

MINUTES

**MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **SENATOR GARY AKLESTAD, CHAIRMAN**, on Tuesday,
January 24, 1995, at 5:25 P.M.

ROLL CALL

Members Present:

Sen. Gary C. Aklestad, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. James H. "Jim" Burnett (R)
Sen. Loren Jenkins (R)
Sen. Ethel M. Harding (R)
Sen. Arnie A. Mohl (R)
Sen. Charles "Chuck" Swysgood (R)
Sen. Daryl Toews (R)
Sen. Larry J. Tveit (R)
Sen. B.F. "Chris" Christiaens (D)
Sen. Eve Franklin (D)
Sen. Judy H. Jacobson (D)
Sen. Greg Jergeson (D)
Sen. John "J.D." Lynch (D)
Sen. Mignon Waterman (D)

Members Excused: Senator Jergeson

Members Absent: Senator Burnett

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Lynn Staley, Committee Secretary

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

Committee Business Summary:

Hearing: HB 43, HB 67
Executive Action: SB 131 - DO PASS

HEARING ON HB 43

Opening Statement by Sponsor:

REPRESENTATIVE BILL TASH, House District 43, Dillon, sponsor,
said that HB 43, requested by the Department of Corrections and
Human Services, would authorize a budget amendment for revenue
resulting from the sale of goods produced or manufactured by the
industries program of an institution. He said the Montana State

Prison ranch industry needed budget amendments to deal with unanticipated expenses, especially with their hay production. The industries program is a constructive rehabilitation program for prisoners that have earned the opportunity to be involved in the Prison honor's program. He said other areas that were not anticipated were a result of compliance orders, particularly by the Department of Natural Resources, and as a result of action by the last legislative session.

REPRESENTATIVE TASH distributed a document to the committee showing the fiscal impact of HB 43 as introduced. **EXHIBIT 1**

Proponents' Testimony:

Ross Swanson, Montana State Prison Ranch Industries Program, asked for the committee's support for needed budget amendments to allow the self-supporting industries program the flexibility to respond and react to changing business situations, conditions or circumstances arising that would make them go over their existing appropriation authority.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

SENATOR KEATING questioned if HB 43 affected the Prison dairy farm program.

Ross Swanson said HB 43 would allow them to submit budget amendments for the ranch and dairy program, the prison industries program including furniture, upholstery, et cetera. He added that conditions of the budget amendment would have to be met, but the bill would allow to set in motion the budget amendment document.

When questioned by **SENATOR KEATING** if HB 43 is spending authority to move the cash flow within the industry, **Ross Swanson** said they have circumstances arising that are not in the base budget. To comply with issues that came up, they would have exceeded their appropriation authority and been unable to do the projects. With the budget amendment authority, they would be able to complete their projects or ask for authority to spend the revenue that is generated to add additional programs.

SENATOR KEATING asked if a budget amendment is needed to purchase additional supplies for sales.

Ross Swanson said it would depend where the budget authority is. He added that although they are a self-supporting program, they go through the same process as other state agencies to get their appropriation authority level. If the sales level exceeded what was projected, with a budget amendment they could ask for

additional appropriation authority to satisfy existing sales levels. Without the budget amendment, they may have to forego the opportunities which could result in lost sales or cash flow problems.

Closing by Sponsor:

REPRESENTATIVE TASH closed, stating the funds involved are proprietary funds.

HEARING ON HOUSE BILL 67

Opening Statement by Sponsor:

REPRESENTATIVE ROYAL JOHNSON, House District 10, Billings, sponsor, said HB 67 is an attempt to change the rate of interest on the issuance of tax and revenue anticipation notes (TRANS) or money borrowed from the Board of Investments because of the current limitations. In going through the Sections of the bill, he noted that HB 67 is an attempt to streamline the system and not take away the opportunity to sell TRANS. HB 67 does not say that the Board of Investments has to buy TRANS but gives them an opportunity if there is a need to issue TRANS. He stated that \$85 million was borrowed last year to cover the TRANS issues and it will probably be necessary to borrow more money than that according to what currently exists. He described TRANS as short term interest notes that don't usually go over a year. There is the option to take money out of the STIP fund and invest it at that rate, a decision made by the Board of Investments, or they can issue TRANS.

Proponents' Testimony:

Carroll South, Executive Director, Board of Investments, said TRANS are notes that many states, cities and counties sell to get them over periods of time when expenditures are at a certain level but revenues are down. In fiscal year 1993, the Board of Examiners was ready to issue \$135 million worth of TRANS and was not sure that it could receive the highest rating from the credit rating agencies. In order to enhance the credit of the state of Montana when the TRANS were issued, the Board of Examiners asked the Board of Investments to sign a warrant purchase agreement. There were laws enacted to draft a warrant purchase agreement which told TRANS purchasers that on June 30 if notes are bought from the State of Montana, even if the state has no general fund money, they will be paid because the Board of Investments will purchase warrants up to the level needed to pay the TRANS holders. In fiscal 1994, the Board of Examiners issued approximately \$90 million worth of TRANS and a similar agreement was signed by the Board of Investments. The four percent restriction did not become a problem, but it currently would be a problem because the Board operates under a prudent investment principle; you do not liquidate investment at six percent to buy

those at four percent without another good reason to do so. He maintained that it is important to remove the four percent restriction. The Board of Examiners would like the Board of Investments to sign warrant purchase agreements in the future so the interest rate that the Board would charge would be what is called a market rate.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

When questioned by **SENATOR LYNCH** as to who the current state treasurer is, **Carroll South** said it is the Director of the Department of Administration.

SENATOR MOHL asked what is the current rate of interest.

REPRESENTATIVE JOHNSON said currently it is four percent. He referred the committee to the language on line 25 of HB 67 stating they would look at the other investments they have to see what the rate might be as well as the interest rate of the investments they had to liquidate. He added that the Board of Investments can make the decision whether they wish to buy it or whether they tell the Department of Administration to sell TRANS rather than borrowing because of insufficient funds.

When questioned by **SENATOR BECK** regarding the current STIP interest rate, **REPRESENTATIVE JOHNSON** said it is currently 5.3 percent.

SENATOR BECK asked if according to STIP, more money would have to be paid on the investment for borrowing the TRANS.

REPRESENTATIVE JOHNSON said that was correct, but it all goes back into the general fund as it currently does. If there was borrowing outside of STIP, then they would want to be able to do that. He added that TRANS have not been borrowed in the last 50 years in Montana.

In a question from **SENATOR MOHL** as to the definition of the STIP account, **REPRESENTATIVE JOHNSON** said it is a short term investment pool. There are many kinds of state monies that the Board of Investments handles. If there is money that needs to be used in a short period of time, it is put in a short term investment trust to earn money on a continuing basis.

When questioned by **SENATOR JENKINS** regarding similarities to this and Orange County, **REPRESENTATIVE JOHNSON** said it is the opposite. There is no direct obligation of the federal government but something that was taken off. When there is short term money invested for a long term that suddenly has to be paid out, any interest change makes a difference in what there is.

Closing by Sponsor:

REPRESENTATIVE JOHNSON, in closing, insisted that HB 67 is a bill for proper handling of cash in Montana.

EXECUTIVE ACTION ON SENATE BILL 131

Discussion: SENATOR KEATING distributed to the committee an information sheet relative to SB 131. EXHIBIT 2.

SENATOR KEATING said the collections are approximately \$19,000 and the cost of bookkeeping and assignment to various districts is more expensive than the value of the tax. He explained that the money is supposed to be divided among the counties based on the custom combining average in that county. He noted that Big Horn County was erroneous in showing that they have a third of the custom combining in the state and they were given \$6,000 rather than it being distributed according to the formula. He remarked that they will not receive that amount in the future.

SENATOR BECK questioned if there was any consideration to giving the money to local governments.

SENATOR KEATING maintained there is less bookkeeping and it is simpler to put it in the general fund than to distribute it to local governments.

In a question from SENATOR BECK as to the total amount going to the state, SENATOR KEATING said it is \$19,000.

When questioned by SENATOR BECK if all counties were getting a windfall, SENATOR KEATING said all of the counties were getting a portion of the \$19,000, however Big Horn County was getting more than their share because they weren't following the formula.

SENATOR JACOBSON asked why this fee is being collected.

SENATOR KEATING said custom combiners are bringing in personal property, and they have to pay a personal property tax. When questioned by SENATOR JACOBSON if this is based on nine percent of the cost, SENATOR KEATING said it is a fee in lieu of property tax so they don't have to calculate the nine percent of the market value.

SENATOR LYNCH said some of the smaller counties may want to do a little bookkeeping and keep the money.

SENATOR JENKINS questioned the amount shown on the fiscal note EXHIBIT 3 and the \$19,170 figure shown in the handout from SENATOR KEATING. (EXHIBIT 2)

SENATOR KEATING said the \$19,170 figure came from the Legislative

Auditor.

CHAIRMAN AKLESTAD said the figures on the fiscal note **EXHIBIT 3** are projected figures for fiscal 1996 and fiscal 1997. The \$19,170 figure **EXHIBIT 2** is actual figures.

Motion/Vote: SENATOR KEATING moved that **SB 131 DO PASS**. Motion **CARRIED** on a roll call vote, 8 voting aye and 6 voting no.

DISCUSSION ON SB 83

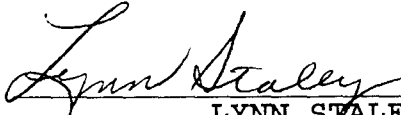
Discussion: CHAIRMAN AKLESTAD appointed a subcommittee of SENATOR SWYSGOOD, SENATOR JACOBSON, SENATOR AKLESTAD to meet on January 25, 1995 at 7:00 a.m., Room 108, to discuss SB 83.

ADJOURNMENT

Adjournment: 6:00 p.m.



SENATOR GARY AKLESTAD, Chairman



LYNN STALEY, Secretary

GCA/LS

MONTANA SENATE
1995 LEGISLATURE
FINANCE AND CLAIMS COMMITTEE

ROLL CALL

DATE _____

1/24/95

[illegible]

SEN:1995
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MONTANA SENATE
1995 LEGISLATURE
FINANCE AND CLAIMS COMMITTEE
ROLL CALL VOTE

DATE 1/24/95 BILL NO. SB 131 NUMBER _____

MOTION: Senator Keating motion - SB 131
Do Pass.

Motion carried

NAME	AYE	NO
SWYSGOOD, CHUCK	✓	
BURNETT, JIM <i>absent</i>		
MOHL, ARNIE	✓	
JERGESON, GREG <i>excused</i>		
FRANKLIN, EVE	✓	
TVEIT, LARRY		✓
JENKINS, LOREN		✓
JACOBSON, JUDY	✓	
LYNCH, J.D.		✓
HARDING, ETHEL	✓	
TOEWS, DARYL	✓	
CHRISTIAENS, B.F. "CHRIS"	✓	
WATERMAN, MIGNON		✓
KEATING, TOM - VICE CHAIRMAN	✓	
BECK, TOM		✓
AKLESTAD, GARY - CHAIRMAN		✓

STATE OF MONTANA - FISCAL NOTE
1/24/95
HB 43

STATE OF MONTANA - FISCAL NOTE
Fiscal Note for HB 43, as introduced

DESCRIPTION OF LEGISLATION:

The proposed legislation is for an act to authorize budget amendments to spend revenue resulting from the sale of goods produced or manufactured by the MSP Industries Programs of an institution within the Department of Corrections and Human Services: amending section 17-7-402, MCA: and to provide an immediate effective date. This legislation will ensure that the various MSP Industries programs will have the ability to submit budget amendments for additional expenditure budget authority due to sales being larger than projected or for unanticipated expenses to allow for continuation of operations on an uninterrupted basis.

ASSUMPTIONS:

- 1) This proposal would become effective immediately upon passage and approval, with continuation indefinitely.
- 2) This proposal to allow the ability to submit a budget amendment will be utilized on a case by case basis as the need exists. If existing budget authority, sales and operating conditions prevail as projected then a budget amendment will not be submitted. If sales, operating conditions, new operations added, or expenditures required to run operations differ from that used for existing appropriation authority then a budget amendment will be submitted.
- 3) The various MSP Industries programs (in A/E 06033, 06034 & 06545) operate as proprietary funds and it is crucial to the success of these programs that operations are not interrupted or compromised due to a lack of expenditure budget authority. Since these operations function as a business it is critical to their success that they be able to respond to needs of the program and changing market/operation conditions.
- 4) Budget amendment expenditures will be funded by either existing revenue sources or from revenue to be generated from activities associated with the budget amendment being submitted.

FISCAL IMPACT:

At this time fiscal impact cannot be measured as events to cause the need for a budget amendment do not exist. Lack of ability to submit a budget amendment when needed, however, could seriously impact sales levels, profit levels, and general operations. These factors could affect the number of inmates employed, savings to the state general fund and possibly the future of the program involved. The fiscal impact of each budget amendment will be explained on a case by case basis for each request

submitted.

EXPENDITURES:

At this time expenditures cannot be listed as the specific events to cause the need for a budget amendment do not exist. Expenditures associated with a budget amendment will be listed on the appropriate request forms with detail provided when the situation exists. Each request for expenditure authority will be on a case by case basis and submitted only when needed.

REVENUES:

At this time revenue cannot be listed as the specific events to cause the need for a budget amendment do not exist. Revenue associated with a budget amendment will be listed on the appropriate request forms with detail provided when the situation exists. Revenue to be used will either come from existing operations or from the project for which the budget amendment is being submitted.

NET IMPACT:

The most significant impact is to not have the ability to submit a budget amendment. This could result in lost sales, operations being curtailed or compromised, or business decisions being made which are not in the best interests of the programs or the states. Flexibility in the operation of a proprietary fund is needed to best manage operations and to insure business continuity.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No effect on county or other local revenues or expenditures is anticipated.

LONG-RANGE EFFECTS ON PROPOSED LEGISLATION:

The ability to submit budget amendments will ensure that the various MSP Industries operations continue as needed despite appropriation authority levels. This proposal will ensure that the programs will be able to receive the necessary additional appropriation authority to respond to changes in program operations and ensure program operation. Savings to the state general fund for products/services rendered by these programs will be maintained. Ability to employ inmates at MSP at the same or increased level will have a impact on the day to day management of the prison.

TECHNICAL NOTES:

EXHIBIT 1
DATE 1-24-95
HB 43

EXAMPLES OF PREVIOUS REQUESTS FOR BUDGET AMENDMENTS

-In FY-94 the Prison Ranch had a need for a budget amendment for dairy quality hay, work on the Dairy sewer lagoon and Powell Reservoir. These items were not anticipated to occur and as such no budget authority was available. Due to the current requirements for budget amendments we could not comply and as a result a budget amendment could not be done. The effects of not being able to get additional budget authority could have been drastic to the Prison Ranch. Existing hay harvested was not satisfactory to meet dairy production needs and herd health issues. Improvements on dairy sewer lagoon were needed in order to comply with Dept. of Health issues and to remain in operation. Powell Reservoir work was needed in order to comply with DNCR Dam Safety Rules and to permit this reservoir used for the Ranch 7 irrigation fields. It happened that the Legislature was in session and that we were able to get additional appropriation authority added onto our original appropriation authority and thus was able to meet our needs.

-In FY-92 we were able to request budget amendments and we had a number for both the Prison Ranch and the Industrial Complex. These budget amendments were for additional spending authority in both programs and for 4 FTE in the Industrial Complex. Without the additional authority for the Industrial Complex we would have had to shut down or cutback on operations which could have had a detrimental effect to this program. Customer orders would have been delayed, less inmates would have been employed and business decisions made which would not have been in the best interests of the program.

-From FY-83 thru FY-92 various budget amendments had been submitted and approved with a positive impact on our programs. The ability to utilize the budget amendment process during these years has contributed to the growth and success of the various MSP programs as it allowed flexibility to changing conditions and events which occurred that could not always be anticipated during the legislative budget process.

SENATE BILL 131

SB 131 simplifies the distribution of the custom combine fee in lieu of property tax collected by the Department of Transportation under section 15-24-301, MCA.

Current state law requires these moneys to be distributed as other personal property tax according to the mills in each school district; however, school district information is not currently collected by DOT or included with the distributions to counties so they can distribute these moneys according to law.

The legislative auditor found these moneys were not being deposited by the county in compliance with the law because school district information was not available. Total statewide collections have varied from approximately \$14,000 in FY 1992 to \$19,000 in FY 1994. The Office of the Legislative Auditor determined that it does not appear cost effective for Department of Transportation to determine school district information necessary for counties to comply with the distribution statutes. Counties incur additional costs distributing these \$35 fees in accordance with state law. Depositing these fees in the state General Fund appears to be much more cost effective. By depositing these fees in the state General Fund, they are available for distribution back to the school districts as State Equalization Aid (SEA).

Total County
Tax Collected
\$35 In Lieu of
Fee under Section
15-24-301, MCA

County
Cascade
Yellowstone
Lewis Clark
Fergus
Powder River
Carbon
Phillips
Hill
Custer
Dawson
Roosevelt
Chouteau
Valley
Toole
Big Horn
Musselshell
Blaine
Pondera
Richland
Rosebud
Teton
Stillwater
Sheridan
Daniels
Glacier
Fallon
McCone
Carter
Prairie
Meagher
Liberty
Garfield
Gold n Valley
Petroleum

560
1,015
105
315
350
0
0
1,220
2,135
490
735
1,505
35
420
6,230
70
105
420
70
245
525
0
0
30
245
105
420
70
35
0
525
700
35
455

TOTAL

19,170

SENATE FINANCE AND CLAIMS

EXHIBIT NO.

2
1/24/95
SB 131

STATE OF MONTANA - FISCAL NOTE

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3Fiscal Note for SB0131, as introducedDATE 1/24/95BILL NO. SB 131DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the distribution of the custom combiner's special permit fee; requiring that the fee must be deposited in the state general fund.

ASSUMPTIONS:

1. There would be 655 custom combine permits issued in each fiscal year, based on the number of permits issued in FY94.
2. Current collections are distributed 62.5% to counties and 37.5% to the highway special revenue account.

FISCAL IMPACT:Revenues:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
General Fund (01)	\$26,200	\$26,200
Highway Special Revenues (02)	(\$9,825)	(\$9,825)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

County revenues would decrease by approximately \$16,375 per fiscal year.

David Lewis 1-18-95

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Tom Keating 1/13/95

TOM KEATING, PRIMARY SPONSOR DATE

Fiscal Note for SB0131, as introduced

SB 131

