

## **MINUTES**

### **MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON FINANCE & CLAIMS**

**Call to Order:** By **CHAIRMAN CHUCK SWYSGOOD**, on March 7, 1997, at 8:05 a.m., in Room 108.

#### **ROLL CALL**

##### **Members Present:**

Sen. Charles "Chuck" Swysgood, Chairman (R)  
Sen. Thomas F. Keating, Vice Chairman (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. Daryl Toews (R)

**Members Excused:** Sen. Larry Baer (R)  
Sen. Tom Beck (R)  
Sen. Mike Taylor (R)  
Sen. Mignon Waterman (D)

**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 171, 3/4/97; HB 178,  
3/4/97; HB 354, 3/4/97  
Executive Action: HB 178, Tabled; HB 354, Tabled

#### **HEARING ON HB 171**

**Sponsor:** REP. BOB RANEY, HD 26, LIVINGSTON

**Proponents:** None

Opponents: None

Opening Statement by Sponsor:

REP. BOB RANEY, HD 26, LIVINGSTON HB 171 is at the request of the Legislative Finance Committee. Under existing law the money flows into the various accounts on a biennial appropriation, the purpose of this bill is to make them annual so the cash flow in the program works better. There will be major changes in how the existing law works before this is done. REP. RANEY explained the bill.

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. TOM KEATING The metal mines tax had a temporary diversion for this biennium. Did you do anything to adjust that sunset?  
REP. RANEY No.

SEN. KEATING There is a reference to the metal mines proceeds. Did you take something out and put the same thing back in? REP. RANEY No, that was a drafting error that was corrected.

Closing by Sponsor: REP. RANEY closed.

{Tape: 1; Side: A; Approx. Time Count: 8:09; Comments: None.}

HEARING ON HB 178

Sponsor: REP. JOHN COBB, HD 50, AUGUSTA

Proponents: None

Opponents: None

Opening Statement by Sponsor:

REP. JOHN COBB, HD 50, AUGUSTA HB 178 creates a general fund stabilization and capital reserve fund. REP. COBB explained the bill. The Governor can use this fund for fire suppression, disaster or a significant revenue shortfall. The legislature could appropriate this money with a two-thirds vote. This bill allows the legislature to have a chance to decide where the unanticipated money goes. Currently the Governor puts excess fund balance in ongoing programs, this is usually one time money.

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members and Responses: None

Closing by Sponsor: REP. COBB closed.

*{Tape: 1; Side: A; Approx. Time Count: 8:12; Comments: None.}*

HEARING ON HB 354

Sponsor: REP. JOHN COBB, HD 50, AUGUSTA

Proponents: Carl Schweitzer, Montana Contractors' Association

Opponents: None

Opening Statement by Sponsor:

REP. JOHN COBB, HD 50, AUGUSTA HB 354 does something similar to the bill you just heard, but takes into account General Fund reversions. We anticipate reversions from money that was appropriated in this last biennium. We expect to get \$15.9 million in reversions for FY97. The Revenue Oversight Committee predicts we will get about \$5 million in reversions over the next two years. HB 354 moves any reversions in excess of the \$5 million estimate to the long range building account. The legislature can let it stay in there or appropriate it ahead of time. We can use this money instead of bonding for one time programs or projects. Frequently the reversion money is one time money, and this would be a way of saying that we have extra money and the long range building committee would go ahead and appropriate it. Or long term building can anticipate this money listing things to be done over the interim.

Proponents Testimony:

Carl Schweitzer, Montana Contractors' Association We think this is an excellent idea. There are a lot of infrastructure needs in the state and this is one way of addressing some of those needs. We hope you support this bill.

Opponents Testimony: None

*{Tape: 1; Side: A; Approx. Time Count: 8:15; Comments: None.}*

Questions From Committee Members and Responses:

SEN. DALE MAHLUM Do you personally make the decision about what to do with the buildings? REP.COBB No, the money goes into the long range building account and the long range building committee allocates it.

SEN. KEATING Are these two bills tied together in any way?  
REP.COBB Yes.

**SEN. KEATING** Usually reversions offset supplementals and we always have the supplemental's value. Will we avoid supplementals with this bill? **REP. COBB** No. Currently agencies are expected to eat the expense before asking for a supplemental. If there is extra unanticipated money it could be used for the rainy day account in HB 178 instead of significant revenue shortfalls.

**SEN. KEATING** Where is the money coming from for HB 178? **REP. COBB** We may have a fund balance projected to be \$35 million, any money over that \$35 million would go into the rainy day account instead of building up.

**SEN. KEATING** What level have you set? **REP. COBB** 2.5% of the appropriated General Fund of the General Appropriations Act which is over a billion dollars.

**SEN. KEATING** \$2.4 billion over the biennium? **REP. COBB** This biennium it should be about \$50 million dollars, anything over that would go into the account. When it gets above \$50 million it automatically lowers the statewide mills.

**SEN. KEATING** With HB 354, the reversions go to the long range building fund and then there's nothing to address the impact of supplementals. I've never been here that there hasn't been a supplemental bill, sometimes as high as \$15-20 million. **REP. COBB** Frequently that is for fire suppression and the stabilization account could be used for that. Reversions are a smaller part of the pie. You can let the reversion money be extra money, instead of going to the long range building account. The legislature doesn't have to appropriate this money and can let long range building save it. We may have \$20 million in reversions we don't know about, we could sit on that account and use it for paying supplementals. This is a way of putting money in a pot that the legislature has control over and not the administration.

**SEN. KEATING** We have the authority to appropriate or not to appropriate out of the General Fund. I'm nervous about long range spending the money. **REP. COBB** The legislature controls that money for long range building, not the Governor. Currently that money goes into the Governor's budget.

**SEN. KEATING** In HB 178, does the Governor get to appropriate the excess or is the excess held in advance? **REP. COBB** In section 4, the Governor can use it for fire suppression disasters and significant revenue shortfall during the interim. If the excess goes above \$50 million, it automatically goes to lower the statewide mills.

**SEN. LINDA NELSON** I'd like to relate these to the income tax rebates we did in 1995. Would this prevent those, or could we go ahead and do that anyway? **REP. COBB** Under HB 178 that money

could be appropriated from the stabilization account with a two-thirds vote. The law can always be changed by majority vote.

Closing by Sponsor:

REP. COBB The question is, should the legislature or Governor have control of this money?

{Tape: 1; Side: A; Approx. Time Count: 8:23; Comments: None.}

EXECUTIVE ACTION ON HB 171

Motion: SEN. LOREN JENKINS MOVES HB 171 BE WITHDRAWN.

Discussion: CHAIRMAN SWYSGOOD I'd like to put HB 171 in SEN. TOM BECK'S subcommittee on SB 267 because it's an RIT bill. We may need coordinating language on this bill if one passes and the other one doesn't.

SEN. JENKINS WITHDRAWS HIS MOTION.

EXECUTIVE ACTION ON HB 178

Discussion: CHAIRMAN SWYSGOOD HB 178 is the stabilization cash reserve fund. This bill isn't new to this process, I didn't like it last time and I'm not any fonder of it now.

SEN. KEATING Have we ever had a surplus that would exceed 2.5% of the General Fund, other than the time we sent checks out to everyone? Jane Hamman, Office of Budget and Program Planning (OBPP) I believe there were some years in the late 70's - early 80's and there may have been one other time since then.

SEN. KEATING There have been a few years where there has been an excess and in the subsequent year that excess would be used to reduce property taxes, by reducing the statewide mills? Ms. Hamman Yes, if it reached that level.

SEN. KEATING Even if it reduced one or two mills, it could do that right? Whatever percentage of the 95 mills, that the excess equalled, the counties could reduce the mills by that much and then the difference for the 95 mills would be made up from the excess.

Motion: SEN. KEATING MOVES HB 178 BE CONCURRED IN.

Amendment: Taryn Purdy, Legislative Fiscal Division (LFD) The bill, as it is currently written, refers to an ending fund balance in the joint resolution that really doesn't exist and so this would reference the ending fund balance in the fiscal report.

Motion/Vote: SEN. KEATING MOVES TO AMEND HB 178 WITH AMENDMENT #HB017801.A35. (EXHIBIT #1) THE MOTION CARRIED UNANIMOUSLY.

**Motion:** SEN. KEATING MOVES THAT HB 178 BE CONCURRED IN AS AMENDED.

**Discussion:** SEN. NELSON I would like to hear your objections. CHAIRMAN SWYSGOOD Currently we have an ending fund balance that we work with, that we try to get to and that's predicated on a percentage of the total appropriations. In my years here, I've never seen an ending fund balance that should be what is the general and accepted practices, a balance that corresponds with expenditures. I believe they go up as high as 5% of General Fund appropriations. As an example, we have \$1.5 million of General Fund money that we are looking at over 1 year, that would be about \$3 billion General Fund over the course of the biennium. 5% of that is a fairly significant amount of money and we don't have an ending fund balance that corresponds to that. This bill says you could do the same thing by leaving it in the ending fund balance and out of that we could pay for the supplementals, that in addition to the ending fund balance you're going to have this rainy day fund. There are stipulations on how this can be used and what happens when it goes. In the event this reaches the excess amount, the Governor has to notify the county commissioners as to what amount they can reduce the millage. I don't know how you work this with the election cycle. This bill doesn't say how the commissioners are going to reduce the millages or when they are going to reduce them. This may not be a bad idea in theory but in practice I think it's going to be hard to accomplish what this bill is trying to do. Why put something in the process that is going to confuse everything else? This is basically the same bill that came before us during the last session that we didn't have much luck with. I don't think it's practical and I'm not going to support it.

**Vote:** THE MOTION THAT HB 178 BE CONCURRED IN FAILED.

**Motion/Vote:** SEN. J.D. LYNCH MOVES TO TABLE HB 178. THE MOTION CARRIED WITH SEN. KEATING VOTING NO.

*{Tape: 1; Side: A; Approx. Time Count: 8:30; Comments: None.}*

#### **EXECUTIVE ACTION ON HB 354**

**Motion:** SEN. CHRIS CHRISTIAENS MOVES HB 354 BE CONCURRED IN.

**Discussion:** CHAIRMAN SWYSGOOD Is the amount of money on page 3 derived from the assumptions we've made as to what reversions would be? Ms. Hamman, OPBB Yes, I believe that is correct. Long range building takes a look at the revenue and does a balance sheet for projected use. We use that as we look at HB 5, HB 14 and other bills for restoration.

CHAIRMAN SWYSGOOD Is there anything in this bill that allows this money to be expended? On page 1, reversion allocations may be appropriated for the long range building program. Are there any prohibitions of the statutory requirements for uses of the

money once it goes into that account? I don't know how this affects the statutes that we currently have on the expenditures of long range building money. **Ms. Hamman, OPBB** Section 1 is the long range building account. That's a portion of the cigarette tax revenue dollars and the coal severance tax, decision's made by the legislature last session. HB 354 would add to these reversions, so if there were any reversions under the provisions of HB 354, they would be in that account for consideration.

**SEN. KEATING** This shows \$15.9 million for FY97, is that what's anticipated in reversions this biennium? **Ms. Hamman, OBPP** I'm sorry, I can't answer that question.

**SEN. KEATING** It shows \$15.9 million for FY97 and then drops to \$5 million for FY98-99. \$5 million is an arbitrary figure but \$15.9 million seems to be specific and I'm wondering what the reason is. If that's the amount of reversion they anticipate, do the reversions have to exceed \$15.9 million before they go into long range building? Otherwise this \$15.9 million is going to go to the General Fund. **Ms. Hamman, OBPP** When you left last session we were projecting \$5 million, in FY 96 we ended up with \$10 million. I'm not certain why it was put down as \$15.9 for this fiscal year.

**Nan LeFebvre, LFD** I believe **REP. COBB** took those numbers from the Governor's budget proposal, the joint overview on the Governor's fund summary for the General Fund. Once the money is deposited into the long range building program account, it has to be used for capital projects. It can be used for cash projects or to pay debt service on capital projects.

**SEN. JENKINS** It looks to me like the \$15.9 million has already been used in the Governor's budget and is the reason it is up that high and then over the next bienniums it's lowered to \$5 million. Maybe we can look for \$5 million in this program.

**SEN. KEATING** Does it have something to do with the ending fund balance? **SEN. JENKINS** It's in the General Fund now, the fund state government uses for this part of the budget.

**SEN. KEN MILLER** Right now the legislature could take whatever ending fund balance and spend it on long range building programs, correct? **Ms. Hamman, OBPP** That is correct. With this bill there would be an indication of legislative intent on this account. **Ms. LeFebvre** and I have worked together before the session with the Architecture and Engineering Division to come to an agreement on what the revenue estimates are. Projections on what will be available for maintenance and construction purposes would be in that account when we develop the budget for the next session rather than simply an ending fund balance for the entire budget.

**SEN. MILLER** I have a problem with the bill, I think it ties our hands some more. If we had money left over then the legislature

can spend it on education, long range building or whatever. This is earmarking funds to go to long range building instead of giving us the flexibility to spend the best way.

**SEN. DARYL TOEWS** What is the highest number that this has ever been? Have we ever been at \$180 million dollars?

**CHAIRMAN SWYSGOOD** The way this bill is structured, if \$10 million in reversions is anticipated over the biennium and there are actually \$15 million in reversions, \$5 million will go to the long range building account.

**SEN. TOEWS** I understand that. I just want to know what's the highest reversions we've ever had. **CHAIRMAN SWYSGOOD** I would say the \$5 million over what was anticipated last time would be a substantial amount of increased reversions over what was estimated. **SEN. KEATING** I can't remember that we've ever had a reversion amount that exceeded the supplemental requests.

**SEN. GREG JERGESON** I believe there's been some sessions when the reversions have been higher when we have not taken vacancy savings. When you take vacancy savings, you automatically reduce the assumptions of what your reversions are going to be. If this bill were in effect and we had a circumstance where we had not taken vacancy savings, that would generate a whole lot more reversions in this bill and automatically funnel into long range building.

**CHAIRMAN SWYSGOOD** The other thing to look at is that **SEN. KEATING** is exactly right in saying this excess money is used to supplant some of the unexpected occurrences that happen. I have a question on the technical part of this bill. If we would pass this it would be permanent, there's no termination date on this bill. How do you affect the reversions when you're specifically denoting next biennium only? Do you have to come in every year and change that amount? **REP. COBB** Yes.

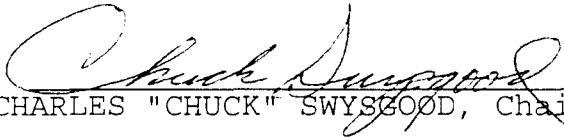
**Vote:** THE MOTION FAILS 4-9 ON ROLL CALL VOTE.

**Motion/Vote:** SEN. EVE FRANKLIN MOVES TO TABLE HB 354. THE MOTION CARRIED UNANIMOUSLY.



ADJOURNMENT

Adjournment: 8:45 a.m.

  
SEN. CHARLES "CHUCK" SWYSGOOD, Chairman

  
SHARON CUMMINGS, Secretary

CS/SC