

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN DAVE LEWIS**, on January 7, 2003 at
8:15 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Senator Tom Zook Chair (R)
Senator Bill Tash, Vice Chair (R)
Senator Keith Bales (R)
Senator Greg Barkus (R)
Senator Ed Butcher (R)
Senator John Cobb (R)
Senator Mike Cooney (D)
Senator John Esp (R)
Senator Royal Johnson (R)
Senator Bob Keenan (R)
Senator Rick Laible (R)
Senator Bea McCarthy (D)
Senator Linda Nelson (D)
Senator Trudi Schmidt (D)
Senator Debbie Shea (D)
Senator Corey Stapleton (R)
Senator Emily Stonington (D)
Senator Jon Tester (D)
Senator Joe Tropila (D)

Rep. Dave Lewis, Chairman (R)
Rep. Rosalie (Rosie) Buzzas, Vice Chairman (D)
Rep. Edith Clark, Vice Chairman (R)
Rep. John Brueggeman (R)
Rep. Tim Callahan (D)
Rep. Stanley (Stan) Fisher (R)
Rep. Eve Franklin (D)
Rep. Dick Haines (R)
Rep. Donald L. Hedges (R)
Rep. Joey Jayne (D)
Rep. Carol C. Juneau (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)

Rep. Monica Lindeen (D)
Rep. John Musgrove (D)
Rep. Jeff Pattison (R)
Rep. Rick Ripley (R)
Rep. John Sinrud (R)
Rep. John Witt (R)

Members Excused: None.

Members Absent: None.

Staff Present: Jon Moe, Legislative Branch
Mary Lou Schmitz, Committee Secretary

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

Committee Business Summary:

Joint Meeting - Senate Finance Committee and House
Appropriation Committee, 1/7/2003

CHAIRMAN DAVE LEWIS opened the Joint Meeting by announcing that **Clayton Schenck, Legislative Fiscal Analyst** would finish up his presentation he started yesterday. His presentation will include some of the global issues. **Terry Johnson, Principal Fiscal Analyst** will be explaining Exhibit 1.
EXHIBIT (aph02a01)

Mr. Schenck said Exhibit 1 is rather a complex sheet but is the calculation as a result of the motion taken yesterday to set the starting point at the lower of either fiscal 2004 or 2003 as adjusted in Special Session.

Mr. Johnson explained the figures on the spread sheet form, Exhibit 1. Basically, what was done yesterday was to take the lesser of actual fiscal 2000 or the fiscal 2003 number. That would be the new base the subcommittees would be starting from. The bottom line total for the general fund would be \$1 billion, \$77 million.

The Executive Budget for Fiscal 2004 and Fiscal 2005 is the total executive budget. That includes all adjustments; present law adjustments and any new proposals. For FY 2004 there is about an \$80 million reduction and FY 2005 about an \$80.5 million reduction.

The last three columns are informational columns. The new base versus the executive budget, as submitted, will generate a total difference for the biennium of \$160 million.

The back page is a perspective of a balance sheet using the new base. The key for consideration is, when the Committees are going through their deliberations in subcommittee action, if there are dollars added back to any of the budgets. The dollars added back would have to be in 2005 in order to maintain that structural balance. There is some flexibility in 2004 but definitely there is more in the second year of the biennium.

Questions from the Committees:

REP. LEWIS referred to yesterday's actions and assumed they were offsetting the loss from the coal tax transfer for purposes of building this budget, about \$86 million. They were establishing about a \$50 million fund balance, or \$136 million, and they had \$20 or \$30 million to put back in the budget. **Mr. Johnson** has come up with more money. Is that basically because he included the executive revenue proposals? **Mr. Johnson** said that is correct.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 14.8}

SEN. COBB referred to Human Services and asked if the new base is \$243 million? **Mr. Johnson** said that is correct. In this case, in respect to the executive budget, it's a \$44 million cut.

Lois Steinbeck, Senior Fiscal Analyst said in order to get to the starting point of the executive budget there are \$35 million spending reductions in general fund included in that budget. The legislature will need to approve either the executive budget or some combination of other actions to get there. In order to get to the new base, the legislature would need to make another \$44 million in spending changes to that budget.

In answer to a question from **SEN. COBB**, **REP. LEWIS** said there are \$60 million to be allocated back to the subcommittees on a basis yet to be determined. There should be a preliminary way to make the distribution.

In answer to a question from **REP. JUNEAU**, **Mr. Johnson** referred to the MBARS Adjusted Actual Fiscal 2000 which shows actually what was expended under HB 2 and HB 13, the Pay Plan Bill. Those are actual expenditures in 2000. The next column (Exhibit 1) is the same information except for fiscal 2002. There is a two-year difference there.

SEN. SHEA referred to Department of Transportation (DOT) and the lack of numbers there. **Greg DeWitt, Senior Fiscal Analyst**, said this has no impact on the DOT. The only number is the \$250,000 in FY 2000. That was removed last session.

In response to a question from **REP. KAUFMANN, CHAIRMAN LEWIS** said they should start by asking the Directors what their priorities are.

{Tape: 1; Side: A; Approx. Time Counter: 14.8 - 29.4}

SEN. COBB and **REP. FRANKLIN** asked for further clarification and explanation from **REP. LEWIS** and **Mr. Schenck**.

In answer to a question from **REP. FRANKLIN** concerning the effects of yesterday's action, **Greg Petesch, Director, Legal Services Office** said his understanding of the vote yesterday was that it was the recommendation of the Joint Committee to the subcommittees and the staff. This committee can direct the subcommittees how to do their work. **CHAIRMAN LEWIS** asked **Mr. Petesch** if it would be his advice to vote one more time. **Mr. Petesch** said the voting in joint subcommittees is specified in the rules and you vote as a member of a subcommittee. When you meet as joint committees such as Senate Finance and Claims and House Appropriations, those are separate committees meeting jointly and you need to vote separately, if you want the subcommittees to implement the recommendation.

REPRESENTATIVES KAUFMANN, MUSGROVE, FRANKLIN, JAYNE, LEWIS BUZZAS and **SENATORS TESTER** and **BUTCHER** asked **Mr. Petesch** for further clarification and explanation. **Mr. Petesch** said they have one Bill to provide funding for agencies for the next biennium. That is HB 2. Should you choose to use that as the vehicle, the Bill will have to be amended to get you to the level you are discussing. The same as any other Bill, it is subject to amendment in the process. If you choose to introduce a different Bill that is not executive budget, that is the Committee's prerogative. Whatever level of funding you ultimately choose to provide for agencies, is entirely within the prerogative of this body.

SEN. COONEY asked for clarification concerning notification of this meeting and **REP. LEWIS** said the meeting was announced several times by **Mr. Schenck** at yesterday's meeting.

Motion: **REP. CLARK** moved that the fiscal 2004 and 2005 general fund base budget for each agency/program in HB 2 be adjusted to equal the lower of the fiscal 2000 base budget or fiscal 2003 appropriated level as adjusted for the August 2002 Special Session action, and for HB 124 and other adjustments as included in the LFD worksheet discussed below.

The procedure included in this motion is, the LFA is directed to create decision packages by agency program to reduce each annual HB 2 agency general fund budget by the difference between the amount shown for each agency on the LFD worksheet entitled "Potential Base Comparison by Agency" (5th data column, total \$1,077,918,837) and the adjusted 2002 base (including statewide present law) that was recommended by the Legislative Finance Committee and used as the base in the Executive Budget. Each joint subcommittee is directed to begin executive action at the adjusted level adopted in this motion, and any adjustments to the budget must be made by an affirmative vote.

This motion is effective immediately and shall be reflected as legislative action in the first general fund status sheet prepared by the LFD.

EXHIBIT (aph02a02)

Discussion: In answer to a question from REP. BUZZAS, Mr. Johnson said in terms of information, this is a starting point, (Exhibit 1). Referring to the Special Session reductions that were incorporated into HB 2, those have been built into the 2003 number. REP. LEWIS, SEN. COBB, Mr. Schenck, Chuck Swysgood, Director, Office of Budget and Program Planning also provided information.

REP. LINDEEN to Lorene Thorson, Legislative Fiscal Division for clarification.

SENATORS STONINGTON, COBB to Mr. Swysgood for further explanation.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 27.6}

REPRESENTATIVES JUNEAU, FRANKLIN, BUZZAS, KAUFMANN, CALLAHAN, SENATORS McCARTHY, SCHMIDT, TESTER to Lois Steinbeck, Legislative Fiscal Analyst; Pam Joehler, Legislative Fiscal Division, Mr. Johnson, REPRESENTATIVES LEWIS, CLARK, Mr. Schenck for clarification and comments.

{Tape: 2; Side: B; Approx. Time Counter: 0.0 - 27.6}

Further Discussion:

REPRESENTATIVES JAYNE, HAINES, BUZZAS, LINDEEN, BRUEGGEMAN, FRANKLIN, SENATORS ZOOK, STONINGTON to REPRESENTATIVES CLARK, LEWIS and Mr. Schenck for clarification and comments.

Vote: The motion, (Exhibit 2), carried 11-8 with REPRESENTATIVES BUZZAS, CALLAHAN, FRANKLIN, JAYNE, JUNEAU, KAUFMANN, LINDEEN and MUSGROVE voting no.

Motion:

SENATOR KEENAN moved that the fiscal 2004 and the 2005 general fund base budget for each agency and program in HB 2 be adjusted to equal the lower of the fiscal 2000 base budget for fiscal 2003 appropriated level as adjusted for the August, 2002 Special Session action and for HB 124 in other adjustments as included in the LFD worksheet discussed. Exhibit 2.

Vote: Motion carried 10-9 with SENATORS COBB, COONEY, MC CARTHY NELSON, SCHMIDT, SHEA, STONINGTON, TESTER AND TROPILA

After a ten minute break, Mr. Schenck gave an overview of the Montana Legislative Branch Global Fiscal Issues: LFC Recommendations to the 2003 Legislature. The purpose is to provide a means for making certain decisions on global budget issues common to all appropriations subcommittees that, for purposes of equity and clarity, should be universally applied to all agencies.

EXHIBIT (aph02a03)

Recommendations should be confined to those areas common to more than one subcommittee that should be universally applied.

Mr. Schenck explained #2 of Exhibit 3, Quantification of FTE Reductions.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 29.1}

Motion/Vote: SENATOR MC CARTHY moved to adopt recommendation #2, Page 3, Exhibit 3. Joint vote carried unanimously 19-0 Senate and 19-0 House.

Mr. Schenck explained #3, Page 3, Exhibit 3, Vacancy Savings.

Motion/Vote: REP. BUZZAS moved to adopt #3, Page 3 of Exhibit 3. Joint vote carried unanimously 19-0 Senate and 19-0 House.

Mr. Schenck explained #4, Page 4, Fixed Costs, Exhibit 3.

Motion/Vote: REP. CLARK moved to adopt #4, Page 4, Exhibit 3. Motion carried unanimously 19-0 Senate and 19-0 House.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 5.6}

Mr. Schenck explained #5, Page 4, Inflation Rates, Exhibit 3.

Discussion: **SEN. STAPLETON** asked if the inflation rates are the numbers established for the State of Montana or are they national ones? **Mr. Schenck** said the amount that is in the executive budget in terms of inflation, over-all categories of expenditures, is about \$4 million. That does not reflect true inflation of government costs.

Volume 1, page 114 shows inflation rates that apply.

SENATORS ZOOK, STAPLETON, COBB, REPRESENTATIVES FISHER, LEWIS, FRANKLIN to **Mr. Schenck** for further clarification and concerns.

Mr. Schenck moved on to a recommendation for a change due to the nature of the budget situation which the committees are dealing with. It has to do with proposals requiring legislation implementing some of the proposals in HB 2 that require implementation of enabling legislation. His recommendation is not the recommendation of the Finance Committee. Contingency language should be included striking the language if the enabling language does not pass.

{Tape: 3; Side: B; Approx. Time Counter: 5.6 - 21.5}

Discussion: **Senator Cobb, Representative Lewis** concerning the recommendation.

Motion/Vote: **SEN. COBB** moved the recommendation as described by **Mr. Schenck** above. Motion carried unanimously, Senate 19-0 and House 19-0.

Mr. Schenck explained the "negative" new proposals, #2, page 5, Exhibit 3.

Motion/Vote: **REP. HEDGES** moved to adopt #2, page 5, Exhibit 3. Motion carried unanimously with Senate vote 19-0 and House vote 19-0.

Taryn Purdy, Fiscal Analyst spoke briefly explaining the training that will be scheduled later. She then introduced her staff who passed out Exhibit 4.

EXHIBIT (aph02a04) .

{Tape: 3; Side: B; Approx. Time Counter: 21.5 - 28.9}

ADJOURNMENT

Adjournment: 11:55 A.M.

SENATOR TOM ZOOK, Chairman

REP. DAVE LEWIS, Chairman

MARY LOU SCHMITZ, Secretary

DL/MS

EXHIBIT (aph02aad)