

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - 2nd SPECIAL SESSION

#### JOINT HOUSE COMMITTEE ON APPROPRIATIONS SENATE COMMITTEE ON FINANCE AND CLAIMS

**Call to Order:** By Senator Judy Jacobson, on July 6, 1992, at 10 a.m.

#### ROLL CALL

**Members Present:** Most members of both committees were present.

**Staff Present:** Terry Cohea, Legislative Fiscal Analyst  
Sylvia Kinsey, Committee Secretary

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

**Announcements/Discussion:** CHAIR SENATOR JACOBSON said this meeting was to lay the ground rules and let people know what the schedules are going to be for the subcommittees and give Mr. Yeakel, Budget Director (OBPP), a chance to update the committees on the work they have been doing over the week-end on revenue estimates and some modifications and changes to the cuts that were in the Governor's original proposal.

CHAIR BARDANOUVE gave the schedule for the subcommittees and said there would be an Appropriation Committee meeting at 1 p.m. for the Feed Bill, then adjourn the full committee and the Joint Subcommittees will meet in their respective areas.

REP COBB pointed out that it would be helpful if the caucuses would inform the committees as to what they would agree to. If no one wants the cuts there is no use wasting our time on them. SENATOR JACOBSON said people would need a little time to evaluate the proposals before making a recommendation.

There was some discussion about the short time available to evaluate the cuts in the subcommittees and SENATOR JACOBSON said the leadership would like to have the subcommittees wrapped up in two days. There was also a suggestion by SEN AKLESTAD that perhaps hearings where a bill was to be heard in both houses might be done as a joint meeting to save time. The short time for analysis of the proposed budget was also discussed. REP QUILICI pointed out that they had made cuts in the first special session and had cut deep. If any further cuts had to be made they would probably have to look at cutting bureaus or agencies completely.

Mr. Yeakel handed out EXHIBIT 1 listing the proposed special

session actions. He said the top page of the hand out corresponds with page 8 in the budget book. He listed changes and said they concur with the LFA this morning. He went through the handout and pointed out the changes made from the original book.

**Steve Bender, OBPP**, discussed the revenue update and said the balance sheet presented on page 2 contains updated revenue estimates as of this weekend that are very similar to those prepared by the LFA. He said they were less than \$1 million difference and that was close and they could work it out. After making some fund balance adjustments they were even closer. He said they were still working out the revenue figures and should be getting updated figures each day.

**SEN JACOBSON** asked if they still had their accruals at the \$42 million instead of the \$35.8 million which the Legislative Auditor had said was acceptable. **Mr. Bender** said when he did this they were still led to believe we could get \$42.5 million. This morning he received a sheet that said that should be roughly \$35 million. Their concept was to put into the stabilization account the amount of revenues accrued. If we accrue only \$35 million we would reduce our general fund appropriation by a like amount.

**SEN JACOBSON** said in revenue enhancements, will you take the gaming tax which is at \$35 million, the only revenue enhancement that you would acknowledge is the part that goes to the general fund, so isn't it correct that that number is unrecognizably low? Likewise, in expenditure reductions, when you reduce certain revenues as on the hospital plan, you are increasing revenue \$8.6 million and recognizing only \$5.7 million, the amount that goes to the general fund. This made it difficult to tie his numbers to the numbers in the LFA because those are all actual decreases in the expenditure reduction and actual increases in the revenue.

**Mr. Bender** said on the hospital tax, there is a \$200,000 discrepancy and will only take moments to remedy their differences. He pointed to the funding switch listed in the middle of the top page, that is where the remainder of the gaming tax is and they are having difficulty in trying to figure out how to categorize it. It does actually result in a reduction of expenditures from the general fund because we are no longer making that statutory payment. They thought the LFA might look at this differently and therefore made a separate category for funding switch, which is what it is.

**CHAIR JACOBSON** said, to the taxpayers of the state of Montana, it is revenue enhancement. It is people paying taxes that they were not paying before.

**REP BARDANOUVE** said it was difficult to understand how major changes were made at the late hour. It is a running target we are trying to meet. **Mr. Yeakel** said the numbers will probably

change again tomorrow and the next day. He understood their role was to bring in a working proposal that they could all work on together. The small number of changes, \$9.6 million in changes and a \$100 million plus package is not significant enough to be concerned about, especially when their offices are double checking numbers together and working on them. **REP BARDANOUVE** pointed out that was 10% and **Mr. Yeakel** said in putting this together, over two weeks, sometimes late at night, sometimes you don't get to that nth level of detail which does reveal some changes.

**CHAIR JACOBSON** said in all fairness to **Mr. Yeakel** they did make some changes after our office did their analysis. He asked if he could come in and give us an update. She said she did appreciate allowing them to see some of the updates before the subcommittees had to go over this and we could all look at them collectively.

**REP BARDANOUVE** asked if the bills are prepared to take care of the various proposals you have made? **Mr. Yeakel** said to the best of his knowledge all the bills have been prepared. They are looking for a few requesters and sponsors yet, but they should all be nailed down today.

In answer to a question as to when the bills would be ready for hearings, **Mr. Yeakel** said as soon as they get the requesters and sponsors and hope to complete that today.

**CHAIR JACOBSON** said the reason for her concern is that they are being pushed to get moving with House Bill 2 and some of the major pieces of revenue are out there and are not yet drafted. It will really stall them in the long run if they have the spending sources but not the revenue sources. **REP BARDANOUVE** expressed his concern on this also, and pointed out the need for revenue estimates to enable the subcommittees to do their work.

**REP COBB** said if we took this whole package of \$106 million, how much money would you have to borrow under TRANS after we leave? **Mr. Yeakel** said in the neighborhood of \$130 million. **REP COBB** asked if he was 95% confident we will be able to issue that TRANS and pay it back? **Mr. Yeakel** said the conversations we have had preliminarily with those who know and our rating agencies, etc., indicate a positive disposition, but nothing is a "lead pipe cinch".

**REP COBB** asked at which point is it unlikely we will be unable to borrow. If we only transfer or raise taxes by \$86 million total, can we issue TRANS for \$150 million? At what point are we going to be unable to do anything unless we do so many cuts and tax increases?

**Mr. Yeakel** said the deadline is more when we actually begin to run out of cash. He said they could put together an analysis of where that would be.

**CHAIR JACOBSON** said **Mr. Marks, Director, DOA**, is preparing some cash flow sheets that we will be able to get later today.

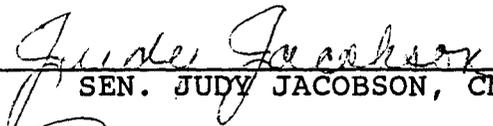
**REP KADAS** referred to page 2, and pointed out that there is a negative \$67,259 ending fund balance. He said his understanding was that in the Revenue Oversight Committee meeting today, the Dept. of Revenue said there is another \$4 million of refunds that will be accrued liabilities for fiscal '93 that are not included in the LFA numbers and he assumes OBPP did not have them included either. He would like to confirm whether they had acknowledged that potential liability or whether that figure needs to be \$4 million lower than it is now. **Mr. Yeakel** said they were just informed of this, also, and they will talk with the Department. They will work the numbers through their system and then reply.

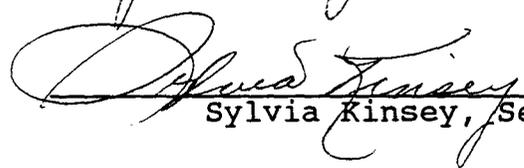
**REP KADAS** said the chances are that your number is a negative \$71 million rather than the \$67 million on the sheet. **Mr. Yeakel** said yes.

There was some discussion on whether to cut \$37 million in the subcommittees and the difficulty of doing so at this time.

ADJOURNMENT

Adjournment: 11:15 a.m.

  
\_\_\_\_\_  
SEN. JUDY JACOBSON, Chair

  
\_\_\_\_\_  
Sylvia Kinsey, Secretary

JJ/sk