

MINUTES

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

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on April 7, 1997, at 8:00 a.m., in Room 325.

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. Arnie A. Mohl (R)
Sen. Linda J. Nelson (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Larry Baer (R)

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 5, 3/26/97; HB 14, 3/26/97;
HB 188, 3/26/97
Executive Action: None

HEARING ON HB 5

Sponsor: REP. ERNEST BERGSAGEL, HD 95, MALTA

Proponents: REP. KARL OHS, HD 33, HARRISON
John Ellingsen, Virginia City
Dick Giddis, Virginia City

Debby Leadbetter, Ennis
B.J. Barsness Douglas, Virginia City Players
Bob Gabler, Virginia City Mayor
Mark Weber, Virginia City Preservation Alliance
Bill Doggett, Madison County Commissioner
Marilee Tucker, Virginia City Chamber of Commerce
Ward Jackson, Madison County Commissioner
Carl Kochman, Tourism Advisory Council
Keith Colbo, Montana Cultural Advocacy
Ted Coffman, Madison County Commissioner
Mark Reavis, Butte
Juanita Stovall, Billings
Mary Oliver, Ennis
Ed Henrich, Fairmont Hot Springs Resort
Connie Daniels, Regional Economic Development
Planner
Pat Bradley, Twin Bridges Chamber of Commerce
Allen Matthews, Alberton
Derek Strahn, Bozeman
John DeHaas, Montana Ghost Town Preservation Society
Clarence Evans, Sons and Daughters of Montana
Pioneers
Susan Kirley, Helena
Ryan Harris, Virginia City
Jane Benson, Helena
Eric Barsness, Missoula
Mona Jamison, National Trust of Historic
Preservation
Richard Crofts, Commissioner of Higher Education
Mike Malone, MSU-Bozeman
Jim McCray, MSU-Bozeman Student Body President
Jim Todd, UM-Missoula
Jason Thielman, UM-Missoula Student Body President

Opponents: Wally Bivens, Helena

Opening Statement by Sponsor:

REP. ERNEST BERGSAGEL, HD 95, MALTA Generally, this is a fairly boring bill that deals with toilets and roofs, because of some amendments it has taken on a life of its own. I would like to walk through the maintenance and building portions of the bill that are important to the function and operation of the State of Montana. (EXHIBIT #1) handed out and explained. There were some amendments put on in the House, I believe the Department of Fish, Wildlife and Parks (FWP) has some concerns over those amendments. There is the contention that the amendment will duplicate work for the long range planning committee. I'd like you to look at the language. REP. RANEY is interested in insuring that the public has input into operations and maintenance so we don't build new facilities and expand where people might not want it. The Virginia City acquisition amendment removed the Arts and Cultural Trust money and used that for the acquisition of Virginia City. They also allocated \$400,000 bed tax money for

the operation of Virginia City. (EXHIBIT #2) handed out and explained. Because of the timing of the funding there will be an \$89,000 reduction in revenue to the Arts and Cultural Grants program. Fortunately, our committee unknowingly had the foresight to leave approximately \$92,000 ending fund balance. The net effect is the ending fund balance in the Arts and Cultural Grants program remains the same. (EXHIBIT #3 & 4) handed out.

{Tape: 1; Side: A; Approx. Time Count: 8:25; Comments: None.}

Proponents' Testimony:

REP. KARL OHS, HD 33, HARRISON I support HB 5 with the amendments we put on in the House. We have a nice cash package to acquire these cities and the bed tax people have offered \$400,000 per year for 4 years which is also in the bill. The governing mechanism for operating these cities is in HB 5. We were able to fund the Cultural and Arts Program at the existing rate, I see no vulnerability in future years and I don't see the vote changing in the House. I urge your support of HB 5 with these amendments.

John Ellingsen, Virginia City I know you all know the significance of Virginia and Nevada City. There are 3 good reasons for saving Virginia City: 1) the history and artifacts; 2) the economic impact of tourism; and 3) this is the last chance to save these cities. The state is getting an absolute bargain on this stuff. Thank you for your support on HB 5.

Dick Giddis, Virginia City Virginia City has one of the greatest collections of mid to late 19th century buildings and has been a source of material for many writers. Scenes for several motion pictures have been shot there. There are families there whose ancestors came in with the gold rush. We need to save this town.

Debby Leadbetter, Ennis Testimony handed in. (EXHIBIT #5 & 6)

B.J. Barsness Douglas, Virginia City Players Testimony handed in. (EXHIBIT #7)

Bob Gabler, Virginia City Mayor The people of Virginia City strongly support HB 5. It is the one program that can actually work and solve these problems. I believe the state will find the people of Virginia City to be good long term partners in this project.

Mark Weber, Virginia City Preservation Alliance On behalf of our 500 membership I ask that you support HB 5.

{Tape: 1; Side: A; Approx. Time Count: 8:35; Comments: None.}

Bill Doggett, Madison County Commissioner I am the grandson of Jefferson Davis Doggett, born in Virginia City in 1863. I'm here

to ask your support of HB 5. It looks like one of the last chances to do a good thing that is important to our community. Please help us.

Marilee Tucker, Virginia City Chamber of Commerce Since the beginning of 1997 our office has received thousands of requests for information regarding Virginia City and Nevada City. Brochure (**EXHIBIT #8**) handed out. Since the ABC broadcast on Virginia City last Thursday night our phones have been ringing off the hook. A lot of those requests have been from out-of-state antique dealers who can't wait to come to the big sale in Virginia City and take our history away. I urge you not to let this happen and to save this wonderful piece of heritage that cannot be replaced. Please come visit us, we would love to show you how fun, educational and fascinating these places are.

Ward Jackson, Madison County Commissioner It breaks my heart to know what is gone, Margana, Richmond, Revenue, Boaz, Red Bluff has one building left, the last building in Sterling is falling down, our family saved the town of Midasburg. I see the tiny bit we have to save compared to what I have seen disappear since 1950.

Carl Kochman, Tourism Advisory Council (TAC) I support HB 5 and the inclusion of the accommodations tax as one part of the funding mechanism for the state to purchase Virginia and Nevada Cities. The TAC was created by the 1987 legislature to advise the Governor and Travel Montana on matters related to travel and tourism, as well as oversee the distribution of public funds to qualifying regional and local tourism organizations. We recognize the important role tourism plays in the Montana economy as well as our responsibility to the preservation and enhancement of those things that make Montana the special place that we are fortunate enough to call home. We recommended to the Governor the inclusion of the accommodation tax proceeds as part of the solution and encouraged members of the House to amend this into HB 5. I hope you look favorably on this with a do pass recommendation.

Keith Colbo, Montana Cultural Advocacy I stand before you in support of HB 5 and the amendment to purchase Virginia City and Nevada City that was introduced in the House. I will be presenting testimony in more detail on HB 14 which proposes alternate funding through a debt instrument. It is important to me that you recognize that our purpose is to propose another funding source. It is our hope that this committee will consider both and will pass both.

Ted Coffman, Madison County Commissioner I urge your support of HB 5.

Mark Reavis, Butte It is essential that we take care of our Montana facilities, buildings such as this and Virginia City and Nevada City. I hope you support HB 5.

Juanita Stovall, Billings I urge you to support HB 5.

Mary Oliver, Ennis Testimony handed in. (EXHIBIT #9)

Ed Henrich, Fairmont Hot Springs Resort Montana Innkeepers Association urges your support of HB 5.

Connie Daniels, Regional Economic Development Planner We've been working diligently as a regional committee on putting together a southwest Montana heritage resource document. We'd like to lend our support to HB 5, it is essential that we maintain and keep these resources.

Pat Bradley, Twin Bridges Chamber of Commerce We urge your support of HB 5.

{Tape: 1; Side: B; Approx. Time Count: 8:45; Comments: None.}

Allen Matthews, Alberton I support HB 5.

Derek Strahn, Bozeman Testimony handed in. (EXHIBIT #10)

John DeHaas, Montana Ghost Town Preservation Society I support HB 5. I've documented buildings in Virginia City for the Department of the Interior and I think it is crucial that we find a means to save Virginia City. We've moved past the point of desire it is now time for deed. I urge you to support this bill.

Clarence Evans, Sons and Daughters of Montana Pioneers My grandfather brought his family to Virginia City in 1864. There is rich heritage in our membership and we strong urge you to vote yes on this bill for the preservation and restoration of Virginia City.

Susan Kirley, Helena Testimony handed in. (EXHIBIT #11)

Ryan Harris, Virginia City I grew up in Great Falls and used to go by the Charlie Russell museum on my way to grade school. I've heard stories from my mom and dad on how we lost all those paintings. We have an opportunity to save Virginia City, I'm asking you to support HB 5.

Jane Benson, Helena I join the other proponents in asking you to save the Virginia City and Nevada City properties.

Eric Barsness, Missoula I urge your support of HB 5.

Mona Jamison, National Trust of Historic Preservation We stand in strong support of HB 5. We have a package that gets the job done. This is about our heritage as a state, it tells us where we've been, where we are and where we are going. It shows that we can do something for all of us. This will be run like a business, the commission that governs it will put together a

business plan. Please, pass HB 5 for all us new Montanan's and old Montanan's.

Richard Crofts, Commissioner of Higher Education We support HB 5 and those provisions within it to help the maintenance of campus facilities. We will also be asking you to support an amendment to restore 2 projects to HB 5. We were mystified on the House floor when college and university campus' were referred to as future mausoleums and therefore we didn't need anymore facilities on them. If our campus' are future mausoleums our students don't know about it, we anticipate more than 2,000 entering freshmen in the next 2 years. The \$19 million project at MSU-Bozeman is for a classroom laboratory facility. The students have voted a fee upon themselves to pay about 20% of that cost, the rest would come from private dollars, grants and federal funds. The only state obligation for that building would be half of the annual maintenance of approximately \$170,000 per year. \$16 million of projects were removed from UM-Missoula involving 1 major building of approximately \$12 million, an alumni building, art museum and other projects on the campus. In this case zero state dollars are requested, we are requesting your authorization for spending authority only. For \$174,000 of future operation and maintenance the State of Montana will get \$35 million worth of building projects. We think it is a pretty good deal and urge your support of this amendment.

{Tape: 1; Side: B; Approx. Time Count: 8:55; Comments: None.}

Mike Malone, MSU-Bozeman I'm speaking on behalf of the proposal **Commissioner Crofts** just mentioned for a new core instructional classroom laboratory building at MSU-Bozeman. We are asking specifically for the authority of \$19 million to be reinstated in HB 5. The project would provide new high tech science classrooms and Internet access classrooms for use by the majority of our 11,600 undergraduate students. We figure approximately 90% would actually use this facility. The labs will be primarily in chemistry, biochemistry and molecular biology. The new facility will strengthen links between undergraduate education and research programs. It will offer opportunities for students to work with research faculty in practical laboratory experiences which translate into jobs for our graduates. The building will also house cutting edge research in computational biology. Our students will work directly with scientists as part of MSU's undergraduate scholars program that encourages undergraduates to work directly with research science faculty. The project addresses deferred maintenance, fire-life safety and disabilities code compliance, all of which are problems in our outdated labs. Rather than pour funds into these old structures to update the labs we can get more value for the dollar by building new state of the art laboratories. The old labs can be converted much more inexpensively into classrooms to accommodate the enrollment growth we are experiencing in Bozeman. The labs are increasingly unsafe and unproductive and it is difficult to wire and ventilate these very old buildings. One of the reasons we can achieve more

value by building new labs instead of trying to renovate old ones is private fund raising. Though it is almost impossible to raise funds for the maintenance or remodeling of older structures, a new project attracts private companies who are willing to partner with the university to build a showcase high tech facility. We are actively fund-raising and have strong commitments from IBM, US Gypsum and over a dozen other companies to financially participate in the construction and equipping of what, we think, will be a model building. So far we have securely identified \$13.7 million, with your authorization we'll proceed to raise the additional \$5.3 million to complete the project. Hamilton Hall is a 1911 residence hall which does not and cannot serve the university's academic needs. As part of this project we would demolish that severely deteriorated, structurally unsafe and functionally obsolete building. We would be ridding the state of a \$2.3 million deferred maintenance problem. Some of Hamilton's building materials can be recycled and used in the next building. Here is the funding profile of the building in a nutshell, we're asking for \$19 million in authority. Of that: \$5.5 million are bonds that will be funded by student fees voted for this; \$6 million are bonds supported by indirect cost recoveries from research grants; and \$7.5 million comes from federal and private grant funds. This funding will accomplish this project with no state building funds required. The students passed the fees for this building via student referendum and unanimous action of the student senate.

Jim McCray, MSU-Bozeman Student Body President On behalf of all 11,600 students at Montana State we ask you to support the amendments and reinstate the authorization in HB 5 for the \$19 million authority project. The students decided to make the initial contribution to provide seed money towards investing in this project. We recognize the state has limited resources and because of that we are willing to make the initial investment because we need labs that will be more safe, productive and marketable for the jobs we need. Through 2 months of advertising last fall the students got the word out to the entire student body and through the dually elected representatives of the student body government they unanimously endorsed the proposal to pass the fee on themselves. We are asking you for the authority to help current students at MSU as well as future students. We ask you to reinstate the authorization.

Jim Todd, UM-Missoula (EXHIBIT #12) handed out and explained. We ask for your support and the restoration of these projects. They do not require any state appropriation now or in the future. We are committed to supporting the plant operation and maintenance in the alumni center, foundation and gallery from other than state funds.

Jason Thielman, UM-Missoula Student Body President On behalf of the students of UM-Missoula I would like to thank you for those projects that currently are included in HB 5 and urge you to support them. However, I also encourage you to add an amendment

to HB 5 for the funding of matching dollars for the classroom and lab renovations project that the students of UM-Missoula, Montana Tech, Western Montana College and Helena College of Technology supported by raising a \$7 million bond issue for the purpose of renovating labs and classrooms. We all agreed to a \$50 per academic year fee to finance half of this \$14 million project. In October 1996 the regents issued \$7 million revenue for the student portion of the project. We are requesting that the state legislature, in this biennium, match \$4.4 million for the purpose of continuing lab and classroom renovation. Approximately 75% of all classrooms on the 4 campuses are located in buildings built prior to 1971. All of the funds would be used to renovate classrooms and labs that have not received any significant funding prior to 1971. It is essential that we receive funds for the renovation of these classrooms and laboratories because over the past 25 years the needs in these classrooms have changed dramatically. For example, electrical needs due to computer and multimedia technology and cooling ventilation systems are needed to keep these systems in proper repair. In addition, there are a number of safety concerns that exist in the laboratories, our botany building lacks proper ventilation for the safety of students conducting their experiments, it also does not have access to hot water. I urge all of you to consider making an amendment to HB 5 to add a portion of that \$4.4 million to help match the students commitment on the 4 campuses of UM. A number of benefits will accrue to the state by agreeing to match some of the students commitment to this, Montana will receive safe and accessible classrooms at half price, Montana reduces its deferred maintenance backlog for half price, Montana meets ADA requirements at half price, Montana makes an investment in long range building that generates no new operation and maintenance costs and has the potential of reducing those costs. I urge you to please support this, I believe the students of the University of Montana campuses need laboratories and classrooms that have decent lighting, enough seats for students, are safe places to work, are accessible to all students and are adaptable to modern technology.

{Tape: 1; Side: B; Approx. Time Count: 9:10; Comments: None.}

Opponents' Testimony:

Wally Bivens, Helena I support the arts and when I can I make a bit of art myself. I would like to voice my objection to HB 5, in particular section 9. I am not voicing any opposition to the purchase of the twin cities, my opposition is to emptying the \$7.75 million balance in the Cultural Trust Fund to make that purchase. I am aware that this is not a true and legally binding trust but I think the trust in jeopardy is the one between this legislature and the people of the State of Montana. I've been so proud of the fact that in 1979 the state legislature created this fund to insure access to the arts for future generations of Montanans. It was a visionary act. Montana was the first state to take such action and, I believe, to date is the only state to

have done so. It has become part of what makes us Montana. During this legislative session I've heard the question raised as to whether state government has a role in providing for the cultural welfare of its citizens. People make art in times of war, in times of famine, they make art when they are interred in concentration camps awaiting death. It is somehow some part of what makes us human. A few thousand years of recorded history tell us that the cultural welfare of the people is important. You have a role. Please do not violate this trust and the vision that was started here in 1979. There must be a better way to make this purchase. As a taxpayer, I must say that it doesn't make sense to me to remove the principle from an account that would generate as much as \$10 million over the next 20 years. It doesn't seem fiscally responsible. Thank you for the opportunity to address you.

(EXHIBIT #13) handed out.

{Tape: 1; Side: B; Approx. Time Count: 9:15; Comments: None.}

Questions From Committee Members and Responses:

SEN. TOM BECK The information I have on Virginia and Nevada Cities doesn't includes an inventory of what will be purchased. I'd like some idea of what the inventory includes. **Brian Cockhill, Montana Historical Society** We have confirmed the inventory appraisal provided by Mr. Bovey. We have also used information from the National Park Service. The state will be buying about 120 buildings, several hundred thousand artifacts, the railroad track with newly refurbished steam engine and 50 acres of land.

SEN. J.D. LYNCH I would like to know what we are not buying. Are we acquiring the cemetery? **Mr. Cockhill** We are not acquiring the cemetery. There are private properties, properties owned by local government and significant buildings that are not included in this purchase. **SEN. LYNCH** I'd like a map showing what we are and are not buying. **Mr. Cockhill** We will provide that for you.

SEN. LYNCH I am assuming that no one supporting VC is locked into this particular funding mechanism as long as we come up with the appropriate funds for purchase. **REP. OHS** Our first priority is to purchase the cities, it is my view that the funding that makes the most sense is the one doing it with a cash purchase. I'm comfortable with the package we have put together that includes money from Travel Montana. The danger in too many other ideas is that we are running out of time and we may lose it altogether. I'm concerned that we won't get the support from both houses to get the job done.

SEN. LYNCH I understand the Travel Montana people because they are probably relieved that we aren't taking more money in cash from the bed tax. That is an easy thing to support when they are

getting out relatively unscathed. There are people from all over Montana upset with eliminating the arts trust. I assume no one opposes this as long as we get the job done. **REP. OHS** That is the #1 priority.

SEN. CHRIS CHRISTIAENS This project has been on the books for about 4 years and we've talked about what level of effort was being done by the community. I'd like to know what you have raised in capital to help with ongoing maintenance? The \$400,000 per year will obviously not be enough. **Mr. Weber** The VC Preservation Alliance has gained in membership to over 500 people. We have an annual budget of approximately \$100,000. We've acquired the hangman's building and some lots in town. We think that illustrates the local concern and enthusiasm.

SEN. CHRISTIAENS I had expected you to be writing grants and coming up with matching funds. I had been lead to believe that was going to occur over the last 2 years. **Mr. Weber** We've been in support of this, we've raised money to pay for our lobbyist. Our goal is historic preservation and restoration.

SEN. CHRISTIAENS One of our biggest concerns with state properties is ongoing maintenance and upkeep. We have \$400,000 per year for this project, is this going to be enough in the long term? It seems to me the local communities need to step forward and take over some of that. What is in here for fees, what happens to visitor's revenues, what is set up to be generating some income so this is not a continual drain on the State of Montana? **Mr. Cockhill** It was the intention of the task force that this commission form of operation be created which is contained in the amendments in HB 5. The commission decided to derive a business plan based on a variety of lease type activities with several leaseholders or one large leaseholder. The assumption is that the money generated from those leases would be plowed back into the maintenance of the properties. The \$400,000 in intended to do the long deferred maintenance that has been a problem in the twin cities over the course of the last 15 years. It is our assumption that once the operation is up and running that it will be self sufficient. We assume the leaseholders will be required to make some investments in the properties that they will be using. We need to increase visitation to VC significantly and provide a much wider variety of services to the visiting public.

SEN. CHRISTIAENS What about security? Are we looking at additional state FTE? I'd also like to see a copy of the business plan. **Mr. Cockhill** A business plan doesn't exist. The commission is delegated to hire 2 FTE state employees, the executive director and the curator. I assume the state will have to acquire a building to provide a secure storage place for artifacts not on exhibit. I don't anticipate there being more FTE's although I would not make that a guarantee. There will be all kinds of employees in the summer, we hope those will be private employees.

SEN. CHRISTIAENS This committee needs to see a business plan, we need to know the long term commitment. What local area effort has been done on this? **Mr. Cockhill** We were not concerned with local government, we were concerned with raising the money to purchase the property. **Mr. Gabler** The town of Virginia City voted to tax itself with a resort tax. That money is being used for infrastructure in the community. Our top priority was fire protection, we have built a new fire hall with new equipment and volunteers that have put an immense amount of time into training. We are applying for community development block grants and EPA grants to upgrade our water system. The community is doing everything it can.

SEN. EVE FRANKLIN Regarding the \$400,000 accommodation tax revenue that has been agreed to, how locked in is your division to that funding source? Have you discussed other mechanisms? **Matthew Cohn, Travel Montana** We were in support of the Today and Tomorrow program which had the funding mechanism in place. When it was recognized that would not pass, other options were looked at. The Tourism Advisory Council made this recommendation to the Governor.

SEN. FRANKLIN Do you think the other bills fates might have been different if you had discussed contributing additional bed tax money? **Mr. Cohn** My job, as the administrator of a government program, is to do as you see fit. It is not my job to determine how the money should be used. There was lots of discussion, we have an ongoing program that requires funds as well. How can you design something that would benefit the purchase of VC/NC but not have a dramatic impact on your existing programs? This is what was come up with.

SEN. FRANKLIN Would you be willing to be involved in discussions regarding another option? **Mr. Cohn** My job is to do as the legislature sees fit. I need to tell you what the impacts would be on the program should you make a different decision on how the money should be spent.

SEN. FRANKLIN Can you tell me how the impact would be different if we used that \$400,000 for a different funding mechanism? **Mr. Cohn** Currently, there is a tourism investment program in which money was invested in infrastructure grants around the state. That program is probably going to have to be altered given that this \$400,000 is going to VC. There will also be some impact on the regional and local levels. Whenever you are moving money around there is a different impact on programs.

SEN. FRANKLIN Would the same \$400,000 have the same impact whether it was involved in this mechanism or any other mechanism? **Mr. Cohn** Yes, I would say so.

{Tape: 2; Side: A; Approx. Time Count: 9:40; Comments: None.}

SEN. DARYL TOEWS I understood there would be a return on investment, today I hear that is not so, that any revenue will be plowed back into the system forever. Would the 4 year bed tax contribution be the end of what we have to pump into this thing or are we going to have to have an ongoing funding source? **Ms. Jamison** The bed tax provision allows for \$400,000 for each of 4 years for a total of \$1.6 million. That is on top of the \$7.7 million from the cultural trust which brings us to \$9.1 million. There is no business plan at this point because the legislature has not yet approved these purchases. We have the structure for making this profitable, this is not a governmental program, it is a commission made up primarily of private people with a strong business interest. Page 17, lines 10-11 state this is to be free of state requirements which sometimes impede profit making. The people that will win the lease bids will be the ones that set up the most desirable return on investment back to the state for the continued operation and maintenance.

SEN. MIKE TAYLOR What has the Bovey family been taking in yearly on VC? **Mr. Cockhill** I've seen accounting statements for 1993, 1994 & 1995. They lost an average of \$50,000 per year. Last year they lost approximately \$125,000.

SEN. TAYLOR I see you manage a bank in Madison Valley, would you loan me money without a business plan? **Ms. Oliver** No, I would not.

SEN. LINDA NELSON Could you speak for the Arts Commission on taking the money from the cultural trust? **Arni Fishbaugh, Montana Arts Council** We have been in strong support of VC/NC, at the same time we are concerned about the elimination of the cultural trust because it was initially created as a protected and permanent source of funding for arts and culture around the state. There will be an alternative proposal for HB 14 that gives everybody the best of both worlds, the purchase of VC/NC, saving the cultural trust and saving the state a substantial amount of money. I would appreciate this committee's strong consideration of that proposal.

SEN. NELSON Regarding the demolition of the Poplar armory, will the amount of money contained in the bill cover the project and why was it reduced? **REP. BERGSAGEL** The committee couldn't justify \$300,000 to tear down a building. The Department of Military Affairs says it will take that amount of money because of the size of the building and the asbestos in the building. We left \$300,000-\$400,000 funding for health and safety emergencies. Should they not be able to demolish the building for \$150,000 they have requested they be given the opportunity to consider using that money to add to the demolition project. We suggested they contact the Fort Peck tribes on this.

SEN. NELSON Please address the state parks road improvement from gas tax money. **REP. BERGSAGEL** The \$300,000 came from the Ulm Pishkin project and was at my request. Ulm Pishkin hadn't

received any financial support from the community, we felt the county could pick up the \$300,000 for the road improvement as a way to provide their share. We took that \$300,000 and moved it into statewide road improvement.

SEN. LYNCH What was the rationale for taking out the university buildings and was this a close vote? **REP. BERGSAGEL** It took 3 votes to get HB 14 out of the House, HB 5 came out 51-49, these bills are in jeopardy. There is a certain amount of frustration with the level of bonding for building projects that is going on.

SEN. FRANKLIN Was there any discussion in the House on the merits of the university building project. **SEN. BERGSAGEL** There was no discussion on the House floor regarding the merits, it mainly relied on the philosophical view that it is new building.

SEN. TAYLOR Please explain the secure female renovations at Boulder, does this include the \$500,000 bonding for the City of Boulder? **REP. BERGSAGEL** The secure facility is an attempt to renovate the old developmentally disabled center and upgrade it to a secure care facility for girls. The \$400,000 was a contribution the state would make toward a juvenile detention center in Jefferson County. This is the same concept but a separate project. This would be 14 beds with 2 empty beds for isolation.

SEN. TOM KEATING Are these general obligation bonds? **REP. BERGSAGEL** There is no bonding in HB 5, it is all cash.

SEN. KEATING How is the bond debt serviced in HB 14? **REP. BERGSAGEL** Most of it is out of the General Fund.

SEN. CHRISTIAENS Where are we with the bonding capacity of the state? **REP. BERGSAGEL** We're in fairly good shape, we will not exceed the high we have had in the past. The issue is how we will pay for the bonds.

CHAIRMAN SWYSGOOD As the sponsor of the VC amendment, would you care to enlighten us with anything? **REP. OHS** As well as being sponsor of the amendment, I was a member of the Governor's task force on Virginia and Nevada City. The task force felt the strength in the business plan would be the commission by stacking it with business, travel and historical people. It would be premature to proceed with a business plan when didn't know what the funding mechanism would be.

{Tape: 2; Side: A; Approx. Time Count: 9:55; Comments: None.}

Closing by Sponsor:

REP. BERGSAGEL I'll be available for executive session if you'd like.

{Tape: 2; Side: A; Approx. Time Count: 10:10; Comments: None.}

HEARING ON HB 14

Sponsor: REP. ROYAL JOHNSON, HD 10, BILLINGS

Proponents: Rick Day, Department of Corrections
Richard Crofts, Commissioner of Higher Education
Jim Todd, UM-Missoula
Jason Thielman, UM-Missoula Student Body President
Mike Malone, MSU-Bozeman
Keith Colbo, Montana Cultural Advocacy
Judy Ericksen, Cultural Trust Advisory Panel
Randy Gray, Great Falls
Henry McClernan, Butte
Peter Held, Montana Art Gallery Director Association
Bonnie Laing Malcolmson, Paris Gibson Square

Opponents: None

Opening Statement by Sponsor:

REP. ROYAL JOHNSON, HD 10, BILLINGS HB 14 is the bonding bill for the State of Montana. This bill started at \$61 million and is down to \$43 million. HB 14 explained.

{Tape: 2; Side: A; Approx. Time Count: 10:20; Comments: None.}

Proponents' Testimony:

Rick Day, Department of Corrections (DOC) I am here in support of HB 5 and 14. We've made some substantial progress toward infrastructure issues at Montana State Prison (MSP). We have also made progress toward stabilizing and restoring a secure structure for our juvenile corrections operations. We have some significant capacity issues left. (EXHIBIT #14) pertaining to the women's prison handed out and explained. Currently, the two 96 bed units at MSP are proposed to be funded with federal money. This causes the department significant concern as this money is not appropriated yet and the receipt of the federal money would delay the first unit 1 year and the second unit 2 years. We are not sure we will receive that money from the federal government. We hope this committee will fund the structures at MSP where we know what the results will be. We know we can bring on the expansion within this biennium with general obligation bonds and then allow one more additional regional prison or additions to existing prisons with the federal money. This would allow the State of Montana the long term planning capacity we need. Editorial from the Miami Herald shared with the committee. (EXHIBIT #15) I encourage the committee to move forward with the amendments the department suggests.

Richard Crofts, Commissioner of Higher Education I would like to express the support and gratitude of the Montana University System for the projects that have been included in HB 14. The university system reviewed a huge list of building projects

submitting a priority list of 17 projects. In large measure the legislature has followed those priorities with one exception, the renovation of academic facilities on the campuses of the University of Montana. This was originally listed as the 9th priority from the Board of Regents. The students have pledged an academic facilities renovation fee and the regents have approved that as revenue obligations for bonding. It seems to us that when the state puts money into the building of a purely academic facility that it would be appropriate and proper for the state to pay for the ongoing funding of that building, a recent trend has continued where the campuses are having to pick up a portion of the maintenance and we would certainly urge your consideration of that action as well.

Jim Todd, UM-Missoula Testimony handed in. (EXHIBIT #16) We ask your favorable consideration of any amendment that would add money in HB 14 for the renovation of classrooms and laboratories on the 4 campuses of the University of Montana.

Jason Thielman, UM-Missoula Student Body President I'd like to echo **Dr. Todd's** comments on coming up with the \$4.5 million for the renovation of classrooms and labs. There are probably two options, you can add money in HB 5 or issue general obligation bonds in HB 14 to match the student's revenue bonds. We'll be happy however you do it, as long as you do it.

Mike Malone, MSU-Bozeman I'd like to reinforce the comments of **Commissioner Crofts** regarding page 2 of HB 14. The bonding projects have been very carefully reviewed and have all gained the complete support of the Board of Regents. I'd like to underscore the importance of items 22 & 24, the facility renovation at the MSU-College of Technology in Great Falls. This is a key element in the consolidation of the university. It allows us to pull the various academic offerings of both MSU and UM to that site in Great Falls in a cost effective way. Item 24, the addition to the special education building at MSU-Billings is a highly important project. The Board of Regents is convinced that this is the most practical and cost effective way to proceed.

Keith Colbo, Montana Cultural Advocacy I would like to speak to an amendment to HB 14. (EXHIBIT #17) handed out and explained. This is an alternative to the funding mechanism in HB 5.

{Tape: 2; Side: B; Approx. Time Count: 10:45; Comments: None.}

Judy Ericksen, Cultural Trust Citizens Advisory Panel I think it is important to remember that wherever we sit under the umbrella of cultural concerns in this state we all have the same goal, which is the preservation of Montana's cultural heritage. For that reason I urge you to support the amendment that **Mr. Colbo** just proposed to you for HB 5 & 14 because, not only will it allow us to maintain the cultural trust and allow us to buy Virginia and Nevada cities, it will give us the opportunity to

move forward with Montana's culture and save the state \$4.75 million. Please support this bill.

Randy Gray, Great Falls My family moved to central Montana in 1884. I'm here to speak in favor of both HB 5 & 14. We shouldn't be required to sacrifice our arts and culture for the preservation of the history of this state. Both are important, both define who we are. It is a composite of our arts, our culture and our history that defines who we as Montanans are. I am not in favor of flushing down Virginia City or our cultural aspects for the benefit of some political goal. The people of the State of Montana are in front and ahead of the legislature on these issues. I'm asking that our legislators catch up to the people of Montana, be leaders and support both of these proposals.

Henry McClernan, Butte The matter of how to pay for VC/NC puts me between a rock and a hard place. I don't want to see those cities disappear but I don't want to see the cultural trust go away. It has financed a lot of good programs over the years, even a few in Butte. The idea **Mr. Colbo** has presented to you seems to make much more sense from a business point of view. If we can pay for these things from a revenue stream rather than going to the bank account, the cultural trust, we will have the trust available later on. I urge your support of HB 14 with **Mr. Colbo's** ideas.

Peter Held, Montana Art Gallery Director Association (MAGDA) I represent a broad spectrum of cultural organizations. We support the purchase of VC/NC. We believe a mixture of funding mechanisms as proposed today in HB 14 is a fiscally sound measure saving the state millions of dollars as well as maintaining cultural programs for our residents. The legacy of the cultural trust is deep rooted, this should not be a political issue. The true issue is that cultural institutions, both large and small, city and rural are preserving our past, giving voice to the present and providing a vision for the future. I am asking you to take full consideration for your actions by providing a well balanced funding mechanism for Virginia City as proposed in the amendment for HB 14. The ultimate beneficiaries will be our communities, families and future generations.

Bonnie Laing Malcolmson, Paris Gibson Square Paris Gibson Square is a 101 year old building that is in need of historic preservation. We are also a contemporary art museum. Funding from the cultural trust has been very important to us in the past. I'm here in support of the amendment to HB 14. I think it is very, very important to keep the cultural trust alive and well. I also think that preserving VC/NC is a very important issue as well. I'd like to see us go forward and do the best we can for our state in all of these areas.

Opponents' Testimony: None

{Tape: 2; Side: B; Approx. Time Count: 10:55; Comments: None.}

Questions From Committee Members and Responses:

SEN. LYNCH I didn't come up with that one-half amendment for MSU-Billings by myself. As I recall someplace along the line someone suggested that if we could get that building in you'd be more than willing to pay one-half maintenance for that building. Now, I understand, people don't like the agreement. **Dr. Malone** You are correct. That was our agreement and we still abide by that agreement. We understand that we are committing ourselves to fund one-half of the operations and maintenance for that building.

SEN. LYNCH We are flushing down Virginia City and the cultural trust for political gain and the people are ahead of us, what are you talking about? **Mr. Gray** There is a perception in the people of Montana that there is rampant politics being played in the halls of this legislative session and that is what I'm referring to.

SEN. DALE MAHLUM I see you have an assumption on SB 395, the rental car surcharge, could you explain that to me? **Mr. Colbo** In looking at a means to fund the revenue stream to pay for the bonds I'm proposing in the amendment, SB 395 came to mind since it mentioned historical purposes in the bill. I'm not suggesting this replace the proposal I've made before you, I'm simply saying there are other things to consider out there.

SEN. KEATING Did the committee make a comparison of the bonding proposal versus the cultural trust proposal and could you tell me the committee's rationale for going with the liquidation of the trust rather than bonding? **REP. JOHNSON** I wasn't a member of the committee that made that decision, I didn't know anything about the amendment until **Mr. Colbo** showed it to me this morning. It adds \$1 million per year cost to the General Fund.

SEN. KEATING Why was the expansion denied for the women's correctional facility? **REP. JOHNSON** The committee only wanted to go so many dollars total cost of General Fund funding in the long range building bill. The bill you have before you is the result of many hours of negotiations and trying to figure out who would get what. I think using the cultural trust is not the proper way to fund the VC/NC situation. We have a good solution available in the bed tax. When this legislature put the 4% sales tax on for hotel and motel rooms they generated roughly \$3.6 million, the generation this year is \$9.3 million which means we've had a \$6 million increase in the available funds in that area. If you want to bond VC/NC, you could take \$1 million per year out of that revenue stream. I think that is a much more acceptable situation, it is a tourist attraction, it is something we should keep alive. If it is going to draw tourists, why would we take it out of the taxpayers of the State of Montana? I'd

rather do that than send that money to New York and buy advertising and so forth.

SEN. MIGNON WATERMAN Can you give me some background on the cook/chill operation, what does it entail and why do we need it?

Bob Anderson, DOC We've been looking into the cook/chill technology for the past several years. We originally implemented it at the Montana Developmental Center (MDC) at Boulder. This technology has been around for a number of years, the food is prepared under a cool scenario, stored cool and can remain in that state for up to 76 hours or a week. It doesn't require 2 shifts working 7 days per week, it requires 1 shift working 8 hours per day, 5 days per week because you can make the meals on Friday for Saturday, Sunday and Monday. It is a technology that reduces cost, increases food production, improves the taste and nutrition of the food and helps reduce the costs of inventory. There is a tremendous amount of advantages for this system.

SEN. WATERMAN Why not use inmates to prepare food instead of going to the expense of a new technology like this? **Mr. Anderson** We had to implement the cook/chill system at MDC because we weren't meeting certification standards. There is a minimal amount of work that can be done in a kitchen using inmates and we intend to use as many inmates as possible in the new kitchen. Inmates are not the best types of individuals to put on food preparation jobs. The Montana State Hospital expressed concern with inmates preparing food and didn't want us to use them for this.

SEN. GREG JERGESON The bottom of page 2 apparently obligates MSU as a whole to meet the terms of an agreement. Is the other form of revenue intended to meet the terms of this agreement student tuition? **Dr. Malone** Hopefully, this would be augmented by energy savings but it still puts a real burden on that campus to do it. One has to look at all revenue sources on the campus.

SEN. JERGESON Could you prepare some scenarios on how this might impact student tuition? **Dr. Malone** Yes.

SEN. CHRISTIAENS This bill shows \$5,340,000 for the 192 bed infrastructure, what are we going to get for the \$6.5 million federal special and where does it leave the project if the federal funding does not come through? **Mr. Anderson** There is approximately \$3.7 million of infrastructure that we need to do at the prison, with or without living units. The first living unit is a \$4.6 million project, the second unit is a \$3.6 million project. The state funds of \$5,340,000 represent the \$3.7 million for the infrastructure and another \$1.6 million for the living units. The federal funds represent the rest for the living units for violent offender cells. That money will be coming over the next 4 years. We have \$2.2 million now, we need another \$2.2 million for Missoula. We need to wait for that money to get here before we can go out for bids. Because of the cash flow problem we will have to bring our living units on

later. The first unit will come on in late 2000 and the second will come on in 2001.

SEN. CHRISTIAENS If we did not build those units would it be necessary to spend the \$3.7 on infrastructure? The private correctional facilities might be able to come on line faster than building on the current campus. **Mr. Anderson** We would have asked for the \$3.7 million for infrastructure with or without the living units. We need those infrastructure improvements to bring the prison up to its current level.

SEN. ARNIE MOHL Isn't there a better or cheaper way for utilities than the \$5.6 million for tunnels at MSU? **Dr. Malone** We've been building these utility tunnels for years, they pretty much follow what is the national state-of-the-art on what is demanded.

SEN. LOREN JENKINS Didn't you used to pay part of the maintenance and operations out of grants, wasn't that changed in 1987 or so? **Dr. Malone** I was not involved in the process at that time. We pay part of the utility tunnels with revenue bond funding from our auxiliary operations and the part you are seeing is the actual state funded portion of it.

SEN. LYNCH You've indicated an amendment concerning the committee decision on WCC, what is going to be built at MSP under the present bills? Since the \$6.5 million federal dollars is iffy at best, have you prepared amendments to address MSP or merely WCC? **Mr. Day** We have prepared amendments to address both MSP and WCC.

SEN. LYNCH How many units will be built in the next biennium at MSP? **Mr. Day** With the current structure of the bill the housing units, the two 96 cell facilities, are funded with federal dollars. That means that neither of those will be built this biennium as long as they continue to be funded with federal money.

SEN. LYNCH There is no construction for MSP in the next two years? **Mr. Day** There is nothing for housing units. We have amendments to address that.

CHAIRMAN SWYSGOOD You don't know that the federal dollars are not available, do you? **Mr. Day** We know that the federal dollars will not be received in this time period in order to complete the construction.

CHAIRMAN SWYSGOOD One of the private facilities could come on during that period of time, couldn't they? **Mr. Day** I do not believe they would be able to come on line this biennium.

CHAIRMAN SWYSGOOD If we gave you money to build those 2 units, you couldn't build them any faster could you? **Mr. Day** We believe we would be able to have those operational by the end of

this biennium. It takes a considerable amount of time to get the request for proposal out for a private facility. We have plans ready to go for MSP.

{Tape: 3; Side: A; Approx. Time Count: 11:20; Comments: None.}

Closing by Sponsor:

REP. JOHNSON The back of the fiscal note will tell you how many dollars you will add with each one of these bonding proposals. (EXHIBIT #18) handed out.

HEARING ON HB 188

Sponsor: REP. MATT DENNY, HD 63, MISSOULA

Proponents: Lois Menzies, Department of Administration
Mary Bryson, Department of Revenue
Pat Haffey, Department of Labor and Industry
Denny Zeiler, Department of Labor and Industry
Richard Crofts, Commissioner of Higher Education
Steve Bender, Office of Budget and Program Planning

Opponents: None

Opening Statement by Sponsor:

REP. MATT DENNY, HD 63, MISSOULA HB 188 is the Governor's bond proposal for information technology restructuring in the state. (EXHIBIT #19) handed out.

Proponents' Testimony:

Lois Menzies, Department of Administration (EXHIBIT #20) handed out and explained.

Mary Bryson, Department of Revenue Testimony handed in. (EXHIBIT #21)

Pat Haffey, Department of Labor and Industry I'm here to speak about the unemployment insurance benefits portion of this package. There are about 35,000 Montanans who receive benefits or payments from the unemployment benefit claims program every year. They receive from \$50-70 million each year. The system processes the claims, sets the rate by which the claims are paid, studies wage rates to determine what the employer will pay and collects the data that will determine all of the employer contributions to the unemployment benefits program. It is a significant system that was built 10 years ago. We encourage you to support this bill.

{Tape: 3; Side: A; Approx. Time Count: 11:30; Comments: None.}

Denny Zeiler, Department of Labor and Industry The unemployment insurance program was an act passed by congress in 1935 and is a federal/state partnership. The objective is to reduce the financial hardship on employees who are out of work due to no fault of their own. Our current benefit system came on line in the mid 1980's using technology from the 1970's, the system is housed on the state mainframe. Last year we hired a computer contractor to do an analysis of our system. The contractor concluded it would be more cost efficient to replace our system, we are targeting the replacement cost at \$3.6 million. (EXHIBIT #22) handed out.

Richard Crofts, Commissioner of Higher Education The university system prepared a two phase program to improve the use of technology: \$2.8 million request to develop new programs to be delivered throughout the state electronically; and a \$7 million request for technology bonding through HB 188. This is proposed for instructional computing, library automation, library resources, multimedia classrooms, administrative systems and the cost of networking. We made a presentation to the long range building committee and they decided against approving funding for us. We come before you this morning as a university system with technology as our only major new initiative for this session and both programs are now unfunded. We believe technology is critical for the development of your university system and hope we can work with members of the committee to restore some of this funding for technology so the universities, like the rest of state government, can move forward in coming years.

Steve Bender, Office of Budget and Program Planning I'm here to briefly explain the \$500,000 requested for the budget system. A little over a year ago our office and legislative finance division began a project to rewrite the budget system. Our vision was to create a system that would handle the entire two year budget process. Most of the work in the budget office revolves around maintaining a budget during the interim. Currently, that process is a manual, paper process. We entered into an agreement with a contractor 1 year ago for a 4 phase process: budget development; legislative process; implementation process; and budget maintenance. For various reasons that contractor walked on us without completing all the processes. We are requesting money to complete that vision. This would greatly streamline the budget implementation process. We would be able to gain great efficiencies and provide you with more valuable information.

Opponents' Testimony: None

{Tape: 3; Side: A; Approx. Time Count: 11:45; Comments: None.}

Questions From Committee Members and Responses:

SEN. JENKINS Did I hear you say you have 1½ parts of the 4 part system? **Mr. Bender** Yes. One of the phases was budget

development, we got screens to do budget development once the data was loaded in the system but we didn't have a way to load the data.

SEN. JENKINS I believe we heard in the finance committee in November that you would have 2 systems done by December 1996.

Mr. Bender We have major parts of the 2 phases. The budget development phase I discounted to ½ because we don't have any means to extract the data from the state's accounting system and personnel system.

SEN. CHRISTIAENS Can you talk to me about the fiscal note and the effect on county and local revenues, it refers to the fact there may be an effect on debt collection since the percentage commission is applied to all debts including delinquent property taxes for the counties? **Ms. Menzies** I believe this refers to the debt collection system within DOA, under statute we have expanded this to include counties. In order to pay for MT PRRIME we are spreading those costs across all state agencies by increasing the fee we charge for debt collection. Counties who choose to use that service will also pay an increased fee.

SEN. CHRISTIAENS Do they have a way of being compensated for that additional fee? **Ms. Menzies** The fee comes from the amount collected so their take home would be less than under the current system.

SEN. CHRISTIAENS Is there federal money that comes with the child support/food stamp over issuances to pay for this? **Ms. Bryson** The intent of the revenue processing center is to be self funding. I believe there would be federal money available to pay for the operating cost of that program if we started collecting on behalf of child support enforcement. **CHAIRMAN SWYSGOOD** I believe that would have to be matched by General Fund to get the federal funds.

SEN. JERGESON Please describe the year 2000 problem and why it is preferable to change over some of these major systems rather than trying to upgrade the current system. **Ms. Menzies** We are running into a problem in the computer world with the year 2000. Computers currently have a 2 digit date field, they cannot accommodate transactions that cross the year 2000. All businesses need to address that situation. If we were not to do this MT PRRIME project it would cost us approximately \$1.4 million to upgrade our legacy systems. This would only correct the year 2000 problem and not the lack of functionality in the current systems. It was our determination that it made better sense to invest the \$1.4 million into MT PRRIME.

SEN. TAYLOR In subcommittee we heard that the 2000 problem was going to be \$3 million, now it is \$6 million, is that correct?

Ms. Menzies There are a variety of ways agencies will be fixing this problem. Some are in HB 188, there is also money in the DOA budget which addresses some of these problems, other agencies

have included money in their operational budget to address these issues. **Tony Herbert, DOA** With the passage of HB 188 the cost would be approximately \$3.7 million which is currently contained within agency budgets in HB 2. If you did not pass HB 188 we think we'd have an additional budget problem for year 2000 fixes to the tune of about \$2-2.1 million. It would total around \$6 million if you did not pass HB 188.

CHAIRMAN SWYSGOOD I see your funding for the cadastral property parcel mapping project is private, what private money is this? **Ms. Menzies** That project was removed from this bill and placed in DOA's operational budget. HB 188 does not contain any private funds.

CHAIRMAN SWYSGOOD You say you can't wait on federal money, why? **Mr. Zeiler** We have no options for replacing our system without bonding. The \$3.6 million would represent approximately 1/2 the money we receive from the federal government each year to operate the unemployment insurance program.

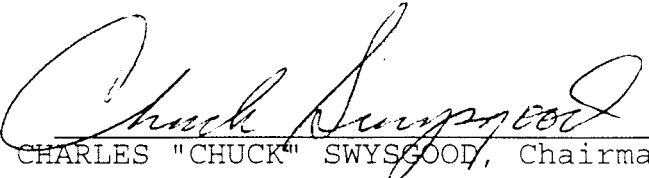
{Tape: 3; Side: A; Approx. Time Count: 11:56; Comments: None.}

Closing by Sponsor:

REP. DENNY closes.

ADJOURNMENT

Adjournment: 11:58


SEN. CHARLES "CHUCK" SWYSGOOD, Chairman


SHARON CUMMINGS, Secretary

CS/SC