

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By CHAIRMAN CHUCK SWYSGOOD, on January 9, 1997,
at 4:49 p.m., in Room 108.

ROLL CALL

Members Present:

Sen. Charles "Chuck" Swysgood, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. James H. "Jim" Burnett (R)
Sen. B.F. "Chris" Christiaens (D)
Sen. Eve Franklin (D)
Sen. Loren Jenkins (R)
Sen. Greg Jergeson (D)
Sen. John "J.D." Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Miller (R)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Larry Baer (R)
Sen. Arnie A. Mohl (R)
Sen. Linda J. Nelson (D)

Members Absent: None

Staff Present: Clayton Schenck, Legislative Fiscal Division
Sharon Cummings, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 35, 1/6/97
Executive Action: None

Introductory Meeting and Procedures Discussion

CHAIRMAN CHUCK SWYSGOOD introduced the new committee secretary,
Sharon Cummings. Discussion followed on how the committee would
like to handle proxies.

SEN. J.D. LYNCH prefers giving a carte blanche proxy to someone
he trusts.

SEN. TOM BECK asks if your proxy vote is nullified on the main bill if you fail to vote on an amendment.

CHAIRMAN SWYSGOOD replies no. The committee agrees to a carte blanche proxy which means the proxy has permission to vote on all amendments and bills for that day. Carte blanche must be stated on tier one and tier two proxies.

HEARING ON SB 35

Sponsor: SEN. LOREN JENKINS, SD 45, Big Sandy

Proponents: Clayton Schenck, Legislative Fiscal Division
Terry Johnson, Legislative Fiscal Division
Steve Bender, Office of Budget & Program Planning

Opponents: None

Opening Statement by Sponsor:

SEN. LOREN JENKINS presents SB 35 which is on behalf of the Legislative and Finance Committee. He asked staff from the Legislative Fiscal Division to give an overview of the bill.

{Tape: 1; Side: A; Approx. Time Count: 4:55; Comments: None

Proponents' Testimony:

Clayton Schenck, Legislative Fiscal Division (LFD), reminded everyone of the difference in the estimates of the Budget Office and the LFD in biennial comparisons last session. Last session the two offices were not comparing the same thing, the LFD was looking at just legislative temporary appropriations in the session and the Budget Office was looking at the total budget. Another problem is that three out of the four years are estimates and there can be differences depending on the assumptions used. This bill is a guideline to be used to provide consistency from year to year. This bill defines total funding as funds paid by taxes and licenses, which is in effect general funds, state special revenue and federal funds. Fiduciary funds and enterprise funds (proprietary funds) that result in double accounting are excluded from the totals. It is limited to taxpayer dollars. The committee developed and approved this proposal. They directed the LFD to use it and requested the Budget Office to comply with it. They are suggesting it be made into statute to avoid any possible manipulation and to require that both the Budget Office and LFD use the same methodology when submitting their budgets and that similar comparisons be done. It recognizes the possibility of differences when estimating appropriations and continuing appropriations. If there are

differences that cannot be worked out they must be explained in the analysis. (EXHIBIT 1)

Steve Bender, Office of Budget & Program Planning (OBPP), states this bill will result in a road map on how comparisons are made. This includes funds that are subject to appropriation by the legislature, the only exception to a certain degree is agency funds. The bill is structured to compare one year of actual for three years of appropriation. The actual excludes reversions versus the appropriated which has reversions in it. This is done on the general fund side now.

SEN. DELWYN GAGE, SD 43, Cut Bank, states that the theory of the bill is super. He feels the legislature is extremely fortunate to have people such as Steve Bender and Terry Johnson working on the figures. They are extremely cooperative, willing to look at each others figures and express their differences.

{Tape: 1; Side: A; Approx. Time Count: 5:00; Comments: None.}

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. BECK reminds the committee that a few years ago there was a problem with the Budget Director and the Fiscal Analyst agreeing. Will this be a problem in the future?

Terry Johnson, LFD, states this particular bill deals strictly with expenditures and expenditure comparisons. Revenue estimates are developed as a completely different function. This bill results in being able to find in statute what parameters should be used to develop the expenditure comparisons so budget growth can be measured in the current biennium versus the budgeted biennium.

SEN. BECK states it appears the procedures and standards for making budget comparisons should compare revenue and expenditure.

Mr. Johnson states yes, we definitely do compare revenues and our primary focus on the revenue side has been in the general fund account only.

SEN. BECK thinks the biggest problem is with revenue.

Mr. Johnson responds that this piece of legislation addresses the significant difference between what the LFD was saying about budget growth on the expenditure side versus what the executive was saying in the last session.

SEN. GREG JERGESON asks for clarification regarding revenue estimates.

Mr. Schenck explains this bill is intended to address the comparison of expenditures from one biennium to the next. This was brought to my attention yesterday and the wording will have to be examined. It addresses the fact that the Budget Director and the Legislative Fiscal Analyst are to try to reach agreement, they may be making different assumptions regarding expenditures and there may be small differences that can be explained. Only one methodology will be used. The intent is to measure the amount of expenditures from a statutory account. **Mr. Schenck** thinks putting the word estimate revenue is probably inappropriate and will be revised or clarified in an amendment.

SEN. JERGSON asks what happens if one party refuses to enter into an agreement as stated in the bill? What will be done if there is someone in one of the offices who finds himself unable to come to an agreement on a professional basis?

Mr. Schenck states the problem last biennium was that it was impossible to understand the differences because there were so many reasons. This bill will direct both offices to put the same types of funds and accounts on the same side. If the Budget Office or LFD does not comply, then they are out of compliance with statute. They are required to use the same figures and follow the formula as directed, therefore the figures will be on both sides of the balance sheet. They may disagree on their estimates, but they should attempt to come to an agreement. If they can't agree it must be explained in the analysis. Yes, there may be disagreements but they will be explained.

SEN. TOM KEATING asks for an example of an agency fund not distributed to local government and why would that not be a state resource.

Mr. Johnson states there are a number of cases where agency funds are used strictly as a temporary holding account, this revenue is never recorded as state revenue or state expenditure. The Finance Committee felt that since state tax policy is generating these revenues, they should be counted in the budget comparison.

SEN. KEATING asks if the phrase "agency funds not distributed to local government" could also be stated "agency funds not yet distributed to local government."

Mr. Schenck states by not saying "not distributed to local government" it limits it to those taxes that eventually go to local governments. Other types of agency funds are things like state employee withholding that goes to the State Fund. These are not the state's fund but the state is holding them and will forward them. Unissued warrants and unclaimed property being held by the state are not state property until resolved. Most of these custodial accounts are probably private individuals or corporations where the money will go back to the individual.

SEN. MIKE TAYLOR asks if this bill addresses the issue he and Mr. Schenck spoke of earlier.

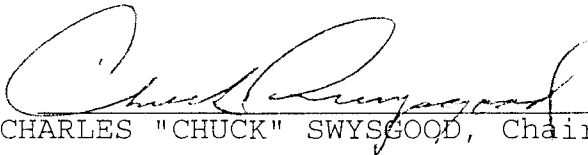
Mr. Schenck answers yes, it does address that issue in terms of looking at total funds. What does the state spend? The committee felt it should reflect taxpayer money, in and out. Retirement funds are included in the state accounting system but it wasn't felt they should be included in comparison. It does get to your issue in terms of how we structure things and portray them.

Closing by Sponsor:

SEN. JENKINS closed.

ADJOURNMENT

Adjournment: 5:14 p.m.


SEN. CHARLES "CHUCK" SWYSGOOD, Chairman


SHARON CUMMINGS, Secretary

CS/SC