

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 6, 1995, at
3:00 p.m.

ROLL CALL

Members Present:

Rep. Tom Zook, Chairman (R)
Rep. Edward J. "Ed" Grady, Vice Chairman (Majority) (R)
Rep. Joe Quilici, Vice Chairman (Minority) (D)
Rep. Beverly Barnhart (D)
Rep. Ernest Bergsagel (R)
Rep. John Cobb (R)
Rep. Roger Debruycker (R)
Rep. Gary Feland (R)
Rep. Marjorie I. Fisher (R)
Rep. Don Holland (R)
Rep. Royal C. Johnson (R)
Rep. John Johnson (D)
Rep. Mike Kadas (D)
Rep. Betty Lou Kasten (R)
Rep. Matt McCann (D)
Rep. William T. "Red" Menahan (D)
Rep. Steve Vick (R)
Rep. William R. Wiseman (R)

Members Excused: None.

Members Absent: None.

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Marjorie Peterson, Committee Secretary

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

Committee Business Summary:

Hearing: HB 76
Executive Action: None.

HEARING ON HB 76Opening Statement by Sponsor:

REP. ROYAL JOHNSON, HD 10, Billings, opened the hearing on HB 76, entitled "An Act Providing a Mechanism for Prompt Payment of Tax and Revenue Anticipation Notes if Insufficient Revenue in General Fund. . ." This bill will make the state more efficient in conducting business and handling funds. Taxes and anticipation notes are paid promptly, but this increase will allow us to use a number of other funds. The importance of this bill is to borrow from any state fund, other than pension trust funds, to meet the general fund cash deficiencies. This bill will (1) credit-enhance -- by making the credit more secure than it is under normal circumstances; and (2) if we borrow from a fund where interest goes back to the fund, then we will pay interest to that fund. Besides credit-enhancement, we would be able to borrow money with less costs, by not having to pay issuance expenses and by moving it back into those funds anytime the money becomes available. The state doesn't have timely returns of cash flow, since payments come at many different times of the year. This bill would allow the state to use a wider variety of state funds, enhance credit and save money.

Proponents' Testimony:

Connie Griffith, Administrator of Accounting and Management Division for the Department of Administration (DOA), stated that HB 76 would enable DOA to efficiently manage the general fund cash; to provide cost savings to the general fund and help to create cost-effective means of credit-enhancement. The issue of Tax and Revenue Anticipation Notes (TRANS) provide cost savings to the general fund and create a means of securing credit. By credit-enhancing TRANS, we ensure the state would continue to receive the highest rating on TRANS issues and, therefore, pay less interest. The general fund, at times, will borrow money on a short-term basis until revenue is received. This bill would give DOA flexibility to move money internally between accounts, excluding pension trust funds. It would reduce the need to issue TRANS, which can cost up to \$200,000 for each TRANS issue, and would also reduce legal fees associated with a TRANS issue. This bill also states that an account may not be impaired from which it is borrowing money.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. MIKE KADAS, HD 66, Missoula, asked **Ms. Griffith** if the state is in a position to make money on TRANS. She stated that it was limited since the Internal Revenue Service had changed their rules making it less effective. The state does earn interest from TRANS but, at the same time, is paying interest on other borrowed money.

REP. KADAS asked if this would decrease our ability to issue TRANS and **Ms. Griffith** answered no. DOA would still issue TRANS. **REP. KADAS** then asked if the state could pay back loans, but borrow from different loans. **Ms. Griffith** stated that each time we borrow from different funds we're creating new loans; the potential for this bill would give us short-term flexibility in order to manage cash flow properly.

Clayton Schenck, Legislative Fiscal Analyst, stated that DOA provides annual reports to the Legislative Fiscal Analyst office regarding their loans and that it would be tracked by his office. They would note any irregularities.

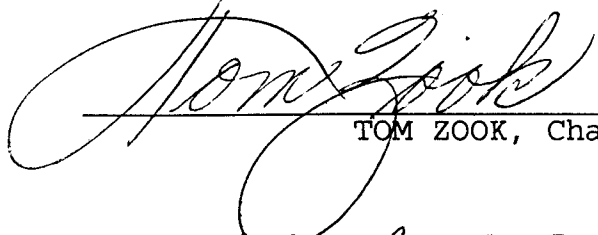
REP. BETTY LOU KASTEN, HD 99, Brockway, asked **REP. JOHNSON** if he was going to request a fiscal note. **REP. JOHNSON** answered that there would only be a possible fiscal note. This is just an option -- we don't have to borrow internally. We do this currently on a lot of funds so if there were a problem this would extend the number of funds we could borrow from.

Closing by Sponsor:

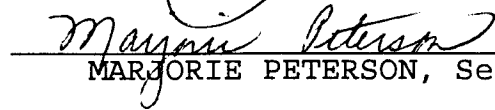
REP. JOHNSON closed by saying that this bill is an attempt for the state to be in a position to handle their funds as effectively and efficiently as possible.

ADJOURNMENT

Adjournment: 3:35 p.m.

A large, stylized handwritten signature in cursive script, reading "Tom Zook".

TOM ZOOK, Chairman

A handwritten signature in cursive script, reading "Margorie Peterson".

MARGORIE PETERSON, Secretary

TZ/mp

HOUSE OF REPRESENTATIVES

Appropriations

ROLL CALL

DATE 1-6-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Tom Zook, Chairman	✓		
Rep. Ed Grady, Vice Chairman, Majority	✓		
Rep. Joe Quilici, Vice Chairman, Minority	✓		
Rep. Beverly Barnhart	✓		
Rep. Ernest Bergsagel	✓		
Rep. John Cobb	✓		
Rep. Roger DeBruycker	✓		
Rep. Gary Feland	✓		
Rep. Marj Fisher	✓		
Rep. Don Holland	✓		
Rep. John Johnson	✓		
Rep. Royal Johnson	✓		
Rep. Mike Kadas	✓		
Rep. Betty Lou Kasten	✓		
Rep. Matt McCann	✓		
Rep. Red Menahan	✓		
Rep. Steve Vick	✓		
Rep. Bill Wiseman	✓		