MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on March 25, 1997, at 4:08 p.m., in Room 312-2

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: 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: HB 2, 3/20/97
Executive Action: None

HEARING ON HB 2, SECTION C

REP. ROGER DEBRUYCKER, HD 89, FLOWEREE, CHAIRMAN, JOINT SUBCOMMITTEE ON NATURAL RESOURCES **REP. DEBRUYCKER** gave an overview of subcommittee work done in Section C.

{Tape: 1; Side: a; Approx. Time Count: 4:24; Comments: None.}

Comment on Individual Budgets:

Fish, Wildlife and Parks: Don Glenn, Echo Lake A group of people are concerned with the lack of fish in Echo Lake. We looked at FWP records and found only one fish plant in 30 years. We spoke with 6 out-of-state biologists and 2 local federal biologists. They said Echo Lake is an ideal two tier lake and will support all species. The Echo Lake Association surveyed residents, 82% responded fishing was poor, 81% would like trout and 9% would like bass. 600 people signed a petition to stock Echo Lake with trout and salmon. We are asking for money for a 2 year program to build Echo Lake into a successful fishing lake. We are willing to pay a higher fishing license fee to make this possible.

Environmental Quality: Curt Chisholm I'd like to thank the committee for their past work and continued understanding.

Livestock: None

Natural Resources & Conservation: Bud Clinch I'd like to bring a couple of issues to you that may not have been totally explained. Last week we lost our personnel director as a result of a move to take the money in that FTE and transfer it to the Historical Society for computers. There was some confusion over that issue as the personnel director was listed as a new proposal. This is the only personnel director we have in DNRC and we'd like to have that position reinstated. Due to action taken on the House floor the department is now responsible for the full amount of the state equalization payments. The amendment was crafted so that additional payment of the tax comes out of the department's operating budget. I offer these issues to you for your consideration.

Agriculture: Ralph Peck We are here to answers any questions the committee may have.

Commerce: Peter Blouke I'd like to bring two issues before this committee which are the two proposals the department submitted concerned economic development in the State of Montana. The Montana manufacturing center is in a cooperative relationship with the university and provides technical assistance to Montana's small manufacturing firms. The average wage in Montana is 85% of the national average, however in the manufacturing arena the average salary is 104% of the national average. It is important to develop and maintain reasonably well paying jobs in the state. The second issue is the Certified Communities proposal, this is a program in which the department has been working with communities since 1985. There are 47 certified communities across the state who have received training for local economic development issues. This program needs state funding to move forward. I encourage the committee's support of economic development in the State of Montana.

{Tape: 1; Side: A; Approx. Time Count: 4:35; Comments: None.}

Bob Taylor, Montana Manufacturing Extension Program (EXHIBIT #1) handed out and explained. This is the organizational chart for 95% of the manufacturers in the state. Montana's companies are very, very small, 95% of them have fewer than 20 employees. They have a lack of awareness of the technologies that are being used by their competitors. They are isolated and don't know where to go when they need technical assistance. Years ago there was a similar problem in the agriculture business, for the last 70 years our farmers and ranchers have had access to the Cooperative Extension Service which has provided technical assistance. As a result of this investment our farmers and ranchers are the most productive people in our country. The extension service received one-third of their funding from the federal government and two-thirds from state and local governments. This has been an excellent investment in the economy. What does the Montana manufacturer do when they want to export their products, expand their businesses to provide more jobs, etc.? They have the same need for technical assistance that the agricultural people did. We started the Montana Manufacturing Extension Center in January 1996 with a federal grant and a state match from MSU. This was intended to be a partnership of federal, state and local funding. Our staff consists of 4 Montana residents with engineering degrees located in Billings, Bozeman, Helena and Missoula. Their purpose is to try to make Montana manufacturers more competitive. Manufacturers pay a total of $32.5 million in personal property and corporate license taxes. We are asking for $210,000 to use as matching funds for this federal grant. I request your support of this amendment.

Ron Abhake, Missoula Economic Development Program (EXHIBIT #2) handed out. I have been coming to the legislature to request funds for Certified Communities since 1991. Economic development is a General Fund activity. Economic development creates taxpayers by creating jobs. We've been doing this at the local level but we need your partnership. Please give favorable consideration to the Certified Communities program.

Gloria Paladichuk, Richland Economic Development Program We recognize that local economic development is the key to helping our economy in Montana. Richland Economic Development is the organization our community uses not only to spur new development but to keep our air service, expand our sugar beet factory and to keep the eastern Montana agricultural research center open. We respond to businesses who want to locate in our area. This program, if funded, will be a true partnership between local communities and the state. We ask for your support.

Evan Barrett, Butte Local Development Corporation & Montana Economic Developments Association The Montana Manufacturers Extension program has been an extremely beneficial program in my area. Certified communities is really about local economic development. These 47 organizations across the state are making

eccnomic development happen. **(EXHIBIT #3)** handed out and explained. This is a decent and good investment of General Fund money as this will help the economy grows. I urge your support of the certified communities program.

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

Questions from Committee Members: None

Amendment: Amendment #hb000231.a05. **(EXHIBIT #4)**

Motion: **SEN. J.D. LYNCH MOVES TO AMEND HB 2 WITH AMENDMENT #HB000231.A05.**

Discussion: **SEN. LYNCH** This amendment takes the $45,000 **REP. KITZENBERG** removed and puts it back where it was originally intended.

Vote: **THE MOTION TO AMEND HB 2 WITH AMENDMENT #HB000231.A05 CARRIED UNANIMOUSLY.**

Amendment: Amendment #hb000234.a05. **(EXHIBIT #5)**

Motion: **SEN. MIKE TAYLOR MOVES TO AMEND HB 2 WITH AMENDMENT #HB000234.A05.**

Discussion: **SEN. TAYLOR** This amendment is for planting fish in Echo Lake. The funding will come from fishing licenses.

SEN. TOM KEATING I offered this amendment in subcommittee and FWP explained they had been planting fish in Echo Lake but that the fish didn't live. I'd like FWP to explain what kind of planting they have done in the recent past and what happened to the plant.

Pat Graham, FWP We have conducted studies in Echo Lake for the past four years. We planted 2,500 rainbow trout in 1994, 100,000 kokanee and 2,500 rainbow trout in 1995. The idea was to test if the plant of rainbow trout would work and if it worked we would continue, if not we would stop the plant. We do not support this amendment.

SEN. ARNIE MOHL Did you hear the statement that was made earlier that they checked with FWP and no fish had been planted in Echo Lake for years. Do you have a comment on that? **Mr. Graham** I looked over our stocking records. In 1996 we planted 43,500 rainbow, in 1995 we planted 100,000 kokanee and 2,500 rainbow in Echo Lake.

Vote: **THE MOTION TO AMEND HB 2 WITH AMENDMENT #HB000234.A05 CARRIED 10-7 ON ROLL CALL VOTE.**

Amendment: Amendment #hb000228.a06. **(EXHIBIT #6)**

Motion: **SEN. LYNCH MOVES TO AMEND HB 2 WITH AMENDMENT #HB000228.A06.**

Discussion: **CHAIRMAN SWYSGOOD** This amendment takes the $800,000 biennial General Fund appropriation for low-income housing preservation adding it to the Montana University system.

SEN. GREG JERGESON I request that we split the amendment and vote on each issue separately.

CHAIRMAN SWYSGOOD I resist that motion.

SEN. DARYL TOEWS This concept is novel and appropriate because the university has been very cooperative this year.

SEN. LYNCH I'm still concerned with the low-income housing. I thought we handled it upstairs in Local Government but evidently we didn't. If you do this you are still putting those people out on the street. I believe we can segregate and vote on both amendments.

CHAIRMAN SWYSGOOD I believe you can segregate with a positive vote. If I recall right, the $800,000 was put in by **REP. COBB** on the House floor as a totally new program. I don't think they will be on the street, I think giving this money to the university system is a better use of this money.

{Tape: 1; Side: B; Approx. Time Count: 5:06; Comments: None.}

SEN. TOM BECK I recall in more detail what the $800,000 does. It will not put people out in the street but it guarantees the 5% cap on the money they will borrow from the Board of Investments.

SEN. LYNCH Bear in mind, this is really coming from foster care.

CHAIRMAN SWYSGOOD I believe this money was originally part of a motion that remanded the $2.8 million that was put in for a new insurance program for children above the medicaid funding level. On the House floor they took the bulk of that money and put it back into foster care with some going to other programs.

Motion: **SEN. JERGESON MOVES TO SEGREGATE AMENDMENTS 1 & 2.**

Discussion: **SEN. JERGESON** I'm surprised that we have to make a motion to do this, I believe we segregated amendments earlier today at the request of members of the committee. I think it is unfortunate that we are put into the circumstance of having to make a choice between two worthy programs that are designed to help people.

CHAIRMAN SWYSGOOD I resist the motion to segregate because the money is contained in amendment 1. I think the motion should be on the amendment as it stands.

Vote: **THE MOTION TO SEGREGATE THE AMENDMENTS FAILED 6-11 ON ROLL CALL VOTE.**

SEN. MIGNON WATERMAN I would take money from the corrections budget before taking it from senior citizens to fund a university program. I support more funding for the university system. Let's review what has happened to this money, it was funding for an insurance program for poor sick kids, it was taken from that and given to foster care, taken from foster care and given to low-income housing and now we are going to give it to faculty salaries. Every one of these programs need funding but to grab from one deserving program to give to another is wrong. I'm speaking against the amendment.

SEN. LARRY BAER The elderly community of this state are a lot more important to me than the university system.

SEN. EVE FRANKLIN I've been told that the university system was in receivership for faculty agreements. Can that be verified? **CHAIRMAN SWYSGOOD** It is my understanding that they are $973,000 short of making the faculty agreements. **SEN. TOEWS** The university system is about $5 million below their FY97 budget in General Fund.

CHAIRMAN SWYSGOOD Budget work is difficult for all of us. I assume there will be occasions when I'll have to vote against things I really want to vote for. This amendment is before you because these funds are now going to a new, untested program and we have another program that we know works and needs more funds.

Vote: **THE MOTION TO AMEND HB 2 WITH AMENDMENT #000228.A06 CARRIED 9-8 ON ROLL CALL VOTE.**

{Tape: 1; Side: B; Approx. Time Count: 5:16; Comments: None.}

Amendment: Amendment #hb000232.a05. **(EXHIBIT #7)**

Motion: **SEN. KEATING MOVES TO AMEND HB 2 WITH AMENDMENT #HB000232.A05.**

Discussion: **SEN. KEATING** This deals with the DEQ's indirect costs. In calculating their budget DEQ failed to include the indirect cost for central services in their operating costs. The subcommittee approved the indirect rate of 19.5%. This amendment increases their spending authority so operating costs include the indirect costs.

REP. DEBRUYCKER I think we're being hoodwinked here. They requested 17.5% for indirect costs then said the federal funding at 19.5% would be for additional costs. This amendment is misleading because there should be General Fund in it.

SEN. KEATING I was asked to carry an amendment including General Fund and I said no. I'm only showing state special and federal in the amendment.

Mr. Chisholm This was brought up before the subcommittee and we debated whether the indirect cost should be set at 17 or 19.5%. In the process of debating this issue the committee agreed with the department that when negotiating the rates with the federal government they should be 19.5%. Unfortunately, the operational budget for each division from which this indirect cost is drawn was budgeted at 17% not 19.5%. We do not have sufficient budget authority to draw the money based on personal services expenditures at the 19.5% rate because the expenditure is budgeted at 17%. The money is there, we need to adjust the appropriation authority so we can transfer the money, if we spend it, into the proprietary account.

REP. DEBRUYCKER If we go back to the 17% we won't have to worry about any of this.

SEN. BAER I concur with **REP. DEBRUYCKER.** My understanding is the same as his

Vote: **THE MOTION TO AMEND HB 2 WITH AMENDMENT #HB000232.A05 FAILED 5-12 ON ROLL CALL VOTE.**

{Tape: 1; Side: B; Approx. Time Count: 5:27; Comments: None.}

Amendment: Amendment #hb000233.a15. **(EXHIBIT #8)**

Motion: **SEN. DALE MAHLUM MOVES TO AMEND HB 2 WITH AMENDMENT #HB000233.A15.**

Discussion: **SEN. MAHLUM** This amendment provides funding for the Certified Communities. This is a good business amendment. Montana has a lot of human resources available to fill the premium jobs that new manufacturing would bring in.

SEN. TAYLOR I support this effort. The comment from my district is that the communities need matching funds. We spend over a billion dollars on education from the General Fund but we haven't given job creation in Montana much money. We have to try to create jobs if we want our kids to stay in Montana and maybe if we put a little money in this we can do that.

REP. DEBRUYCKER This is all General Fund and that is one of the reasons the subcommittee decided not to fund it. It is a good program and seems to be able to go along without General Fund money.

SEN. LYNCH I'm in favor of this amendment. These companies don't come to Montana looking for us, we need to get out and look for them. There are communities in our state that have a lot to offer and these companies need to know about them.

SEN. BECK I had an amendment that I held back which does more for the State of Montana than this one will do. My amendment was to match the $4.5 million in the manufacturing grant for MSU. That takes $430,000 over the biennium. I decided to hold it back because of what is happening to amendments here. I oppose this amendment.

SEN. KEATING In testimony we were told this is a General Fund program because businesses are paying taxes that go into the General Fund. I don't think it is fair to be taxing certain businesses to fund competition. If we really want to expand business in this state we need to eliminate the personal property taxes so businesses can make a profit.

SEN. BAER We looked at this in subcommittee and didn't feel we could prudently risk $1 million of General Fund on this.

SEN. LINDA NELSON I supported this in subcommittee and support it now. This spreads some of the General Fund money all over the state, is very much needed and does a good job at economic development.

SEN. MOHL I don't support this amendment.

SEN. JERGESON I'd like to offer an amendment to make this appropriation contingent on SB 55 not being passed.

CHAIRMAN SWYSGOOD I rule that out of order because we are not taking any amendments that deal with bills up for passage. Did Missoula levy the millage for economic development?

Mr. Abhake No, the voters feel that property taxes are not to be increased.

CHAIRMAN SWYSGOOD Every community has the ability to levy a millage for economic development support, correct? **Mr. Abhake** Yes, a one mill levy can be put to the voters. It is very difficult to have this pass.

CHAIRMAN SWYSGOOD I'm speaking against this amendment and don't do it lightly as I was involved with economic development in Dillon. Economic development is vitally important to the infrastructure but the local people should have a voice in supporting it.

SEN. MAHLUM This is a good amendment for our state and can help business grow.

Vote: **THE MOTION TO AMEND HB 2 WITH AMENDMENT #HB000233.A15 FAILED 8-9 ON ROLL CALL VOTE.**

Motion: **SEN. KEATING MOVES TO AMEND HB 2 WITH (EXHIBIT #9) GIVING FWP $30,000 TO COMPLETE THEIR SURVEY.**

Discussion: **SEN. KEATING** This money was taken out on the House floor and the $30,000 was sent to predator control to kill coyotes. This is to restore the $30,000 to the department so they can do the project that was approved.

REP. DEBRUYCKER I have no trouble with this amendment and don't oppose it.

CHAIRMAN SWYSGOOD Since you are not taking the money away from predator control and you are giving them $30,000 of state special, how are they generating this money? **SEN. KEATING** This is license fee money, some is now going to predator control. **Mr. Graham** We will pay for this the same way we will pay for the fish that are going to Echo Lake.

SEN. TAYLOR I don't feel too bad for FWP on this amendment. They just got a raise yesterday, if they get it through the house they'll be in good shape.

SEN. LOREN JENKINS I'd like to clarify this. You will put the $30,000 into predator control and where will you get the money for another $30,000 for the survey? **Mr. Graham** On the House floor $30,000 additional was put into predator control. The survey was approved in subcommittee and Appropriations committee. **(EXHIBIT #10)** handed. This is an effort to continue the evaluation of the department.

SEN. JENKINS Didn't they appropriate all your money? How do you have $30,000 that hasn't been appropriated? **Mr. Graham** This comes out of the balance in the license fee account.

SEN. JENKINS How much money do you have that isn't appropriated? **Mr. Graham** The fund balances are on page C-3.

SEN. BAER If I remember correctly you showed a chart that reflected a rapid decreasing special revenue fund balance in subcommittee. Aren't we more rapidly approaching the point where we have to raise the cost of licenses by spending these funds? **Mr. Graham** That is correct. I wouldn't have a problem if the committee wanted to take the money out of predator control to put back in here. We increased predator control by $57,000. **SEN. BAER** I would be much more in favor of replacing the money but I don't want to see an additional $30,000 taken from that account.

REP. DEBRUYCKER The decision was made on the House floor to not have the department surveying themselves.

Motion/Vote: **SEN. KEATING MAKES A SUBSTITUTE MOTION TO TAKE THE MONEY FROM PREDATOR CONTROL AND PUT IN THE SURVEY. THE AMENDED MOTION FAILED 8-9 ON ROLL CALL VOTE.**

Vote: **THE MOTION TO AMEND HB 2 WITH (EXHIBIT #9) FAILED 7-10 ON ROLL CALL VOTE.**

{Tape: 2; Side: A; Approx. Time Count: 5:52; Comments: None.}

Amendment: Amendment #hb000232.a15. **(EXHIBIT #11)**

Motion: **SEN. TAYLOR MOVES TO AMEND HB 2 WITH AMENDMENT #HB000232.A15.**

Discussion: **SEN. TAYLOR** This amendment gives funds to the Economic Development program. This program gives help to small manufacturing companies in the state. We need to look at this seriously because the median income for the State of Montana is declining and the tax burden is getting greater.

Dr. Blouke We do not believe there is a negative General Fund impact for this program because HB 578 eliminates the science and technology program. Even if that bill fails there is a sunset provision in current statute which will eliminate the program and funding. There will be a positive impact to the General Fund of approximately $500,000 over the biennium. The costs of the Montana manufacturing program are more than offset by the reductions the department will experience through the elimination of the science and technology program.

SEN. TOEWS I need to speak for this bill. We have not done a very good job of helping people who have ideas. This is the kind of thing we need.

SEN. MOHL I oppose this amendment. We need to lower our taxes and we are not going to do that by increasing General Fund.

SEN. KEN MILLER I would like to speak in favor of this amendment. I utilized this program. This is the only DOC program that I can speak highly of. This program helps businesses in existence stay that way.

SEN. BECK This is a General Fund hit of about $400,000. I've been told the other money is figured into the ending fund balance. **CHAIRMAN SWYSGOOD** You are right. If you approve this you will reduce the ending fund balance by the amount of this amendment.

REP. DEBRUYCKER This is a new proposal and is all General Fund.

CHAIRMAN SWYSGOOD Is the universities technical assistance program the same as the manufacturers extension program? **Dr. Blouke** No. **CHAIRMAN SWYSGOOD** These programs seem duplicative to me.

SEN. MAHLUM Is that program in effect now? What kind of experience do the 4 manufacturers extension staff members have? **Mr. Taylor** That program has been in existence for 11 years and primarily uses students. The 4 staff members are engineers who have been working in the business environment.

SEN. BAER This is a $430,000 hit to the General Fund. We've had to deprive a lot of worthy causes of money because we don't have the money. This cause is not as worthy as many we have turned down today.

SEN. TAYLOR I am very conservative and have voted against most of the spending. Someday we have to start thinking about jobs, we have to start creating opportunities for our children. We've heard from someone who has used this program and says it works. Help Montana businesses stay here with a positive vote for this amendment.

Vote: **THE MOTION TO AMEND HB 2 WITH AMENDMENT HB000232.A15 CARRIED 11-6 ON ROLL CALL VOTE.**

Close: **CHAIRMAN SWYSGOOD** Section C closed.

ADJOURNMENT

Adjournment: 6:07 p.m.

SEN. CHARLES "CHUCK" SWYSGOOD, Chairman

SHARON CUMMINGS, Secretary

CS/SC