

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on February 10, 1997,
at 5:05 p.m., in Room 108.

ROLL CALL

Members Present:

Sen. Charles "Chuck" Swysgood, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Larry Baer (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. Arnie A. Mohl (R)
Sen. Linda J. Nelson (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: None

Members Absent: None

Staff Present: Taryn Purdy, 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: HB 3, 2/10/97; HB 10, 2/10/97;
HB 23, 2/10/97
Executive Action: None

HEARING ON HB 10

Sponsor: REP. JOE QUILICI, HD 36, BUTTE

Proponents: Van Jamison, Department of Environmental Quality
Gregg Groepper, Energy Share of Montana

Cecil Weeding, Ethanol Producers and Consumers
Ellen Engstedt, Montana Human Resource Development
Council
Candace Torgerson, Women Involved in Farm Economics

Opponents: None

Opening Statement by Sponsor:

REP. JOE QUILICI, HD 36, BUTTE HB 10 appropriates oil overcharge money for programs administered by the State of Montana. The State of Montana began receiving these oil overcharge monies in 1984. These funds resulted from large national settlements between the federal government and major oil companies who were found to have overcharged consumers between 1971 and 1982. The courts directed the companies to make restitution to the federal government. The federal government then distributes these monies to the states for energy related activities. Since 1984 Montana has received close to \$20 million and has earned another \$5.4 million in interest. This bill lists what these funds would be used for which have to be energy related programs.

Proponents' Testimony:

Van Jamison, Department of Environmental Quality (DEQ) We support the appropriations proposed in HB 10. Mr. Noland from the Department of Public Health and Human Services and I are available to answer any specific questions you might have regarding the projects that are proposed.

Gregg Groepper, Energy Share of Montana Energy Share of Montana is a private non-profit organization that has received funding from this program since 1987. We support this bill. These handouts will give you an idea of why it is important to have the funding level we have for energy assistance this year. (EXHIBIT #1 & 2)

Cecil Weeding, Ethanol Producers and Consumers (EPAC) We are particularly interested in sections 7 & 8 that pertain to the infrastructure and use of alternative fuels in Yellowstone Park. EPAC worked with the DEQ in developing this concept and we support it.

Ellen Engstedt, Montana Human Resource Development Council (MHRDC) We're interested in sections 5 & 12 as they relate to low income home weatherization. We support HB 10.

Candace Torgerson, Women Involved in Farm Economics (WIFE) We are interested in section 7 which provides for infrastructure to support the purchase and use of ethanol fueled vehicles. We feel the development of alternative energy sources is an important use of this funding. We urge your support of this bill.

{Tape: 1; Side: A; Approx. Time Count: 5:10; Comments: None.}

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. CHRIS CHRISTIAENS In section 13 you list assistance for food banks with coordinated energy-efficient transportation. Are you saying the vehicles that transfer the food to food banks must be ethanol equipped? REP. QUILICI No, we're not. We're saying that the \$5,000 being appropriated be used for food bank transportation costs.

SEN. CHRISTIAENS Please explain the specific language on section 13, lines 17 & 18. REP. QUILICI I suppose this is coordinated because they operate out of regions.

SEN. TOM KEATING Who made the decision for the appropriations? How did they decide to divide the money? REP. QUILICI The Governor's office, the Office of Budget and Program Planning (OBPP) and DEQ looked at various programs and evaluated them.

SEN. KEATING In the beginning this was almost all low income home weatherization appropriation. Now it is divided, how did that come about? Jane Hamman, OBPP It is my understanding that the restitution projects we adopt have to be in relative proportion to the population that was harmed. I believe the large amount put aside for low income weatherization during the 1987 session was for one time only. In the last decade we have had balanced programs each session.

SEN. DARYL TOEWS Do we have to spend this money on these kinds of charity programs? REP. QUILICI These funds have to be spent within the guidelines of the court ordered regulations.

Closing by Sponsor:

REP. QUILICI Previously we put more money in the weatherization programs and low income energy assistance. These funds are beginning to dry up; that is why you don't see as much in the programs as in the past.

{Tape: A; Side: 1; Approx. Time Count: 5:14; Comments: None.}

HEARING ON HB 23

Sponsor: REP. KARL OHS, HD 33, HARRISON

Proponents: Connie Griffith, Department of Administration

Opponents: None

Opening Statement by Sponsor:

REP. KARL OHS, HD 33, HARRISON HB 23 is a result of work done on Senate Joint Resolution 23 which looked at state management systems. I served as chairman on the Accounting Task Force which addressed how to better design or eliminate accounting laws and design a more efficient accounting system for the state. The purpose of this bill is to clean up several sections in the law that relate to state accounting and financial operations. This bill will eliminate various processes we consider unnecessary and to move more effectively and efficiently to accommodate changes necessary to integrate management technology in these areas. Most of the changes proposed in HB 23 will eliminate references to duties no longer performed by the State Treasurer, State Auditor and the Department of Administration which are due to technological improvements. You'll notice HB 23 is effective July 1, 1997 to coincide with the start of the next fiscal year. I urge your concurrence.

Proponents' Testimony:

Connie Griffith, Department of Administration (DOA) I was one of the coordinators of the Accounting Task Force. This is primarily to clean up language that had already changed over time because of technological changes. I'd be happy to answer any questions you may have.

Opponents' Testimony: None

{Tape: 1; Side: A; Approx. Time Count: 5:19; Comments: None.}

Questions From Committee Members and Responses:

SEN. TOM BECK Are you going to require a bond for every duplicate warrant? Ms. Griffith No, that change was made in the last session. Any time we issue a duplicate warrant a bond will no longer have to be submitted, the indemnity agreement would take care of that.

SEN. KEATING Is this going to cut the workload of state government so we won't have so many FTE's? Ms. Griffith These changes are being made because we have already done that. The technology has reduced the workload and a lot of manual processes have been eliminated.

Closing by Sponsor:

REP. OHS Thank you for a quick hearing. I urge your concurrence.

{Tape: 1; Side: A; Approx. Time Count: 5:20; Comments: None.}

HEARING ON HB 3

Sponsor: REP. TOM ZOOK, HD 3, MILES CITY

Proponents: None

Opponents: None

Opening Statement by Sponsor:

REP. TOM ZOOK, HD 3, MILES CITY This is a bill that comes around every biennium. The nice thing about this one is that it is the lowest supplemental in the last 5 bienniums. The big amounts are in the Department of Corrections and the Department of Natural Resources.

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. BECK Please explain the \$5 million juvenile placement expense. Rick Day, Department of Corrections (DOC) Primarily, juvenile placement funds are required to support decisions of local placement committees. They range from clothing allowances to in-state and out-of-state residential for juvenile offenders. It is a broad combination of services.

SEN. BECK That's a major miss. I can understand the adult corrections, the out-of-state inmate placement. Why didn't we have that in the budget last time? Mr. Day \$3.6 million is for the out-of-state contract for the 250 inmates who moved to Texas. The \$5.3 million is due to a variety of reasons starting with the base budget level of early 1994 up to additional security expenses and longer lengths of stay.

SEN. MIKE TAYLOR We have been dealing with this in sub-committee. We're trying to get a handle on these costs. Some of these people are costing the state \$240 per day because of out-of-state costs. Hopefully, this next budget can be closer to what they are requesting. It doesn't do any good for the committee to say this is your budget and have them come back and get \$8 million over the budget.

SEN. EVE FRANKLIN I've lost track of the juvenile portion, since DOC took over from DFS. When you talk about local committees making decisions, is that the same as MRM teams? Mr. Day No, this is the Juvenile Placement Committee which is a group of professionals that make recommendations on placements to the District Youth Courts. Subsequently they are placed in the appropriate facility.

SEN. LOREN JENKINS How many youths are we talking about and what has been the growth rate over the last biennium? **Mr. Day** I can't tell you the growth rate. About 1,000 youths are served through youth placement.

SEN. JENKINS Are we seeing more serious crime committed by them? **Mr. Day** That is information we get from our youth probation officers. We know there is an increase of 136% in juvenile crime over a five year period. We think there has been a dramatic increase in violence over this period also.

SEN. JENKINS Haven't some laws been passed making parents partially responsible for some of this? **Mr. Day** I believe \$61,000 has been collected in parental contributions. The law doesn't provide for effective enforcement. There are two pieces of legislation before the legislature this session to try to deal with this.

SEN. J.D. LYNCH Please provide a list of juvenile offenders housed out-of-state and where they are housed. **Mr. Day** I'd be glad to do that.

SEN. KEATING Is some of this for severely emotionally disturbed children? **Mr. Day** Not directly, we were able to offset part of the size of this supplemental through reimbursements from Management Researches Montana. There is a very gray area when it comes to placement in corrections. As you know, there are those who still say there is a large mental health related population. Delinquency is the main reason for referral.

SEN. KEATING How many of these out-of-state youths in mental health facilities are really incarcerated where there is no possibility of rehabilitating them but they are in a facility that is designed for mental health and are there because they are a threat to society? They really should be in jail someplace.

Mr. Day I will identify the in-patient, psychiatric cases on the out-of-state list requested earlier. **SEN. KEATING** I would like to have that as I think we are spending a lot of money to put them in a psychiatric facility and they aren't going to get rehabilitated in there. There is no sense in spending \$240 or more per day to have them in that kind of facility when we can put them in a jail someplace for a lot less money.

SEN. CHRISTIAENS Of this first amount for juvenile placement, is \$800,000 for out-of-state placement? **Mr. Day** I don't believe that figure is right. To give a breakdown of the 1996 expenditures, out-of-state residential is \$1.9 million, in-state residential is \$727,000, sheltered care is \$560,000 in-state, group homes is \$736,000, in-state family support is \$102,000, sex offender is \$2.1 million. **SEN. CHRISTIAENS** One of the things I've been asking for is clarification regarding the different funding sources that go to juvenile corrections. It is very difficult to determine which source is responsible for the kids.

SEN. LINDA NELSON Where are we housing our female juvenile offenders? **Mr. Day** It depends on the level of custody they require. A number are in a facility in Texas, some are in a facility in Spokane, 24 went through the orientation at the Montana Youth Alternatives (MYA) and about 20 of those continued through the wilderness program. This is one of the areas that has contributed to over-expenditure in juvenile placement. We've had to place juvenile females out-of-state.

SEN. NELSON Can you tell me how many are placed out of state?

Mr. Day The amount is about \$650,000 and the average daily population is about 12.

SEN. BECK Are all these programs asking for supplementals? **Mr. Day** This is one category, community placement through the Placement Committee. If they are not placed in Pine Hills or one of the state programs they may be placed in a program in a psychiatric facility or a group home. This is all under the one program which used to be called foster care and we now call juvenile placement. The other area of over-expenditure that contributed to this is the MYA program.

SEN. BECK Is there any attempt to get parental responsibility and assistance for paying for some of the students going into these programs? **Mr. Day** There is, but the problem is in collecting from the parents. This also contributed to the over-expenditure, when the budget was developed for MYA there was a feeling we could rely on federal reimbursement and parental collections to help pay for it. The problem is in collecting these and state law is not very effective in insuring parental collections. There are two pieces of legislation before the legislature to try to improve the ability to enforce parental collections.

SEN. LARRY BAER What is the function of the expert witnesses for the Department of Revenue? **Mary Bryson, Department of Revenue (DOR)** The DOR has a case pending, the Northern Border Pipeline Case, dealing with the pipeline running through the northern part of the state. The company is contending they don't owe property taxes on parts of their pipeline. We are taking this case to the state tax appeal board and believe we will have to defend it further. It is a very complicated case that involves the unit value assessment methodology for property taxation. It amounts to taxes of approximately \$2.2 million each fiscal year. The DOR is proposing to hire expert witnesses as well as an expert attorney to help us defend this case.

SEN. BAER How much have you spent thus far in the lawsuit and approximately how far has it progressed? **Ms. Bryson** To date we have entered a contract for approximately \$20,000. I believe we are in discovery before the state tax appeal board at this time. The case won't be heard until later this spring.

SEN. BAER How much do you anticipate you'll recover if you should prevail in this? **Ms. Bryson** It is approximately \$2.2 million annually.

SEN. JIM BURNETT What is the \$80,000 Department of Military Affairs judgement for? **Doug Booker, Department of Military Affairs** We had a state employee who was laid off because he lost his job with the Air Guard. At that time the policy was that an employee had to belong to the Air National Guard to retain a state job. This former employee filed suit after he was terminated, the Supreme Court made a decision that having him belong to the guard to retain a state job was not correct. We tried to settle the case with a written judgement. Shortly after it came to light that the plaintiff was retired. The judgement said we had to bring him back on. Then he re-retired and PERS said he had to pay back his retirement benefits from his first retirement. The judge then amended the judgement. We are going to the Supreme Court stating the judge cannot amend the original judgement.

SEN. MIGNON WATERMAN Is the Cascade County rent in this supplemental? **REP. ZOOK** No, it is not. The appropriations committee denied that.

CHAIRMAN SWYSGOOD The handouts given to you explain a lot of this. (EXHIBIT #3 & 4)

Taryn Purdy, Legislative Fiscal Division (LFD) The two handouts were written for the appropriations committee but are still valid. (EXHIBIT #3) is a brief explanation with LFD comments and issues that originally appeared in the executive budget that was published in December. (EXHIBIT #4) is a summary of subcommittee action on each of these. The only one not in the bill right now is the Cascade County rent for DOR.

CHAIRMAN SWYSGOOD On page 2, lines 19 & 20, does this mean there could be further impact than what we are seeing here? **REP. ZOOK** Yes, it means it can continue into the next fiscal year.

CHAIRMAN SWYSGOOD The \$80,000 could turn into a larger sum? **REP. ZOOK** As I understand it, it would be just the \$80,000.

CHAIRMAN SWYSGOOD Are you aware of any more supplementals? **REP. ZOOK** I don't think you'll see anymore supplementals. You will see budget amendments.

SEN. WATERMAN On the Northern Border Pipeline Case, do we have an estimate on what the total cost will be? How much is the tax in this dispute? **Ms. Bryson** The estimate for the Northern Border Pipeline Case is approximately \$2.2 million taxes per year. At issue is the property assessment division's use of the unit value approach, if they are successful in their appeal, it would impact any company that we centrally assessed. It is a

significant issue to the department. The DOR is committed to staying within \$125,000 unless the issue has to be taken further.

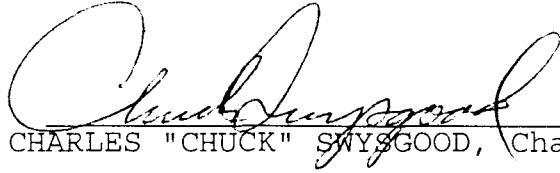
SEN. WATERMAN Do you have anything in HB 2 for the upcoming biennium for this case? **Ms. Bryson** No, we have a request for expert witnesses in our budget but they are not specific to this case.

Closing by Sponsor:

REP. ZOOK closes.

ADJOURNMENT

Adjournment: 5:43 p.m.



SEN. CHARLES "CHUCK" SWYSGOOD, Chairman



SHARON CUMMINGS, Secretary

CS/SC