuance was actually a reduction in debt service of \$23,000. That does not include the interest earnings which they would have earned to date on the \$1.2 portion. In accordance with the new language in HB5, the department is allowed to take interest earnings from the \$1.2 million into account to offset debt service. On the same project, the educational subcommittee envisioned saving \$100,000 on the Butte refinancing. In fact, when they concluded the deal, they saved over \$200,000.

Ms. Owen said HB5 also allowed them to issue the University System, Libby and Montana State Prison bonds at the same time as they issued the earlier bond issue. By delaying the bond issue until the bonds were needed in the January/February time frame, they have effectively moved some debt service cost into the next biennium. That is another adjustment they have made to help reduce the amount of debt service in this biennium.

Ms. Owen explained how they are looking at the new projects. For the January-February issue, it will be approximately \$37.5-\$38 million, including the two university projects, the Libby Armory and the Montana State Prison. Four different options are being considered. To be considered is the language of HB5 which is minimize debt service but with prudent debt management principles. There are a variety of options available to the Board of Examiners. These range from no debt service increase in this biennium, taking into consideration interest earnings, to minimizing debt service which would be offset by some prudent debt management principles. This may be the better option and should be considered, she said. They have not ruled anything out. **Ms. Owen** said that, to date, there has not been a compliance problem and they are seriously trying to prudently address the language of HB5 and present the best options to the Board of Examiners.

SEN. HOCKETT said there was a discussion of a \$2-\$3 million additional cost in this biennium, rather than moving it into the next biennium.

Ms. Owen said this is the figure the Office of Budget and Program Planning has put into the Executive Budget for debt service and is a worst case scenario. In this worst case scenario, the most conservative approach would result in approximately \$2-3 million of additional debt service. However, if the offset of interest allowed is taken and the Department of Administration is a little

creative in working with the financial community, she thinks that figure would come down. This allows the department and the Board of Examiners to look at all options.

ROUND TABLE DISCUSSION ON DEFERRED MAINTENANCE

Tape No. 2:B

SEN. HOCKETT said using coal money for deferred maintenance projects was a good investment. He said he will work with some of his colleagues to see if they might support that.

SEN. VAUGHN asked if there were proposals other than taking money from the coal trust.

CHAIRMAN BERGSAGEL said he was looking at going after the clean coal technology money. The money would be borrowed instead of being raided forever. He would try to create a revolving loan fund. The difficulty with that is that it must be paid back and there must be statutory appropriations to pay it back. Projects receiving these loans would pay interest, so there would be no loss to the coal trust. It might pacify those who think the coal trust is being raided. If, in fact, they cannot get a 3/4 vote on LC92, he asked if anyone was interested in pursuing that.

SEN. HARDING concurred.

SEN. VAUGHN asked if there would be the need of a 3/4 vote for use of the coal trust as a loan. No one knew the answer to that.

CHAIRMAN BERGSAGEL said one of the arguments about using the coal trust money for deferred maintenance is they are actually fixing up current assets. To replace the facilities is more costly than to maintain them. Taking the coal trust money and spending it, as difficult as that might be, might be the best investment on some of that money. It might not be the best investment, if the earnings on it are 10-12%.

Ms. Hamman said some of the long term investments are still earning 8-9% interest.

Mr. Haubein said it is difficult to get new long term investments at that rate.

Ms. Hamman said they are not making any more long term investments. They are keeping everything one, two or three years, hoping there will be an increase in interest rates so they can return to some good long term rates.

SEN. HOCKETT said he is very interested in energy retrofitting and upgrading. He said he thinks money can be saved in the long run. These are ongoing expenses. He is strongly in favor of doing something, unlike in past years when pressing things seem to gnaw away the money first. He reminded the committee of the energy savings achieved by Montana State with their power plant,

the coal generation facility. They saved about \$50,000-\$60,000 a year.

Mr. Bob Lashaway, Montana State University, said it saves approximately \$50,000 a year. It is a 500-kilowatt facility which is presently in place.

CHAIRMAN BERGSAGEL asked whether the committee could support the actual expenditure of \$35 million or whether they would prefer to look at alternatives.

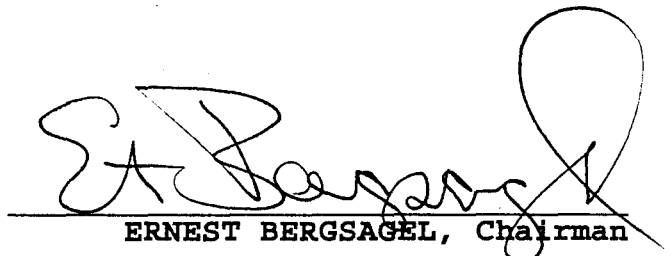
REP. BARDANOUVE said that alternatives are probably almost non-existent.

Mr. Jim Todd, Vice President for Administration and Finance at the University of Montana, said an area that he thinks requires equal attention with deferred maintenance is the Americans with Disabilities Act passed in 1990. If legislation is put in place which addresses deferred maintenance, he hopes the issue of compliance with this federal mandate is not forgotten. It does have a very significant physical impact, **Mr. Todd** said. He said he was concerned that in the \$7.5 million proposed for the university, he didn't see an ADA project.

CHAIRMAN BERGSAGEL said the concern is noted and that the committee would keep track of LC92.

ADJOURNMENT

Adjournment: 4:15 p.m.



ERNEST BERGSAGEL, Chairman



LESLIE MIELKE, Secretary

EB/LM

HOUSE OF REPRESENTATIVES

LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL

DATE November 17, 1993

NAME	PRESENT	ABSENT	EXCUSED
REP. ERNEST BERGSAGEL, CHAIRMAN	X		
SEN. BOB HOCKETT, VICE CHAIRMAN	X		
REP. FRANCIS BARDANOUVE	X		
SEN. ETHEL HARDING	X		
SEN. ELEANOR VAUGHN	X		
REP. TOM ZOOK	X		

HOUSE OF REPRESENTATIVES
LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL VOTE

DATE Nov. 17, 1993 BILL NO. _____ NUMBER 1

MOTION: REP. BARDANOUVE MOVED TO ACCEPT THE REDUCTION OF
\$110,000 AT PINE HILLS AND MOUNTAIN VIEW.

NAME	AYE	NO
REP. ERNEST BERGSAGEL, CHAIRMAN	X	
SEN. BOB HOCKETT, VICE CHAIRMAN	X	
REP. FRANCIS BARDANOUVE	X	
SEN. ETHEL HARDING	X	
SEN. ELEANOR VAUGHN	X	
REP. TOM ZOOK	X	

HOUSE OF REPRESENTATIVES
LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL VOTE

DATE Nov. 17, 1993 BILL NO. _____ NUMBER 2

MOTION: REP. ZOOK MOVED TO REDUCE MAINTENANCE MONEY BY \$2.6
MILLION AND MOVE IT INTO THE GENERAL FUND.

NAME	AYE	NO
REP. ERNEST BERGSAGEL, CHAIRMAN	x	
SEN. BOB HOCKETT, VICE CHAIRMAN		x
REP. FRANCIS BARDANOUVE		x
SEN. ETHEL HARDING	x	
SEN. ELEANOR VAUGHN		x
REP. TOM ZOOK	x	

HOUSE OF REPRESENTATIVES
LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL VOTE

DATE Nov. 17, 1993 BILL NO. _____ NUMBER 3

MOTION: REP. BARDANOUVE MOVED THAT THE \$2.6 MILLION BE LEFT
ALONE.

NAME	AYE	NO
REP. ERNEST BERGSAGEL, CHAIRMAN	x	
SEN. BOB HOCKETT, VICE CHAIRMAN	x	
REP. FRANCIS BARDANOUVE	x	
SEN. ETHEL HARDING	x	
SEN. ELEANOR VAUGHN	x	
REP. TOM ZOOK	x	

HOUSE OF REPRESENTATIVES
LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL VOTE

DATE Nov. 17, 1993 BILL NO. _____ NUMBER 4

MOTION: REP. BARDANOUVE MOVED TO APPROVE THE REQUEST OF
WORKERS' COMPENSATION FOR \$110,000.

NAME	AYE	NO
REP. ERNEST BERGSAGEL, CHAIRMAN	x	
SEN. BOB HOCKETT, VICE CHAIRMAN	x	
REP. FRANCIS BARDANOUVE	x	
SEN. ETHEL HARDING	x	
SEN. ELEANOR VAUGHN	x	
REP. TOM ZOOK	x	

HOUSE OF REPRESENTATIVES
LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL VOTE

DATE Nov. 17, 1993 BILL NO. _____ NUMBER 5

MOTION: REP. BARDANOUVE MOVED THAT THERE BE A DIVISION OF THE
MOTION AND THE COMMITTEE VOTE ON LC53 AND LC52

NAME	AYE	NO
REP. ERNEST BERGSAGEL, CHAIRMAN		X
SEN. BOB HOCKETT, VICE CHAIRMAN		X
REP. FRANCIS BARDANOUVE	X	
SEN. ETHEL HARDING		X
SEN. ELEANOR VAUGHN		X
REP. TOM ZOOK		X

HOUSE OF REPRESENTATIVES
LONG RANGE PLANNING SUB-COMMITTEE

ROLL CALL VOTE

DATE Nov. 17, 1993 BILL NO. _____ NUMBER 6

MOTION: SEN. HOCKETT MOVED THAT THE LONG RANGE PLANNING
COMMITTEE RECOMMEND TO THE LEGISLATURE THAT IT APPROVE THE
PASSAGE OF LC51, LC52 AND LC53.

NAME	AYE	NO
REP. ERNEST BERGSAGEL, CHAIRMAN	X	
SEN. BOB HOCKETT, VICE CHAIRMAN	X	
REP. FRANCIS BARDANOUVE	X	
SEN. ETHEL HARDING	X	
SEN. ELEANOR VAUGHN	X	
REP. TOM ZOOK	X	

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HOUSE BILL NO. 2

INTRODUCED BY ZOOK

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING APPROPRIATIONS FOR THE BIENNIUM ENDING JUNE 30, 1995; AMENDING SECTION 15, CHAPTER 623, LAWS OF 1993, CITED AS THE GENERAL APPROPRIATIONS ACT OF 1993; AMENDING SECTION 2, CHAPTER 624, LAWS OF 1993, AND SECTION 1, CHAPTER 550, LAWS OF 1993; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15, Chapter 623, Laws of 1993, is amended to read:

"Section 15. Appropriations. The following money is appropriated for the respective fiscal years:

November 17, 1993

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

HB 2

INTRODUCED BILL



Nov. 17, 1993
Jane Hamman
LONG-RANGE PLANNING
SUBCOMMITTEE

DATE Nov 17, 1993
BY Jane Hamman

EXHIBIT

DATE Nov. 17, 1993

BY Jim Haubein

LONG RANGE PLANNING
SUBCOMMITTEE OVERVIEW

Agency	Actual		Appropriated		Recommended		Differences		Biennial % Change		
	FY92	FY93	FY94	FY95	FY94	FY95	FY94	FY95	93 Actual	95 Rec/	95 Approp
6107 Long-Range Planning											
General Fund	609,398	81,944	0	0	(2,600,000)	0	(2,600,000)	0	-476.1%	NA	NA
State Special	1,284,962	1,017,582	0	0	0	0	0	0	-100.0%	-100.0%	-100.0%
Federal Revenue	1,124,385	911,246	0	0	0	0	0	0	-100.0%	-100.0%	-100.0%
Capital Projects	4,421,150	4,091,160	0	0	5,000,000	5,000,000	5,000,000	5,000,000	17.5%	144.4%	144.4%
Proprietary/Other *	29,424	7,007	0	0	1,080	2,132	1,080	2,132	-91.2%	-54.2%	-54.2%
Total Funds	7,469,319	6,108,939	0	0	2,401,080	5,002,132	2,401,080	5,002,132	-45.5%	21.2%	21.2%

* May include SFCAP authority that has not been allocated to the various funds.

EXHIBIT 2

DATE Nov. 17, 1993

BY Jim Haubein

LONG RANGE PLANNING
SUBCOMMITTEELONG-RANGE PLANNING
Executive Budget, November 1993

Long-Range Building Plan

ALL DEPARTMENTS						6107-00
Budget Item	FY94 Appropriated	FY94 Recommended	Difference	FY95 Appropriated	FY95 Recommended	Difference
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Capital Outlay	36,435,364	36,435,364	0	0	0	0
Total Costs	36,435,364	36,435,364	0	0	0	0
General Fund	2,600,000	0	(2,600,000)			
State Special	19,064,965	19,064,965	0	0	0	0
Federal Special	6,002,935	6,002,935	0	0	0	0
Capital Projects	3,151,252	8,151,252	5,000,000	0	0	5,000,000
Other Revenue	5,616,212	5,616,212	0	0	0	0
Total Funding	36,435,364	38,835,364	2,400,000	0	0	5,000,000

ITEM

	FY94	FY95
<ul style="list-style-type: none"> Delete the \$2.6 Million General Fund Appropriation (2,600,000) 0 <ol style="list-style-type: none"> Remove the general fund appropriated in Chapter 624, Laws of 1993. Reduce the Department of Family Services fire safety systems \$627,000 project for Pine Hills and Mountain View by \$110,000 to \$517,000 due to downsizing at the facilities. \$5 Million Coal Severance Tax Per Year to Major Maintenance 0 0 <ol style="list-style-type: none"> Adopt legislation to repeal Chapter 515, Laws of 1993, and related statutes establishing the coal severance tax clean coal technology demonstration fund, clean coal loans, clean coal technology projects program and tax exemption. Montana has not been and will not be selected by the federal Department of Energy for the project. Amend Chapter 624, Laws of 1993, to add \$5 million each year for major maintenance projects on state-owned buildings to be funded with coal severance tax no longer required for clean coal technology. The first \$2.5 million would be for priority projects already authorized by the legislature, as amended during special session, and originally funded with general fund. The 1995 biennium general fund cost in lost interest earnings would be no more than \$175,000 depending on timing of project expenditures. This cost projection is included on the balance sheet. Adopt the recommended legislation to create the state building maintenance fund within the coal severance tax trust fund, for a seven-year period from FY94 through FY00, using the \$35 million balance in the clean coal technology demonstration fund. Agencies requested more than \$191 million in state funding for life and safety codes, regulatory compliance and continued operation of state buildings during the 1995 biennium. HB5 appropriated \$5.7 million and the cigarette tax will continue to be a declining revenue source for the long-range building program. Authorize State Compensation Insurance Fund Remodeling 0 0 Amend Chapter 624, Laws of 1993, to add \$111,000 of other authority to enable the State Fund to remodel the basement of its facility to accommodate the 35.10 FTE added to the FY94 operating budget. This recommendation is consistent with the estimates received for the project. Suitable rental property is not available within reasonable proximity to the current facility. 		

• **Adopt Three Bills Recommended by OBPP and DCHS**

1. In order to utilize revenue from the sale of goods by the Prison Industries Program, a statutory appropriation is recommended. This not only will provide a greater incentive for cost-effectiveness in the operation of the program, but funds in the account will be an essential component of total funding for capital improvements to the industries facility.
2. In order to stretch the men's prison construction dollars and provide an inmate work experience, a bill authorizing Montana State Prison inmates to work on construction of the dairy dorm project is recommended. A bill amending 53-1-301, MCA, and exempting only this specific project from the Department of Administration public bidding, bonding, workers' compensation, and wage laws is recommended.
3. A waiver from the Department of Administration public bidding and bonding requirements for the security fence project is recommended. In this instance, it is believed that there is greater expertise for the installation and ongoing maintenance of this project within the prison staff than in the private sector. In addition, the prison administration believes security will be maintained, rather than jeopardized, if staff works on this project.

**Priority Recommendations for Coal Severance Tax Funding
1995 Biennium**

No.	Project and Agency	Amount
1.	Repair and Improve Heating and Ventilation System, STARC Armory	184,800
2.	Infirmery Upgrade, Montana State Prison	350,000
3.	Floor Repairs, Dept. of Corrections & Human Services	145,400
	Center for The Aged 65,400	
	Montana Developmental Center 80,000	
4.	Replace Office of Public Instruction Rooftop HVAC Units, D of A	130,000
5.	Kitchen Upgrades Statewide, Dept. of Military Affairs	136,500
6.	Roof Replacement for Bldgs 102 & 104, Montana Developmental Center	250,000
7.	Roof Replacement, Capitol Complex, Dept. of Administration	219,500
	Commerce Building 57,000	
	Scott Hart Building 50,000	
	Cogswell Building 112,500	
8.	Central Heating Plant Improvements, Montana State University	855,000
9.	Structural Repairs Brockman Center, Northern Montana College	300,000
10.	Limestone Repair on Vet's Pioneer [Historical Society] Building	218,000
11.	Replace Water Main/Repair Boiler & Heating System, Swan River Boot Camp, DCHS [Requested at \$306,250]	186,250
12.	Steam & Condensate Tunnel, Montana State University	1,000,000

[Requested at \$2,368,000]

13. Replace Plains Unit Office Fire Dispatch Center, Dept. of State Lands [Deleted in January 1992 Special Session]	270,000
14. Replace Windows, Cowan Hall, Northern Montana College	300,000
15. Receiving Hospital Window Replacement, Montana State Hospital, DCHS	175,000
16. Capitol Complex Improvement Projects, Dept. of Administration	2,000,000
Requested:	
Window Replacement in Complex	1,459,940
Copper Dome Repair	50,000
Upgrade Electrical Systems	500,000
Rewire Capitol Building	900,000
Interior Painting	150,000
Total	3,059,940
17. Fire Code Compliance, Eastern Montana College	365,000
18. Repair Projects, Dept. of State Lands	100,000
Requested:	
Water Treatment System, Forestry	3,000
Pave Parking Lots, Forestry	30,000
Replace Fuel Tanks, Forestry	20,000
Firefighters Bunkhouse, Swan River	15,000
Replace Floor Joists, Stillwater	18,000
Replace Roofs, Olney, Libby, Kal, Swan	18,000
Repair Wall and Roof, Equipment DC	11,000
Furnace and Exhaust Fan, EDC Paint B	14,000
Bury Hazardous Power Lines, Clearwater	1,500
Improve Entries and Access, Statewide	14,000
Replace 28-year Old Tank, Anaconda	8,000
Warehouse Insulation, Equipment DC	4,000
Total	156,500
19. Paving Projects, Dept. of Corrections and Human Services	324,550
Requested:	
Columbia Falls Veteran's Home	34,900
Eastmont Human Services Center	29,075
Montana State Hospital	1,314,610
Total	1,378,585
TOTAL RECOMMENDED	7,510,000

LONG RANGE PLANNING

Agency Description

In 1963, the legislature enacted the Long Range Building program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating the state's resources for the purpose of capital construction and repair of state-owned facilities. Sections 17-7-201 through 17-7-204 and 18-2-101 through 18-2-105, MCA, describe the program.

Long Range Planning		Executive Budget Proposal					
Description	Pg	Fiscal 1994			Fiscal 1995		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2 Authority Before Proposal		\$0	\$0	\$0	\$0	\$0	\$0
House Bill 2 Authority After Proposal		\$0	\$0	\$0	\$0	\$0	\$0
House Bill 2 Percent Change		NA	NA	NA	NA	NA	NA
<i>House Bill 2</i>							
<i>House Bill 2 Sub-Total</i>		\$0	\$0	\$0	\$0	\$0	\$0
<i>Other Appropriation Bills</i>							
1 HB 5-General Fund Reduction		(2,600,000)	2,600,000				
2 HB 5-Reduce Fire Safety Systems			(110,000)	(110,000)			
3 HB 5-Remodel State Fund Building			111,000	111,000			
4 HB 5-Deferred Maintenance Projects			7,510,000	7,510,000			
<i>Total Expenditure Impact</i>		(\$2,600,000)	\$10,111,000	\$7,511,000	\$0	\$0	\$0
<i>Revenue/Fund Balance Proposals</i>							
5 Reduce Bonding at Prison					192,000		192,000
<i>Total Revenue/Fund Balance Impact</i>		\$0	\$0	\$0	\$192,000	\$0	\$192,000
<i>Net Impact</i>		(\$2,600,000)	\$10,111,000	\$7,511,000	(\$192,000)	\$0	(\$192,000)

1) HB 5-General Fund Reduction - House Bill 46 enacted during the 1993 session diverted two-cents of the cigarette tax from the capital projects fund to an account to be used for maintenance and operation of veterans' homes. This revenue loss of \$2.6 million was replaced by the legislature with general fund for the 1995 biennium in House Bill 5. The executive proposal is to delete the general fund appropriation and replace it with coal tax revenues beginning in fiscal 1994 (see State Building Maintenance Fund discussion below). The projects in House Bill 5 are prioritized in the event the general fund appropriation is deleted and not replaced with the coal severance tax. This prioritization was done when the two-cent cigarette tax was removed from the capital projects fund and it was anticipated that the projects would have to be reduced by \$2.6 million.

2) Reduce Fire Safety Systems - The Department of Family Services (DFS) was appropriated \$627,000 to up-grade the fire alarm systems at Mountain View and Pine Hills schools. The executive proposal is to reduce these projects to \$517,000 due to downsizing the facilities. DFS staff stated it is the department's

Long Range Planning

plan to move some of the students to community programs and reduce the in-house populations at both schools.

3) Remodel State Fund Building - The State Fund's FTE have increased by a net of 31.85 through legislative and board actions. The executive proposal is to utilize \$111,000 of proprietary fund authority to remodel the basement of the State Fund building to make office space for the additional staff.

4) Deferred Maintenance Building Projects - The Executive Budget is proposing to add \$7.5 million of new building projects to address the need for statewide building maintenance. These projects would be funded by coal severance tax and contingent upon the approval of the executive proposal to repeal the clean coal tax legislation passed during the 1991 and 1993 sessions, utilizing \$5 million per fiscal year for the proposed building maintenance projects (see State Building Maintenance Fund discussion). The projects are listed in Table 1 in priority order.

Table 1
Priority Recommendations for Coal Severance Tax Funding
1995 Biennium

No.	Project and Agency	Amount
1.	Repair and Improve Heating and Ventilation System, STARC Armory	\$184,800
2.	Infirmery Upgrade, Montana State Prison	350,000
3.	Floor Repairs, Dept. of Corrections & Human Services	145,400
	Center for the Aged	65,400
	Montana Developmental Center	80,000
4.	Replace Office of Public Instruction Rooftop HVAC Units, D of A	130,000
5.	Kitchen Upgrades Statewide, Dept. of Military Affairs	136,500
6.	Roof Replacement for Bldgs 102 & 104, Montana Developmental Center	250,000
7.	Roof Replacement, Capitol Complex, Dept. of Administration	219,500
	Commerce Building	57,000
	Scott Hart Building	50,000
	Cogswell Building	112,500
8.	Central Heating Plant Improvements, Montana State University	855,000
9.	Structural Repairs Brockman Center, Northern Montana College	300,000
10.	Limestone Repair on Vet's Pioneer (Historical Society) Building	218,000
11.	Replace Water Main/Repair Boiler & Heating System, Swan River Boot Camp, DCHS	186,250
	(Requested at \$306,250)	
12.	Steam & Condensate Tunnel, Montana State University	1,000,000
	(Requested at \$2,368,000)	
13.	Replace Plains Unit Office Fire Dispatch Center, Dept. of State Lands	270,000
	(Deleted in January 1992 Special Session)	
14.	Replace Windows, Cowan Hall, Northern Montana College	300,000
15.	Receiving Hospital Window Replacement, Montana State Hospital, DCHS	175,000
16.	Capitol Complex Improvement Projects, Dept. of Administration	2,000,000
17.	Fire Code Compliance, Eastern Montana College	365,000
18.	Repair Projects, Dept. of State Lands	100,000
19.	Paving Projects, Dept. of Corrections and Human Services	<u>324,550</u>
TOTAL RECOMMENDED		\$7,510,000

State Building Maintenance Fund - Chapter 722, Laws of 1991, established the clean coal technology fund of which the state could invest \$5 million a fiscal year for approved clean coal technology projects.

Long Range Planning

Chapter 515, Laws of 1993, authorized the Department of Natural Resources and Conservation (DNRC) to loan funds to MHD Development Corporation anticipating MHD would be selected by the federal Department of Energy for the project. In May, 1993 Montana was notified that MHD Development Corporation would not receive the federal funding.

The executive is proposing legislation to repeal the laws relating to clean coal technology and establish a building maintenance fund using \$5 million of coal severance tax each year for the next seven years beginning in fiscal 1994. This fund will be used to provide statewide building maintenance. Since the executive proposal is to appropriate the coal severance tax revenue which would otherwise go to the permanent trust fund, it will require a three-fourths vote by both houses of the legislature for approval. This requirement is in Article IX, Section 5, of the Montana Constitution which states:

Section 5. Severance tax on coal-- trust fund.-- The legislature shall dedicate not less than one-fourth (1/4) of the coal tax to a trust fund, the interest and income from which may be appropriated. The principal of the trust shall forever remain inviolate unless appropriated by vote of three-fourths (3/4) of the members of each house of the legislature. After December 31, 1979, at least fifty percent (50%) of the severance tax shall be dedicated to the trust fund.

If this diversion of coal tax is approved by the necessary three-fourths vote of both houses of the legislature, it will be the first time that coal tax revenues going to the permanent trust have been appropriated.

5) Reduce Bonding at Prison - Although the Executive Budget does not specify that there be a change in the bonding authority for the prison, there is a general fund savings of \$192,000 shown on page S9 for debt service costs. This savings is based on issuing \$2 million less bonds than the \$6.7 million bond authority approved by the 1993 Legislature. The executive proposal states the savings is contingent upon the passage of three pieces of legislation:

- 1) authorizing a statutory appropriation of funds in the prison industries and prison ranch accounts which could be used to fund capital projects. This statutory appropriation would only be for funds not specifically appropriated by the legislature in other appropriation bills.
- 2) allowing inmate labor to be used in constructing the dairy dorm.
- 3) waiving the public bidding and bonding requirement for the new prison fence to allow prison maintenance staff to do the construction work.

Other Issues

Although the Executive Budget does not propose to decrease the prison bonding appropriation the Legislature may choose to reduce the bonding authority by \$2 million.

Increased Debt Service for New Bonding - During the 1993 Legislative Session the House of Representatives added language in House Bill 5 to delay new bonding projects approved by the 1991 Legislature until the 1997 biennium because of budget constraints. When the bill was in the Senate the language to delay the bonding projects was removed and was replaced with the following language, which was intended to allow the projects to be built but not to cause increased debt services cost to the general fund during the 1995 biennium.

- (3) The department of administration and the board of examiners shall issue bonds for the projects in subsection (1) in a manner that is consistent with prudent debt management principles, that schedules the payment of principal and interest to minimize the aggregate amount of debt service payable from the general fund on all general obligation bonds during the biennium ending June 30, 1995, and that takes into consideration interest earnings on the proceeds of the bonds. The board of examiners may defer the payment of principal and interest on the bonds.

Long Range Planning

This legislative intent is also reflected in the fund balance projection used during the 1993 session. House Resolution 2 established the deficit at \$215 million which included \$4 million of additional debt service costs for the bonding of the new building projects approved in the 1991 session. The final fund balance projections used by the legislature in balancing the general fund shows the elimination of the \$4 million debt service costs, reflecting the inclusion of the language in House Bill 5.

Table 2 shows the approved new bonding for the 1995 biennium and the proposed bond issuance time frame. In September 1993 the Board of Examiners issued \$3.2 million in new bonds as shown in the first column. The Department of Administration anticipates issuing \$37.6 million in January or February, 1994, with the remaining \$11.1 million issued in Fiscal 1995.

Table 2 New Bond Issues			
	Sept. 1993 Bonds	Jan. 1994 Bonds	FY 1995 Bonds
Butte Vo-Tech	\$1,949,531		
Women's Correction Center	264,893		
Excess LRBP Funds	7,790		
Libby Armory		\$400,000	
Major Prison Expansion	962,786	5,760,000	
Women's Correction Facility			\$10,075,600
MSU Engineering/Science Building		18,401,510	
UM Business/Administration Bldg.		13,022,975	
MT State Hospital Improvements			1,000,000
Totals	\$3,185,000	\$37,584,485	\$11,075,600

Table 3 shows the debt service costs to the general fund as of June 30, 1993, the cost of the September 1993 issue, and the Department of Administration's projected cost for the bonds to be issued in January or February 1994. The projected costs reflect the bonds being sold at a level debt service cost with no deferral of principal and/or interest.

Table 3 Debt Service With New Bonding					
	Total Debt Service 07/01/93	Sept. 1993 Bond Issue	Total Debt Service 11/01/93	New Jan. 1994 Bond Issue	Total Debt Service 95 Biennium
1994	\$9,211,523	\$42,099	\$9,253,622	\$0	\$9,253,622
1995	10,822,522	447,188	11,269,710	3,805,608	15,075,318
1996	10,651,135	443,194	11,094,329	4,518,038	15,612,367
1997	3,087,936	443,125	3,531,061	4,516,082	8,047,143
1998	(119,628)	446,695	327,067	4,520,722	4,847,789
1999	(85,626)	448,660	363,034	4,526,251	4,889,285
2000	(58,852)	301,980	243,128	4,522,052	4,765,180
2001	(75,127)	306,930	231,803	4,513,729	4,745,532
2002	(228,728)	305,992	77,264	4,517,177	4,594,441
2003	(219,684)	309,263	89,579	4,521,499	4,611,078
2004	(218,753)	316,587	97,834	4,520,957	4,618,791
2005	(210,772)	0	(210,772)	4,520,019	4,309,247
2006	(215,129)	0	(215,129)	4,512,774	4,297,645
2007	(223,459)	0	(223,459)	4,518,649	4,295,190
2008	(220,944)	0	(220,944)	4,521,164	4,300,220
2009	(224,894)	0	(224,894)	4,519,289	4,294,395
2010	(64,159)	0	(64,159)	944,150	879,991
	\$31,607,361	\$3,811,713	\$35,419,074	\$68,018,160	\$103,437,234

Long Range Planning

Note that in Table 2 the September 1993 bond issue included \$962,786 of new bonds for the prison improvements with debt service costs to the general fund being approximately \$150,000 in the 1995 biennium. Also the Executive Budget's General Fund Balance Summary (page S7) shows the fiscal 1995 debt service increasing by \$4.2 million over debt service costs prior to the September, 1993, bond issue. Neither the new prison bonding debt service costs nor the increased debt service costs of \$4.2 million shown in the Executive Budget comply with the legislative intent of above language in House Bill 5.

**STATUS SHEET
PROJECTS TO BE REDUCED OR ELIMINATED**

DATE Nov. 17, 1993 11-17-93
 BY Tom D'Connell

Priority and Project	Initial Appropriation	Reduction	Revised Appropriation	Expended	Encumbered	Balance
1. Upgrade Fire Safety Systems DCHS	150,000.00		150,000.00			150,000.00
2. Install Fire Safety System DFS	627,000.00		627,000.00			627,000.00
3. Upgrade Boiler #3 MSU (Other = 346,000)	519,000.00		519,000.00			519,000.00
4. Misc. Repairs DFS	143,500.00		143,500.00		7,485.00	136,015.00
5. Environmental Hazards Fund DOA	850,000.00		850,000.00			850,000.00
6. Electrical Upgrades MT Tech	130,000.00		130,000.00			130,000.00
7. Imprv Steam & Condensate Lines (Other = 300,000)	450,000.00		450,000.00	1,228.50		448,771.50
8. University Systems Roofs	666,564.00	424,885.65	241,678.35	283.23	77,880.00	163,515.12
9. Replace Roofs DCHS	140,000.00	133,500.00	6,500.00	6,500.00		0.00
10. Demolition Projects	187,600.00	187,600.00	0.00			0.00
11. Handicapped Access	230,000.00	229,142.35	857.65	857.65		0.00
12. Install Elevator LA Bldg UM	280,000.00	280,000.00	0.00			0.00
13. Install Elevator Old Main WMC	242,500.00	242,500.00	0.00			0.00
14. A & E Construction Litigation	200,000.00	200,000.00	0.00			0.00
15. Environmental Controls Ctr for the Aged	355,180.00	355,180.00	0.00			0.00
16. Repairs & Improvements DMA	185,000.00	185,000.00	0.00			0.00
17. Improve Parking Lots	120,000.00	120,000.00	0.00			0.00
18. Maintenance & Improvements MSDB	107,192.00	107,192.00	0.00			0.00
19. Historical Society Climate Control	85,000.00	85,000.00	0.00			0.00
20. Various Maintenance Projects DSL	50,000.00	50,000.00	0.00			0.00
Total	5,718,536.00	2,600,000.00	3,118,536.00	8,869.38	85,365.00	3,024,301.62

EXHIBIT 3
 DATE Nov. 17, 1993
 BY Tom D'Connell
 LONG-RANGE PLANNING
 SUBCOMMITTEE

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Long Range Planning SUBCOMMITTEE

DATE Nov 17, 1993

DEPARTMENT(S) _____

DIVISION _____

PLEASE PRINT

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NAME	REPRESENTING	
Larry Stednitz	DFS	
Bill Lannan	Mont Univ System	
Joe Smith	State Tre	
Tom Connell	A/E Division	
Allan Stricker	DMA	
Chris Demming	DMA	
James E Todd	UM	
Randy Mosley	State Lands	
Rep Bob Dillman	Legislature	
Debra Fulton	Dept of Adm.	
Del Croen	DOR	
John Tubbs	DNRP	
Jim WHALEY	A/E	
Bob Lashaway	MSU	

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