

## **MINUTES**

### **MONTANA SENATE 53RD LEGISLATURE - SPECIAL SESSION**

#### **SENATE SELECT COMMITTEE ON THE BUDGET**

**Call to order:** By Senator Judy Jacobson, Chair, on Wednesday, November 17, 1993, at 7:00 p.m., Room 104.

**Senate Members Present:**

- Sen. Judy Jacobson, Chair (D)
- Sen. Fred VanValkenburg (D)
- Sen. Eve Franklin (D)
- Sen. Greg Jergeson (D)
- Sen. Mike Halligan (D)
- Sen. Gary Aklestad (R)
- Sen. Bob Brown (R)
- Sen. Gerry Devlin (R)
- Sen. Delwyn Gage (R)

**Staff Present:** Lynn Staley, Committee Secretary

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

Senator Jacobson, Chair, called the meeting of the Senate Select Committee on the Budget to order. She said the House asked that the Senate form a select budget committee to work on assumptions which the two chambers would later discuss.

Senator Jacobson discussed the agenda for the budget committee to consider (Exhibit 1). She said that Issues 1, 2, 3 were dealt with by the House. With regard to Issue 4, she took HR 2 from the House Select Committee on the Budget from the last session and listed points to be considered by the Senate committee. She noted that Issues 5, 6, 7, 8 are items that the majority leader asked to have considered.

Clayton Schenck, Legislative Fiscal Analyst (LFA), outlined a document entitled Projected General Fund/SEA Deficit, 1995 Biennium (Exhibit 2). He then pointed out what action the House Select Committee on the Budget took (Exhibit 3).

Mr. Schenck said with regard to ending fund balance and what

might be appropriate, there are not a lot of authoritative guidelines on establishing what is adequate. There has been a projection by the National Association of Legislative Fiscal Officers that between three and five percent of the total budget would provide an adequate ending fund balance. For Montana, three percent means between \$25 and \$30 million. At the five percent level, it would be in the neighborhood of \$45 to \$50 million. Most states are no longer at that level with the current nationwide budget crisis. The ending fund balance for Montana has been higher than the average of most states; many states have been attempting to work on lower ending fund balances on a percentage basis. Historically the legislature has planned for a \$20 to \$25 million ending fund balance when a special session has adjourned. The legislature in the January 1992 special session went to \$11 million and at the close of the January 1993 regular session it was at \$24 million. He said at the present time, it could be argued that it could be a lesser reserve because we are closer to the end of the fiscal year and the fact that there will be another session and more accurate estimates. The legislature is also within one percent of the revenue projections adopted for the session for fiscal year 1993 which is rather exceptional in the field of revenue estimates. It should be pointed out that a one percent variation in the revenue estimates can amount to over \$10 million fluctuation in projections which for a \$20 million ending fund balance would be half of it.

Senator Halligan questioned the rationale for the House adopting a significantly higher level of reversions.

Mr. Schenck said he was not sure what the basis was. It was the number they used to make it total the executive total. Senator Jacobson said at the end of last session, the LFA looked at that and said when these type reductions are being done in agencies, a different percentage should be figured on what they are going to revert because of the cuts. These figures were looked at and approved, and those were the numbers used by Terry Cohea, the legislative fiscal analyst at that time.

Senator Aklestad asked if the average over the past six to eight calendar years had been around \$7 million per year as far as reversions.

Mr. Schenck said it has varied significantly from year to year. When pressures put on personal services are applied because of the five percent vacancy savings, retirement buy-outs because of the retirement incentive bill and other measures regarding the half percent general fund budget reduction placed on most budgets during the last session, those are the pressures and constraints on budgets that would probably reduce the reversions at the end of the fiscal year. In prior bienniums there was a limitation on transfer of personal services to other categories that was lifted

in this biennium.

Senator Devlin asked what kind of money is being looked at that can be moved around and not come back as reversions.

Mr. Schenck said he does not have any numbers. He doubted that most agencies have much money to move around in personal services and although they now have that option, he did not think many agencies would be able to do that.

Senator Devlin asked if it was taken into consideration when people retire that replacements in most cases are at lower cost levels.

Mr. Schenck said agencies can hire them at lower levels where replacements are hired. For the most part when employees retire, in addition to the buy out there is a large termination pay which has to come from somewhere. Generally they are unable to fill the positions; they have to be gapped to cover the vacancy savings.

Senator Gage questioned if the ending fund balance had any effect on bond ratings in Montana.

Mr. Schenck said the ending fund balance in the \$24 million range for the biennium was met favorably with the bond ratings the state got when they did their last bond issue. He said that someone from the Department of Administration could possibly give a better answer to that question.

Senator VanValkenburg questioned how the House decided on a \$21 million ending fund balance.

Mr. Schenck said the motion by Rep. Gilbert on the \$21 million had little discussion. There was discussion that it was reasonable and within the range of the \$20 to \$25 million that was discussed as being close to three percent of total appropriations.

Senator Jergeson stated his concern with the reversion level because it looks like a plugged figure to arrive at some other number. He questioned the discussion in the House relative to debt service.

Mr. Schenck said there was extensive discussion on debt service and the difference between the two numbers. He thought the rationale of the person making the motion was why pay more by deferring the bond payment than would be paid if it was paid up front.

Senator Gage asked if the executive agreed with the 2.624 million.

Mr. Schenck said correct, they agreed with the \$52 million and the changes.

Senator Jacobson said with regard to Issue 2, ending fund balance (Exhibit 1), if the committee had no further discussion on the House figure of approximately \$21 million, there could be agreement on that point.

**Motion:** Senator Aklestad moved that the Senate Select Budget Committee take the House recommendation of approximately \$21 million ending fund balance (Issue 2, Exhibit 1).

**Vote:** Senator Aklestad's motion CARRIED UNANIMOUSLY.

With regard to the issue of the \$3.7 million debt service and size of reversions, Senator Aklestad indicated the average has been a little over \$7 million the last seven to eight calendar years.

**Motion:** Senator Aklestad moved the \$10 million figure which the executive had for reversions rather than \$11.645 million.

Senator Jacobson said she could agree to about \$3 million each year or about \$6 million over the biennium.

Senator VanValkenburg felt reversions to a large degree are under the executive's control; if the executive wants to manage in an aggressive fashion and implement various policies, they can force reversions of a certain magnitude. If they indicate they can produce \$10 million in reversions, they should be allowed to do it.

**Vote:** Senator Aklestad's motion CARRIED UNANIMOUSLY.

Senator Jacobson asked Senator Jergeson to comment on the debt service issue.

Senator Jergeson said a document presented by D. A. Davidson showed the proposed debt service they were recommending be constructed having no general fund impact during this biennium and showed prior debt service done in a traditional method, with a savings of \$33,362 over the life of the bonds compared to what was originally anticipated using the serial bonds. The \$3.773 million is money they want to put up front on these buildings, not that it necessarily has to be done that way to save money over the life of the bonds.

In a question from Senator Aklestad regarding equation of the figures, Senator Jergeson said the bonds are sold and no payments made to the contractors for a period of time so they invest the bond proceeds and earn interest income. The interest income is adequate to cover the debt service for the current biennium.

That is how zero general fund impact for the biennium is arrived at, although payments are made on the debt service until the buildings are constructed and approval is given to pay the contractors.

**Motion:** Senator Jergeson moved that the Senate Select Budget Committee stay with the \$20.524 million projected by the legislature at the end of the 1993 regular session for debt service.

Senator Devlin questioned if that would extend the period before a payment is made.

Senator Jacobson said that was correct.

When questioned by Senator Devlin if it takes it into two years instead of doing anything this year, Senator Jacobson said that is basically what the Senate directed the budget director to do when the regular session adjourned. That was the Senate's assumption when the buildings were passed that it would be issued that way. When asked by Senator Devlin what changed, Senator Jacobson said the executive wanted to spend \$3.7 million this biennium to issue the bonds rather than what was anticipated when the 1993 regular session adjourned.

Senator Aklestad said if the executive feels they can come up with the extra money, he is willing to allow them the opportunity to do it.

Senator VanValkenburg said this was put in law. The Governor signed the bill saying the issuance of the debt with respect to this was to be done in a manner that did not incur a general fund obligation this biennium. He added we have a duty to estimate expenditures based on the what the law is.

Senator Jacobson said she did not know what the status of the buildings would have been if this scenario had not been looked at and adopted. If there had not been a special session to cut budgets, there would not have been the opportunity to do this unless the money was found someplace. Now the legislature is being asked to cut from education and human services. She concluded the original decision should be adhered to, allowing the bond service to go the way anticipated in April and not cause harm to other programs.

Senator Devlin said there could be new evidence for accelerating the payments; many changes have been made since the regular session adjourned.

**Vote:** Senator Jergeson's motion CARRIED with Senators Aklestad, Brown, Devlin, Gage opposed.

Mr. Schenck said currently the ending fund balance would be a deficit \$17.325 million, meaning it would require \$38.325 million of net budget balancers to balance the budget.

**Motion:** Senator Franklin moved that the remainder of the columns "Legislative Projected 1995 biennium" and "House Projected 1995 biennium" be accepted, with the two items being changed per the previous motion.

In a question from Senator Gage, Senator Jacobson said the ending fund would be a difference of approximately \$2 million from the House projection. We would be looking at \$38.3 million in budget balancers.

When asked by Senator Devlin about agreement on the figures for the beginning fund balance, Senator Jacobson said the difference between the executive and legislative projected for the 1995 biennium was an adjustment they both agreed to after the governor's book had already been printed. She noted that Governor Racicot agreed with the \$52 million figure.

**Vote:** Senator Franklin's motion CARRIED UNANIMOUSLY.

Senator Jacobson said with regard to Issue 4, (a) through (e) (Exhibit 1), policy recommendations, she looked at HR 2 for policy issues adopted by the House.

Senator Jergeson said it was his understanding that the House select budget committee did not act on these type issues and asked Mr. Schenck to comment on that.

Mr. Schenck said it was in the original plan of the House when letters were sent out on select committee appointments, but it was not on the agenda and was not discussed when they met.

Senator Jergeson questioned that we should go through the items and determine whether the Senate select committee should make a recommendation and establish these as policy goals in working toward budget balances.

Senator Jacobson did not think there had been any proposals on across the board cuts as yet.

Senator Aklestad said relative to Issue 4(b), no shifting of costs to local government, at some time there will be funding shifts, and he questioned that a policy could be made.

**Motion:** Senator Gage moved that Issue 4(a) (Exhibit 1) be adopted as a policy recommendation.

**Vote:** Senator Gage's motion CARRIED with Senator Aklestad opposed.

**Motion:** Senator Franklin moved that Issue 4 (b) through (e) (Exhibit 1) be accepted.

Regarding questions relative to Issue 4 (e), Senator Jacobson said that does not pertain to what is being done right now. When this was passed, they consulted with each subcommittee chairman and vice chairman and set targets for them. Issue 4 (e) said they could do fee increases but it would not count toward the money they were told to cut.

**Substitute Motion:** Senator Halligan made a substitute motion that Issues 4 (b) through (d) (Exhibit 1) be accepted.

**Substitute Motion for all motions pending:** Senator Aklestad made a substitute motion for all motions pending that Issues 4 (b) through (d) be adopted and the concept of Issue 4 (e).

Senator Jacobson asked Senator Aklestad if he is stating that the goals will be met to the greatest extent possible. Senator Aklestad said that was correct.

**Motion withdrawn:** Senator Halligan withdrew his substitute motion.

**Vote:** Senator Aklestad's substitute motion for all motions pending CARRIED UNANIMOUSLY.

With regard to Issue 5 (Exhibit 1), Senator Jergeson said it was his feeling with regard to tax reform that if the public made a decision to sign the petition opposing HB 671, it still was not clear if they were opposed to the tax reform element of it. He concluded that tax reform considerations should be discussed during the special session despite the effects of the income tax suspension. He would like to gauge if there is something that people do not want to have discussed in the special session. Senator Brown questioned if HB 671 is specifically being addressed.

Senator Jergeson said one alternative would be a tax bill constructed much the same as HB 671 but without the additional revenue.

Senator Brown stated the citizens signing the petition acted constitutionally to take possession of the bill from the legislators. He felt the public would be unhappy if the legislature attempted to do something with HB 671 this special session and added the people should be able to vote in 1994 relative to the income tax suspension.

Senator Jergeson said he was not suggesting that the legislators amend provisions on what the public will be voting on in 1994

relative to HB 671.

Senator Aklestad felt the public would be unhappy if the special session brought up any tax measures. He agreed that tax reform was necessary but that the special session would not be a good time to talk about any tax proposals.

Senator Jacobson said her understanding was that Senator Jergeson was talking about tax reform and not about taxes as such.

Senator Gage questioned what area of tax reform was being referred to.

Senator Jergeson said there will be proposals relative to property tax changes and he asked if the legislature would be agreeable to revenue neutral income tax reform as an alternative in the event HB 671 is ultimately suspended by the public.

Senator Gage said his opinion is there are areas that should not be considered in the special session because of the complexity of the subjects.

Senator Jacobson said the taxation committee will have to deal with the issue (Issue 5, Exhibit 1).

Relative to Issue 6 (Exhibit 1), Senator Jacobson stated that Senator McClernan would like to address this issue.

Senator McClernan said in the past it has been general fund budgets that have been cut and other budgets supported by earmarked and other forms of taxes escape the budget cuts. He stated the legislature has to cut approximately \$70 million to maintain public credibility. He felt the public does not want programs or services cut but rather wants bureaucracy cut. They have a perception that they are being taxed too much. He felt HB 671 has good ideas that should be preserved. He would like to see cuts made in state special funds in such a way as to minimize endangering the federal matches and at the same time giving people some substantive cuts in government, as well as cuts that can be passed back to people as reduced fees. He suggested, for instance, cutting hunting and fishing licenses by \$.50 or \$1.00; cutting GVW rates or gas tax, the types of things that people can see. Reducing the income tax a little is not generally seen by the public. He said he looked at the Department of Transportation (DOT) and their general operating program. There is not the federal 87/13 match there. There is \$15 million in state special, \$5 million in federal dollars. It is planning, administration and accounting. It is supported primarily by GVW and gas tax and is primarily administration. There is also the construction program in the DOT and there is a big match that would be in jeopardy, about \$100 million in state money versus a little over \$300 million in federal money. He questioned if new



roads should be built at a time when other programs are being cut. With regard to Fish, Wildlife and Parks, their administration and finance program has grown 91 percent since 1987. There is not a big match there. There is \$6.1 million in state special with hunting and fishing licenses, \$1.1 million in federal money. Relative to law enforcement in Fish, Wildlife and Parks, there is over \$9 million in state money and less than \$.5 million in federal money. That would not touch wildlife programs, fishery programs, conservation or education programs. He also mentioned some that he did not get a great deal of detail on, such as Department of Professional and Occupational Licensing. There is \$6.4 million state revenue. Cuts could be made in that area so that licenses could be cut back to different occupations. He also mentioned the forestry program in the Department of State Lands as well as the Montana Travel Promotion Division which currently is over \$15 million state special. He felt \$8 to \$10 million could be derived out of these programs and the cuts passed back to the people as well as gaining credibility with the public. He concluded that he did not have the specifics regarding people dealing with these budgets but that he would like to see his ideas considered.

Senator Jergeson stated his opinion that agencies not funded by general fund dollars feel they are protected. The legislature should be looking for cuts outside the general fund agencies.

Senator Jacobson said the Department of Transportation has had a large number of people taking advantage of early retirement and those people as yet have not been replaced. Some vacant positions could be looked at with the idea of eliminating them before the positions are filled.

Senator Aklestad said he agrees with the general concept of looking at those areas.

Senator Jergeson said the gasoline tax and expenditure program going along with that could be looked at.

Senator Jacobson felt areas to be cut should be carefully looked at.

**Motion:** Senator Gage moved for the adoption of Issue 6 (Exhibit 1).

Senator Jergeson questioned if it should be phrased that agencies would be asked to find places to reduce expenditures in their state special and/or federal expenditures.

Senator VanValkenburg felt it should be more specific in identifying cuts in nongeneral fund areas that are equal to the percentage of overall general fund reductions adopted by the subcommittees. That would force them to come up with proposals.

In discussion relative to percentages, Senator Jacobson said the general fund cuts are in the neighborhood of three percent.

Senator Aklestad felt the subcommittees should be instructed to look into the nongeneral fund agency dollars to see where they could make some cuts.

Senator Jacobson said the subcommittee chairmen could ask the nongeneral fund agencies to come in with a three percent cut in their budgets and identify where they would take the cuts; the subcommittee could then act or not act.

Senator Devlin felt in some cases the subcommittee could ask for a percentage larger than three.

Senator Brown said he is uncomfortable with a specific percentage, but he had no problem with recommending that the subcommittees ask the agencies to identify and recommend cuts in nongeneral fund areas.

Senator VanValkenburg said in his opinion it is not meaningful.

Senator Halligan said the minutes could reflect that the Select Budget Committee discussed their preference that the cuts be somewhat similar to those of the rest of the general fund agencies.

Senator Aklestad said the subcommittees should look into the matter as soon as possible.

**Vote:** Senator Gage's motion for the adoption of Issue 6 (Exhibit 1) with the addition by Senator Jergeson that agencies be asked to find places to reduce expenditures in their state special and/or federal expenditures CARRIED UNANIMOUSLY.

Senator Jergeson said Issue 7 (Exhibit 1) deals with establishing targets for the reorganization of government. He said he was introducing measures that would have a net reduction in departments of about three, which he felt needed addressing in the special session.

Senator Brown said while he agrees with Senator Jergeson's idea, he questioned his inability to agree to a reorganization target at this time.

Senator Gage asked about Senator Jergeson's bills being within the scope of the special session call. Senator Jergeson said both bills he was introducing are within the call of the special session. He concluded that it was difficult at this time to establish the targets.

Senator Jacobson said Issue 8 (Exhibit 1) relates to moving the date of the HB 671 election from November to June 1994 in order to facilitate the budget process. She said there has been concern expressed that building a budget without HB 671 would possibly cause the legislature having to redo something. The legislative fiscal analyst (LFA) would have to analyze a budget that may be changed in mid November, and they are concerned about that.

Senator Aklestad said the idea of knowing where we are with the budget has some merit, but the real issue is not to make it easy for the budget office, the LFA or the legislators, but to live up to the faith put in the legislature by the electorate. He felt trust would be lost by the people of the state in doing that.

Senator Jacobson said our Constitution states that when they put that on the ballot, it has to be a general election unless changed by the legislature. The petitioners didn't have a choice, but the legislature does. She was informed by Mr. Natelson that he did not care when the election was held.

Senator Brown said the petition had a specific date, and he felt that is when the election had to be held.

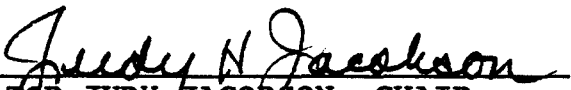
Senator Jacobson said Issue 8 was listed on the agenda for discussion purposes only. She felt it had serious effects on the way the legislature would function in the next regular session and the type of assumptions used.

Senator Jergeson said in his opinion the public is entitled to vote on it, but he questioned if the major issue was when to vote on it as long as it is an election when the public generally would be going to the polls. He said the June primary would draw a good turnout. He added if the Governor tries to make a budget that would fit the contingency of the vote going one way or the other, he has his agencies fighting over two budgets instead of one. He said the public would understand the importance of the Governor and his administration having the opportunity to build the budget knowing what the judgment of the public is about revenues. If he has to prepare a budget and decides only to prepare one budget and it is prepared during the summer, he is presupposing that the public is going to vote one way or the other. Then he has told the public that it doesn't matter how they vote on HB 671. His budget would already be prepared which would be inappropriate for the Governor.

When questioned by Senator Devlin regarding voter turnout, Senator Jergeson said as a general rule, turnout is generally lower in the primary than in the general election.

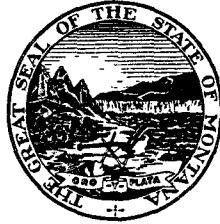
ADJOURNMENT

Adjournment: The meeting adjourned at 9:15 p.m.

  
SENATOR JUDY JACOBSON, CHAIR

JJ/LS

# Montana State Senate



*The Big Sky Country*

November 18, 1993

To:           Appropriation Subcommittees  
                   Education and Cultural Resources  
                   Rep. Royal Johnson, Chairman  
                   Senator Don Bianchi, Vice Chairman

                  General Government & Highways  
                   Rep. Mary Lou Peterson, Chairman  
                   Senator Harry Fritz, Vice Chairman

                  Human Services & Aging  
                   Rep. John Cobb, Chairman  
                   Senator Mignon Waterman, Vice Chairman

                  Institutions & Cultural Education  
                   Rep. Ed Grady, Chairman  
                   Senator Eve Franklin, Vice Chairman

                  Long Range Planning  
                   Rep. Ernest Bergsagel, Chairman  
                   Senator Bob Hockett, Vice Chairman

                  Natural Resources  
                   Rep. Roger DeBruycker, Chairman  
                   Senator Cecil Weeding, Vice Chairman

From:         Senator Judy Jacobson, Chairman

Re:           Meeting of Senate Select Budget Committee

The Senate Select Committee on the Budget met on Wednesday, November 17, 1993. Members of the Committee are Senators Jacobson, Chair; Halligan; Franklin; VanValkenburg; Jergeson; Devlin; Aklestad; Gage; Brown.

The Senate Committee adopted the legislative figures with two changes. The Senate Select Budget Committee decreased by \$3.773 million the figure on debt service.

The Senate Select Committee used Governor Racicot's figure of \$10 million on reversions.

The Senate Select Committee used the same \$21 million ending fund balance as the House Select Committee.

Regarding consideration of policy recommendations, the Senate Select Committee adopted in concept (a) elimination or reduction of specific programs, not across-the-board cuts; (b) no shift of costs to local government/local taxpayers; (c) no use of one-time revenue, for any purpose other than creating an ending fund balance; (d) prohibition of the use of temporary solutions to the state's chronic fiscal woes; (e) prohibition on fee increases to meet budget targets.

The Senate Select Committee also agreed to ask the subcommittees to request non-general fund agencies to come in with suggested cuts on a prioritized list. They should keep in mind that the cuts for general fund agencies are in the three percent range. If the agencies do not have time to prepare the lists, they should be asked to present them to the House Appropriations Committee at the time of the special session.

*Judy Jacobson*

## Senate Select Committee on the Budget

Wednesday, November 17, 1993

7:00 p.m.

Room 104, State Capitol

### Members

Senator Judy Jacobson, Chair  
Senator Mike Halligan  
Senator Eve Franklin  
Senator Fred Van Valkenburg  
Senator Greg Jergeson

Senator John Harp  
Senator Gerry Devlin  
Senator Gary Aklestad  
Senator Del Gage  
Senator Bob Brown

Call to Order -- Roll Call

LFA/OBPP Presentation of General Fund Deficit Projections

Issue 1: Establish the current projected deficit before special session action

Issue 2: Set the amount of a reasonable and adequate 1995 biennium target ending fund balance

Issue 3: Determine the "budget balancers" necessary to reach the target ending fund balance

Issue 4: Consider policy recommendations included in HR 2:

- (a) Elimination or reduction of specific programs, no across-the-board cuts
- (b) No shift of costs to local government/local taxpayers
- (c) No use of one-time revenue, for any purpose other than creating an ending fund balance
- (d) prohibition of the use of temporary solutions to the state's chronic fiscal woes
- (e) prohibition on fee increases to meet budget targets

Issue 5: Tax reform considerations

Issue 6: Fiscal discipline of non-general fund agencies

Issue 7: Establish targets for the reorganization of government

Issue 8: Consider moving the date of the HB 671 election from November to June 1994 to facilitate budget process

Adjournment

**Projected General Fund/SEA Deficit  
1995 Biennium (In Millions)**

*Exhibit 2*  
SENATE SELECT  
COMMITTEE ON  
BUDGET  
11-17-93

	Executive Projected 1995 Biennium	Legislative Projected 1995 Biennium	Differences 1995 Biennium	
<b>Beginning Fund Balance</b>	<b>\$57.083</b>	<b>\$52.177</b>	<b>(\$4.906)</b>	
<b>Revenue</b>				
Total Revenue	\$1,770.579	\$1,773.512	\$2.933	ROC
<b>Disbursements</b>				
General Fund Appropriations	\$939.263	\$939.263	No Diff.	No Diff.
School Equalization Account	<u>812.157</u>	<u>812.024</u>	<u>(0.133)</u>	
Dedicated Revenue & Balance *	698.366	702.297	3.931	
General Fund Appropriation *	113.791	109.727	(4.064)	
Language Appropriations	0.125	0.125	No Diff.	No Diff.
Pay Plan Appropriations	6.494	6.494	No Diff.	No Diff.
Statutory Appropriations				
Property Tax Reimbursement	36.672	36.672	No Diff.	No Diff.
Debt Service	<u>24.297</u>	<u>20.524</u>	<u>(3.773)</u>	
TRANS Interest	3.382	4.221	0.839	ROC
Retirement Benefits	<u>7.669</u>	<u>8.145</u>	<u>0.476</u>	
District Court Reimbursements	7.195	7.580	0.385	ROC
Depository Banking Services	<u>1.105</u>	<u>1.400</u>	<u>0.295</u>	
DUI Testing Equipment	0.100	0.100	No Diff.	No Diff.
Custer County Flood	0.100	0.100	No Diff.	No Diff.
Miscellaneous Appropriations	6.178	6.178	No Diff.	No Diff.
Continuing Appropriations	<u>2.279</u>	<u>2.288</u>	<u>0.009</u>	
Supplementals				
All Other Agencies			No Diff.	No Diff.
School Equalization Account			No Diff.	No Diff.
Feed Bill	<u>5.910</u>	<u>5.684</u>	<u>(0.226)</u>	
Reversions	<u>(10.000)</u>	<u>(1.750)</u>	<u>8.250</u>	
Total Disbursements	\$1,842.926	\$1,849.048	\$6.122	
Adjustments				
Residual Equity Transfer	<u>0.344</u>	<u>(2.624)</u>	<u>(2.624)</u>	
<b>Ending Fund Balance</b>	<b><u>(\$14.920)</u></b>	<b><u>(\$25.575)</u></b>	<b><u>(\$10.655)</u></b>	
<b>Ending Cash Balance</b>	<b><u>(\$42.420)</u></b>	<b><u>(\$49.661)</u></b>	<b><u>(\$7.241)</u></b>	

\* These amounts show how the school equalization account is funded and are not included in the disbursement total.



## Reconciliation of Executive and Legislative General Fund/SEA Deficit

The attached table compares the legislative projected deficit to the executive projected deficit for the combined general fund and school equalization accounts for the 1995 biennium. The table provides total revenue and disbursement estimates. The following paragraphs briefly explain the differences between the projections.

**Beginning Fund Balance** - The beginning fund balance difference of \$4.906 million occurs because the Legislative projection reflects a fiscal 1993 GAAP adjustment to "reserve for advances" by the Accounting Division of the Department of Administration. Notification of this adjustment was received on November 3, 1993, after the executive projections were published.

**Total Revenue** - Revenue estimate differences of \$2.933 million are due to different assumptions recommended by the executive and those adopted by the Revenue Oversight Committee (ROC) on November 10, 1993.

**School Equalization Account** - The difference of \$0.133 million is due to different fiscal impact estimates of legislation passed by the 53rd Legislature.

**Debt Service** - There is a difference of \$3.773 million in the debt service appropriation. During the 1995 biennium, the Department of Administration (DOA) will issue general obligation bonds for several major construction projects. The 1993 Legislature required that these bonds be issued "in a manner... that schedules the payment of principal and interest to minimize the aggregate amount of debt service on all general obligation bonds during the biennium and that takes into consideration interest earnings on the proceeds of the bonds." The final fund balance projections by the Legislature in the 1993 regular session did not include any increased debt service cost in the 1995 biennium, reflecting the language in House Bill 5 and the intent that there be no increased debt service cost. Accordingly, they are not included in the legislative estimate. The executive has included additional debt service cost.

**TRANS Interest** - The legislative estimate is based on ROC economic assumptions on November 10.

**Retirement Benefits** - Differences are due to estimates of anticipated costs. The legislative amount is based on current estimates by the Public Employees Retirement System and the Teachers Retirement System.

**District Court Reimbursement** - Dist. court reimbursement appropriations are based on revenue generated by the 2 percent vehicle license fee. All monies from this fee are used for district court costs with any excess remitted to counties. The executive does not show the appropriation amount equal to the ROC revenue estimate for vehicle fees.

**Depository Banking Services** - The legislative amount is based on current estimates by the state treasurer while the executive used information from fiscal notes prepared during the 53rd Legislature.

**Continuing Appropriations** - Minimal difference. The legislative amount is based on information provided by legislative and executive agency personnel.

**Feed Bill** - Difference due to estimates of anticipated legislative session costs. The legislative amount is based on cost estimates prepared by staff of the legislative council.

**Reversions** - The executive assumes reversions will be \$8.250 million higher than the legislative estimate. While the executive assumes reversions will follow the pattern of fiscal 1993, a legislative analysis shows that reversions in fiscal 1993 were due to one-time occurrences and that some fiscal 1993 reversions will be expended in fiscal 1994. In addition, legislation passed by the 53rd Legislature will impact spending patterns. Legislative changes include: allowing agencies to spend personal services budgets in other expenditure categories, operational budget reductions, vacancy savings applied to most agency budgets, and costs of the early retirement incentive.

**Adjustments** - The legislative estimate for fund balance adjustments includes adjustments for insurance tax refunds, prior year district court costs, and prior year revenue adjustments. This information is based on data recorded in the Statewide Budgeting and Accounting System (SBAS) through October, 1993.

**Residual Equity Transfer** - The difference is the amount of current transfers recorded on SBAS through Oct., 1993.

Projected General Fund/SEA Deficit  
1995 Biennium (In Millions)

11-17-93

	Executive Projected 1995 Biennium	Legislative Projected 1995 Biennium	Differences 1995 Biennium	
<b>Beginning Fund Balance</b>	<b>\$57.083</b>	<b>\$52.177</b>	<b>(\$4.906)</b>	
<b>Revenue</b>				
Total Revenue	\$1,770.579	\$1,773.512	\$2.933	ROC
<b>Disbursements</b>				
General Fund Appropriations	\$939.263	\$939.263	No Diff.	No Diff.
School Equalization Account	812.157	812.024	(0.133)	
Dedicated Revenue & Balance *	698.366	702.297	3.931	
General Fund Appropriation *	113.791	109.727	(4.064)	
Language Appropriations	0.125	0.125	No Diff.	No Diff.
Pay Plan Appropriations	6.494	6.494	No Diff.	No Diff.
Statutory Appropriations				
Property Tax Reimbursement	36.672	36.672	No Diff.	No Diff.
Debt Service	24.297	20.524	(3.773)	
TRANS Interest	3.382	4.221	0.839	ROC
Retirement Benefits	7.669	8.145	0.476	
District Court Reimbursements	7.195	7.580	0.385	ROC
Depository Banking Services	1.105	1.400	0.295	
DUI Testing Equipment	0.100	0.100	No Diff.	No Diff.
Custer County Flood	0.100	0.100	No Diff.	No Diff.
Miscellaneous Appropriations	6.178	6.178	No Diff.	No Diff.
Continuing Appropriations	2.279	2.288	0.009	
Supplementals				
All Other Agencies			No Diff.	No Diff.
School Equalization Account			No Diff.	No Diff.
Feed Bill	5.910	5.684	(0.226)	
Reversions	(10.000)	(1.750)	8.250	
Total Disbursements	\$1,842.926	\$1,849.048	\$6.122	
Adjustments		(2.624)	(2.624)	
Residual Equity Transfer	0.344	0.408	0.064	
<b>Ending Fund Balance</b>	<b>(\$14.920)</b>	<b>(\$25.575)</b>	<b>(\$10.655)</b>	
<b>Ending Cash Balance</b>	<b>(\$42.420)</b>	<b>(\$49.661)</b>	<b>(\$7.241)</b>	

\* These amounts show how the school equalization account is funded and are not included in the disbursement total.

# Reconciliation of Executive and Legislative General Fund/SEA Deficit

The attached table compares the legislative projected deficit to the executive projected deficit for the combined general fund and school equalization accounts for the 1995 biennium. The table provides total revenue and disbursement estimates. The following paragraphs briefly explain the differences between the projections.

**Beginning Fund Balance** - The beginning fund balance difference of \$4.906 million occurs because the Legislative projection reflects a fiscal 1993 GAAP adjustment to "reserve for advances" by the Accounting Division of the Department of Administration. Notification of this adjustment was received on November 3, 1993, after the executive projections were published.

**Total Revenue** - Revenue estimate differences of \$2.933 million are due to different assumptions recommended by the executive and those adopted by the Revenue Oversight Committee (ROC) on November 10, 1993.

**School Equalization Account** - The difference of \$0.133 million is due to different fiscal impact estimates of legislation passed by the 53rd Legislature.

**Debt Service** - There is a difference of \$3.773 million in the debt service appropriation. During the 1995 biennium, the Department of Administration (DOA) will issue general obligation bonds for several major construction projects. The 1993 Legislature required that these bonds be issued "in a manner... that schedules the payment of principal and interest to minimize the aggregate amount of debt service on all general obligation bonds during the biennium and that takes into consideration interest earnings on the proceeds of the bonds." The final fund balance projections by the Legislature in the 1993 regular session did not include any increased debt service cost in the 1995 biennium, reflecting the language in House Bill 5 and the intent that there be no increased debt service cost. Accordingly, they are not included in the legislative estimate. The executive has included additional debt service cost.

**TRANS Interest** - The legislative estimate is based on ROC economic assumptions on November 10.

**Retirement Benefits** - Differences are due to estimates of anticipated costs. The legislative amount is based on current estimates by the Public Employees Retirement System and the Teachers Retirement System.

**District Court Reimbursement** - Dist. court reimbursement appropriations are based on revenue generated by the 2 percent vehicle license fee. All monies from this fee are used for district court costs with any excess remitted to counties. The executive does not show the appropriation amount equal to the ROC revenue estimate for vehicle fees.

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**Adjustments** - The legislative estimate for fund balance adjustments includes adjustments for insurance tax refunds, prior year district court costs, and prior year revenue adjustments. This information is based on data recorded in the Statewide Budgeting and Accounting System (SBAS) through October, 1993.

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