

**MINUTES**

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

**COMMITTEE ON APPROPRIATIONS**

**Call to Order:** By **CHAIRMAN TOM ZOOK**, on December 2, 1993, at  
7:30 A.M.

**ROLL CALL**

**Members Present:**

Rep. Tom Zook, Chairman (R)  
Rep. Ed Grady, Vice Chairman (R)  
Rep. Francis Bardanouve (D)  
Rep. Ernest Bergsagel (R)  
Rep. John Cobb (R)  
Rep. Roger Debruycker (R)  
Rep. Marj Fisher (R)  
Rep. John Johnson (D)  
Rep. Royal Johnson (R)  
Rep. Mike Kadas (D)  
Rep. Betty Lou Kasten (R)  
Rep. Red Menahan (D)  
Rep. Linda Nelson (D)  
Rep. Ray Peck (D)  
Rep. Mary Lou Peterson (R)  
Rep. Joe Quilici (D)  
Rep. Dave Wanzenried (D)  
Rep. Bill Wiseman (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Clayton Schenck, Legislative Fiscal Analyst  
Cathy Kelley, Committee Secretary

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

**Committee Business Summary:**

Hearing:	HB 30	
	HB 33	
	HB 34	
	HB 48	
Executive Action:	HB 2	Do Pass as Amended
	HB 33	Do Pass as Amended
	HB 48	Do Pass as Amended

EXECUTIVE ACTION ON HOUSE BILL 2

**Motion/Vote:** REP. PETERSON MOVED AMENDMENT HB000201.A08 TO HB 2. EXHIBIT 1 Motion carried unanimously.

REP. WANZENRIED asked Dave Lewis, Director, Office of Budget and Program Planning, to elaborate on whether or not the Northwest Regional Power Planning Council budget was going to be under legislative scrutiny. Mr. Lewis said that he was aware of the fact that the Power Planning Council had asked for all the bills to be paid out of the Portland office and that request had been granted. REP. WANZENRIED said his research indicated that there have been significant increases in salaries.

CHAIRMAN ZOOK stated that the legislature had approved the type of transaction requested in the last regular session. His recollection was that Montana salaries were below what other members of that organization were being paid. He stated that the legislative action was a simplification of the funding arrangements; i.e. Montana had been the only state where the money didn't go through that particular source.

REP. WANZENRIED said his question was whether there was going to be any legislative oversight of a function paid for by people in this state. He said people in his region had a lot of questions about decisions being made by the Power Planning Council.

REP. QUILICI said the Northwest Power Planning Council's budget had been discussed in the General Government Subcommittee. The subcommittee had always approved that budget because of the way it was funded. Congress funded the Bonneville Power Administration, and in their budget is the funding for the Northwest Power Planning Council. He explained that the four states belonging to the Council were Washington, Oregon, Idaho and Montana. All the members evidently got together and discussed the fact that Montana was one of the few states that had legislative oversight. Mr. Grace, in a letter to REP. QUILICI, stated that rather than go through state legislative oversight, the budget would be looked at by Congress, who looks at BPA's budget and also looks at the earmarking of funds for the Northwest Power Planning Council. All monies that come in are all federal funds, but specifically paid by users of the BPA. REP. QUILICI suggested that Montana should get some kind of overview. The Council was not required to go through the legislature.

Mr. Lewis said OBPP would be happy to present a report on salaries, etc. to any legislative agency that was appropriate. REP. WANZENRIED said his research showed a year ago, commission members were being paid about \$58,000. Today they are making about \$73,000. REP. WANZENRIED said the committee had decided yesterday not to participate in certain regional organizations because of lack of funds. He felt that regardless of the source of funding, there were still taxpayer dollars being spent, and

the people of his area wanted to know what was going on. **CHAIRMAN ZOOK** said he didn't think there was anything the committee could do to assuage **REP. WANZENRIED'S** concerns since the oversight function had already been delegated.

**REP. PECK** asked **Mr. Lewis** who made the decision that this transaction would be removed from SBAS and that Montana would not pay attention to the expenditures associated with its two members on the Council. **Mr. Lewis** said he didn't have first hand knowledge of what transpired. He assumed it would have been approved by the Governor's staff or the Governor himself.

**REP. PECK** stated the point was the expenditure of public funds. The legislature budgets a lot of federal dollars, and he wondered why these particular federal dollars had been taken off SBAS.

**REP. MENAHAN** stated that he had come to the Capitol eight or nine times during the summer to the office set aside for people who wanted to come and call in; he didn't ever find anyone there.

**REP. MENAHAN** wanted to see a list of what people called in for. His understanding was that the people didn't want services taken away; they wanted to reinvent government; they wanted fewer administrators.

**Mr. Lewis** said they had compiled a list of phone calls they received last summer. He stated that one of the things that happened last session were efficiency cuts adopted by the legislature. Every agency has about 5% of their critical services unfunded. Almost every agency is eliminating positions as retirements occur. They are reorganizing and consolidating. He assured **REP. MENAHAN** that was happening in every department.

**REP. BERGSAGEL** asked **Mr. Lewis** how many state government employees had been terminated. **Mr. Lewis** said the Department of Labor puts out a monthly report on the number of state paychecks issued. Last month the state was down 600-800 paychecks. He stated there were lots of reasons for that including the fact that no fire crews were working; nonetheless, the state is sure that the number of employees is down.

**REP. QUILICI** asked if **Mr. Lewis** could contact the Northwest Power Planning Council and ask them for a letter for the committee members explaining the reason for their budget being taken off SBAS, detailing their staffing in Montana over the last two bienniums, and outlining salary schedules. This would allow the legislature to determine whether there is consistency between Montana and the other three states. **Clayton Schenck, LFA**, said that his office had a lot of that information and would be glad to provide it.

**REP. WANZENRIED** asked what would be required for the Council's budget to be put back into SBAS. **Mr. Schenck** said from a fiscal standpoint the legislature would have to do nothing. He would have to seek help from the Legislative Council regarding the

legal issue.

REP. MENAHAN said he only knew one person in Helena who had lost his job because of state budget cuts. He asked if Mr. Lewis knew anyone else. CHAIRMAN ZOOK suggested that REP. MENAHAN visit privately with Mr. Lewis.

REP. PETERSON stated her desire that the Appropriations Committee continue to have an overview of the Northwest Power Planning Council budget. CHAIRMAN ZOOK suggested that REP. WANZENRIED and Mr. Schenck get together to discuss the issue.

**Motion/Vote:** REP. PETERSON MOVED TO CLOSE EXECUTIVE ACTION ON HB 2, SECTION A. Motion carried unanimously.

REP. KASTEN referred to EXHIBIT 2 regarding the Montana Family Practice Residency Program. She said that the expenses and the income were the same because the program uses the money it takes in. She noted that the state had put in \$110,000, not \$130,000, each year to get the program up and running and certified. In future years, the program is not counting on state money. The last page of EXHIBIT 2 seemed to show an income after 1996. She felt that perhaps the institutions were starting to realize some benefits from having the program. She felt the data didn't show the program was going to be a money-maker.

**Motion:** REP. KASTEN MOVED TO STRIKE LANGUAGE THAT WOULD MAKE FUNDS APPROPRIATED FOR THE RURAL PHYSICIANS RESIDENCY PROGRAM A LOAN.

**Discussion:** REP. KADAS said, from looking at EXHIBIT 2, he didn't see how the program could anticipate making a profit. He felt the legislature had already made an up front investment for the first year and REP. WANZENRIED was just suggesting the funds for the second year be paid back.

REP. KASTEN said the important point was that eastern Montana may get one or two doctors from the program, i.e. access to medical care, which was a major program in eastern Montana. She said that most of the money is contributed. REP. KADAS said if all we were getting was one or two doctors for \$110,000 a year, perhaps the program should be rethought. REP. KASTEN replied that the hope was the program would be ongoing, and one or two doctors a year would be a significant increase in access to medical care.

REP. WANZENRIED stated he didn't think making this appropriation a loan would jeopardize the credibility of the program. His amendment, for example, hadn't specified how quickly the funds needed to be repaid.

**Vote:** TO STRIKE LANGUAGE THAT WOULD MAKE FUNDS APPROPRIATED FOR THE RURAL PHYSICIANS RESIDENCY PROGRAM A LOAN. Motion carried 12-6 with REPS. BARDANOUVE, BERGSAGEL, KADAS, PECK, QUILICI, and WANZENRIED voting no.

**Motion:** REP. BERGSAGEL MOVED TO AUTHORIZE THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, IF THEY NEEDED TO CUT AN ADDITIONAL \$4 MILLION, TO ACCEPT THE PRIORITIES LISTED ON EXHIBIT 17 (12/1/93) WITH ITEMS #1, 5, 6, AND 9 TO BE ELIMINATED FROM THE LIST.

REP. WANZENRIED asked how that would work. REP. BERGSAGEL replied that the department wanted the legislature to participate in the responsibility of determining where the cuts would come. The department would start with the list in EXHIBIT 17.

REP. WANZENRIED asked if there was any reason to think the committee was prioritizing rather than just saying to eliminate the programs. He asked REP. BERGSAGEL why he didn't just eliminate the programs. REP. BERGSAGEL said he hoped REP. COBB'S projections on Medicaid growth rates were correct and the list wouldn't be needed. REP. WANZENRIED said he felt it was the legislature's responsibility to make the cuts now.

REP. KASTEN stated her opposition to the motion. She felt a different list of cuts would have to be prepared, not only to match legislative action already taken, but because many committees had different priorities than those listed. She stated she would support a generic motion that, contingent on the passage of house bills dealing with the cuts, the committee debate the merits of these programs. She felt it was essential now to close HB 2.

**Motion:** REP. KASTEN MADE A SUBSTITUTE MOTION TO REQUIRE A PRIORITY LIST FOR SERVICE REDUCTIONS IN REP. COBB'S HB 34.

**Discussion:** REP. ROYAL JOHNSON said he thought the department should decide what cuts should be made. He didn't want the legislature to micro-manage.

REP. QUILICI agreed with REP. ROYAL JOHNSON. He asked REP. COBB how the foregoing two motions would interface with the committee's actions of last night (12/1/93). REP. COBB said whatever was cut last night was still gone. The remaining items would be the priority cut list. REP. BERGSAGEL reiterated that the committee had already taken action on items #1, 5, 6 and 9. It was his intention to prioritize from item #2 on down.

REP. WANZENRIED asked what HB 34 would cut. Mr. Blouke said it was the department's intention to wait until January and then reduce according to the priority list. If they did not need to make the cuts at that time, the cuts would not be made. He said the cuts now being proposed exceeded the recommendations of the Governor's office. The department would have to consider reducing AFDC down to 37 1/2% and at eliminating other services in the medically needy programs, etc.

CHAIRMAN ZOOK asked Mr. Blouke if HB 34 provided a list of cuts and gave the department the flexibility to enact them if

necessary. Mr. Blouke said not as it is currently written. As currently written, HB 34 references a list to be submitted to the Appropriations Committee.

REP. COBB explained his list. His intent is that:

- (1) the department not be bound by the subcommittee's actions;
- (2) the department may make cuts other than those on the priority list;
- (3) the department should wait until August 1, 1994, to see if growth rates are down;
- (4) the department should get the program for the universities operational as soon as possible;
- (5) the department should contact at least 80% of primary care physicians to further expand managed care;
- (6) the department, by February 1, 1994, should get a consultant to look at the Medicaid budget;
- (7) because monthly service utilization is expanding by 10% over the previous year, the department should call providers in and analyze those services and ask how costs could have been saved and how to curtail program growth;
- (8) the department should cut some FTEs in Helena;
- (9) the department should implement welfare reform.

REP. COBB stated that he would rather micro-manage the department than merely give the department a cut list. If the committee wanted to provide a priority list, REP. COBB felt the best way to do it would be to reference it in HB 34.

REP. KADAS stated that he thought it was inappropriate to deal with this issue in HB 34. He felt the committee, at a minimum, needed to clear the board from previous subcommittee actions so the department understands clearly that it has access to the whole range of its budget. He felt the committee should give a priority list. He didn't think the committee should go as far as REP. WANZENRIED suggested in simply cutting programs at this time. He hoped that REP. COBB'S projections were correct, but felt the legislature had a responsibility to provide some direction to the department.

REP. KASTEN said she requested the substitute motion so that the bill would have a hearing where public input could be given regarding the priority list.

REP. MENAHAN said he would like to give the \$4 million to the department in case REP. COBB is wrong. If the money is taken at this point, there is no way for the department to get it back and the people would be deprived of the services.

CHAIRMAN ZOOK felt REP. COBB'S intent was to take the money so the department would explore every avenue of savings.

REP. KADAS supported REP. KASTEN'S substitute motion because it provided for public hearing of the priority list.

REP. BERGSAGEL asked if the committee would consider language to release the department from the restrictions it perceives the subcommittee put on it. CHAIRMAN ZOOK said the bill would be open to anything.

REP. BERGSAGEL said the department feels, if HB 34 fails, that it needs freedom to manage, which freedom, it felt, was hindered by the subcommittee's action.

CHAIRMAN ZOOK said he thought that would have to be offered in a separate amendment. REP. COBB said a separate amendment would, regardless of what the subcommittee did, refer back to the statute which allows it authority to cut anyway.

The motion was restated by LFA Lois Steinbeck, "If the department needs to make further reductions in its appropriation, it will follow the priority list of service reductions specified in HB 34." REP. WANZENRIED asked if that meant the department was restricted in its service reductions to the priority list.

REP. ROYAL JOHNSON said HB 34 stated that a committee consisting of the director of SRS, the budget director, and the LFA, would be making service reduction decisions under HB 34. He reiterated his concern that the department should run the department.

REP. PECK felt that there was too much discussion about HB 34 at this point. He wanted to wait for the hearing on HB 34.

REP. COBB felt the law allowed the department to make cuts without a specific priority list.

**Vote:** SUBSTITUTE MOTION TO REQUIRE A PRIORITY LIST FOR SERVICE REDUCTIONS IN HB 34. Motion carried 16-2 with REPS. WANZENRIED and ROYAL JOHNSON voting no.

**Motion:** REP. COBB MOVED THAT REGARDLESS OF THE SUBCOMMITTEE'S ACTIONS, THE DEPARTMENT BE ALLOWED TO MAKE CUTS AUTHORIZED BY STATUTE.

**Discussion:** Ms. Steinbeck stated her concern about the above language in light of the committee's vote to include a priority list for service reductions in HB 34. HB 34 would be equivalent to statute.

REP. KADAS stated his belief that in making cuts, the department should look first to statute, then to HB 2, and then everything else would be subject to cut. Ms. Steinbeck stated that would be correct if everything were carefully worded.

REP. COBB rephrased his motion, "to ignore what the subcommittee did."

**Vote:** TO ALLOW THE DEPARTMENT TO MAKE CUTS REGARDLESS OF SUBCOMMITTEE ACTION. Motion carried 16-3 with REPS. DEBRUYCKER,

ROYAL JOHNSON, and WANZENRIED voting no.

Motion/Vote: REP. COBB MOVED TO CLOSE EXECUTIVE ACTION ON SECTION B, HB 2. Motion carried 15-3 with REPS. ROYAL JOHNSON, QUILICI, and WANZENRIED voting no.

Motion/Vote: REP. ROYAL JOHNSON MOVED TO ACCEPT THE SUBCOMMITTEE RECOMMENDATIONS ON HB 2, SECTION E. Motion carried unanimously.

REP. ROYAL JOHNSON explained pp. E-1 and E-2, EXHIBIT 11 (11/30/93).

Motion: REP. KADAS MOVED TO ELIMINATE THE SECOND HALF OF THE BIENNIAL APPROPRIATION FOR THE GIFTED AND TALENTED AND VOCATIONAL EDUCATIONAL PROGRAMS.

Discussion: REP. KADAS stated that the education community continues to argue for flexibility over cuts. On that basis, he felt the committee should limit its 'line iteming' as much as possible. The committee should not fund specific programs. By making this cut, cuts in the foundation program could be made in a like amount. If different school districts feel it is important to fund vo-ed or gifted and talented, they have the ability to do that within their own district budget. If the state insists on funding those programs, the local districts are forced to do those programs and take other cuts someplace else. REP. KADAS' intention is to allow local districts to make their own prioritization by eliminating state mandated programs.

REP. BERGSAGEL asked how much money was involved. REP. KADAS said it would be \$650,000 for vo-ed and \$150,000 for gifted and talented. They are biennial appropriations, the first year of which has already been spent.

CHAIRMAN ZOOK asked REP. KADAS to briefly re-state his intent. REP. KADAS said he intended to eliminate FY95 funding for vo-ed and gifted and talented. The reason is that a cut here would decrease the amount of cuts in the foundation program, thus allowing districts the flexibility to fund the programs if they wanted to.

REP. KASTEN asked REP. KADAS if the programs were mandated by statute and if the statute had to be changed. REP. KADAS said the programs are only mandated in the sense that the state is providing dollars to be spent for those programs. The mandate is created by the fact that the state funds the program. REP. KASTEN asked whether, if the school districts want the programs, they then apply for the money. REP. KADAS replied that was how the programs work.

REP. ROYAL JOHNSON stated his opposition to the motion.

REP. PECK stated his recollection that the subcommittee vote on this motion was a 3-3 tie. He supported the motion.



REP. WISEMAN asked what happened to the money a district was currently spending on these two programs. REP. KADAS said if a district was currently spending, for example, \$100,000 on gifted and talented and vo-ed, in all likelihood the district would only be getting about \$15,000 from the state. He said his motion would eliminate the \$15,000 the district was getting from the state. If the district wanted the programs, it could use other budget dollars to make up the funding.

REP. BARDANOUVE stated that this just meant more money in one place and less in another. REP. KADAS said that was precisely his intent. He was cutting vo-ed and gifted and talented to be able to limit the cuts in the foundation program.

CHAIRMAN ZOOK said there were some smaller schools that only got \$1,200 - \$1,500 for these programs, but they felt that money was important.

REP. PECK stated there were many small schools that didn't get anything; it was a grant process and they had to apply. CHAIRMAN ZOOK stated that gifted and talented was not a required program.

REP. GRADY asked OPI to comment. Greg Groepper, Division of Operations, Office of Public Instruction, said REP. KADAS and REP. PECK were correct. Gifted and talented is primarily a grant program. The state supplies seed money to start these programs. The vo-ed money is allocated to the school districts on an ANB basis. Mr. Groepper felt the money would have the same effect on the school districts if it went back into the foundation program. He stated that OPI did not oppose the motion.

**Vote:** TO ELIMINATE THE SECOND HALF OF THE BIENNIAL APPROPRIATION FOR THE GIFTED AND TALENTED AND VOCATIONAL EDUCATIONAL PROGRAMS. Motion failed 8-8 with REPS. BARDANOUVE, BERGSAGEL, KADAS, KASTEN, MENAHAN, PECK, QUILICI, and WANZENRIED voting yes.

REP. ROYAL JOHNSON continued explanation of EXHIBIT 11 (11/30/93) pp. E-3, E-4, and E-5.

REP. PECK called the committee's attention to the out-of-state tuition paid to the Montana School for the Deaf & Blind. The subcommittee granted the school authority to spend that money.

REP. ROYAL JOHNSON noted a reversion on item #6, p. E-6, where the subcommittee captured the six mill levy. The subcommittee admonished the system to try to keep in-state tuition at the current level and, if necessary, to increase out-of-state tuition. If out-of-state tuition was increased about 17%, around \$3 million would be raised. The subcommittee did not adopt recommendations having to do with how the university system is run. REP. JOHNSON felt the legislature had had good communication with the Board of Regents and the Commissioner of Higher Education.

REP. BARDANOUVE asked REP. ROYAL JOHNSON if he was reducing the general fund appropriation by the amount of the additional mill levy. REP. JOHNSON answered that the subcommittee was reducing the general fund by \$11,900,000 in one cut. REP. BARDANOUVE stated that they were trading general fund dollars for mill levy dollars. REP. JOHNSON said that was just as they had done in the past.

REP. FISHER said she assumed the reason item #2, p. E-5 was not adopted was because the subcommittee wanted the university system to have flexibility. REP. JOHNSON replied that was correct.

CHAIRMAN ZOOK said he had intended to have an amendment relating to faculty workloads, but there was not enough time. He felt the administration was correct when they offered this recommendation.

REP. PECK said the issue of faculty workloads was a big issue and the legislature should say something to the university system about it. He was displeased with the credibility of surveys showing faculty members putting in lots of hours. He had talked to a faculty member at Northern who told REP. PECK he had reported everything he did: social activities on campus, ball games, etc.

Motion: REP. ROYAL JOHNSON MOVED AMENDMENT EXHIBIT 3.

Discussion: REP. BARDANOUVE stated that when the department retrofits the university, they save enough money on energy to pay for the program. They issue bonds to pay for the program and they save enough energy to retire the bonds. It is a self-financing, retrofit program.

REP. BERGSAGEL clarified that the reason for the reduction is the delay in the projects; they were not shorting repayment of the bonding issue.

Vote: AMENDMENT EXHIBIT 3. Motion carried unanimously.

REP. ROYAL JOHNSON stated there were no changes on p. E-7, Montana Council on Vocational Education.

Motion: REP. BERGSAGEL MOVED TO REDUCE ADMINISTRATIVE STAFF IN THE OFFICE OF PUBLIC EDUCATION BY 10.

Discussion: REP. BERGSAGEL stated that OPI currently has 43 administrative staff.

REP. MENAHAN asked REP. BERGSAGEL why he was starting now. He stated he would support across the board administrative cuts for every agency or none.

REP. BARDANOUVE said that OPI was an administrative office. It administered many different types of divergent programs.

REP. KADAS said he had had great difficulty trying to do something similar to this with a different department. He felt this cut could clearly be perceived as having a political bent and hoped it would not pass.

REP. PECK asked REP. BERGSAGEL how he arrived at the number 10. REP. BERGSAGEL replied that OPI had 141 total staff and 43 administrative staff. He felt that 10 was a reasonable number. REP. PECK said he felt this was a micro-managing, meat ax approach. He said the legislature voted last session to give OPI another FTE because of the workload with foundation program changes. He agreed with REP. KADAS that it was a political cut.

REP. MENAHAN said he couldn't support the motion, but he would like to get together with REP. BERGSAGEL and see how many other areas could be cut.

REP. BERGSAGEL said he did not intend to offer a political motion. He withdrew his motion.

CHAIRMAN ZOOK stated that there needed to be a perception of fairness in making reductions, i.e. that all areas of government were treated the same. The issue becomes one of morale when single agencies are singled out.

REP. BARDANOUVE said he would like some kind of a reorganizational chart to be presented showing how cuts like this could work.

REP. MENAHAN agreed. He reiterated his concern about having too many paper shufflers. REP. BERGSAGEL said that was the intent of his motion.

**Motion:** REP. ROYAL JOHNSON MOVED TO CLOSE EXECUTIVE ACTION ON SECTION E, HB 2. Motion carried unanimously.

**Motion:** REP. BERGSAGEL MOVED TO APPROVE THE SUBCOMMITTEE RECOMMENDATIONS FOR HB 2, SECTION F. Motion carried unanimously.

REP. BERGSAGEL noted that the subcommittee approved the executive proposal for \$111,000 increase in spending authority for worker's compensation to do some remodeling of the basement of the State Fund building (item #3, p. F-1). That was deemed cheaper than finding rental space. The money will come out of work comp premiums. He also noted that the subcommittee had reduced the appropriation for Mountain View and Pine Hills due to downsizing the facilities (item #2, p. F-1).

REP. BERGSAGEL stated that during the last session, the legislature put in \$2.6 million in general fund for maintenance because of the loss of cigarette tax money. The Governor's request was that the legislature remove the \$2.6 million general fund and replace it with monies from the coal trust. REP. RANEY has shown conclusively there is no possibility of getting the

House of Representative to approve that proposal. He assumed that legislation was dead, but he still planned to offer a motion.

**Motion:** REP. BERGSAGEL MOVED TO REMOVE \$2.6 MILLION OF GENERAL FUND, AMENDMENT hb2oa-1r, EXHIBIT 4.

REP. KADAS asked REP. BERGSAGEL why he made this motion, considering his concern for maintenance. He felt this amount should be left in the budget. REP. BERGSAGEL said it was his intention to offer an amendment to say that any ending fund balance over a specified amount, for example \$21,000,000 up to \$26,000,000 would be expended by July 1, 1994 for maintenance, based on LFA projections.

REP. KADAS felt that was a good idea, but there was a significant amount of risk as the ending fund balance might not be at that level. He felt the legislature should at least maintain the \$2.6 million level of expenditures on maintenance.

REP. ROYAL JOHNSON agreed totally with REP. KADAS.

REP. BARDANOUVE felt that REP. BERGSAGEL had been a tremendous subcommittee chairman, but he felt this motion was unwise. Previously, there was cigarette money to maintain the maintenance and repairs program. Last session, that revenue was taken and given to the maintenance of veterans homes, taking general fund monies for repairs and maintenance. He was concerned at the time that general fund money might be taken, and that is what this motion does. He wanted to protect the state's very conservative repairs and maintenance program.

REP. BERGSAGEL said he agreed with REP. BARDANOUVE. He said he was continuing to look for ways to provide permanent funding for repairs and maintenance of state facilities. He felt the \$2.6 million was needed to balance the budget. He reiterated his intention to offer a motion utilizing the ending fund balance to generate revenue for maintenance.

**Vote:** TO REMOVE \$2.6 MILLION GENERAL FUND, AMENDMENT hb2oa-1r, EXHIBIT 4. Motion carried 10-8 with REPS. BARDANOUVE, JOHN JOHNSON, ROYAL JOHNSON, KADAS, MENAHAN, NELSON, QUILICI, and WANZENRIED voting no.

REP. BERGSAGEL asked REP. KADAS where best to offer his motion regarding the ending fund balance. REP. KADAS replied that it could be done in this bill or REP. BERGSAGEL'S other bill. REP. KADAS asked Mr. Schenck if that would be within the scope of HB 2, who replied that it would. REP. KADAS suggested that REP. BERGSAGEL use August 1, 1994, instead of July 1, because although the fiscal year closes July 1, the books aren't closed until well into July. He asked OBPP if it would like a specific date or just a reference to the ending fund balance.

Jane Hamman, OBPP, said the reference to the ending fund balance would be sufficient.

REP. BARDANOUVE said he would have to oppose REP. BERGSAGEL on the floor of the House. He felt the committee had made a serious mistake with its previous action, and he would offer an amendment on the floor to restore the funds.

Mr. Schenck offered a suggestion as to clean up language for REP. BERGSAGEL'S amendment hb2oa-lr.

REP. KADAS said there was a problem as to the prioritization of maintenance and repair projects. REP. BERGSAGEL said that during the last session, the committee had put together a prioritization list, based on health and safety, which currently exists in HB 5. REP. KADAS pointed out that list was for \$2.6 million appropriated. He wanted to know what the priority would be for the next \$2.4 million which was potentially available. REP. BERGSAGEL said the list for that was contained in HB 19. He thought perhaps contingency language in HB 2 would be needed.

REP. KADAS said REP. RANEY had brought forth a somewhat controversial workable mechanism to provide dollars for maintenance and repair. He asked REP. BERGSAGEL his reaction to that proposal. REP. BERGSAGEL said REP. RANEY had asked him to be selective in how he had addressed the issue. REP. BERGSAGEL said he appreciated anyone willing to look for solutions. He said he would continue to work with REP. RANEY. He said REP. RANEY'S proposal would need a 3/4 vote which might be difficult to get.

REP. KADAS said he disagreed with REP. BERGSAGEL'S first motion. He felt that this was one of the only viable options left, and he supported putting it into the bill.

Mr. Schenck said the section in REP. BERGSAGEL'S amendment would probably just be stricken unless the committee had any objections. No objections were raised.

REP. BARDANOUVE asked what the situation of HB 19 was. REP. BERGSAGEL said the bill was in the committee. It is being held for anybody and everybody who wanted to offer a solution.

REP. KADAS said he thought REP. BERGSAGEL had agreed to amend the coal trust out of the bill and just use it as a prioritization bill or as a vehicle for REP. RANEY'S proposal. REP. BERGSAGEL said he was amending the coal trust out because he could see he did not have the votes.

**Motion:** REP. BERGSAGEL MADE A MOTION OF INTENT TO OFFER A MOTION STATING THAT ANY ENDING FUND BALANCE OF \$21 MILLION UP TO \$26 MILLION WOULD BE DEDICATED TO BUILDING MAINTENANCE. THE DETERMINATION OF THE ENDING FUND BALANCE SHOULD BE BASED ON AUGUST REVIEW OF 1994, AT WHICH TIME THE DEPARTMENT OF

**ADMINISTRATION WOULD HAVE THE OPPORTUNITY TO EXPEND THOSE FUNDS.**

**Discussion:** REP. BARDANOUVE felt the committee was proceeding the wrong way, but this motion was better than no motion.

**Vote:** Motion carried 16-2 with REPS. ROYAL JOHNSON and WANZENRIED voting no.

REP. WANZENRIED presented EXHIBIT 5, amendment hb000201.a12, and stated that on p. 2, the language should read January 30, 1994, instead of September 30, 1994.

**Motion:** REP. WANZENRIED MOVED AMENDMENT hb000201.a12, EXHIBIT 5, AS CORRECTED.

**Discussion:** REP. WANZENRIED felt the state needed a trained negotiator representing the state's interests in negotiating the purchase of a building in Billings for a women's correctional facility.

REP. BERGSAGEL asked why REP. WANZENRIED was placing this bonding language into HB 2. REP. WANZENRIED replied that it was already a part of the bill. He was simply amending the section it was in. Jim Haubein, LFA, stated this was the most appropriate place to make the amendment.

REP. QUILICI asked REP. WANZENRIED who would pay for the negotiator. REP. WANZENRIED said the money would come out of the bond proceeds. He pointed out that there was a front end cost, but because the state would be hiring someone trained in negotiations the cost would be more than recovered. He said that people in the Department of Corrections aren't trained to go out and buy real estate. He felt a trained negotiator would result in long term savings that would more than offset the short term cost.

REP. QUILICI asked if the Department could absorb the cost in the short term, and REP. WANZENRIED replied that it could.

REP. COBB asked REP. WANZENRIED what would happen if the negotiations were not completed by January 30, 1994. He wondered if the time limit would stop the negotiations. REP. WANZENRIED replied that he was confident it could be done in that time frame.

REP. KASTEN asked REP. WANZENRIED if he had calculated the cost of going through this procedure rather than the one the department was going through at the time. REP. WANZENRIED said he felt an RFP would have to be issued and there would be a cost associated with that. He was confident the cost would be recovered. He had no actual calculations.

REP. MENAHAN asked Rick Day, Director, Department of Corrections and Human Services, to comment. Mr. Day gave a brief update on

plans for the women's prison. He said the department had an alternate site selection committee in Billings. The department had also established a schedule for construction if they were unable to negotiate the purchase of a facility. They thus had a schedule outlined in two directions. He stated that the department had initiated negotiations with Rivendell, whose facility in Billings was becoming available. Rivendell has already requested an appraisal. The department was trying to evaluate the Rivendell appraisal and make a judgment on that by the end of this week. The department had contacted an alternate appraiser. Mr. Day's inclination is for the state to request its own appraisal. The cost would be \$6,000, but he felt it was important to the process.

Mr. Day had asked his staff to complete a review of the Rivendell facility as far as what changes might be necessary to accommodate the women's correctional center if that option were deemed the most appropriate. The department needed to look at costs of renovation and then apply them to the purchase price. The staff at this time felt the facility would be very appropriate for the women's correctional facility. If the state is able to come to terms with Rivendell, negotiations would also need to be completed between now and July 1 for various contract necessities including medical care, food procurement, food service, etc.

Mr. Day said he felt the motion under discussion was a little late as the department was already meeting with Rivendell. His people were not expert negotiators, but the Department of State Lands was assisting.

REP. ROYAL JOHNSON asked Mr. Day to explain how the situation with the Rivendell facility came about. He wanted further elaboration on the department's meetings with Rivendell.

Mr. Day stated that the initial meeting with Rivendell took place November 30, 1993. Rivendell's appraisal came in at \$4.1 million. The department's staff has determined that several areas in the facility will be in need of renovation.

REP. ROYAL JOHNSON said the facility had previously been owned by the state. It was sold to Rivendell substantially under the appraisal price of \$3.4 million about five years ago. Rivendell decided to abandon the facility for one of lesser size also in the Billings area. The state currently has a right of first refusal on the Rivendell facility. The building has been built as a confinement facility; the seller is willing; the appraisal price is somewhere in the ball park. REP. JOHNSON said the state had known about the facility for at least a month because the department had already toured the facility more than once. REP. JOHNSON said he did not know about the department's meeting with Rivendell in the past week. He said the department also had a meeting with Rivendell three or four weeks ago. Mr. Day said that his testimony referred to meeting with Rivendell in negotiations. He did not go into detail about that. The

department is attempting to negotiate with Rivendell about purchasing their business. They have expressed some concerns about the level of confidentiality and other business concerns. REP. ROYAL JOHNSON said that page 1 of The Billings Gazette took care of that two or three weeks ago.

REP. ROYAL JOHNSON expressed his support of the motion.

REP. MENAHAN said that Rivendell was not an ideal facility. He felt the purchase and remodeling would be the most expensive solution. He felt that a group of legislators from Billings got the legislature to build the facility and it flopped and cost a lot of money.

REP. PECK asked REP. WANZENRIED if he had intended for the Department of Administration to handle this or the Department of Corrections. REP. WANZENRIED said the Department of Administration would secure the negotiator. REP. PECK said he felt REP. WANZENRIED'S motion was on target, but he was concerned about the deadline. REP. WANZENRIED'S intention was to provide some pressure to get the job done. REP. PECK felt the 'law of unintended consequences' was possible here. He thought something might happen that REP. WANZENRIED did not intend. REP. WANZENRIED pointed out the consequences of nothing happening.

REP. GRADY asked Tom O'Connell, Administrator, Architecture & Engineering Division, Department of Administrator, if he felt there was the expertise in his department and the Department of Corrections to handle the purchase of the Rivendell building without hiring an outside negotiator. Mr. O'Connell said that the department had purchased buildings in the past without outside help, i.e. the current facility of the Department of Corrections, facilities for OPI, Department of Commerce, etc. They did that in conjunction with OBPP. He felt that in working with OBPP and Department of State Lands, his department could do the job. They weren't experts but they did have a good track record.

REP. GRADY asked Mr. O'Connell if he felt the department was moving as fast as possible. Mr. O'Connell said he did. He felt the department had a long track record of providing plans and a program and changing those as the department's needs change. He said he would not be comfortable trying to purchase the facility without doing a review of the facility and how it would meet the needs of the women's corrections center. He felt that the numbers were critical to further negotiations.

REP. BERGSAGEL asked how this amendment affected the rest of the bonds for the rest of the buildings. Mr. Haubein said he didn't think it affected the rest of the bonds because of the language authorizing the construction or purchase of the women's facility.

REP. COBB asked what would happen if the negotiations weren't completed by January 30. Mr. Haubein wasn't sure.



REP. BERGSAGEL said he couldn't support the motion because although he knew the intent, he didn't know what the effect was, i.e. what would happen to the women's correctional facility if the January 30 deadline was not met. He also questioned what would happen to the other projects in the bill.

REP. ROYAL JOHNSON said the ACLU had been through the building and has agreed though the building is not perfect, it would be useful.

REP. NELSON asked REP. WANZENRIED what "Title 18, chapter 8, part 1," referred to on p. 2 of his amendment, was. REP. WANZENRIED said it was a general statute referring to obtaining the services of outside professionals.

REP. NELSON asked how the services of a professional negotiator were obtained. REP. WANZENRIED said he thought the state had a system worked out. REP. NELSON asked if there was anything in the statute that would prevent the department from hiring someone in the department to be the negotiator. REP. WANZENRIED deferred to Mr. O'Connell who said you can work within state agencies to hire a negotiator without going through the RFP process. The problem with the RFP process is that it is so time consuming. The January 30 deadline would be a real concern. REP. NELSON asked if Mr. O'Connell saw anything in the amendment that would prohibit his department from hiring someone in the department who had done a good job in the past as a negotiator. Mr. O'Connell said he wouldn't hire someone on his staff; it would be a part of their job.

Motion/Vote: REP. BARDANOUVE MADE A SUBSTITUTE MOTION TO STRIKE THE LAST SENTENCE OF AMENDMENT hb000201.a12, EXHIBIT 5. Motion carried 17-1 with REP. ROYAL JOHNSON voting no.

Vote: AMENDMENT hb000201.a12, EXHIBIT 5, AS CORRECTED. Motion failed 8-10 with REPS. BARDANOUVE, COBB, FISHER, JOHN JOHNSON, ROYAL JOHNSON, PECK, WANZENRIED, and WISEMAN voting no.

REP. BARDANOUVE stated his concern about removing general fund for repairs and maintenance for FY94.

Motion/Vote: REP. BERGSAGEL MOVED TO CLOSE EXECUTIVE ACTION ON SECTION F, HB 2. Motion carried 15-3 with REPS. BARDANOUVE, ROYAL JOHNSON, and WANZENRIED voting no.

Motion/Vote: REP. GRADY MOVED TO CLOSE EXECUTIVE ACTION ON SECTION D, HB 2. Motion carried unanimously.

Motion/Vote: REP. FISHER MOVED TO RECONSIDER ACTION IN REGARDS TO FREEING SNOWMOBILE FUNDS. Motion carried unanimously.

Motion: REP. FISHER MOVED TO GIVE AUTHORITY TO THE DEPARTMENT TO RELEASE FUNDS IN THESE THREE PROGRAMS.

**Discussion:** REP. KADAS argued against the motion. He felt the \$700,000 could be used somewhere else. CHAIRMAN ZOOK said he felt that would be like taking tuition money out of the university system and using it somewhere else.

REP. GRADY said this money was supposed to go to snowmobilers and boaters; they needed the money.

**Vote:** TO RELEASE SNOWMOBILE FUNDS FROZEN IN HB 2, C6, LINES 10-12. Motion carried 12-6 with REPS. BERGSAGEL, COBB, KADAS, KASTEN, NELSON, and PECK voting no.

**Motion/Vote:** REP. DEBRUYCKER MOVED TO CLOSE EXECUTIVE ACTION ON SECTION C, HB 2. Motion carried unanimously.

**Motion/Vote:** REP. QUILICI MOVED HB 2 DO PASS AS AMENDED. Motion carried 17-1 with REP. WANZENRIED voting no.

### HEARING ON HOUSE BILL 30

#### Opening Statement by Sponsor:

REP. DON LARSON, House District 65, Seeley Lake, opened by stating that this bill called for a small change in administrative procedure, providing that agency budget submissions include a reference specifying whether an agency program is discretionary or mandated by federal or state law and specifying the sanctions for noncompliance.

#### Proponents' Testimony:

None

#### Opponents' Testimony:

Jane Hamman, Office of Budget and Program Planning (OBPP), reminded the committee that two regular sessions ago, all the state and federal citations were printed, as well as the goals and objectives of state agencies, and it was a three volume, three-ring binder addendum to the executive budget. At the last regular session, they printed all state and federal citations for every program in state government, and that was a separate volume added to the executive budget. She said her office looked at this constantly, but felt in talking with legislators that they didn't have time to even look at this material. She felt this bill would require her office to go farther than before in requiring information on sanctions. She stated that her office didn't have the staff or resources to be able to comply. She said, also, that there were different definitions of what is mandated vs. what is available.

#### Questions from Committee Members and Responses:

REP. KASTEN asked Ms. Hamman if the actual index for citations

was available. Ms. Hamman said that was correct.

REP. KASTEN said she had seen in certain state publications a listing of certain laws and resolutions being dealt with. Some of them are requiring their federal representatives to appear before a board at the state level. She asked REP. LARSON if that would accomplish his desire instead of this legislation which would require more FTEs. REP. LARSON said he didn't think we could adequately judge the impact on the state unless we know what we're talking about and that was the whole point of this piece of legislation, i.e. to direct state agencies to determine their costs.

REP. PETERSON said she had heard lots of the same complaints and knew the problem existed. She wondered if press releases coming out could include information on whether programs were mandated or not.

REP. PECK said that all legislators would agree that this is a problem of some significance. Many of them are uncertain as to whether a program is mandated or not. He asked Ms. Hamman what her suggestion would be as to how to identify mandated programs, programs that could be cut, what federal dictates must be complied with, etc. He felt the bill was expressing a general frustration on the part of legislators.

Ms. Hamman said the problem was frustrating for everyone. Her office has tried to work individually with agencies to show them where reductions could be made in programs that are not mandated. She felt that was more effective than trying to do comprehensive overviews for every program in every agency every session.

REP. PECK asked if she was saying there was no definitive answer to the problem. Ms. Hamman said she was aware of at least two states who had put two people full time in their budget office to track federal mandates and do an analysis of the cost of those mandates. REP. PECK said that as a legislator, he often listened to testimony claiming programs were mandated when he had no idea if they were or not. He said it was difficult to reinvent government or cut government because of this problem.

REP. NELSON asked Ms. Hamman whether, if the last sentence on the bottom of p. 3 were taken off the bill, thus simply specifying whether a program was federally mandated or state mandated, that would simplify the process for OBPP. Ms. Hamman said it would.

REP. QUILICI said that everybody on the committee agreed there was a problem. This legislation was at least trying to resolve the problem. He felt the committee should try to make the bill work.

REP. BERGSAGEL asked if the bill required the state to pay for mandates passed off to county and local government.

REP. NELSON asked REP. LARSON if it would be acceptable to delete the last sentence in Section 1 (1)(e), up to and including Section 1(1)(e)(iii). REP. LARSON said it would still be a small step in the right direction.

CHAIRMAN ZOOK said he thought in 1975 a law was passed stating that the Montana State Legislature could not pass any costs down to the counties that were substantial without funding them.

REP. ROYAL JOHNSON asked REP. LARSON to respond to the concerns raised by OBPP in his closing.

REP. QUILICI said he had inquired before the special session started about funding for mandated programs. He remembered back in 1971 that the legislature did pass a statute that said if the legislature gave mandates to local governments or school districts, funding should accompany it. One of the problems had been with the Board of Public Education giving mandates to school districts. There is a law now on the books, but for some reason it is not being implemented.

CHAIRMAN ZOOK said that he had received a letter informing him of that fact from a local county attorney. He also stated there were big headlines in The Billings Gazette stating that Treasure County had had enough -- they were going to sue the legislature if it did this any more.

Closing by Sponsor: REP. LARSON in closing stated that the committee had been referring to the Drake amendment passed in 1979 which says if the legislature mandated, it provided funding. That has been ignored. He stated that he had previously visited with Terry Cohea, LFA, who didn't think the implementation of this legislation would be a problem.

#### HEARING ON HOUSE BILL 48

##### Opening Statement by Sponsor:

REP. ROYAL JOHNSON, House District 88, Billings, opened by stating that his bill would bring Montana into the 20th century as far as cash management is concerned. It provides that the Department of Administration may temporarily borrow money from the coal severance tax trust fund to cover cash flow needs of the general fund and may authorize loans from the coal severance tax trust fund, the general fund, and other treasury funds to meet other cash flow needs. The bill authorizes short-term, interentity loans. That is needed because the state runs short of money on a continuing basis. For example, federal Medicaid has a new cash management system which provides that no money goes out until warrants come in. It takes too long to come.

REP. JOHNSON continued to explain that currently we have a reserve in the general fund of \$5 million. This can go as high as \$18 million by 1995. We're borrowing from the general fund to

keep the state going. He explained why he picked the coal severance tax trust fund, even though it would take a 3/4 vote to pass. It is a major fund in the state. There are \$4 billion worth of funds in the State of Montana; \$1 billion is in an account called STIP. The largest contributor to that account is the coal tax trust. It allows us to use that money.

The bill does not provide for taking principle out of the coal tax trust. The state of Montana is going to borrow its own money; it's going to pay interest on it so that the trust income will not decrease at all; it will be the same as it was before. We're going to use this money so we don't have to use general funds the way we are currently doing.

Basically, the bill is trying to manage state money in a more efficient way. REP. JOHNSON deferred to **Connie Griffith, Administrator, Accounting and Management Support Division, Department of Administration**, for further explanation.

#### Proponents' Testimony:

**Ms. Griffith** said HB 48 was extending the Department of Administration's authority to borrow from internal state funds for the purposes of general fund cash management. **EXHIBIT 6** She said the state would essentially be borrowing from its savings account and putting the money into its checking account. She stated that this legislation would take long term loans out of the general fund. The bill was important to allow the department to manage cash effectively and efficiently, to create a proper fund balance for budgeting purposes, and to stay within constitutional mandates.

**Carroll South, Executive Director, Board of Investments, Department of Commerce**, stated that this was the second year the Board of Investments had been asked to sign a warrant purchase agreement in which BOI guarantees to purchase state warrants at the end of the fiscal year if the state does not have adequate cash to pay back TRANS. **Mr. South** stated that BOI had authorized him to work with DOA and OBPP to find another way to handle the state's cash management problem. The credit enhancement BOI gave by the warrant purchase agreement allowed the state to get the highest rate possible, which rate would not have been possible without the agreement.

**Mr. South** said BOI generally believes that cash management should be an administrative function, not an investment function. BOI currently has agreed to enter into an elaborate agreement (which he thought was drafted in 1927) to offsell warrants to be purchased. It provides only a 4% return on an investment which could conceivably put BOI in the position of actually losing income on the coal trust. **Mr. South** stated that the fund BOI will use if it has to implement a TRANS agreement this year is the coal trust. It's a non-spendable trust; the money that comes in will stay there. It's the largest trust the state has and

usually has a reasonable balance in the STIP account. BOI believes this kind of legislation would permit the same kind of loans from the coal trust administratively that BOI will be forced to make every time it has to implement a warrant purchase agreement.

**Bill Salisbury, Administrator, Administration Division,  
Department of Transportation** testified in support of the bill.

**Opponents' Testimony:**

**None**

**Questions from Committee Members and Responses:**

**REP. BERGSAGEL** asked **Ms. Griffith** whether extending the payment period seven days, thus reducing borrowing costs, for example for Medicaid, required a statutory change or if it was an administrative change. **Ms. Griffith** replied that it was an administrative change for those accounts receiving federal reimbursement. It would reduce the need for loans.

**REP. BERGSAGEL** asked **Mr. South** if the state would be paying interest on the entire principle balance borrowed on an annual basis for the use of this fund or if it would be paying interest on those funds borrowed for cash management purposes. **Mr. South** said he understood that the interest would be paid at the daily STIP rate. **REP. BERGSAGEL** asked if the interest would be charged to the entire amount obligated or the amount of cash used. **Mr. South** said the interest would be paid only on the amount of cash used.

**REP. BERGSAGEL** asked **Mr. Lewis** if, for example, the Department of Highways borrowed money for cash flow management, it has been his intention to charge the department an equal amount of interest so that there is no net loss to general fund. **Mr. Lewis** said that since the highway department money is in the treasurer's cash account, the interest earned on that goes to the general fund. If the department had to adjust the cash flow borrowing, the state would pay the interest from the general fund because it is getting the benefit of all of the interest earnings on the department's balance during the parts of the year when the balance is up.

**REP. BERGSAGEL** asked if that was true for all agencies, and **Mr. Lewis** said that was correct.

**REP. KADAS** noted that the administration's original proposal for an ending fund balance was \$21 million. **Mr. Lewis** said the recommendation of the house select committee was \$21 million. **REP. KADAS** asked if when the administration proposed the property tax rebate it felt that \$8 million of that could come out of the ending fund balance? **Mr. Lewis** replied that \$8 million would come out the first year. The second year, \$3 million was going

to be repaid, so the net amount was \$5 million out of the ending fund balance. **REP. KADAS** asked **Mr. Lewis** how much he anticipated the ending fund balance would be decreased because of the passage of this bill. **Mr. Lewis** said the fiscal note indicates the ending fund balance would be impacted by +\$18 million.

**REP. KADAS** said the way he added that up, that meant we would have an ending fund balance of -\$2 million. **Mr. Lewis** said if you look at the fiscal note, the primary fiscal impact of this legislation is to increase the projected unreserved general fund balance by \$18 million in FY94 and thereafter. In arriving at the \$21 million figure, the administration had been informed that there was going to be \$5 million set aside. Subsequently, there was a communication that actually went as high as \$16 million because of the need for larger reserved fund balances. What this bill does is deal with that \$16 million problem. The fiscal note indicates this would increase the fund balance by \$18 million and we wouldn't have to reserve that much to cover the delayed federal payments that are the problem. **Mr. Lewis** stated that a letter had been sent a week ago to the committee members setting forth these issues.

**REP. KADAS** asked whether, if this passes, the department could reduce its original \$21 million by another \$5 million, plus the \$5 million that was taken out for the property tax. **Mr. Lewis** said when they calculated the \$21 million, it was assuming that there was \$5 million set aside for the federal reimbursement problem. That problem grew as accounting analyzed and made some additional projections. Then they dealt with the growth of the problem, plus the original \$5 million. All things being equal, **Mr. Lewis** said, if this bill passes, based on the assumptions we used when we built the \$21 million, we would be at \$26 million.

**REP. KADAS** asked how this was going to affect BOI's investment policy as far as the coal trust fund in the STIP account. His understanding was that BOI tries to get that into long term investments as the opportunity arises. **Mr. South** said the investment strategy for the trust is to put as much as possible in long term and medium term investments, but because of the nature of bond calls, taxes coming in, no expenditures going out, the monthly income going through the account with return principle and interest from the in-state investment program, the STIP balance can be anywhere from \$5 million to \$50 million.

**REP. KADAS** asked if the ability of the board to make long term investments would be hindered if the STIP balance was \$5 million. **Mr. South** said he didn't believe it would hinder the board at all. What the board would like to do is cash manage the trust and let someone else cash manage all of the other entities in state government. Right now, if the cash position doesn't improve by the end of the fiscal year, their maximum liability in the trust is \$88.9 million next June 30 because that is the amount of the warrant purchase agreement they signed. In other words, if the state's cash is so bad that it could not pay the

purchases of TRANS, BOI would have to liquify \$88.9 million of coal trust. It's not that BOI is changing drastically the management of the trust. Last year the amount was \$130 million. Mr. South's point was that the board is already managing the coal trust; they are trying to do something for the state's cash management problem.

REP. KADAS asked Mr. South how he saw the 3/4 vote. Is that a vote the legislature takes once or is it a vote that must be taken for every loan. Mr. South said he was unclear on the 3/4 vote, but he could say that the warrant purchase agreement BOI signed that obligates up to \$88.9 million of the trust did not have any legislative involvement at all. That, in BOI's opinion, was an investment decision the board would make. As Mr. South understood the 3/4 vote in this bill, it would only be needed once.

REP. KADAS asked Mr. South how he saw the difference between a long-term loan and a short-term loan under this bill. Mr. South said a short-term loan in this bill would be repaid every year; a long-term loan would only pay the interest. REP. KADAS asked then, in the case of long-term loans, whether obligation would be rolling forward year after year. Mr. South said unless the federal Cash Management Improvement Act is changed in some way, that would probably be correct. REP. KADAS asked if the amount being rolled forward would only be that which related to the CMIA or if other things could be rolled into that. Mr. South deferred to Ms. Griffith.

Ms. Griffith said the amount would stay unchanged unless there is an increase in the number of payments that have to be made as happens, for example, with Medicaid.

REP. KADAS asked if other things besides federal shortfalls would be covered by this. Ms. Griffith said the statute says those programs that have reimbursements from either federal, private or other governmental sources would be covered. REP. KADAS asked for examples. Ms. Griffith said the only ones the department had on their books were federal programs. They are not necessarily part of CMIA since it only deals with major federal programs. There are smaller federal programs that have to be operated on a reimbursement basis, also, that have long-term loans for smaller amounts. REP. KADAS asked if those programs were currently covered by the ending fund balance so they would be covered by the coal tax trust fund. Ms. Griffith said that was correct. REP. KADAS asked Ms. Griffith how often she thought a 3/4 vote would be required. She said her interpretation would probably coincide with Mr. South's. She said there are restrictions which are already in the short-term and long-term interentity loan regulations.

REP. KADAS asked who the department could loan to now under those restrictions. Ms. Griffith said they could loan to those entities receiving reimbursement. There are many entities that



have, for example, user fee type income and they are not considered reimbursable. REP. KADAS asked about the circumstance a year and a half ago where the state had a cash flow crisis. He asked whether the legislature could convene, change the statutory restrictions, and allow more extensive long-term lending from the trust fund in order to meet its cash flow problems. Ms. Griffith said she felt that would require a 3/4 vote at that time.

REP. KADAS said the state currently carries a \$20 million fund balance in the highway trust fund to cover contract costs. He asked if that balance would no longer be required under this bill? Ms. Griffith deferred to Mr. Salisbury. Mr. Salisbury said the department would no longer need that balance. If it went negative, it could borrow from the trust fund. Part of the reason the department kept that fund balance was to meet additional federal aid requirements.

REP. QUILICI asked whether, in the event this bill gets its 3/4 vote, the act is effective upon passage and approval. It would be his understanding that if the act passes they would be able to temporarily borrow money from the coal trust until the act was repealed. REP. ROYAL JOHNSON said that was his understanding. REP. QUILICI quoted new Section 4: "[This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act]". He asked for elaboration on that point.

REP. QUILICI asked Mr. Salisbury if, during the regular 1993 session or during the 1992 special session, the general fund had borrowed from the highway trust to pay bills. The legislators were worried if they were going to be able to sell TRANS in time to reimburse the trust because the state had obligations. He asked Mr. Salisbury to explain how actions like that would be affected. Mr. Salisbury said that according to his understanding of the bill, the legislature wouldn't need to borrow from the highway trust fund.

REP. BARDANOUVE asked Mr. South if all loans would be made from STIP. Mr. South said BOI would free up the cash for DOA to make the loans. The cash would come from the coal tax portion of STIP. REP. BARDANOUVE asked at what point we would be loaning long-term money. Mr. South said that may be true on the long-term loans if they are not repaid, or simply the interest repaid. REP. BARDANOUVE asked if it wouldn't be likely that BOI would be losing money on their investments. Mr. South said only to the extent that they would have had that money invested at a longer term. REP. BARDANOUVE reiterated his contention that soon they would have long-term money out on short-term loans; all the agencies would be trying to get that money. Mr. South said that was hard to say. Investments in STIP at any given time would be \$5 million to \$50 million. Mr. South stated that from his perspective the state simply has to solve the cash flow problem. He felt this bill was one vehicle to solve the problem. The alternative is simply to increase the general fund balance.

REP. BARDANOUVE was concerned with preserving the interest on the trust. He wanted to know what guarantee there was that the money would be repaid. Mr. South said he had had a conversation with Greg Petesch, Legislative Council, in which Mr. Petesch had expressed a similar concern. He felt if this bill didn't get a 3/4 vote, the legislature could come in later and simply by a majority vote say they weren't going to pay. REP. BARDANOUVE asked what would prevent the state from reneging on the loans even if there was a 3/4 vote. Mr. South said if the legislature approved the bill by a 3/4 vote, it had effectively authorized the incorporation of the money. If the legislature subsequently comes in and said it was not going to pay the rest of it back, it has already appropriated the money. REP. BARDANOUVE said there was no guarantee the loans would be paid back. Mr. South said the statute required repayment. REP. BARDANOUVE said the statute could be easily changed. Mr. South said BOI would very much like to be released from helping manage state general fund cash by such things as warrant purchase agreements. They think it is better public policy to handle those things administratively rather than having BOI guarantee to purchase state warrants under a law that was written during the depression. REP. BARDANOUVE expressed his doubts about the honesty of future legislatures. Mr. South said to really understand what this bill does to the general fund, two things must be understood: who is paying the interest and who is getting the interest. The general fund is paying the interest and the general fund will get all the interest on the trust. If payment of interest to the trust is not authorized, it has no effect at all on the general fund.

REP. KADAS asked Mr. Petesch how many 3/4 votes would be required, i.e. if the legislature votes once, would all future actions come under that vote. Mr. Petesch said a 3/4 vote on this bill would authorize that. REP. KADAS asked whether, if a 3/4 vote had been taken, a loan was out, and the legislature decided that it couldn't afford to pay back that loan, could the legislature, by a majority vote, halt the repayment of the loan to the trust. Mr. Petesch said the legislature could do that by amending the statute.

CHAIRMAN ZOOK said if the legislature wanted to do that, and since it would require a 3/4 vote, why wouldn't the legislature just appropriate the amount of money that was there with a 3/4 vote. REP. KADAS said the legislature would have made a 3/4 vote that allowed the loan in the first place. That is, in essence, an appropriation. His concern was with a later legislature who might come along and say, 'There's a \$15 million loan out there, we've got a \$15 million cash flow problem, let's just change the statute with a majority vote and we don't have to pay that loan back, thus solving our problem.'

REP. KADAS asked Mr. Petesch whether, if the legislature took the 3/4 vote, and a future legislature then amended the statutory restrictions, could future loans then also be appropriated with a majority vote, or would another 3/4 vote be required because of

the change in the statutory restrictions made at that time. Mr. Petesch said he would have to know the specific statutory changes in order to give a definite answer. REP. KADAS expressed his concern about the possibility of opening the floodgates to a raid on the coal trust.

REP. KADAS asked Ms. Griffith where, under this legislation, we would borrow from first. If there was a balance in the highway account, would we go to that balance first and then go to a coal account, or would we go to the coal account first and not deal with the balance in the highway account. Ms. Griffith said they would go first to the accounts that would not incur any interest. This legislation gives the department more flexibility.

Ms. Griffith noted that all the loans to be made have money covering them; they will be reimbursed. The only reason they are ongoing or long-term is because they get reimbursed, money goes out, they are reimbursed, etc.; they constantly fluctuate. She stated that there shouldn't ever be a question as to repayment of the loans. REP. KADAS said that was true unless the legislature decided it wanted to use the flow of federal dollars intended to pay the loan back for something else. Ms. Griffith said the legislature could do that now. REP. KADAS replied that they would need a 3/4 vote now. Once the legislature made the 3/4 vote on this legislation, that option would be available on majority vote.

REP. KADAS asked why we had to go to the trust fund instead of using STIP to accomplish these purposes. Ms. Griffith said STIP is generally not an account; it is a clearing account owned essentially by all the agencies that have cash invested in it. The money in there is invested for a short period of time and can be taken back by the agencies at any time they need to use it. Mr. South said when they first discussed the issue of what funds to loan money from, the trust was obviously one of the first. The only large source of money the state has, other than pension funds, that can be appropriated is the coal trust. REP. KADAS said there was money in the STIP account; why couldn't that be used to satisfy the loan. Mr. South stated that only BOI has control of the STIP account. It is not a real account; it is a clearing account only, owned by 240 participants. Loans can't be made out of the STIP; loans would have to be made out of a real accounting entity that has an investment in STIP.

REP. WISEMAN said the reason for that is because STIP money is owned by cities, counties, and all kinds of people other than state agencies. The state really doesn't have the authority to take that money. Mr. South said when the cities and counties give us their money to invest in STIP, they know what STIP investment policies are. They can get their money out of STIP in 24 hours.

REP. WISEMAN asked Ms. Griffith if she had said the state had money in accounts not earning interest and they would take money

in those accounts first. Ms. Griffith said that several accounting entities are allowed to take their excess cash and invest it in STIP and retain that interest. All other accounting entities that have cash keep it in the state's treasury account and that is invested on a daily basis by BOI. Some of those cannot retain their own interest.

REP. BARDANOUVE asked Ms. Griffith if we have a large accumulation of loans and we're receiving only short-term interest on whatever we have out, is it possible that sooner or later that we would have long-term money out receiving short-term interest. Ms. Griffith said that was a potential problem, but one that they don't anticipate to be that excessive. They have a number of administrative changes occurring that keep the number of long-term loans down. Changes in CMIA will keep those amounts down.

REP. BARDANOUVE says many things can happen that we can't predict now. Ms. Griffith said the amount that we would be borrowing from the coal tax trust would be short-term; they would not be long-term. They would be repaid as money is available, generally on a monthly basis.

REP. KADAS asked Ms. Griffith how much she would estimate the trust to be obligated for at any one time. Ms. Griffith said she could not say on a short-term basis because it depended on many variables and varied from month to month. She stated that the most long-term loans for the next 2-3 years would be around \$8 million. When the highway trust fund is depleted, they would also need additional funds.

REP. KADAS said he would be willing to consider setting a limit in the bill, saying, for example, that up to \$10 million may be obligated at any one time. That would be a test to see how faithfully it were repaid. If it were faithfully repaid, the legislature might be willing to expand the scope over time. Ms. Griffith said that a limitation of \$10 million would limit short-term flexibility. She felt that a limit on long-term loans would be valid, but on a short-term basis where the loans are to be repaid within a year's time at the most, that kind of limit would be restrictive. REP. KADAS asked if this would preclude us from borrowing from other accounts. Ms. Griffith said it precludes us from utilizing the coal tax trust fund. REP. KADAS said that was what he was trying to do. He wanted to limit the ability to use the coal tax trust because he didn't trust "us." Ms. Griffith said, then, the department would have to continue to look at external borrowing for their major cash needs such as TRANS, etc., because it needs larger amounts than \$10 million. The biggest shortfall occurs in November of each year. In FY93 the shortfall was \$135 million; this year it is estimated to be \$88.9 million. REP. KADAS asked if this bill proposed to use this mechanism instead of TRANS. Ms. Griffith said it would assist the department in determining whether or not to borrow externally, incur interest, and not be able to have flexibility.

Mr. South said the \$10 million limitation would prevent the administration from credit enhancing any TRANS issue. They would tell the financial rating agencies, for example, "We are going to issue \$90 million of TRANS; we only have access to \$10 million in trust guaranteed." In terms of any kind of credit enhancement for the TRANS issue itself, \$10 million would simply would not help and BOI would be brought back in. REP. KADAS asked if BOI wanted to be released from having to back TRANS with BOI warrants. Mr. South said that was correct. He said the more he heard the discussion about future legislatures coming in and nullifying the kind of agreement under discussion, the more nervous he was about the agreement that BOI had. He said BOI had an agreement with the Board of Examiners that it would, if necessary, take \$88.9 million out of the trust next June to ensure the TRANS holders will be paid. If the legislature comes back in and says they are not paying the trust back, then the board would be in the same position that REP. KADAS seems to think the legislature would be in. REP. KADAS said his understanding was if there was a contract, which Mr. South said there was, the legislature couldn't abrogate that. Mr. South said perhaps the same contractual arrangement could be made administratively.

REP. KADAS was concerned about the idea of obligating \$80 - \$100 million of the coal tax trust fund for the state's cash flow needs. Mr. South said the board has done that; this is the second year in a row. If the legislature desires the board no longer do that and it doesn't pass this legislation, there will be a serious problem selling TRANS.

REP. PETERSON asked Ms. Griffith if she thought Montana state government was a good place to invest money. Ms. Griffith said if this legislation was not approved, the general fund balance would have to be increased to make sure of a positive fund balance. REP. PETERSON asked Ms. Griffith if she were an investor if she would invest in the state of Montana. Ms. Griffith said yes.

REP. PETERSON asked Mr. South if he thought Montana state government was a good place to invest money. Mr. South said in terms of the state's financial stability, thanks to the people sitting around this table, the state has done quite well and had no problem selling \$9 million worth of investments in the state of Montana. REP. PETERSON asked Mr. South if he were an investor if he would invest in the state of Montana. Mr. South said the board had approximately \$52 million worth of loans. REP. PETERSON asked Mr. South if he personally would invest in Montana. Mr. South said he hadn't had to worry about that.

REP. PETERSON stated that either we believed in Montana or not. She felt that we needed safeguards, but we had to have a positive attitude about investing in our state.

Closing by Sponsor: REP. ROYAL JOHNSON said there were a lot of

investments in Montana; a lot of people do believe the state is in good shape and will continue in good shape. All this legislation does is change where we're loaning money from the general fund to a fund that does in fact, on a continuing basis, loan money. If we don't do this, we need to find out what our options are. If we do it, we reduce our needs in the general fund by \$5 million. If we don't, we'll be back cutting again in Medicaid, higher education, etc. He said that seems like a poor trade-off for a business transaction. There is no intent to invade the principal. We're going to borrow money against income from probably a less satisfactory source, the federal government. At least we will have somebody behind us. He said if the committee was uncomfortable with an open-ended situation, the language "not to exceed \$20 million" could be added after the word "fund" on p. 7, line 5. REP. JOHNSON concluded by stating that this bill is intended to improve the cash management abilities of the state of Montana and to help the general fund's current situation.

#### HEARING ON HOUSE BILL 34

##### Opening Statement by Sponsor:

REP. JOHN COBB, House District 42, Augusta, opened by stating that this bill establishes a committee to estimate Medicaid expenses for FY94 and FY95. The committee will meet and decide whether the Medicaid growth rate is low enough to meet anticipated appropriations for the biennium. If it is not, this bill contains a priority list of service reductions for the department. He noted on p. 3, lines 8-11, that the department was allowed to forego the Montana Administrative Procedures Act to implement cuts immediately. He offered several amendments that had been prepared for the bill. EXHIBITS 7 and 8

##### Proponents' Testimony:

John Shontz, Social Workers and Mental Health Workers of Montana, suggested several changes in EXHIBIT 7 amendments. He stated that item (i) imposes a 780 hour per year limit on day treatment services provided in mental health centers; item (h) proposes a 22 hour limit on therapy. He felt the order of these items should be reversed. Therapy is more valuable to seriously mentally ill people and should be cut after day treatment. Under item (h), the language that says, "provided by social workers, psychologists and licensed professional counselors" is redundant because those people now can't provide more than 22 hours of services. Only mental health centers provide more than 22 hours worth of services. He wanted to strike that language in the amendment.

##### Opponents' Testimony:

Jim Ahrens, President, Montana Hospital Association, stated his concern about the cuts to hospitals. Even though hospitals are

not growing as fast as other Medicaid services, he felt they had been singled out for the majority of the cuts. He objected to the suspension of the Montana Administrative Procedures Act. He felt that federal requirements would require some type of public notice before substantial changes were made.

**Tom Ebzery, St. Vincent's Hospital in Billings**, agreed with **Mr. Ahrens**. He had a problem with the list being delegated to the three-person committee. He felt the department of SRS should manage the cuts rather than the committee.

**Rose Hughes, Executive Director, Montana Health Care Association**, had a number of concerns about the bill. Regarding the Medicaid committee, the bill didn't state how it would operate, i.e. by majority vote? She said the composition of the committee was a little strange in terms of what the end result might be. She said the committee was being asked to make the determination which sets in place a group of cuts. She felt the criteria to make the determination were vague, i.e. different ideas of the base, different models, etc. **Ms. Hughes** felt that the priority list took away the discretion of the department to determine priorities. She had major concern about bypassing the Administrative Procedures Act. She was concerned about nursing home cuts as per item (k), **EXHIBIT 7**. The funds in item (k) came from tax increases on nursing home residents and should not be cut.

**Kathy McGowan, Montana Council of Mental Health Centers**, asked the committee to wait before making the switches proposed by **Mr. Schontz** until she had an opportunity to talk to the mental health centers, i.e. people who actually administer their programs to see which cuts they thought would be most detrimental to their clients.

**Christina Medina, Executive Director, Montana Low Income Coalition**, expressed her concern about the lack of notice on this bill. She said she hadn't had time to contact people in her organization. She asked the committee to consider the people affected by the cuts. **CHAIRMAN ZOOK** said that the hearing had been posted. A special session operates on a rapid time frame and the committee had to proceed as best it could.

**Stan Bradshaw, Speech Pathologists, Audiologists, and Physical Therapists**, expressed his concern about items (b), (c), and (d), **EXHIBIT 7**. He also objected to the exemption from the Montana Administrative Procedures Act. He felt the public was guaranteed the right to participate in governmental actions and this exemption would prohibit that.

#### Questions from Committee Members and Responses:

**REP. PETERSON** asked **REP. COBB** about the committee being made up of a couple directors and the LFA. She asked if his intent was for that committee to analyze the budget and say, "This is the

time we have to start the cuts." REP. COBB said the proposed committee members are the same three people who make the growth rates decisions now. REP. BERGSAGEL said the three members of the committee would determine when the cuts would be made, but it would be the direct responsibility of the director to make those cuts.

REP. PETERSON asked if most of the cuts on the list were on the Governor's suggested list of cuts. REP. COBB said they were, minus the cuts already taken. Mr. Blouke said that EXHIBIT 7 contained the same cuts as EXHIBIT 17 (12/01/93).

REP. PETERSON said the cuts, then, weren't really a surprise, because she had seen them in the paper before the special session. REP. COBB said they had been there since the Governor's recommendations were made months ago. REP. PETERSON asked if they had been discussed in subcommittee. REP. COBB said they had been discussed and public testimony given. REP. PETERSON said she was concerned with legislative rule making and the opportunity for the disabled, particularly, to have some input. She asked if they had already had input. REP. COBB said they had, but the issue of concern here had to do with bypassing the Montana Administrative Procedures Act. The reason it was being eliminated was because it took 60-90 days. The committee needed as much data as possible before making the growth rates determination. Requiring a 60-90 day implementation period would require them to make that determination earlier.

REP. PETERSON asked if REP. COBB had some additional wording that would allow the department additional discretion in the cuts. REP. COBB said he was concerned about the implication that the only cuts that could be made were those on the list and asked the department to respond. Mr. Blouke said it would be the department's intent to take every action possible before reducing services. If they did have to make service reductions, their intent would be to follow the list. He said the department was not asking the legislature to make the cuts for them. He was saying, "These are the cuts we will make, and we are seeking your concurrence that this is in fact a reasonable route to take. If it is not, then the department would like to know what alternatives the legislature would like." He emphasized that the three-person committee was not making the decision on the cuts. They were going to come to collective agreement as to growth rates. The ultimate decision on the cuts would be made by the department.

REP. WANZENRIED asked REP. COBB if the cuts outlined in EXHIBIT 7 hadn't been rejected by the subcommittee on a bipartisan vote for the most part. REP. COBB replied that the subcommittee had rejected them. REP. WANZENRIED wondered how the list was compiled and prioritized, whether there was a hearing process. REP. COBB'S recollection was that the order was left the same as the Governor's list. Mr. Blouke said the list was not in priority order when it was submitted to the subcommittee. The



prioritization process was an internal one within the department, using to a large degree, testimony presented during subcommittee hearings. They attempted to do the least damage to the least amount of people. They also considered how the cuts would impact the growth of the Medicaid program. It was based on the best professional judgment within the department.

REP. WANZENRIED asked if we weren't really having a hearing on two bills, i.e. the bill and the amendments to the bill, one of which was noticed and one of which was not. CHAIRMAN ZOOK said he felt that was a valid point. He was under the impression that EXHIBIT 7 would have become part of the bill if there had been time. REP. BERGSAGEL said it was his intention to offer the amendments on EXHIBIT 7 in executive action. CHAIRMAN ZOOK said if that was the case, the committee should probably take the bill on its own merits and act on it first.

REP. QUILICI stated his understanding that the committee was going to hear the bill, let the proponents and opponents speak, and then address the amendments in executive action. CHAIRMAN ZOOK said the only disadvantage to that was it didn't give the public an opportunity to address these issues. The situation was a bit awkward. He said the bill had a tremendous effect on the budget and needed to be out of committee to be able to be sent to the Senate soon. CHAIRMAN ZOOK suggested the committee, considering REP. BERGSAGEL'S intent, set the amendments aside and concentrate on the bill itself.

REP. WANZENRIED asked if the committee was going to have a hearing on the amendments. CHAIRMAN ZOOK said the committee would deal with the amendments in executive session. REP. WANZENRIED expressed his dissatisfaction with bypassing the Administrative Procedures Act. REP. COBB said there would be an amendment offered to put the Administrative Procedures Act back in.

CHAIRMAN ZOOK stated that the committee never had a hearing on amendments. REP. WANZENRIED reiterated his contention that there were two bills, one noticed and one not. He asked if the intent of HB 34 was to go beyond Medicaid programs to make the necessary cuts. REP. COBB said it was not. REP. WANZENRIED asked REP. COBB to respond to the allegation that this was unlawful delegation of legislative authority to the executive. The bill proposes to transfer authority to the executive. REP. COBB said the question came down to an existing statute that gave the department the right to make the cuts if the programs came over budget. The only delegation of authority that REP. COBB saw was in letting a committee decide when the cuts should take effect. He wasn't sure that was delegation. He felt an easier way to make the decision might be to just pick a date. For example, if we say on April 1 the growth rate for the first four months was 15%, then they can make that determination that it's already set. Under existing law right now the department has the right to raise and lower programs.

REP. WANZENRIED asked Mr. Blouke whether, if the legislature wasn't in session and the department was faced with this problem, the department would come up with a list. Mr. Blouke said that in the past, the department would simply come in for a supplemental. Under the current situation where the department is prohibited from seeking a supplemental, it would go through some sort of procedure to establish priorities. It would involve the Legislative Fiscal Analyst's office and OBPP. REP. WANZENRIED asked if the department would involve the public in any way, and Mr. Blouke said it would. REP. WANZENRIED pointed out that this legislation would not allow public input. Mr. Blouke stated he felt the public has had considerable opportunity to comment. He had heard substantial testimony regarding the reductions.

REP. KADAS stated that last night the committee began to take up the prioritization list. REP. KASTEN suggested that the committee take it up today on this bill. On that basis, that the public be allowed to participate, he supported REP. KASTEN. CHAIRMAN ZOOK agreed. He felt there had been criticism that the public was being shut out of the process. REP. KADAS said he agreed with doing it that way because people would have the night to think about things. He did not want to restrict discussion on the amendments. CHAIRMAN ZOOK said that people could refer to the list in the amendment, but legally the committee was only discussing the bill.

REP. BERGSAGEL suggested that it might be prudent, although perhaps not parliamentarily correct, to open testimony on the amendments. CHAIRMAN ZOOK said he would be glad to do that without objection from the committee members. REP. WANZENRIED said his point is not that the amendments have not been discussed, but that they were not noticed, not available to people when the bill was posted. CHAIRMAN ZOOK asked when amendments were ever noticed.

REP. QUILICI said usual procedure is to have the sponsor introduce the bill, then hear testimony from proponents and opponents. The sponsor then closes. The committee doesn't have full hearings on amendments because often the committee doesn't even know what the amendments are in advance. Amendments are done in executive session. If a member of the committee wants to ask a question of a member of the audience they have a right to do that.

CHAIRMAN ZOOK stated in addition that verbal amendments were allowed in this committee. REP. QUILICI said he didn't like how this bill was turning out and would probably work to kill it, but he wanted to work according to the rules.

REP. PECK expressed his agreement with REP. QUILICI.

REP. KASTEN wanted a ruling on the issue, but CHAIRMAN ZOOK said he didn't feel that was necessary.

REP. BARDANOUVE didn't think a ruling was necessary.

CHAIRMAN ZOOK opened the hearing again to proponents and opponents. No one came forward.

Questions from Committee Members and Responses: None

Closing by Sponsor: REP. COBB closed.

HEARING ON HOUSE BILL 33

REP. JOHN COBB, House District 42, Augusta, opened with an explanation of EXHIBITS 9 and 10.

Proponents' Testimony:

Peter Blouke, Director, Department of Social and Rehabilitation Services, testified that he felt this bill was consistent with what was coming down from the federal government. He felt the bill would provide significant savings, better access for clients, and better quality care. He strongly supported the bill.

Kathy McGowan, Montana Council of Mental Health Centers, stated that mental health centers were very interested in participating in planning for a managed care system for the mentally ill. She attended a conference in Washington, D.C. six weeks ago on this issue to see what was being done in other states. States at the conference felt you should be very careful in promising to save a lot of money, but they felt you could definitely slow the rate of increase.

Clyde Dailey, Insurance Commissioner's Office, said that his department regulated HMOs, and they would anticipate some modest fiscal impact because of this legislation, perhaps an extra FTE.

Donna Hale, private mental health practitioner, said she was representing 500 mental health practitioners in the state. She said those practitioners provide 70% of the out-patient mental health services. She stated that private providers do not oppose managed care. They did, however, have some concerns. They felt flexibility was important due to the varying needs of their clients. They felt under managed care, it was common for clients to have no choice in who they see, even though the relationship between therapist and client is primary. They were concerned with the initial time required to implement managed care. They were concerned about a lack of competition and free enterprise. They were concerned about money -- the cost of administrative overhead. Ms. Hale told the committee that the private providers would like to work with SRS to develop a credible, effective managed care system, but they felt more time was needed. She asked the committee to wait until the 1995 regular session.

John Shontz, National Association of Social Workers, Montana

Chapter, stated that there was an amendment in HB 2 that establishes an advisory council to participate in planning. He thought it would be appropriate for that language to be included in this bill. He stated that this is a radical change in how services are delivered. He thought it was going to become a partisan change with what was happening on the national level. Mr. Shontz said Montana was unique in the country in terms of states where private industry was providing a lot of care to people. There are 500 practitioners providing services to 5,400 Medicaid eligible consumers. There had been a suggestion that they form pools and bid on services. That would be a violation of anti-trust law. Other concerns have to do with licensure and freedom of choice.

Mr. Shontz had one other concern having to do with the budget. He referred to Managed Resources Montana, a program where a number of state agencies got together, pooled resources, and are serving severely emotionally disturbed children in the community today rather than in in-patient psychiatric centers. He didn't think there was anyone in the community service base, including the social workers and mental health association, who did not work hard to get that bill passed, but some problems have arisen. He quoted from a letter to Bill Evans, a private provider in Helena, from Peter Surdock, administrator of that program -- "The reimbursement rate the department is paying Mental Health Services, Inc. under the Managed Resources Montana program according to the contract between us and the mental health services is as follows: out-patient individual care -- \$62.08 per hour." Mental Health Services, Inc. offered to pay the provider who actually delivered that care \$34.52 per hour.

Mr. Shontz pointed out that one program actually had \$27.56 per hour for administrative costs. If you are a private provider in Montana, you can only be reimbursed for 22 hours of therapy for someone who is seriously mentally ill. If you are a community mental health center, it is unlimited at this time. If you are a mental health center providing services, your average rate of reimbursement is \$75 per hour. If you are a private provider delivering the same types of services, you are reimbursed at the rate of \$36.86 per hour.

Mr. Shontz said these facts may or may not be applicable to the program under discussion, but it points out the need for the legislature to carefully develop the program.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. MENAHAN asked Ms. Hale how much less her rate was than the local mental center and she replied \$55 per hour.

REP. FISHER asked Mr. Blouke to respond to testimony about differences in payment rates. Mr. Blouke said mental health

centers are under the Department of Corrections, not SRS. He said that part of the confusion is that the reimbursement rate to the mental health centers is a flat rate for all services they provide, i.e. counseling, day treatment, etc. -- a cost-based system as opposed to a fee for services which is what we have for the private practitioners. The centers do provide a much broader spectrum of services than just therapy. One of the reasons the department is interested in going to a managed care system is that this sort of disparity would be eliminated. Everybody would be receiving the same reimbursement.

REP. BARDANOUVE gave a short recap of a story he had read dealing with two associations of pharmacies who had filed suit on behalf of drug stores across America against drug manufacturing companies because they had found they were being tremendously overcharged. A chart of common drugs and prices was included in the story. One common drug that REP. BARDANOUVE'S wife buys for costs \$49 for a month's supply. The national average of what the pharmacies have to pay for this drug was about \$39. The hospitals and HMOs were paying \$8 for the same drug.

REP. PECK asked Ms. Hale about the hourly cost differences. Ms. Hale said her hourly rate was approximately \$35, which is the rate set for MSWs. REP. PECK said some of the mental health centers have psychiatrists, at least part-time. Some have PhDs, also, so their costs would tend to be higher on that basis. Ms. Hale said the rate for a clinical psychologist is approximately \$46 per hour. REP. PECK said that a psychiatrist would be in the range of \$100 per hour. REP. PECK asked how much Ms. Hale would have to charge off in bad debts. Ms. Hale said she used a collection agency perhaps twice a year. REP. PECK felt that was unusual. He said a hospital administrator in his area said the hospital charges off about 30% per year in bad debts.

REP. DEBRUYCKER asked Ms. Hale why she testified as a proponent if she wanted the committee to take its time and not pass the bill. Ms. Hale said she was trying to say that she supported the concept of managed care and would like to see it implemented for Medicaid patients. She wanted more time to have input in how it was implemented.

Closing by Sponsor: REP. COBB closed.

The committee recessed from 4:30 p.m. to 5:30 p.m.

Mr. Schenck briefly explained EXHIBIT 11, HB 2 status.

#### EXECUTIVE ACTION ON HOUSE BILL 33

Motion/Vote: REP. COBB MOVED TO AMEND HB 33 TO INCLUDE HB 2 LANGUAGE PROVIDING FOR AN ADVISORY COUNCIL. Motion carried unanimously.

**Motion/Vote:** REP. BERGSAGEL MOVED HB 33 DO PASS AS AMENDED.  
Motion carried unanimously.

REP. COBB agreed to meet with Mr. Schenck to draft the amendment language.

**Motion:** REP. ROYAL JOHNSON MOVED HB 48 DO PASS.

**Motion:** REP. KADAS MOVED AMENDMENT hb004801.agp, EXHIBIT 12.

**Discussion:** REP. KADAS stated that this amendment does two things: limits the amount of borrowable coal tax dollars at any one time to \$20 million and requires that a contract be entered into between the State Treasurer and the Board of Investments. His intention is to insure that the money gets paid back into the trust fund and to limit the amount of coal tax trust dollars that are open to being diverted. If the legislature does pass this bill by a 3/4 majority, there will be \$20 million that can be nipped off by the legislature and used for other purposes. REP. KADAS said if that happened, he would never support anything like this again. He felt that the trust ultimately had a higher purpose than things like this.

REP. ROYAL JOHNSON said he didn't feel the bill would be successful if it didn't come out of committee with strong support. He felt the amendment limited what DOA would truly like in the way of cash management. He felt this amendment set up for long-term borrowings the same kind of contract that exists currently on short-term borrowings for TRANS. He supported the amendment even though he wished it were a higher dollar amount.

REP. BERGSAGEL said there was some testimony on the bill regarding the ability to issue TRANS if we limited the amount that could be borrowed. He asked REP. ROYAL JOHNSON if the bill limited the state's ability to issue TRANS. REP. JOHNSON said as far as he knew, it did not. He had spoken to DOA and OBPP and no one felt there was any effect on TRANS.

REP. PECK said he didn't have any trouble sending the bill out of committee, but he wasn't sure how he was going to vote on the floor. He did want the whole legislature to consider the bill, so would support it on that basis.

CHAIRMAN ZOOK said he thought a big part of the state's cash management problem has been because of the school equalization account. In banking, they have the "prudent man" rule, and he felt this would qualify.

REP. KADAS said those who had hesitations to do this, hesitated because this action would make a portion of the trust vulnerable to other uses by majority vote. He added that the state made a major change in the way it did TRANS two or three years ago. That change is that the state started encouraging BOI to back TRANS. That is not something that has been done long term.

HOUSE APPROPRIATIONS COMMITTEE

December 2, 1993

Page 39 of 40

Vote: AMENDMENT hb004801.agp, EXHIBIT 12. Motion carried  
unanimously.

Vote: HB 48 DO PASS AS AMENDED. Motion carried 16-2 with REPS.  
BARDANOUE and WANZENRIED voting no.

ADJOURNMENT

Adjournment: 5:50 p.m.



REP. TOM ZOOK, Chairman



Cathy Kelley, Secretary

TZ/cek



HOUSE OF REPRESENTATIVES  
APPROPRIATIONS COMMITTEE

ROLL CALL

DATE 12/02/93

NAME	PRESENT	ABSENT	EXCUSED
REP. ED GRADY, VICE CHAIRMAN	X		
REP. FRANCIS BARDANOUVE	X		
REP. ERNEST BERGSAGEL	X		
REP. JOHN COBB	X		
REP. ROGER DE BRUYCKER	X		
REP. MARJORIE FISHER	X		
REP. JOHN JOHNSON	X		
REP. ROYAL JOHNSON	X		
REP. MIKE KADAS	X		
REP. BETTY LOU KASTEN	X		
REP. WM. "RED" MENAHAN	X		
REP. LINDA NELSON	X		
REP. RAY PECK	X		
REP. MARY LOU PETERSON	X		
REP. JOE QUILICI	X		
REP. DAVE WANZENRIED	X		
REP. BILL WISEMAN	X		
REP. TOM ZOOK, CHAIRMAN	X		

HR:1993

wp.rollcall.man

CS-09



## HOUSE STANDING COMMITTEE REPORT

December 2, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that **House Bill 2** (first reading copy -- white) do pass as amended.

Signed:

A large, stylized handwritten signature in black ink, which appears to read "Tom Zook", is written over a horizontal line.

*Tom Zook, Chair*

And, that such amendments read:

Amended as per attached bill.

-END-

Committee Vote:  
Yes 17, No 1.

41109SC.Hcr



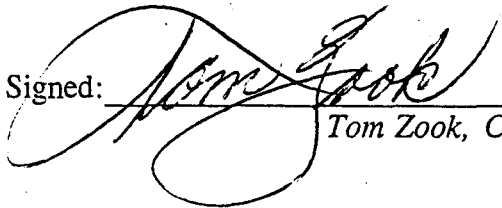
## HOUSE STANDING COMMITTEE REPORT

December 3, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that House Bill 33 (first reading copy -- white) do pass as amended.

Signed:

  
Tom Zook, Chair

And, that such amendments read:

1. Title, line 8.

Following: "SYSTEM;"

Insert: "CREATING AN ADVISORY GROUP;"

2. Title, line 10..

Following: "DATE"

Insert: "AND A TERMINATION DATE FOR THE ADVISORY GROUP"

3. Page 2, following line 21.

Insert: "NEW SECTION. Section 3. Advisory group. The department of social and rehabilitation services shall develop the mental health managed care plan in consultation with an advisory group. The advisory group shall consist of representatives from mental health services clients and their family members, community mental health centers, private mental health services providers, the department of social and rehabilitation services, the department of corrections and human services, the state hospital, Montana hospitals, and other appropriate groups.

Renumber: subsequent sections.

4. Page 2, following line 25.

Insert: " NEW SECTION. Section 6. Termination. [Section 3] terminates June 30, 1995."

-END-

Committee Vote:  
Yes 18, No 0.

051059SC.Hcr



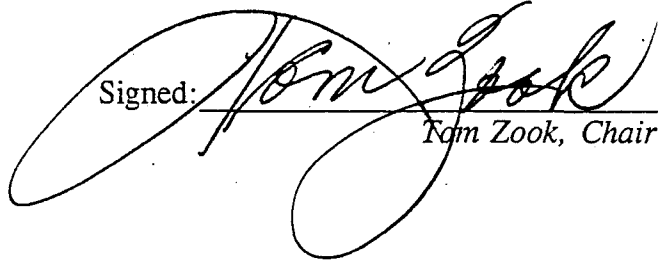
## HOUSE STANDING COMMITTEE REPORT

December 3, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that House Bill 48 (first reading copy -- white) do pass as amended.

Signed:

  
Tom Zook, Chair

And, that such amendments read:

1. Title, line 6.

Strike: "MONEY"

Insert: "UP TO \$20 MILLION"

2. Title, line 12.

Following: ";

Insert: "REQUIRING THE BOARD OF INVESTMENTS TO ENTER INTO AN  
IRREVOCABLE CONTRACT WITH THE STATE TREASURER FOR REPAYMENT  
PRIOR TO MAKING A LOAN;"

3. Page 2, line 11.

Following: "."

Insert: "The state treasurer may not borrow more than \$20 million  
from the coal severance tax trust fund. Prior to borrowing  
money from the coal severance tax trust fund, the state  
treasurer shall enter into an irrevocable contract with the  
board of investments for the repayment of the loan. The  
state treasurer may not borrow coal severance tax trust  
funds until the contract required by this subsection has  
been entered into."

-END-

Committee Vote:

Yes 6, No 2.

  
12-3-93  
8:10 A.M.  
050748SC.Hcr

# HOUSE OF REPRESENTATIVES

## APPROPRIATIONS COMMITTEE ROLL CALL VOTE

DATE 12/02/93 BILL NO. HB 2 NUMBER 1  
MOTION: REP. KASTEN MOVED TO STRIKE LANGUAGE THAT WOULD MAKE  
FUNDS APPROPRIATED FOR THE RURAL PHYSICIANS RESIDENCY PROGRAM A  
LOAN.

NAME	AYE	NO
REP. ED GRADY, VICE CHAIRMAN	X	
REP. FRANCIS BARDANOUVE		X
REP. ERNEST BERGSAGEL		X
REP. JOHN COBB	X	
REP. ROGER DE BRUYCKER	X	
REP. MARJORIE FISHER	X	
REP. JOHN JOHNSON	X	
REP. ROYAL JOHNSON	X	
REP. MIKE KADAS		X
REP. BETTY LOU KASTEN	X	
REP. WM. "RED" MENAHAN	X	
REP. LINDA NELSON	X	
REP. RAY PECK		X
REP. MARY LOU PETERSON	X	
REP. JOE QUILICI		X
REP. DAVE WANZENRIED		X
REP. BILL WISEMAN	X	
REP. TOM ZOOK, CHAIRMAN	X	

HR:1993  
wp:rlclvote.man  
CS-11

HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE  
ROLL CALL VOTE

DATE 12/02/93

BILL NO. HB 2

NUMBER 2

MOTION: REP. KADAS MOVED TO ELIMINATE THE SECOND HALF OF THE BIENNIAL APPROPRIATION FOR THE GIFTED AND TALENTED AND VOCATIONAL EDUCATIONAL PROGRAMS.

NAME	AYE	NO
REP. ED GRADY, VICE CHAIRMAN		X
REP. FRANCIS BARDANOUVE	X	
REP. ERNEST BERGSAGEL	X	
REP. JOHN COBB		
REP. ROGER DE BRUYCKER		X
REP. MARJORIE FISHER		X
REP. JOHN JOHNSON		X
REP. ROYAL JOHNSON		X
REP. MIKE KADAS	X	
REP. BETTY LOU KASTEN	X	
REP. WM. "RED" MENAHAN	X	
REP. LINDA NELSON		
REP. RAY PECK	X	
REP. MARY LOU PETERSON		X
REP. JOE QUILICI	X	
REP. DAVE WANZENRIED	X	
REP. BILL WISEMAN		X
REP. TOM ZOOK, CHAIRMAN		X

HR:1993

wp:rlclvote.man

CS-11

HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE  
ROLL CALL VOTE

DATE 12/02/93

BILL NO. HB 2

NUMBER 3

MOTION: REP. BERGSAGEL MOVED TO REMOVE \$2.6 MILLION OF GENERAL FUND, AMENDMENT hb2oa-1r, EXHIBIT 4.

NAME	AYE	NO
REP. ED GRADY, VICE CHAIRMAN	X	
REP. FRANCIS BARDANOUVE		X
REP. ERNEST BERGSAGEL	X	
REP. JOHN COBB	X	
REP. ROGER DE BRUYCKER	X	
REP. MARJORIE FISHER	X	
REP. JOHN JOHNSON		X
REP. ROYAL JOHNSON		X
REP. MIKE KADAS		X
REP. BETTY LOU KASTEN	X	
REP. WM. "RED" MENAHAN		X
REP. LINDA NELSON		X
REP. RAY PECK	X	
REP. MARY LOU PETERSON	X	
REP. JOE QUILICI		X
REP. DAVE WANZENRIED		X
REP. BILL WISEMAN	X	
REP. TOM ZOOK, CHAIRMAN	X	

HR:1993

wp:rlclvote.man

CS-11

HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE  
ROLL CALL VOTE

DATE 12/02/93

BILL NO. HB 2

NUMBER 4

MOTION: WANZENRIED MOVED AMENDMENT hb000201.a12, EXHIBIT 5, AS  
CORRECTED.

NAME	AYE	NO
REP. ED GRADY, VICE CHAIRMAN		X
REP. FRANCIS BARDANOUVE	X	
REP. ERNEST BERGSAGEL		X
REP. JOHN COBB	X	
REP. ROGER DE BRUYCKER		X
REP. MARJORIE FISHER	X	
REP. JOHN JOHNSON	X	
REP. ROYAL JOHNSON	X	
REP. MIKE KADAS		X
REP. BETTY LOU KASTEN		X
REP. WM. "RED" MENAHAN		X
REP. LINDA NELSON		X
REP. RAY PECK	X	
REP. MARY LOU PETERSON		X
REP. JOE QUILICI		X
REP. DAVE WANZENRIED	X	
REP. BILL WISEMAN	X	
REP. TOM ZOOK, CHAIRMAN		X

HR:1993

wp:rlclvote.man

CS-11



HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE  
ROLL CALL VOTE

DATE 12/02/93

BILL NO. HB 2

NUMBER 5

MOTION: REP. FISHER MOVED TO GIVE AUTHORITY TO THE DEPARTMENT TO  
RELEASE FUNDS FROZEN IN HB 2, C6, LINES 10-12.

NAME	AYE	NO
REP. ED GRADY, VICE CHAIRMAN	X	
REP. FRANCIS BARDANOUVE	X	
REP. ERNEST BERGSAGEL		X
REP. JOHN COBB		X
REP. ROGER DE BRUYCKER	X	
REP. MARJORIE FISHER	X	
REP. JOHN JOHNSON	X	
REP. ROYAL JOHNSON	X	
REP. MIKE KADAS		X
REP. BETTY LOU KASTEN		X
REP. WM. "RED" MENAHAN	X	
REP. LINDA NELSON		X
REP. RAY PECK		X
REP. MARY LOU PETERSON	X	
REP. JOE QUILICI	X	
REP. DAVE WANZENRIED	X	
REP. BILL WISEMAN	X	
REP. TOM ZOOK, CHAIRMAN	X	

HR:1993

wp:rlclvote.man

CS-11

EXHIBIT 1  
DATE 12/2/93  
HB 2

Amendments to House Bill No. 2  
"Gray Bill" Copy

Requested by Representative Peterson  
For the Committee on House Appropriations

Prepared by Jon Moe  
November 26, 1993

1. Page A-28, line 22.

Strike: "\$3.47 a square foot in fiscal 1994 and \$3.57"

Insert: "\$3.42 a square foot in fiscal 1994 and \$3.48"

The legislature approved the General Services Division capitol complex rental rate reduction. Consequently, the rent budgets of various state agencies have been reduced accordingly. This amendment reduces the maximum rental rates for fiscal 1994 and fiscal 1995, shown in language which references the General Services Division operating budget appropriation, to correspond with the rate reduction approved by the legislature.

{ Office of Legislative Fiscal Analyst

444-2986}

*pmo*

EXHIBIT 2  
 DATE 12/2/93  
 HB 2 (B)

MONTANA FAMILY PRACTICE RESIDENCY PROFORMA

PAGE 1

7-1-93 7-1-94 7-1-95 7-1-96 7-1-97  
 6-30-94 6-30-95 6-30-96 6-30-97 6-30-98

REVENUES

STATE OF MONTANA	<del>110,000</del> \$130,000	<del>110,000</del> \$130,000	\$0	\$0	\$0
DEERING CLINIC CONTRACT	\$12,500	\$156,250	\$250,000	\$437,500	\$687,500
ST VINCENT					
GME PASSTHROUGH					
DME	\$0	\$0	\$110,187	\$155,893	\$193,638
IME	\$0	\$0	\$157,313	\$261,627	\$365,499
CONTRIBUTION	\$9,286	\$64,278	\$57,049	(\$48,671)	(\$202,691)

DEAC

GME PASSTHROUGH					
DME	\$0	\$0	\$101,871	\$144,128	\$179,024
IME	\$0	\$0	\$196,425	\$326,600	\$456,164
CONTRIBUTION	\$10,549	\$73,021	\$64,809	(\$55,291)	(\$230,259)

YELLOWSTONE TRACK

GME PASSTHROUGH					
DME	\$0	\$0	\$0	\$41,433	\$71,959
IME	\$0	\$0	\$0	\$34,937	\$69,461
CONTRIBUTION	\$2,349	\$16,258	\$14,429	(\$12,310)	(\$51,265)

MISSOURI TRACK

GME PASSTHROUGH	\$0				
DME	\$0			\$37,230	\$64,659
IME	\$0	\$0	\$0	\$28,528	\$56,712
CONTRIBUTION	\$2,016	\$13,953	\$12,384	(\$10,565)	(\$43,998)

GRANTS	\$143,000	\$70,000	\$0		
--------	-----------	----------	-----	--	--

TOTAL INCOME

\$309,700	\$523,760	\$964,466	\$1,341,038	\$1,616,403
-----------	-----------	-----------	-------------	-------------

## MONTANA FAMILY PRACTICE RESIDENCY PROFORMA

PAGE 2

7-1-93	7-1-94	7-1-95	7-1-96	7-1-97
6-30-94	6-30-95	6-30-96	6-30-97	6-30-98

**EXPENSES**

PROGRAM DIRECTOR	\$125,000	\$128,750	\$136,475	\$140,569	\$144,786
ASSOCIATE DIRECTOR	\$28,000	\$113,300	\$116,699	\$120,200	\$123,805
FACULTY #1		\$103,000	\$106,090	\$109,272	\$112,550
FACULTY #2			\$103,000	\$106,090	\$109,272
FACULTY #3				\$103,000	\$106,090
R-1S			\$165,000	\$169,950	\$175,048
R-2S				\$179,220	\$184,596
R-3S					\$197,327
5 ACCOUNTANTS			\$15,000	\$15,450	\$15,914
EXE. SECRETARY	\$11,000	\$11,000	\$22,000	\$22,660	\$23,340
PHYSICIAN ASSISTANT			\$50,000	\$51,500	\$53,045
BENIFITS	\$32,800	\$71,210	\$142,853	\$203,582	\$249,155
<b>TOTAL BENIFITS AND SALARIES</b>	<b>\$196,800</b>	<b>\$427,260</b>	<b>\$857,117</b>	<b>\$1,221,493</b>	<b>\$1,494,928</b>
TRAVEL	\$16,000	\$20,000	\$24,875	\$36,270	\$40,000
MALPRACTICE	\$12,500	\$17,000	\$0	\$0	\$0
RENT	\$50,000	\$25,000	\$25,000	\$25,000	\$25,000
OFFICE SUPPLIES	\$2,000	\$2,000	\$8,000	\$8,000	\$8,000
INSTRUCTIONAL	\$0	\$0	\$2,100	\$2,300	\$2,500
AFFILIATION COSTS	\$4,500	\$4,500	\$6,000	\$6,000	\$6,000
ACCREDITATION		\$5,000			\$5,000
COMMUNICATION	\$2,400	\$3,000	\$3,900	\$4,500	\$5,000
EQUIP COSTS OVER 8 YEARS			\$23,775	\$23,775	\$23,775
OTHER	\$25,500	\$20,000	\$13,700	\$13,700	\$6,200
<b>ADDITIONAL COSTS</b>	<b>\$112,900</b>	<b>\$96,500</b>	<b>\$107,350</b>	<b>\$119,545</b>	<b>\$121,475</b>
TOTAL INCOME	\$309,700	\$523,760	\$964,466	\$1,341,038	\$1,616,403
<b>TOTAL EXPENSES</b>	<b>\$309,700</b>	<b>\$523,760</b>	<b>\$964,467</b>	<b>\$1,341,038</b>	<b>\$1,616,403</b>

<b>NET REVENUE (DEFICIT)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
------------------------------	------------	------------	------------	------------	------------

HOSPITAL CONTRIBUTION COMPUTATION

	DME	IME	SUBTOTAL	FRACTION OF TOTAL
ST V	\$193,638	\$365,499	\$559,138	0.383729
DEAC	\$179,024	\$456,164	\$635,187	0.435921
SID	\$71,959	\$69,461	\$141,420	0.097054
GLAS	\$64,659	\$56,712	\$121,371	0.083295
TOTAL			\$1,457,116	1

	7-1-93	7-1-94	7-1-95	7-1-96	7-1-97
	6-30-94	6-30-95	6-30-96	6-30-97	6-30-98
NET REVENUE (DEFICIT)	(\$24,200)	(\$167,510)	(\$148,671)	\$126,838	\$528,213

CONTRIBUTION FROM

OR PASS THROUGH RETAINED

ST.V	\$9,286	\$64,278	\$57,049	(\$48,671)	(\$202,691)
DEAC	\$10,549	\$73,021	\$64,809	(\$55,291)	(\$230,259)
SID	\$2,349	\$16,258	\$14,429	(\$12,310)	(\$51,265)
GLAS	\$2,016	\$13,953	\$12,384	(\$10,565)	(\$43,998)

EXHIBIT 3  
DATE 12/2/93  
HB 2

AMENDMENT

House Bill No. 002, Grey Copy

Page E-14, Line 12 .  
Strike: "68,255"  
Insert: "44,000"

This amendment does not have any general fund impact. It only lowers the FY94 amount that the University of Montana must transfer to the energy conservation program account to be used to retire the general obligation bonds sold to fund energy improvements through the state building energy conservation program. It was intended that this amount would be available in the University of Montana's operating budget as a result of energy savings from the improvements. The project at the University of Montana was delayed and the new amount reflects the adjusted anticipated savings.

This amendment is supported by both DNRC and OBPP.

PAR

EXHIBIT 4  
DATE 12/2/93  
HB 2

AMENDMENTS TO HOUSE BILL 2  
Grey Copy  
Rep. Ernest Bergsagel  
For the House Appropriation Committee

Prepared by the Office of Budget and Program Planning  
November 30, 1993

1. Title, page BP-1  
Following: "CHAPTER 624, LAWS OF 1993"  
Insert: "SECTION 22, CHAPTER 624, LAWS OF 1993,"
2. Page OA-6, following line 13.  
Insert: "Section 3. Section 22, Chapter 624, Laws of 1993,  
is amended to read:  
  
"Section 22. **Transfer of Funds.** There is appropriated  
~~\$2,600,000~~ 0 from the general fund to the capital  
projects fund during the 1995 biennium."

This amendment deletes the general fund appropriated for long-range building projects in HB5 and saves \$2.6 million.

t:\pc04\novss\hb2oa-lr

*pass*

Amendments to House Bill No. 2  
Gray Bill

Requested by Representative Wanzenried  
For the Committee on Appropriations

Prepared by Jim Haubein  
December 2, 1993

*fail* 8-10

1. Title, line 7.  
Following: second "1993,"  
Strike: "AND"

2. Title, line 7.  
Following: last "1993"  
Insert: ", AND SECTION 12, CHAPTER 774, LAWS OF 1991"

3. Page OA-6, following line 13.  
Insert: "**Section 3.** Section 12, Chapter 774, Laws of 1991,  
is amended to read:

"Section 12. **Appropriation of bond proceeds and other funds.**

(1) The following money is appropriated from the bond proceeds and other funding sources to the department of administration for the capital projects described in this section contingent upon the respective authorization and sale of general obligation long-range building program bonds by the 52nd legislature and the board of examiners:

Agency/Project	LRBPF	Other Funding Sources
<del>Major Expansion, Montana State Prison</del>		<del>\$10,360,745</del>
Miscellaneous Prison Projects		<u>\$ 6,705,000</u>
Construct Engineering/Physical Sciences Complex, Montana State University		18,401,510
Construct Business Administration Building, University of Montana		13,022,975
Construct Women's Correction Center		10,075,600
Construct Libby Armory		400,000

(2) If the bonding program in [section 13] fails to receive the necessary two-thirds vote of both houses of the legislature, the \$400,000 for the Libby armory is appropriated from the LRBPF funds as stated in [section 6(5)(b)].

(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. The women's correctional center project construction is delayed until after July 1, 1994. The department of administration



and the board of examiners may issue the bonds for the women's correctional facility in fiscal year 1995. The board may authorize the construction or purchase of the women's correctional facility. Prior to purchase of a women's correctional facility, the department shall procure the services of a negotiator pursuant to Title 18, chapter 8, part 1, to negotiate a purchase price. The negotiations for a purchase price must be completed by September 30, 1994."

*January*

{Office of Legislative Fiscal Analyst

444-2986}

TESTIMONY ON HB 48  
DEPARTMENT OF ADMINISTRATION  
Prepared December 2, 1993

The Montana Cash Management Act (HB 48) extends the Department of Administration's authority to borrow from internal state funds, for purposes of general fund cash management. We anticipate using this authority in two ways which are currently unavailable to us:

1. **Section 17-2-105:** Short-term general fund borrowing from coal severance tax trust fund for general fund cash management purposes
  - a. Funds available for internal borrowing have declined from \$63.5 million at FYE93 to an estimated \$12.1 million at FYE94
  - b. Benefits
    - enables state to operate in fiscally sound manner
      - \*Constitutionally mandated balanced budget
      - \*short-term loans of 1 year or less
    - provides greater flexibility in managing general fund cash
      - \*gives department choice as to internal or external borrowing
      - \*reduces need for and/or amount of external borrowing (TRANS)
      - \*allows department to maximize arbitrage earnings
    - eliminates need for warrant purchase agreement with BOI while assuring state will continue to receive highest bond ratings for TRANS issues
  - c. Interest payments
    - STIP rates (3.47% in FY94; 4.20% in FY95)
    - Statutorily appropriated
    - Paid when loans repaid
    - Investment earnings on trust fund 85% to general fund, 15% to SEA in FY94 and 100% general fund on July 1, 1994 (FY95)
2. **Section 17-2-107:** Long-term borrowing from general fund, other treasury funds and the coal severance tax trust fund by agencies for programs which receive federal, private and other governmental revenue on a reimbursement basis
  - a. Legislative History
    - SRS
    - 1991 Legislature expanded to long-term loans (advances)

- b. Cash Management Improvement Act (CMIA)
    - cash in bank, negative cash in SBAS
    - no warrants issued until positive
    - seven day statutory limitation
    - increased the need for ongoing loans from \$5 million to current balance of approximately \$18 million
  - c. Generally Accepted Accounting Principles
    - require reservation of fund balance for long-term receivables
    - reduces unreserved general fund balance
    - FYE 93 adjustment of \$4.9 million
  - d. Benefits/Changes
    - administrative changes reduce long-term receivables and corresponding fund balance reservation by approximately \$10 million
      - \*negative indicator
      - \*amending cash management agreement with feds
    - with admin changes, increases fund balance available to balance the budget by approximately \$18 million for biennium
  - e. Interest Payments
    - general fund statutorily appropriated to pay interest on loans from coal tax trust fund
    - interest paid annually at STIP rates
    - no interest incurred until FY95 when 100% of interest earnings are returned to general fund
  - f. Administrative Changes
    - negative indicator
    - amending cash management agreement with feds
3. Summary

December 2, 1993  
2:30 a.m.

Amendment to House Bill 34  
(Re: Medicaid Expenditures)  
Introduced Copy

EXHIBIT 7  
DATE 12/2/93  
HB 34

1. Page 2, line 25.

Following: "in"

Insert: "subsection (through)"

Strike the remainder of line 25 through Page 3, line 3.

2. Page 3, line 7.

Following: "services."

Insert: "reductions shall be implemented in the following order:

(a) limit podiatry so that orthotics are limited to once every two years and routine foot care to once every 60 days;

(b) limiting physical therapy, occupational therapy, and speech therapy to 35 hours of service per year;

(c) eliminate hearing aids;

(d) eliminate audiology services;

(e) eliminate eye glasses;

(f) eliminate optical services;

(g) impose a 35 hour per week per recipient limit on personal care services;

(h) impose a 22 hour per year limit on services provided by social workers, psychologists and licensed professional counselors and community mental health clinic services;

(i) impose a 780 hour per year limit on day treatment services provided by mental health centers;

(j) reduce outpatient hospital reimbursement in the manner presented by the department to the house appropriations committee during the November 1993 special session of the Montana legislature;

(k) reduce nursing home property reimbursement in the manner presented by the department to the house appropriations committee during the November 1993 special session of the Montana legislature;

(l) implement a special income limit for medicaid recipients in nursing homes or intermediate care facilities for the mentally retarded or those receiving services under the home and community based waiver program in the amount of 300% of the federal supplemental security income benefit rate payable under 42 U.S.C. (1382) (b) (1)."

(m) additional reductions, within the discretion of the department as provided in 53-6-101.

-End-

December 1, 1993

Amendment to House Bill 34  
(Re: Medicaid Expenditures)  
Introduced Copy

1. Page 1, line 23.  
Following: "1994"  
Insert: "and 1995"
2. Page 2, line 4.  
Following: "fiscal"  
Strike: "year"  
Insert: "years"
3. Page 2, lines 5 and 6.  
Following: "1994."  
Insert: "and 1995."  
Strike: "The estimate must be based upon data of medicaid expenditures available through January 31, 1994."
4. Page 2, line 8.  
Following: "1994."  
Insert: "The estimate must be based upon data of medicaid expenditures available through January 31, 1994. The committee shall meet again during the month of July, 1994 to establish an estimate of medicaid expenditures based upon data of medicaid expenditures available through June 30, 1994. The second committee report shall be completed no later than July 31, 1994."
5. Page 2, line 9.  
Following: "the"  
Strike: "estimate is"  
Insert: "estimates are"  
Following: "completed,"  
Strike: "it"  
Insert: "they"
6. Page 2, line 16.  
Following: "fiscal"  
Strike: "year"  
Insert: "years"  
Following: "1994"  
Insert: "or 1995"
7. Page 3, line 4.  
Following: "medicaid"  
Strike: "primary care"
8. Page 15, line 21.  
Strike: "terminate"  
Strike: "June 30,"  
Insert: "December 31"

## EXPANSION OF MEDICAID MANAGED CARE

Managed care is defined as the management of health services through an organized health care delivery system. There are a variety of approaches to managed care; all of which focus on how health care is delivered rather than merely on what each service costs. Approaches include Health Maintenance Organizations (HMOs) and Primary Care Case Management (PCCMs) models.

Current System - Montana Medicaid implemented the Passport to Health Program in January '93. This program is based on the Primary Care Case Management (PCCM) model of managed care. Under Passport, primary care providers (physicians and mid level practitioners) provide primary and preventive care and authorize most physician and hospital services for Medicaid clients enrolled with them.

Almost 300 Passport providers are enrolled in 15 counties around the state. As of November 1, 1993, approximately 25,000 clients are enrolled in the Program. Currently SRS eligibility specialists inform clients applying for Medicaid about the Passport program. Client enrollment in Medicaid is processed by one FTE in Helena. A pamphlet is given to clients and providers explaining the program. A toll-free telephone number is also available for clients and providers to ask questions about the program. Because of staff constraints, minimal efforts have been made to educate clients about the program and recruit additional Passport providers. Reimbursement to providers is based on fee for service plus a \$3 per month incentive fee for each enrolled client.

Proposed Expansion - Montana Medicaid is proposing to expand the options under managed care in two ways.

1. Enroll Health Maintenance Organizations (HMOs). HMOs control the organization, delivery and financing of care. They charge a fixed fee (or capitation amount), payable in advance to cover each person's care.
- Under the proposed expansion, Medicaid clients could choose a Passport provider or HMO to receive their health care. The HMO will be reimbursed monthly on a pre-determined capitated basis for each client enrolled. This capitation amount is actuarially based on historical usage of Medicaid recipients. The capitation rate is based on a level less than what Medicaid reimburses on a fee for service basis. For example if Medicaid had historically spent \$1,500 per year for an AFDC adult, the capitation rate could be set at \$1,425 per year or \$119 per month which is 95% of what would have been spent on a fee for service basis. The managed care provider would be at risk for expenditures exceeding the capitation rate. They would retain the savings if actual expenditures were less than the capitation rate. The capitation rate would cover all Medicaid benefits except long term care (which includes nursing homes, ICF-MRs and waiver services) mental health services for adults, and Medicare deductibles and co-insurance.

- SRS would initiate a competitive procurement process through which qualified vendors would be selected. (Currently, Blue Cross/Blue Shield is the only licensed HMO in Montana but that is expected to change as the industry prepares for national health care reform.) SRS would have to pursue a waiver from the federal government to implement this option. Depending on the regulations the federal government allows the state to waive, the HMO could offer expanded benefits and guaranteed periods of eligibility.
- 2. Mental Health Capitation. SRS would initiate a competitive procurement process to select qualified mental health providers to provide mental health services for adults. (Children would continue to be served under the fee for service system with case management being provided through the Managing Resources Montana program. They would be phased into a capitated system in 3 to 5 years.) Providers would be responsible for providing or arranging all inpatient and outpatient mental health care on a capitated basis. The providers would seek to ensure access to mental health care in the most clinically appropriate and cost-effective setting. Department of Corrections and Human Services is exploring the feasibility of providing non-Medicaid care under this model as well.

Mental health capitation is being pursued separately from the HMO and Passport models because most primary care providers do not have experience in providing the more intensive mental health services needed by adults with severe and disabling mental illnesses. This separation of functions has proven effective in other states.

#### GOALS AND OBJECTIVES

1. To improve access to and availability of preventive and primary care.
2. To improve quality, continuity and appropriateness of care.
3. To reduce rate of growth in Medicaid per capita from expenditures.
4. To increase the number of clients enrolled in managed care.
5. To provide clients and providers with a variety of health plan and provider choices.
6. To work with contracted providers to ensure they are providing quality of care.

Resources Required

To implement managed care expansion, the department will seek a contractor to perform the following functions:

- 1) develop a capitated rate for HMO and Mental Health providers;
- 2) develop a request for proposal for the managed care contractors;
- 3) develop the required federal waiver;
- 4) provide enrollment and outreach services to ensure clients make informed choices about managed care participation and select the most appropriate managed care provider from among those available.

The contract provider would conduct a health assessment with the client in person or by phone and provide client with information about HMOs and Passport providers in their area. Clients who do not choose an HMO or Passport provider within 30 days would be assigned one.

Implementation Date - July '95



Montana Medicaid Managed Care Options  
Projected Timeline

November 16, 1993

<u>Target Date</u>	<u>System Design</u>	<u>System Implementation</u>
November 24, 1993	Issue Request for Information	
December 22, 1993	RFI Response Deadline	
January 7, 1994	Determine parameters of actuarial/system design study.  (6 weeks)	
February 18, 1994	Issue RFP for actuarial/system design study.  (6 weeks)	
April 1, 1994	Proposal receipt deadline.  (2 weeks)	
April 15, 1994	Select contractor.  (12 weeks)	
July 8, 1994	Report due.	Determine preliminary parameters for managed care/capitated system.  (4 weeks)
August 5, 1994		Issue RFPs for system management.  (3 months)
November 7, 1994		Proposal receipt deadline.  (2 months)
January 6, 1994		Select system management contractors.  (6 months)
July 1, 1995		Managed care/capitated system implementation.

MONTANA MEDICAID MANAGED CARE OPTIONS  
ADMINISTRATIVE COSTS  
AND PROJECTED SAVINGS

Summary:

FY 94:

	Total	GF	FFP
1 FTE for HMO option(1/2 year)	\$ 19,277	9,638	9,638
Actuarial/consultant contract	<u>500,000</u>	<u>250,000</u>	<u>250,000</u>
TOTAL COSTS	519,277	259,638	259,638

FY95:

2 FTE for HMO option	68,106	34,053	34,053
1 FTE for mental health program	35,553	17,777	17,777
Actuarial consultant costs	50,000	25,000	25,000
MMIS revisions	<u>150,000</u>	<u>15,000</u>	<u>135,000</u>
TOTAL COSTS	303,659	91,830	211,830

FY96:

Projected savings from capitating mental health services net of any contract administrative cost	622,789	186,837	435,952
Actuarial consultant costs	50,000	25,000	25,000
Projected savings from managed care options (HMO) net of any contract administrative cost	<u>3,806,561</u>	<u>1,141,968</u>	<u>2,664,593</u>
TOTAL SAVINGS	<u>4,379,350</u>	1,303,805	3,075,545

FY97:

Projected savings from capitating mental health services net of any contract administrative cost	701,628	210,488	491,140
Actuarial consultant costs	(50,000)	(25,000)	(25,000)
projected savings from managed care options (HMO) net of any contract administrative cost	<u>4,347,093</u>	<u>1,304,128</u>	<u>3,042,965</u>
TOTAL SAVINGS	4,998,720	1,489,616	3,509,105

## PRE-PAID MANAGED MENTAL HEALTH CARE

The goal of the pre-paid managed mental health care system that Montana Medicaid is proposing is to improve the quality and cost-effectiveness of services purchased on behalf of Medicaid recipients. The emphasis of the program is to mold services to fit the needs of recipients, their families and their communities by emphasizing the goals, preferences, strengths and needs of these entities. This is in direct contrast with our present system where the recipient is expected to conform to existing programs, services, and funding sources.

### Advantages of Managed Mental Health Care Recipients

- Care is individualized and coordinated
- Benefits are not limited to traditionally covered services
- Limits and caps that exist under the present system are eliminated
- Quality of care is continually monitored
- Clients cannot be "dumped" because they are too expensive or difficult to serve
- Waiting lists for services are reduced or eliminated
- Access to care is expanded
- Emphasis is on community based care

### The State

- Costs are known up front for budgeting purposes
- The rate of growth in the Medicaid budget is slowed, saving future expenditures
- The incentive for overutilization of fee-for-service reimbursement is eliminated
- Cost shift between agencies will be eliminated because the Department of Corrections and Human Services will be a partner in this proposal

### Mental Health Care Providers

- Reimbursement is negotiated with the managed care entity not the state
- Fee schedules, limits, and caps that exist under the present system are not applicable
- Accountability is increased

### Myths about Managed Care

-Recipients won't have a choice of who they want to go to.  
Response: Recipients in most instances will be able to choose a provider from those participating in the plan. In many instances we hope that recipient choice will actually be improved. Currently recipient choice is limited severely because many providers either do not accept new Medicaid clients or limit the number of clients they will see because of our reimbursement rate.

-Recipients won't receive the treatment they need.  
Response: It is in the best interest of both the recipient and the managed care provider to make sure that timely and appropriate care

is received. Because the managed care provider retains financial responsibility for all aspects of the recipient's care, it behooves him to make sure that all needed care is provided. In addition, clients will have an appeal mechanism if they do not believe they are receiving the care they need. No such appeals mechanism exists under the current system.

-Care won't be received in a timely manner.

Response: The managed care provider will have a contractual obligation to provide care within a certain number of days as specified in their contract. Currently there is no obligation on the part of providers to provide care within a certain amount of time.

-Private providers will be excluded from this system.

Response: Private providers will be able to bid on this contract if they wish. Our intent is to have a competitive bid process where we will seek to obtain the best possible package of services at a reasonable cost. We will require that this contractor manage all aspects of mental health care but we do not yet know whether this will be at a state-wide or regional level. We will require the contractor to be at risk for all mental health services both to reduce fragmentation and to reduce the state's budgetary liability. Even if private providers do not receive the contract, however, we envision that they will continue to play a part in the delivery of mental health care. In other states with managed care mental health systems, provision of some services is done through subcontracts with private providers. It is doubtful that any prospective bidders on this contract have the capacity to provide all of the services that Medicaid clients will need.

-Managed care will be more expensive.

Response: Under a managed care system, mental health costs will be determined up front. The contractor, not the state, will be responsible for costs which exceed the negotiated amount. Fee schedules and limits are no longer applicable, so the contractor is free to negotiate with subcontractors to receive the best price for a service that they can obtain. (As an example, the contractor estimates that they need to buy 1000 hours of family therapy in Helena. An LPC group practice agrees to provide this for \$45/hour and the community mental health center wants \$50/hour. The contractor is free to subcontract with the most economical subcontractor, the LPC group, even though the \$45 may be more than what we currently pay.) Negotiations for services are based on a market economy and are between the contractor and the subcontractor.

In addition, because the Department of Correction and Human Services will be a partner in this proposal, cost shift between agencies will be minimized/eliminated. Emphasis will be on coordinating health care for all publicly funded clients.

DATE 12/2/93  
HB 2

# HOUSE BILL 2 STATUS

## General Fund As of December 2, 1993

	Subcommittee Action	House Appropriations Action	Total
House Bill 2	(\$12,426,672)	(\$13,923,707)	(\$26,350,379)
Contingent on Other Bills *	<u>(450,985)</u>	<u>(4,044,305)</u>	<u>(4,495,290)</u>
Total	(\$12,877,657)	(\$17,968,012)	(\$30,845,669)

\* Includes proposals adopted by the committee that require statute change and are contingent on passage of other bills. Contingency language has been entered in House Bill 2 but numbers in the bill have not been changed.

Note: Items in the "contingent" row should not be construed as reducing the general fund/SEA deficit for legislative tracking purposes. These proposals will not be "credited" for tracking purposes until the accompanying bill passes one committee of either house.

12/02/93

C:\DATA\LOTUS\SS1\_1993\HAC&SUBC.WK1

# Office of Legislative Fiscal Analyst

## General Fund Full Appropriation Action

Date & Time 12/02/93 02:11 PM

Agcy Code	Agency Description	House Bill 2		Other Approps.		Revenue		Total		House Bill 2		Other Approps.		Revenue		Total		Bicennium Total
		Change	Fiscal 1994	Change	Fiscal 1994	Change	Fiscal 1994	Change	Fiscal 1994	Change	Fiscal 1995	Change	Fiscal 1995	Change	Fiscal 1995	Change	Fiscal 1995	
1100	Legislative Agencies	(88,596)		(58,125)				(146,721)		(30,580)				100,000		(103,204)		(177,301)
2110	Judiciary	(115,812)						(115,812)		(4,572)						(4,572)		(120,384)
3101	Governors Office	(1,338)						(1,338)		(2,393)						(2,393)		(3,731)
3201	Secretary of States Office	(8,350)						(8,350)		(151)						(151)		(8,501)
3202	Commissioner of Political Prac	(52)						(52)		(94)						(94)		(146)
3401	State Auditors Office	(1,925)				50,000		(51,925)		(3,204)						(3,204)		(155,129)
4107	Crime Control Division	(3,191)						(3,191)		(3,344)						(3,344)		(6,535)
4108	Highway Traffic Safety																	
4110	Department of Justice	(134,793)						(134,793)		(30,835)						(30,835)		(165,628)
5401	Department of Transportation																	
5801	Department of Revenue	(20,658)				25,000		(20,658)		(22,049)				75,000		(22,049)		(42,707)
6101	Department of Administration	(11,007)						(36,007)		(15,513)						(90,513)		(126,520)
6103	State Comp. Mutual Ins. Fund																	
6104	Public Employees' Retirement																	
6105	Teachers' Retirement																	
6701	Department of Military Affairs	(38,977)						(38,977)		(63,437)						(63,437)		(102,414)
<b>Section A Totals</b>		<b>(424,699)</b>		<b>(58,125)</b>		<b>75,000</b>		<b>(557,824)</b>		<b>(176,172)</b>				<b>175,000</b>		<b>(351,172)</b>		<b>(908,996)</b>
5301	Department Health & Environ Sciences	(576)		(50,000)				(50,576)		(222,000)						(322,000)		(372,576)
6602	Labor & Industry	(187)						(187)		(259)						(259)		(446)
6901	Department Social & Rehab Services	(1,477,616)						(1,477,616)		(10,804,516)						(10,804,516)		(12,282,132)
6911	Department of Family Services	(4,381)						(4,381)		(1,146)						(1,146)		(5,527)
<b>Section B Totals</b>		<b>(1,482,760)</b>		<b>(50,000)</b>				<b>(1,532,760)</b>		<b>(11,027,921)</b>						<b>(11,127,921)</b>		<b>(12,660,681)</b>
4201	Public Service Regulation																	
5201	Department of Fish, Wildlife & Parks	(222,273)				6,250		(228,523)		(265,635)						(265,635)		(494,158)
5501	Department of State Lands	(45,704)						(45,704)		(45,295)						(45,295)		(90,999)
5603	Department of Livestock	(115,157)						(115,157)		(202,377)						(202,377)		(317,534)
5706	Department Nat Resource/Conservation	(53,498)						(53,498)		(47,137)						(47,137)		(100,635)
6201	Department of Agriculture	(116,611)						(116,611)		(135,399)						(135,399)		(252,010)
6501	Department of Commerce																	
<b>Section C Totals</b>		<b>(553,243)</b>				<b>6,250</b>		<b>(559,493)</b>		<b>(695,843)</b>						<b>(695,843)</b>		<b>(1,255,336)</b>

# Office of Legislative Fiscal Analyst

## General Fund Full Appropriation Action

Date & Time 12/02/93 02:11 PM

Agcy Code	Agency Description	House Bill 2		Other Approps.		Revenue		Total		House Bill 2		Other Approps.		Revenue		Total		Bicennium Total
		Change	Fiscal 1994	Change	Fiscal 1994	Change	Fiscal 1994	Change	Fiscal 1994	Change	Fiscal 1995	Change	Fiscal 1995	Change	Fiscal 1995	Change	Fiscal 1995	
5114	Montana Arts Council	(12,100)				(12,100)		(5,523)		(5,523)				(5,523)		(5,523)		(17,623)
5115	Library Commission	(20,971)				(20,971)		(105,704)		(105,704)				(105,704)		(105,704)		(126,675)
5117	Historical Society	(47,168)				(47,168)		(94,543)		(94,543)				(94,543)		(94,543)		(141,711)
6401	Department of Corrections & Human Service	(1,056)				(1,056)		(1,845)		(1,845)				(1,845)		(1,845)		(2,901)
<b>Section D Totals</b>		<b>(81,295)</b>				<b>(81,295)</b>		<b>(207,615)</b>		<b>(207,615)</b>				<b>(207,615)</b>		<b>(207,615)</b>		<b>(288,910)</b>
3501	Office of Public Instruction	(2,536)				(2,536)		(1,332,105)		(1,332,105)				(1,332,105)		(1,332,105)		(2,536)
5100	Montana University System	(10,438,736)				(10,438,736)		(1,332,105)		(1,332,105)				(1,332,105)		(1,332,105)		(11,770,841)
5101	Board of Public Education																	
5113	School For The Deaf & Blind	72,546				72,546												72,546
5116	Advisory Council for Vo-Ed																	
<b>Section E Totals</b>		<b>(10,368,726)</b>				<b>(10,368,726)</b>		<b>(1,332,105)</b>		<b>(1,332,105)</b>				<b>(1,332,105)</b>		<b>(1,332,105)</b>		<b>(11,700,831)</b>
6107	Long-Range Building Program			(2,600,000)				(2,600,000)										(2,600,000)
<b>Section F Totals</b>				<b>(2,600,000)</b>				<b>(2,600,000)</b>										<b>(2,600,000)</b>
<b>Grand Totals</b>		<b>(\$12,910,723)</b>		<b>(\$2,708,125)</b>		<b>\$81,250</b>	<b>(\$15,700,098)</b>	<b>(\$13,439,656)</b>		<b>(\$100,000)</b>				<b>\$175,000</b>	<b>(\$13,714,656)</b>	<b>(\$29,414,754)</b>		

# BUDGET MEASURES CONTINGENT ON LEGISLATION

As of: 02-Dec-1993

List of budget measures approved by the legislature that are included in House Bill 2 in contingency language only.  
Actual amounts in House Bill 2 have not been changed because enabling legislation has not passed.

Agency Code	Agency Name	Bill Nbr	Description of Proposal	Fiscal 1994			Fiscal 1995		
				General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
HOUSE BILL 2									
1102	Legislative Auditor	LC27	Audit/Review to Legislative Auditor	(124,355)	124,355	(5,000)	(247,348)	744,416	744,416
3101	Governor's Office	HB21	Increase Recovery of GF Costs	(5,000)				247,348	
3201	Secretary of State	SB7	Election Bureau Reduction - Meeting						
3401	State Auditor	SB14	Automate Insurance Agent Filings	(2,500)	(6,090)	(8,590)	(17,500)	(24,585)	(34,385)
		SB14	Automate Insurance Agent Filings	(65,936)		(65,936)	(9,800)	(110,620)	55,316
3501	Office of Public Instruction	LC91	Pay & Retiree Warrants Electronically				165,936	150,000	
		LC36	Eliminate Driver's Education				(150,000)	(300,000)	
4108	Highway Traffic Safety	HB6	Increase Teacher Certification Fees	(2,000)	(300,000)	(2,000)	(4,000)	(300,000)	(4,000)
4110	Department of Justice	HB9	Elim. \$50 DUI Fee Distrib. to Counties						
5201	Dept. of Fish, Wildlife & Parks	SB2	Reduce Postage Related to Single Lic.		(46,250)	(46,250)			
5501	Department of State Lands	HB10	Delay Lower Missouri River EIS						
5706	Natural Resources & Conserv	LC191	Repeal State Equalization Payments						
		LC191	Eliminate Clean Coal Program	(53,425)	(53,425)	(53,425)	(265,000)	(3,425)	(265,000)
		SB2	Postpone Lower Missouri EIS	(126,445)	(46,250)	(172,695)	(3,425)	3,425	(3,425)
5801	Department of Revenue	SB10	Recover Collection & Audit Costs	(331,000)	331,000		(75,390)		(75,390)
6101	Department of Administration	LC107	Streamline Property Valuation Division				(331,000)	331,000	
		HB21	Recover Costs of State Accounting	(177,719)	188,637	10,918	(1,200,000)		(1,200,000)
6401	Corrections & Human Services	HB21	Recover Costs of State Personnel	(199,745)	199,745		(353,490)	372,182	18,692
6501	Dept of Commerce	LC27 or SB11	Single License Plate	(243,068)		(243,068)	(397,300)	397,300	
6901	Dept of Social & Rehab Svcs	LC110	Transfer Audit/Review to OLA				(111,968)		(111,968)
			Review Asset Transfers/Collect Liens				(156,312)	(1,013,339)	(1,013,339)
							(380,289)	(536,601)	
SUB-TOTAL				(\$1,331,193)	\$445,147	(\$886,046)	(\$3,164,097)	\$413,413	(\$2,750,684)

Note: Items in the above list should not be construed as reducing the general fund/SEA deficit for legislative tracking purposes.  
These proposals will not be "credited" for tracking purposes until the accompanying bill passes one committee of either house.



# OTHER MEASURES CONTINGENT ON LEGISLATION

List of budget measures approved by the legislature that are either contained in other legislation (not HB 2) or are revenue measures. These measures are independent of House Bill 2 actions.

Agency Code	Agency Name	Bill Nbr
-------------	-------------	----------

Description of Proposal
-------------------------

Fiscal 1994		
General Fund	Other Funds	Total Funds

Fiscal 1995		
General Fund	Other Funds	Total Funds

OTHER APPROPRIATION BILLS		
3501 Office of Public Instruction	LC91	

Eliminate Driver's Education
SUB-TOTAL

\$0	\$0	\$0
-----	-----	-----

(1,489,380)	(1,489,380)	
\$0 (\$1,489,380)	(\$1,489,380)	

REVENUE/FUND BALANCE PROPOSALS		
3201 Secretary of State	SB6	
3202 Comm. of Political Practices	SB5	
3401 State Auditor	SB14	
	SB8	
3501 Office of Public Instruction	LC91	
4107 Board of Crime Control	HB14	
4108 Highway Traffic Safety	HB6	
5801 Department of Revenue	SB10	
6101 Department of Administration	HB21	
6107 Long Range Planning	HB4,8,13	

Legislator Filing Fee Increase	
Increase Lobbyist Registration Fees	
Incr. Fees--Insurance Agent Filings	
Bad Debts to Delinquent Prop. Taxes	
Eliminate Driver's Education	
Crime Victims Account Fund Balance	
\$50 of DUI Reinstatement Fee to GF	
Recover Collection & Audit Costs	
Federal Cost Recoveries to SSR Acct	
Reduce Bonding at Prison	
SUB-TOTAL	

10,080		10,080
250,000	(250,000)	
300,000	(300,000)	
(500,000)	500,000	
\$60,080	(\$50,000)	\$10,080

10,500		10,500
23,000		23,000
100,000		100,000
1,600,000	(1,600,000)	
300,000	(300,000)	
(99,000)		(99,000)
(500,000)	500,000	
192,000		192,000
\$1,626,500	(\$1,400,000)	\$226,500

NET IMPACT TO GENERAL FUND DEFICIT

(\$1,391,273)

(\$4,790,597)

Note: Items in the above list should not be construed as reducing the general fund/SEA deficit for legislative tracking purposes. These proposals will not be "credited" for tracking purposes until the accompanying bill passes one committee of either house.

Amendments to House Bill No. 48  
First Reading Copy

Requested by Representative Kadas  
For the Committee on Appropriations

Prepared by Greg Petesch  
December 2, 1993

1. Title, line 6.

Strike: "MONEY"

Insert: "UP TO \$20 MILLION"

2. Title, line 12.

Following: ";

Insert: "REQUIRING THE BOARD OF INVESTMENTS TO ENTER INTO AN  
IRREVOCABLE CONTRACT WITH THE STATE TREASURER FOR REPAYMENT  
PRIOR TO MAKING A LOAN;"

3. Page 2, line 11.

Following: "."

Insert: "The state treasurer may not borrow more than \$20 million  
from the coal severance tax trust fund. Prior to borrowing  
money from the coal severance tax trust fund, the state  
treasurer shall enter into an irrevocable contract with the  
board of investments for the repayment of the loan. The  
state treasurer may not borrow coal severance tax trust  
funds until the contract required by this subsection has  
been entered into."

**HOUSE OF REPRESENTATIVES  
VISITOR REGISTER**

Appropriations COMMITTEE BILL NO. HB 33  
 DATE 12/2/93 SPONSOR(S) Rep. John Cobb  
**PLEASE PRINT PLEASE PRINT PLEASE PRINT**

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Donna Hale	mental health private practice		✓

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

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Appropriations COMMITTEE BILL NO. HB 48  
 DATE 12/2/93 SPONSOR(S) Rep. Royal Johnson

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
CONNIE GRIFFITH	DOF ADMIN	HB 48		X

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