

MINUTES

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

SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By REP. MARY ELLEN CONNELLY, CHAIR, on July 7,
1992, at 1:10 P.M.

ROLL CALL

Members Present:

Rep. Mary Ellen Connelly, Chair (D)
Sen. Bob Hockett, Vice Chairman (D)
Rep. Francis Bardanouve (D)
Sen. Ethel Harding (R)
Sen. J.D. Lynch (D)
Rep. Bob Thoft (R)

Staff Present: Jim Haubein, Principal Fiscal Analyst (LFA)
Jane Hamman, Senior Budget Analyst (OBPP)
Jo Lahti, Secretary

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

Announcements/Discussion: Hearing on HB 2

REP. CONNELLY, CHAIR, announced this was to be a hearing on HB 2
which deletes funding for the MSU Physical/Science and UofM
Business Administration buildings.

PROPOSERS: None

OPPOSERS:

Commissioner Hutchinson explained HB2 eliminates the whole
concept of matching. Previously, this Committee asked the
universities to go out and get private matching monies in order
to supplement or add to the general fund for these two buildings.
The two university presidents have aggressively been pursuing
this. HB 2, in effect, discontinues that process. Originally
\$500,000 in general fund money was allocated for the
Engineering/Physical Sciences building to aid MSU in the fund
raising effort. The UofM already had in hand a chunk of money for
the Business Administration building on that campus and it was
felt it only fair to try to supplement a bit the amount of money
MSU would have for a match. That \$500,000 was later reduced to
\$367,000. The bonding program would not go forward. This action
eliminates all planning, it effectively kills the private fund-
raising effort, which takes a simple majority to reinstate. It
revokes authorization to issue bonds. That takes that super

majority of two-thirds to reinstate at some future time. On the one hand you can kill with a simple majority, but you have to add with a super two-thirds. They are concerned about that.

It is important to remember why these buildings have been on the docket for so long and why they should be built. It is not just a luxury to build these buildings. They currently have buildings that are obsolete, have severe overcrowding problems. Health and safety issues are related to these buildings. MSU accreditation is dependent upon the development of this new building and obtaining some modern contemporary facilities. The present laboratory is a severe energy hog. A new facility would bring about some energy savings, which are the original reasons the Legislature authorized moving ahead with these buildings. These are not luxuries.

They want very much to continue the planning effort and feel they should at least proceed in that vein. They hope the Committee would authorize them to do that, and maybe use some of the private funds that have been raised to complete the planning process. They are well under way, there are architectural firms gearing up in anticipation of this, and to suddenly shut that off is extremely troublesome. Also, this is a propitious moment to sell bonds. The situation is very favorable for bonds for the next year.

These buildings should move ahead at least with the planning effort and, hopefully, with continued authorization to move ahead.

Mike Malone, President of MSU, spoke on behalf of continued planning and eventual funding of the Engineering/Physical Sciences building at MSU. This is a \$22.3 million endeavor of which \$17 million are construction costs for which they are required to raise \$2.3 million in matching funds. This is really a replacement facility for the Ryan laboratory which is a genuine derelict. It was built in the 1920s, enhanced a bit in the 1950s. It really is antiquated and is beyond renovation in any meaningful sense. It is not only the physical condition of the building, but it is an outdated concept in engineering. The safety factors are considerable - exposed wire, dripping and standing water. The square footage space is inadequate. It is beyond redemption and is the wrong kind of space.

Another issue is accreditation. Since this building began to be planned in the mid 1980s, there have been two visitations from ABET the engineering accrediting body. Engineering is not like some disciplines where you can run an unaccredited program and your graduates can still find employment. If you do not have accreditation in the field of engineering, your graduates will not find meaningful employment as engineers. Engineering at MSU is the largest single program in the Montana university system, 2,000 students strong. Those students do well. Over 800 MSU graduates form the second largest group of employees at Boeing.

This building and accreditation are linked closely together.

The renovation of Gaines Hall, the chemistry building, and Cobleigh Hall, the central engineering building, are grouped into this package. The west end of Cobleigh Hall is splitting from the foundation to the top of the walls. A moderate earthquake would bring it down. The request in this package for Cobleigh is \$170,000. For fire abatement and fire detection for Gaines Hall \$288,000 was requested. If the package for the buildings did go down, these two very vital renovations still stand and they should be funded from the capital projects fund. In the case of Cobleigh, this is a real matter of safety.

Another issue is the engineering research center. Two and one-half years ago the National Science Foundation (NSF) granted to the College of Engineering \$7.5 million to create one of 18 engineering research centers in the United States. This one deals with biodegradation, biophiling, the laying of films on surfaces. When the NSF made that grant Governor Stephens pledged the State of Montana to match the federal funds with \$1 million in state funds so the state has become a partner. In the 2-1/2 years since then, 22 American corporations have become industrial associates of this engineering research center. Almost all of the 22 are Fortune 500 companies, and they include Exxon and British Petroleum as well as Montana Power. The three-year visit from the National Science Foundation for this center is next year. At the time the NSF visited the site, and pledged the money, this building was part of the plan. The state of the art teaching and research facility was one component that the NSF looked at when it made that grant. MSU and Mississippi State are the two smallest universities in America that have these centers. It is vital to the future of the state.

MSU is obligated to raise \$2.3 million. They had raised \$260,000 from private sources cash in hand as of yesterday. By the end of summer it would appear from the status of various requests and grant applications they have out, that another \$1 million from private sources will be in hand. That is a conservative estimate. The NSF has pledged \$900,000 to this building as of this morning. This is new money that is not equipment related and is a definite federal commitment. There is perhaps a two-year horizon in which to be granted that money through providing match money or it would forfeit back to the federal government.

The private sources include \$150,000 from 3M in St. Paul. The bottom line is the match is almost complete. By September they would be 90% complete on those matches from a variety of federal, corporate, and private sources. They would like to double that in the private fund raising area to build endowments for equipment and for research and teaching programs. This money would be used to buttress engineering, computer science, and physics programs that will be housed in the building.

If a delay needs to be made, they understand that and want to be

good citizens. This building is so vital to their engineering and science curriculum, and they have had such a good partnership in the private fund raising area, it is hoped they will have nothing more than a delay. In the planning area they have already spent about \$385,000 from authorized funds. If the delay went too long, they would not only begin forfeiting the privately raised funds, but this planning would have to be done over again, which would mean that what has been done would be wasted. It is hoped the Committee would give strong consideration to keeping this process alive. It is proceeding very well.

George M. Dennison, President of the University of Montana, handed out **EXHIBIT 1, General Campus Facilities Quantitative Space Analysis Summarization.** The Business Administration building at the University of Montana will be within the context the Commissioner has already established. This existing building is a little over 23,000 square feet. The building was completed in 1950 at which time the number of students in the entire university was about 2000 which is equal to the number of students there are today in Business Administration. They represent 25% of the graduates, and 22% of the student credit hours that are generated on the campus. It is a large program.

They started planning in 1983, withdrew that preliminary process with the architect, went through the complete designing of the facility, and it waited for 8-9 years to be funded. They are going through that again because the state of the art facility for business today is very different than it would have been in 1983. They have expended about \$180,000 out of that appropriated cash fund toward design. They are required to raise about \$1.8 million of the construction costs. They have in hand \$1.5 million, and before the end of the summer they will have the rest of the \$1.8 million. They intend to raise more in order to provide state of the art equipment for distance education in the building, using telecommunications. That will be fundamentally used for equipment.

There is a set of standards for space developed in Ohio initially that have been used nationally for academic space. They relate to the students enrolled on the campus, the disciplines in which they are enrolled, the laboratories required to serve them, the library space required, all of that is incorporated in this standard. These standards have been used nationally and most of the states use them as a reference point. They presume 15 square feet in a classroom per student, and assume every station would be occupied for 30 hours a week, 65% of the stations would be occupied for 30 hours per week in a classroom. There are the same assumptions with regard to laboratories, except the space for laboratories is a little larger, ranging from 60-180 square feet, depending on the discipline. Then there is a standard for faculty offices which is about 150 square feet.

These standards can be used to analyze what space you have and how it meets your needs. The first page of EXHIBIT 1 handout does

that. The bottom line indicates there is a deficit of about 176,000 square feet for the 9,500 FTE students on the campus today. If they reduced standard recommendations, in accordance with the downsizing program going on, 8,282 students would require 875,000 square feet and there would still be a deficit of about 60,000 square feet. They would have to go to 7,800 FTEs to be at the standard square foot recommendation. Most of that deficit is in library and other kinds of space.

The second page indicates the deficits that are existent in the School of Business. Strictly classroom space has not been included because their classrooms are general assignment and are not assigned specifically to the School of Business Administration. But there is a 6,000 sq. feet shortage here.

The final page shows the results of construction of this building. They estimate there will be 66,000-67,000 assignable square feet in the building. The preliminary design allocates 44,500 of that to classroom and instruction and 15,000 to academic offices. The rest goes to the others. The overwhelming majority of the space is allocated to instructional and academic uses. It cannot be argued that this is an obsolete structure that they can no longer use. They intend to continue to use the structure as general classrooms for other purposes, and use the offices to house other faculty members who are currently living in obsolete houses that are around the fringes of the campus. They will be moved in when the new space is available. This is needed space at the current level. With this space student needs can be met.

They have successfully demonstrated they have the capability of raising funds. They would like to be allowed to proceed with the planning by allowing them to use their cash to do that; and allow this process to continue. If something has to be done, allow them to do that.

Jodi Farman, President of the Student Body at Montana State University, said this building is not something new. It is a replacement and it is really important that doors are kept open. Renovation in the other building is necessary, but this new building is not a luxury. It is the future of the Engineering program in the state, it is the future of a lot of students. She urged the Committee to look at the long-term needs for this building. If some things need to be set back temporarily, keep the door open for the future.

Pat Flynn, President of the Student Body at the University of Montana, said it is important to keep the door open to planning by using the private money sources for funding. A lot of work has been done on planning, and a lot of money spent on it. They have raised \$20 Million in private funds that can be used to continue the planning process. If HB 2 is adopted as is, the process will be set back and the super majority will be necessary to reauthorize the bonds. The planning money already expended will

in effect not be useful in the next go around and that time is uncertain. He urged the Committee to be consistent, to allow the planning already done be continued. The merits of the buildings are overwhelming. Allow the Commissioner's office and the universities to continue with private planning money and keep the building bonds authorized.

QUESTIONS FROM THE COMMITTEE:

Discussion on the universities' buildings:

SEN. HARDING asked what would need to be done to the bill to change it to delay the project. **Mr. Haubein** said it is effectively delayed by requiring consideration of the 53rd Legislature. If it is going to be delayed, it would have to be done in this manner. Something would have to be considered in the 1993 session if it were to be reinstated should the funds become available. If it were desired to use the donated money for continuation of planning, the bill would have to be amended to reflect that decision. It could still pull the excess planning money out to correspond to **REP. THOFT'S** bill. That would then require some amending to put it back in.

SEN. HARDING thought that should be looked into. They have raised the money through private means. It would not be in good faith to cut that out.

Motion: **REP. HARDING** moved an amendment to delay and allow the private money to be used to pay for continuation of planning.

SEN. HOCKETT asked whether Cobleigh Hall and the Gaines Hall repairs, which are the other two parts of that MSU project, would be affected. **Dr. Malone** said the renovations for Cobleigh Hall and Gaines Hall would thereby be prohibited. **SEN. HOCKETT** asked **Tom O'Connell, Architecture and Engineering (A&E)**, to comment on the condition of these buildings. **Mr. O'Connell** said there are some serious problems with Cobleigh Hall. When the new building was presented to the Legislature, part of that was to include the structural repairs to Cobleigh Hall because additional work was going to be done, as well as some fire protection work in Gaines Hall. If this building is eliminated in HB 2, you may want to consider this separately.

SEN. HOCKETT asked if there are other buildings that might be delayed. **REP. THOFT** mentioned another amendment **Mr. Haubein** should look into is if the Committee goes ahead with the repair work on the two old buildings, is that going to mess up the planning for the Engineering/Physical Sciences building? **Dr. Malone** thought that was not necessary. The two amounts together are \$400,000 out of the total \$2 million that was finally granted for the Engineering/Physical Sciences Building. They could be broken out. It wouldn't affect the architectural work on the building.

Chief of Facilities, MSU, explained those two projects were added to the program later, and included in the amount of money that was available. Both of those projects were to be separated out. They have not asked the current architect engaged for those projects to look at these. Someone else will be asked to look at the planning and design for those two. If the building is eliminated, that is one thing, but even if the Engineering/Physical Sciences building is delayed, both of those separate projects, although contained in the whole project, need to be addressed. They should be funded soon because of the urgency of structural problems.

REP. THOFT asked if that would take another amendment. There are other people who would like to speak to this issue. The Libby Armory, the Men's Prison, the Women's Prison, and the Veteran's hospital are generally conceded to be necessary because of health and safety factors. Work must be done on them also.

SEN. LYNCH asked the total amount of general fund dollars that would be saved. **Mr. O'Connell** stated he looked at all the facilities listed yesterday again as a matter of information. He identified planning costs and construction costs assuming these projects start back up again July 20. Planning costs would include construction costs between July 1, 1992 and June 30, 1993, for each facility if no further work was done. **EXHIBIT 2.**

SEN. LYNCH asked if the work was not done, where would that money go. **Mr. O'Connell** said if the work was not done, barring nothing else is done, that money would probably stay in the Capital Projects fund for reappropriation next session. Without any further action from the Legislature there is no other way that money can be spent. Conceivably there is about \$5 million. In some cases bonds would have to be sold, so while there are no bond issuance costs this particular fiscal year, six months from the sale of bonds there would be debt service requirements due then. He based these figures strictly on expenditures for each project through the fiscal year recognizing they are ongoing projects and those things would continue.

Discussion of the veterans home:

SEN. LYNCH said the veterans home was to be funded from the cigarette tax. **Mr. O'Connell** said there was \$1.99 million from the cigarette tax matched with \$3.6 million of federal money. That is not general fund money. It is earmarked long-range building money.

Discussion of the prisons:

REP. THOFT said the Men's and Women's prisons are facilities that are going to have to be constructed.

SEN. LYNCH asked if there are any suitable community facilities that could be used to handle these people and delay this. The

Director of Institutions said there is no way they have been able to locate such facilities. It was difficult to locate the women's pre-release center in Billings. There is no way the Women's Prison project can be put off. There is an immense amount of pressure. **James M. Gamble, Administrator for the Division of Corrections**, said they had on July 16 opened a 16-bed pre-release center in Butte. That makes a total of 28 beds for the whole State of Montana for the women. The male problem is more talked about in America because it is a major problem but the women's issue is a much larger issue. There is much more vulnerability from a liability point of view of where women sit. They now sit in a facility that is ideally designed to handle 45 women, they have had as many as 72. Both the men and women's facilities are overcrowded. They are just maintaining their survival. He feels when more correctional facilities have to be built and universities are cut, it shows the direction in which the nation is headed. The planning process, the selection of a city of comparable size, and the programs now being put in place relative to the planning of that facility, requires a strong building mode related to dealing with women. By the time that facility is completed, Montana will have a model facility that will alleviate any problems down the road.

He cannot promise it will not be necessary to build at a later date. That is an unknown because the women's population is changing remarkably related to corrections. Focus should be on continuation of community service programs. In larger cities some advantages are offered. Some services may be prioritized, primarily medical and possibly food. A program may be developed with options educationally that are not available in the current location. The selections from a national perspective, and certainly from a Montana perspective, is that building the women's facility cannot be put off right now. The numbers indicate they are growing faster than the men. We have projected a possible population of 80, and they already have 78. The facility will be designed to handle 120, and by the time it is completed, there will be 128 inmates. That also takes into account the number of people placed in community programs. The population in correctional centers continues to go up. That is also a reflection from the courts. In the last 10 years they have gone from housing women from about 10 months to close to two years.

SEN. LYNCH asked currently what is adequate at the present facility? **Mr. Gamble** said 45 which takes into account the dorm and the expansion unit. Butte has taken 16 pre-release women, and if other cities did the same, that would be the best thing to do. It is not their wish to build more buildings, they feel it is a necessity. It has to run parallel with the development of community programs which have to be developed in a responsible fashion. He feels they can deal with people in a community in an effective fashion, but an institution is needed to address that. Proposing a 120 bed female facility is realistic at this time.

SEN. HOCKETT asked if the men's prison can be delayed and do more of this type of allocation. The U.S. has a terrible record of having the highest number of people in prison per capita of any place in the world. It has been testified at the hearing that it will almost be filled when it is opened. It is sad when prisons have to be built and university systems are underfunded. What can be done in this area? **Mr. Gamble** does not think we can build ourselves out of the current situation. Other states incarcerate approximately 70 people per 100,000. Montana incarcerates about 172 per 100,000. Nevada is at 484 per 100,000. When they reach a certain level, they build more. That reflects the philosophy of the state, which says the only way to handle these people is to lock them up for a long time.

The theme of a recent correction summit in Washington, D.C. was make sure you have built adequate cell space to handle the dangerous felons that are existing out there and happening in society. Legislators are caught in a unique perspective. Montana currently has 1250 inmates. That is too many for Montana. It doesn't fit Montana or the West, or the American corrections standard. We are living in reality, however. Although it costs more, the penitentiary is asking to build a 96 bed maximum security unit, and a 114 bed closed security unit which can be doubled to 228, so there would be 334 new cells, making a capacity of fairly close to 1500 inmates. When that is completed, they will be full. He has no options with which to address that.

The legislators represent the people, and how are the people going to feel if one of the inmates gets out and commits a really serious crime. That has to be addressed. The present penitentiary is crowded which is not an ideal situation. There is bed space to sleep, but there is not space to do the programming. There are no programs to eliminate just the constant revolving of people going out and coming back. About of 50% of the new people admitted into the institution are repeats. Whether or not it is decided to build at the Montana State penitentiary, it is necessary to parallel that by starting to do something in the community. Community programs cannot be cut, more probation and parole officers are needed, more pre-release centers. If building is continued, you create an institution where people have to learn to do time.

The direction for corrections has to be humane, respectful, and allows dignity. Those are essentials. His biggest goal is to be able to house people and address public safety, but the last thing he wants to do is turn out somebody that is angry, because then the public suffers. He wants to be able to treat somebody in a dignified fashion so they are able to deal with the issues that put them there, and at the same time they are able to go back out into society and become productive. There are programs available now, but it takes money and people, not necessarily buildings. There is an excellent program at the Missoula Life Skills Center, but the building is terrible. Can we do something is a really good question. Montana has had good planning, but has not been

able to see the scope. Legislators are going to have to decide what has to be done, but it is going to cost money, especially from a staffing point of view. It is by far more cost effective to have enough staff, such as parole officers, than incarceration is but it doesn't always address public safety. A warden is sitting at the penitentiary, but it is highly impacted right now.

SEN. HARDING asked about statistics on the education level of those who are in pre-release. **Mr. Gamble** said the Montana level is comparable to Wyoming. Some people are uneducated, but overall he thinks they function at probably relatively a tenth grade level. Education needs to be addressed as it relates to maintaining a vocation. Some people have been in the system so long they are unable to perform well on the day-to-day academics, but they cannot translate it to living in a law abiding fashion. It is found that probably the best fashion to address corrections from a point of view of rehabilitation is to find people who are able to get a job, and maintain a job for a year. Generally they don't return. The vocational aspect is critical.

REP. CONNELLY asked if the money proposed to be used for the building could be put into programs. Is that feasible within the next year. **Mr. O'Connell** did not think it is the same amount of money. That is the problem. The bonding is to construct and that cannot be used for programs.

REP. THOFT was not sure **SEN. HOCKETT's** question of whether this construction project is needed was answered. **Mr. Gamble** said it is needed.

REP. BARDANOUVE commented California has built so many prisons, the prison correctional officers almost dominate the legislative process by their powerful lobbying force. They build a prison about every month.

Discussion on the Armory Building at Libby:

Adjutant General Blair explained the Libby Armory was started in 1984, initial approval was given, \$670,000 federal and \$246,000 was the state's share. In September 1986 a federal-state agreement was executed, the design contract was awarded in 1986, and \$57,730 of federal dollars has been spent for the design. There was a federal/state agreement with the feds that the state would pay 25% of that but that hasn't occurred, and that is in current figures in **Mr. O'Connell's** overall compilation of that. In October 1988 the design was complete. In 1989 the Armory was proposed to the Legislature and was not approved. In 1990 the feds authorized and gave \$827,000, and in January 1991 the project was approved by the state for \$400,000. During this period of time, the company that originally designed it went out of business. Some design has to be redone and that was in the process until they were halted in July. The community has supported this project very well. Since that unit started in the early 1970s, they have been in the quonset hut, the gym, and now

they are in the school but their lease has expired. They are on a monthly lease basis, not a yearly basis. It costs roughly \$4800 a year for that lease. They would like to proceed or pull out. They prefer proceeding because the community has been extremely supportive. Manning is over 100% in that unit. Lincoln is the 11th largest county in Montana. The county deeded them 10 acres, with the stipulation that at the end of the sixth year if they did not proceed, they would take the land back. The end of that sixth year is September 1, 1992. He would really like to see that completed. They do have \$827,000 in federal money and the feds have requested this project either be executed or turned back. They understand the state has a tremendous challenge at the present time.

SEN. HARDING asked what upkeep on the Armory would cost. **Mr. Blair** said the cost in 1991 was \$9,362 and in 1992 it is \$9,419.20 so far, so the operating expense between the two would almost be a wash. There is a like unit in Livingston that runs about \$9,500. The upkeep was estimated to cost \$10,000. If they pull out, there will not be that expense.

SEN. HOCKETT asked if to pull out meant deactivating the unit or moving it somewhere else. Would the personnel be lost? **Mr. Blair** said some of the people in that guard unit would probably be lost because 80% of that unit comes from Libby. It is from 90-120 miles to other cities which are the next closer units, and to get them to commute would cost too much money. That community would lose approximately \$180,000 and in wages \$1,200,000, roughly \$1.4 million would be lost. Some might move to another community, but others may not.

Discussion on the Montana Development Center (MDC):

REP. THOFT asked if the Montana Development Center at Boulder project would save the state some money. **REP. BARDANOUVE** explained the way it is set up the medicaid moneys will qualify for more medicaid money, however, there is a deficiency in the operation of the campus. There are obsolete high cost facilities that will be abandoned. They will bring all the residents over onto one side of the river and consolidate the facilities which will then be qualified to receive medicaid payments. They figure, according to legislative auditor's long-range projections, increased medical payments will pay for the bond money and the interest on the bonds. They are not general obligation bonds. They are bonds issued by the Health Facilities.

EXHIBIT 3. Bob Anderson, Department of Corrections and Human Services, said MDC has been downsized roughly from 190 residents to 110 residents. They are still operating on both sides of the same campus which was designed for 2,000 residents, and they are now at 110 so the campus is very large, very inefficient, very old. They have proposed this recommendation to finance a new campus and health care facility authority where the increase to the construction costs would be built into a rate. With that

increase in a rate plus about \$1 million they can save annual operation costs because of less staff, less operating costs for a small campus. Those two issues would not only pay the annual debt on the bonds, but would also save general fund dollars. The amortization schedule **EXHIBIT 3A** breaks that down. It also shows what the long-term gain to the general fund would be in the righthand column.

This is a unique and new way to finance construction projects or health care facilities. It is a way to look into in the future for financing health care facilities and old facilities rather than going into the Long Range Building Program and the cash program. **EXHIBITS 3B and 3C.**

REP. BARDANOUVE said savings would not show up for a few years until the amount of interest is reduced. Once interest is down and the bonds paid off, there will be some real savings, but that is not today or tomorrow, but within a few years there will be some significant savings, plus a higher quality service for the clientele.

Mr. Anderson said MDC will not become a facility for sex offenders.

Consideration of the Veterans Home Project:

Adjutant General Blair explained the 1989 Legislature authorized a two-cent tax on cigarettes which was earmarked for long-range building to generate new monies for a new 100-man veterans home in Eastern Montana. That money set up a planning committee, a governor's appointed task force chose Glendive, Montana for the site. \$1.99 Million has been generated for the match. The planning process has pretty much completed the design phase and they were about ready, until the stoppage, to enter the construction phase. The 1991 session reallocated that \$2 million for the project, so it is basically on the go. The Veterans Administration was asked what would happen if Montana delayed that. They said the \$3.6 million fed money already set aside for the Montana project would be reverted to another project. They only have enough money to fund so many projects. Montana did not make it in 1991, and so Montana was about 14th on the list and the VA only had enough dollars to fund the top 13. Montana right now is on the top of the list, and has been allocated the money. However, should the match money be used for other things, that federal money would revert to another project, and Montana would have to reapply later on when there was match money again. That would take a lot of time and would have to be reinstated.

SEN. LYNCH said part of the two-cent tax was to be used for a 40-bed unit at Galen as an auxiliary to Columbia Falls. Where is the money for that? **Mr. Blair** thought the two-cent tax still generates money that goes into the construction fund. Once the money was established for the veterans home it was put into an earmarked fund. It is still generating dollars. **Mr. O'Connell**

explained the two-cent cigarette tax money was an increase for the cash program. The veterans home was one of many projects approved. The money has been set aside for that, the rest of the money goes right into the capital projects cash account. **SEN. LYNCH** insisted there was a specific bill for the veterans home and a specific bill for the Galen Annex. The governor vetoed the Galen Annex bill passed by the Legislature, but the money generated by this tax has somewhere been specifically designated to be used for veterans. **Mr. O'Connell** said the only specific reference to veterans in that tax was the Eastern Montana veterans home. **Mr. Blair** stated the money in that cash account was approved by this Committee last session for all kinds of different long range building programs. That is exactly where it is.

REP. THOFT questions whether this veterans home is needed at all. There are five beds vacant at Columbia Falls, and they never have more than eight on their waiting list, there is no preregistration at Glendive, the operating costs of that facility are going to have to make cuts with 94 people working there. There is only a 64% occupancy at Fort Harrison. We are not using the facilities there already are. He feels it would be irresponsible of this Committee to build this facility with the situation we are in.

SEN. HARDING would like to see the numbers and where they came from. **SEN. LYNCH** pointed out the only reason that two-cent tax passed was because of the aggressive lobbying efforts of the veterans. The occupancy situation should have been brought up when the tax was discussed and passed.

REP. BARDANOUVE did not think this should be cancelled this out. For a short time it would be very helpful. Whether this money went into the general fund or long-range building fund, part of the cash balance right now is most important in order to get us by paying off the TRANS. It never was quite so important before because there was always \$100 million in the Highway Department, that could always be borrowed from to pay off, but the highway fund is down to almost zero. Last week they were in a position that was such they could not have paid off the contractors if the contractors had finished their contracts. The cash flow is critical. It is the first time in years the cash flow has been a vital part of the concern.

REP. THOFT asked that **Mr. Haubein** provide more information and some language on the university units. He would like more information on these issues. He asked to meet again on adjournment of the House for executive action.

SEN. HOCKETT said it was talked about not removing the buildings, but putting them on some kind of hold as being a possibility. Are we going to leave the two MSU renovations in or out?

Jane Hamman, OBPP, said they will put together some figures for

tomorrow.

REP. CONNELLY asked if the Committee would like to hear from a bonding company representative who will be in town. Some members thought that because interest rates are down it might make sense to go ahead with these projects. Or would it be best to delay or do away with these buildings.

REP. BARDANOUVE would prefer not to mess with any of these buildings. A pretty good job was done last session, but we are in a terrible bind here, and everyone has to do things they don't like to do. No one will be happy with what is done this session. Proposals will have been made to balance the budget, some will not fly, others may not get anywhere. The medical hospital bill is in chaos. Before this is all over some new revenue may be proposed. As of now it is a hopeless situation and some difficult decisions are going to have to be made soon.

REP. THOFT asked if delay of these buildings would be supported.

Motion: **SEN. LYNCH** moved the Libby Armory be continued. **SEN. HOCKETT** seconded the motion.

SEN. HARDING said when we are looking at \$262,790 general funds for the Libby Armory, we are also looking at a payroll of \$1.4 million in the Libby community.

Vote: Motion carried 4-2 by voice vote. Reconsideration can be made later if necessary.

Mr. Haubein said \$400,000 is coming from bonding and was supposed to be included with the prisons, so if they are delayed it will probably impact the Libby Armory. They talk about losing that if the prison bond sale is not carried out because it is such a small amount.

REP. CONNELLY stated the next meeting will be on adjournment of the House tomorrow, 7.8.92.

ADJOURNMENT

Adjournment: Hearing adjourned at 2:45 p.m.



SEN. BOB HOCKETT, VICE-CHAIRMAN



JO LAHTI, SECRETARY

BH/JL

HOUSE OF REPRESENTATIVES
LONG-RANGE PLANNING SUBCOMMITTEE

ROLL CALL

DATE July 7, 1992

NAME	PRESENT	ABSENT	EXCUSED
REP. FRANCIS BARDANOUVE	✓		
SEN. ETHEL HARDING	✓		
SEN. BOB HOCKETT, VICE-CHAIRMAN	✓		
SEN. J.D. LYNCH	✓		
REP. BOB THOFT	✓		
REP. MARY ELLEN CONNELLY, CHAIR	✓		

HR:1991
CS10DLRLCALONGRP.MAN

EXHIBIT
 DATE July 7, 1988
 FILE LRP' Subs
2nd Spec Sessio

**THE UNIVERSITY OF MONTANA
 GENERAL CAMPUS FACILITIES
 FALL 1991
 QUANTITATIVE SPACE ANALYSIS
 SUMMARIZATION
 (Net Assignable Square Feet)**

	<u>NASF</u>
ACADEMIC FACILITIES (Classroom, Instructional Laboratories and Research Laboratories)	<67,435>
ACADEMIC OFFICES	<26,238>
LIBRARY SPACE	
Mansfield Library & IMS	
Reading/Study Space:	< 3,317>
Stack Space:	<26,773>
Service Space:	< 526>
Total	<30,616>
Law Library	
Reading/Study Space:	436
Stack Space:	<4,601>
Service Space:	<2,454>
Total	<6,619>
PHYSICAL EDUCATION SPACE	<21,057>
ADMINISTRATIVE OFFICES	<24,903>
TOTAL SURPLUS/DEFICIT CAMPUSWIDE	<176,868>

EXHIBIT 1
DATE July 7, 1992
LRB P
Subcommittee
2nd Spec. Sess.

THE UNIVERSITY OF MONTANA
FALL 1991
DEFICIENCY - SCHOOL OF BUSINESS ADMINISTRATION
(Net Assignable Square Feet)

	ACADEMIC FACILITIES	ACADEMIC OFFICES	ADMINISTRATIVE OFFICES	TOTAL
Dean - School of Business Admin.	0	0	< 209>	< 209>
Accounting & Finance Department	<1,300>	< 486>	0	<1,786>
Management Department	<3,200>	< 479>	0	<3,679>
Montana Entrepreneurship Center	<u>0</u>	<u>0</u>	<u>< 303></u>	<u>< 303></u>
SCHOOL TOTAL	<4,500>	< 965>	< 512>	<5,977>

Note: Classrooms not included in "Academic Facilities"; all classroom deficiencies calculated University-wide since classrooms are not assigned by individual academic units.

**THE UNIVERSITY OF MONTANA
FY1992 QUANTITATIVE SPACE ANALYSIS
SUMMARY**

	ACTUAL NASF FALL 1991	FORMULA NASF	(DEFICIENCY) SURPLUS	BA BLDG NASF (TENTATIVE)
Academic Facilities	289,524	356,959	(67,435)	44,496
Academic Offices	135,040	161,278	(26,238)	15,404
Library Space	182,849	220,084	(37,235)	226
Physical Education	76,035	97,092	(21,057)	0
Administrative Offices	128,682	153,585	(24,903)	6,818
TOTAL	812,130	988,998	(176,868)	66,944

EXHIBIT
DATE July 7, 1992
LRBP
Subcommittee
2nd Spec. Sess.

EXHIBIT 2
 DATE July 7, 1993
 HB LRB D.
 Subcommittee
 2nd Spec. Session

Projected Savings - General Fund and Capital Projects Fund (Planning & Constr)
 For the period: July 1, 1992 thru June 30, 1993

Project	General Fund	Capital Projects	Total
Montana State Prison	481,697.50	605,532.50	1,087,230.00
Women's Correctional Center	800,050.00		800,050.00
MT Developmental Center	447,000.00		447,000.00
Libby Armory	262,790.00		262,790.00
Business Admin Bldg, UM		421,099.36	421,099.36
Eng/Phy Sci Complex, MSU		712,525.72	712,525.72
Eastern MT Veterans' Home		1,013,040.00	1,013,040.00
Totals	1,991,537.50	2,752,197.58	4,743,735.08

MAR 10 1992

EXHIBIT 3
DATE July 7 1992
HRB 2 RIB P
Subcommittee
2nd Spec. Session

MONTANA DEVELOPMENTAL CENTER
ANALYSIS OF GENERAL FUND IMPACT
OF NEW FACILITY

KEY ASSUMPTIONS USED IN ANALYSIS:

NET LOAN PAYMENTS based upon \$10,435,000 in revenue bonds amortized over 20 years at an average interest rate of 6.985 %, with earnings on debt service reserve moneys applied to total annual loan payments (see attached schedule of net debt service).

FEDERAL MEDICAID INTEREST REIMBURSEMENT based upon an assumed effective reimbursement rate of 63% of net annual interest expense (i.e. total interest on the loan less debt service reserve earnings).

FEDERAL MEDICAID DEPRECIATION REIMBURSEMENT based upon 40 year straight line depreciation of 63% of Medicaid –allowed depreciable expenditures.

OPERATING EFFICIENCY SAVINGS based upon assumed initial savings of \$1,054,171, with an assumed operating expense inflation factor of 4% per annum.

LOST FEDERAL MEDICAID OPERATING REIMBURSEMENT based upon an assumed effective reimbursement rate of 63% of annual operating expenditures.

RELATIONSHIP OF KEY COLUMNS

NET STATE CAPITAL COST (SAVINGS) equals NET LOAN PAYMENTS less TOTAL FEDERAL MEDICAID CAPITAL REIMBURSEMENT.

NET STATE OPERATING SAVINGS equals OPERATING EFFICIENCY SAVINGS less LOST FEDERAL MEDICAID OPERATING REIMBURSEMENT.

NET GENERAL FUND BENEFIT equals NET STATE OPERATING SAVINGS less NET STATE CAPITAL COST.

**MONTANA DEVELOPMENTAL CENTER
ANALYSIS OF GENERAL FUND IMPACT
OF NEW FACILITY**

DATE Jan 7, 1992
LRBP
Subcommittee

*****CAPITAL IMPACT*****

****OPERATING IMPACT****

FISCAL YEAR	NET LOAN PMTS(1)	FEDERAL MEDICAID CAPITAL REIMBURSE INTEREST DEPREC TOTAL			NET STATE CAPITAL COST(SAV'G'S)	OPERATING EFFICIENCY SAVINGS	LOST FED. MEDICAID OPERATING REIMBURS.		NET STATE OPERATING SAVINGS	NET FUND BENEFIT
1992	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
1993	0	0	0	0	0	0	0	0	0	
1994	891,068	407,023	159,390	566,413	324,655	1,054,171	664,128	390,043		0
1995	892,593	398,534	159,390	557,924	334,669	1,096,338	690,693	405,645		7
1996	892,643	389,115	159,390	548,505	344,138	1,140,191	718,321	421,871		7
1997	891,281	378,807	159,390	538,197	353,084	1,185,799	747,053	438,746		8
1998	893,591	367,662	159,390	527,052	366,539	1,233,231	776,936	456,295		8
1999	894,216	355,456	159,390	514,846	379,370	1,282,560	808,013	474,547		9
2000	893,261	342,254	159,390	501,644	391,617	1,333,863	840,333	493,529		10
2001	890,686	328,032	159,390	487,422	403,264	1,387,217	873,947	513,270		11
2002	891,451	312,764	159,390	472,154	419,297	1,442,706	908,905	533,801		11
2003	895,183	296,215	159,390	455,605	439,578	1,500,414	945,261	555,153		11
2004	891,496	278,142	159,390	437,532	453,964	1,560,431	983,071	577,359		12
2005	890,671	258,723	159,390	418,113	472,558	1,622,848	1,022,394	600,454		12
2006	892,311	237,706	159,390	397,096	495,215	1,687,762	1,063,290	624,472		12
2007	891,261	214,994	159,390	374,384	516,877	1,755,272	1,105,821	649,451		13
2008	892,486	190,566	159,390	349,956	542,530	1,825,483	1,150,054	675,429		13
2009	890,891	164,361	159,390	323,751	567,140	1,898,502	1,196,057	702,446		13
2010	891,161	136,181	159,390	295,571	595,590	1,974,443	1,243,899	730,544		13
2011	893,236	105,989	159,390	265,379	627,857	2,053,420	1,293,655	759,765		13
2012	891,398	73,331	159,390	232,721	658,677	2,135,557	1,345,401	790,156		13
2013	890,986	38,421	159,390	197,811	693,175	2,220,979	1,399,217	821,762		128
2014	0	0	159,390	159,390	(159,390)	2,309,818	1,455,186	854,633		1,01
2015	0	0	159,390	159,390	(159,390)	2,402,211	1,513,393	888,818		1,04
2016	0	0	159,390	159,390	(159,390)	2,498,300	1,573,929	924,371		1,08
2017	0	0	159,390	159,390	(159,390)	2,598,232	1,636,886	961,346		1,120
2018	0	0	159,390	159,390	(159,390)	2,702,161	1,702,361	999,800		1,158
2019	0	0	159,390	159,390	(159,390)	2,810,247	1,770,456	1,039,792		1,198
2020	0	0	159,390	159,390	(159,390)	2,922,657	1,841,274	1,081,383		1,240
2021	0	0	159,390	159,390	(159,390)	3,039,564	1,914,925	1,124,639		1,284
2022	0	0	159,390	159,390	(159,390)	3,161,146	1,991,522	1,169,624		1,329
2023	0	0	159,390	159,390	(159,390)	3,287,592	2,071,183	1,216,409		1,375
2024	0	0	159,390	159,390	(159,390)	3,419,096	2,154,030	1,265,065		1,424
2025	0	0	159,390	159,390	(159,390)	3,555,859	2,240,191	1,315,668		1,475
2026	0	0	159,390	159,390	(159,390)	3,698,094	2,329,799	1,368,295		1,527
2027	0	0	159,390	159,390	(159,390)	3,846,018	2,422,991	1,423,026		1,582
2028	0	0	159,390	159,390	(159,390)	3,999,858	2,519,911	1,479,948		1,639
2029	0	0	159,390	159,390	(159,390)	4,159,853	2,620,707	1,539,145		1,698
2030	0	0	159,390	159,390	(159,390)	4,326,247	2,725,535	1,600,711		1,760
2031	0	0	159,390	159,390	(159,390)	4,499,297	2,834,557	1,664,740		1,824
2032	0	0	159,390	159,390	(159,390)	4,679,268	2,947,939	1,731,329		1,890
2033	0	0	159,390	159,390	(159,390)	4,866,439	3,065,857	1,800,582		1,959

(1) See attached schedules.

\$10,435,000
 MONTANA HEALTH FACILITY AUTHORITY
 HEALTH CARE FACILITY REVENUE BONDS
 (MONTANA DEVELOPMENTAL CENTER PROJECT)
 SERIES 1991

SOURCE AND APPLICATION OF FUNDS SCHEDULE(1)

SOURCE OF FUNDS:

Series 1991 Bonds	\$10,435,000
Interest earn's on construction acct(2)	650,000
TOTAL FUNDS PROVIDED.....	\$11,085,000

APPLICATION OF FUNDS:

Construction and related costs	\$8,665,000
Capitalized interest-net(3)	1,195,000
Debt service reserve account	965,000
Financing costs(4)	260,000
TOTAL FUNDS APPLIED.....	\$11,085,000

- (1) All figures are preliminary estimates only.
- (2) Assuming average investment earnings on construction account balances of 6.5% per annum, with construction beginning in April of 1992 and concluding in June of 1993.
- (3) Assuming two years of capitalized interest with debt service account balances invested at 6.5% per annum and earnings on the debt service reserve account flowing to the debt service account.
- (4) Based upon estimated costs of issuance as follows:

Underwriters discount(at 1.6%).....	\$166,960
MHFA fee.....	30,000
Bond counsel.....	40,000
Underwriters counsel.....	10,000
Rating.....	5,000
Printing.....	3,000
Trustee.....	2,500
State audit fee.....	3,131
Miscellaneous.....	2,540
Total financing costs.....	\$260,000

MAR 13 1991

LOPMENTAL CENTER
NERAL FUND IMPACT
W FACILITY

EXHIBIT
DATE July 7, 1992
#B LRBP
Subcommittee

EXHIBIT 3
DATE July 7, 1992
#B LRBP
Subcommittee
2nd Spec. Session

AL CENTER
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*** OPERATING IMPACT ***

IN ANALYSIS:

~~onds amortized over 20 years at an average interest
s applied to total annual loan payments (see attached
ed upon an assumed effective reimbursement rate of
loan less debt service reserve earnings).
ENT based upon 40 year straight line depreciation of 63%
initial savings of \$1,054,171, with an assumed operating
MENT based upon an assumed effective reimbursement
COLUMNS
AN PAYMENTS less TOTAL FEDERAL MEDICAID
EFFICIENCY SAVINGS less LOST FEDERAL MEDICAID
ERATING SAVINGS less NET STATE CAPITAL COST.~~

DATE	OPERATING EFFICIENCY SAVINGS	MEDICAID OPERATING REIMBURS.	NET STATE OPERATING SAVINGS	NET BENEFIT
\$0	\$0	\$0	\$0	
0	0	0	0	
55	1,054,171	664,128	390,043	
59	1,096,338	690,693	405,645	
68	1,140,191	718,321	421,871	7
74	1,185,799	747,053	438,746	
79	1,233,231	776,936	456,295	
80	1,282,560	808,013	474,547	95
7	1,333,863	840,333	493,529	
4	1,387,217	873,947	513,270	
7	1,442,706	908,905	533,801	11-
8	1,500,414	945,261	555,153	
4	1,560,431	983,071	577,359	
3	1,622,848	1,022,394	600,454	127
5	1,687,762	1,063,290	624,472	
7	1,755,272	1,105,821	649,451	
)	1,825,483	1,150,054	675,429	132
)	1,898,502	1,196,057	702,446	
)	1,974,443	1,243,899	730,544	
)	2,053,420	1,293,655	759,765	131
)	2,135,557	1,345,401	790,156	
)	2,220,979	1,399,217	821,762	
)	2,309,818	1,455,186	854,633	1,014
)	2,402,211	1,513,393	888,818	1,0
)	2,498,300	1,573,929	924,371	1,000
)	2,598,232	1,636,886	961,346	1,120
)	2,702,161	1,702,361	999,800	1,1
)	2,810,247	1,770,456	1,039,792	1,155
)	2,922,657	1,841,274	1,081,383	1,240
)	3,039,564	1,914,925	1,124,639	1,2
)	3,161,146	1,991,522	1,169,624	1,250
)	3,287,592	2,071,183	1,216,409	1,375
)	3,419,096	2,154,030	1,265,065	1,4
)	3,555,859	2,240,191	1,315,668	1,475
)	3,698,094	2,329,799	1,368,295	1,527
)	3,846,018	2,422,991	1,423,026	1,5
)	3,999,858	2,519,911	1,479,948	1,659
)	4,159,853	2,620,707	1,539,145	1,698
)	4,326,247	2,725,535	1,600,711	1,7
)	4,499,297	2,834,557	1,664,740	1,824
)	4,679,268	2,947,939	1,731,329	1,890
)	4,866,439	3,065,857	1,800,582	1,9

MONTANA DEVELOPMENTAL CENTER (MDC)
 PROJECTED COST SAVINGS OPERATING
 OUT OF THE NEW PROPOSED CAMPUS

Below is a budget comparison between the Institutions Subcommittee's authorized FY93 MDC budget and a projected annualized MDC budget once operating in the proposed new campus.

	MDC FY 1993 Authorized	MDC NEW CAMPUS Projected	DIFFERENCE
FT	353.81	320.76	(33.05)
PER.SER.	\$9,459,778	\$8,614,076	(\$845,702)
OPER.	\$1,533,922	\$1,325,453	(\$208,469)
EQUIP.	\$ 117,645	\$ 117,645	(\$ 0)
TOTAL	\$11,111,345	\$10,057,174	(\$1,054,171)
Const. Costs			
MHFA	0	\$ 891,068	
TOTAL	\$11,111,345	\$10,948,242	(\$ 163,103)

The total projected savings in Personal Services (\$845,702) is documented on the following pages.

The total projected savings in operations (\$208,469) are mainly attributed to:

Supplies and Materials-----	(\$82,195)
Repairs and Maintenance-----	(\$40,479)
Utilities-----	(\$82,478)
Other-----	(\$ 3,317)
TOTAL-----	(\$208,469)

