MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By **CHAIRMAN JACK WELLS**, on February 16, 2005 at 9:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:
Rep. Jack Wells, Chairman (R)
Sen. Jon Tester, Vice Chairman (D)
Sen. John Brueggeman (R)
Sen. Mike Cooney (D)
Rep. Carol C. Juneau (D)
Rep. Ralph L. Lenhart (D)
Rep. John E. Witt (R)

Members Excused: None.

Members Absent: Sen. Bob Keenan (R)

Staff Present: Laura Dillon, Committee Secretary
Catherine Duncan, Legislative Branch
Mark Bruno, OBPP

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

Committee Business Summary:
Hearing & Date Posted:
Executive Action: HB 11; HB 6; HB 9

CHAIRMAN WELLS called the meeting to order and directed committee attention to the order of HB 11, Treasure State Endowment Program (TSEP).

EXECUTIVE ACTION ON HB 11

Cathy Duncan told the committee members that she had compiled a list of significant issues regarding bills that have gone through the committee. She also distributed a worksheet for HB 11 (Exhibit 1). The worksheet has been updated to reflect the adjusted interest earnings numbers.

EXHIBIT(jlh38a01)

SEN. COONEY asked if the remaining fund balance could be used to add to the funding packages of projects already recommended an appropriation.

Ms. Duncan responded that the committee had some flexibilty with regard to the projects they chose to fund.

REP. JUNEAU asked for clarification of where the funding line was drawn on the project list.

Ms. Duncan explained that HB 11 typically includes three additional projects below the funding line. These projects will be eligible for funding if there are interest earnings left over at the end of the biennium.

SEN. TESTER asked if there would be additional money available to add to highly ranked projects, based on the adjusted numbers.

Ms. Duncan replied that there would be no additional money available for that purpose if the funding was left as presented on the worksheet.

SEN. TESTER asked how confident the department felt allowing projects below the funding line to move ahead if the money became available.

Jim Edgcomb, TSEP, replied that some of the projects below the line, like the Ryegate Project, had conditions placed upon them before they would be allowed to receive funding.

SEN. TESTER asked if the Chester Project had conditions similar to Ryegate.

Mr. Edgcomb stated that Chester had some issues with their application, but the proposed project was feasible. He added that

there is concern whether the Sun Prairie Project would be able to move forward, even with funding.

SEN. TESTER asked Mr. Edgcomb how his department felt about the other projects.

Mr. Edgcomb responded that all of the projects have shown need, but there is sometimes a question as to whether their application is accurate. Some projects listed above the funding line have conditions as well.

REP. WITT asked Mr. Edgcomb if he knew of any projects that would not be viable in their respective communities.

Mr. Edgcomb answered that the Sun Prairie Project was the only concern at the moment. The community is facing some opposition to the project and it is uncertain whether they will be able to secure all the necessary means of funding.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 15}

REP. WITT asked if money from a failed project would be moved up the funding line.

Mr. Edgcomb explained that the three projects that are contingently funded in the bill must wait until the end of the biennium to before they are granted any available funds. If a project falls out, or if unexpected revenues are received, the money would be moved down the funding line. It is rare for an applicant to return funding because they are unable to move ahead with the project.

Motion: **REP. WITT moved that HB 11 BE ADOPTED.**

Motion: **REP. WITT moved that HB 11 BE AMENDED to include additional funding of $150,000 per the top four ranked projects.**

Discussion:

CHAIRMAN WELLS commented that the amendment had been discussed previously. However, based on the new revenue estimates, projects would have to be cut from the bottom of the funding list in order to keep the remaining balance positive.

Ms. Duncan added that this would move the bottom funding line up by $600,000.

REP. WITT felt it would be acceptable to cut funding for the Sun Prairie Project to contribute to his proposed amendment because there is concern that the project will not move forward.

SEN. TESTER asked if the funding line would, in effect, be moved between Projects #18 and #19.

Ms. Duncan replied that the line would be moved between Projects #18 and #19, with a remaining fund balance of $187,000.

REP. JUNEAU noticed that the Rudyard Project had already had its funding recommendation increased. She asked Mr. Edgcomb for the reasoning behind the increase.

Mr. Edgcomb explained that the recommended funding for the Rudyard Project was increased because the community is already facing significantly high rates. The increase makes an additional loan unnecessary; therefore, the rates will be kept at the current level.

REP. WITT stated that he believed additional funding for the top projects would allow them to entirely complete their projects. This would eliminate the necessity for the communities to come back for additional funding in the next biennium.

CHAIRMAN WELLS asked Mr. Edgcomb if the amendment would accomplish what REP. WITT had intended.

Mr. Edgcomb responded that additional funding would allow the projects to complete more work, but he felt many of the projects would be applying for funding in the next biennium to pay for subsequent phases of their projects.

SEN. BRUEGGEMAN stated his support for the amendment, citing the significant need noted in the priority applications. He also suggested that the TSEP program may want to look at increasing the maximum funding allowable for a single project.

Vote: REP. WITT CALLED THE QUESTION ON THE REP. WITT AMENDMENT TO HB 11. Motion carried 6-2 by roll call vote with REP. LENHART and REP. WELLS voting no. SEN. KEENAN voted by proxy.

CHAIRMAN WELLS commented that the bill in its amended from left about $187,000 available for the Circle Project. The project had originally been recommended for $500,000. The chairman asked if this reduced amount could still be used toward the project.

Mr. Edgcomb replied that it was too early to tell if the Circle Project could be limited that far in scope.

SEN. COONEY asked where the funding line fell now that the bill has been amended.

Ms. Duncan answered that the funding line essentially remained the same because the projects affected by the amendment were included in the bill as contingent projects in the first place.

{Tape: 1; Side: A; Approx. Time Counter: 15 - 30.5}

REP. WITT asked if it would be left up to the department to decide whether to award the remaining $187,000 to the Circle Project.

Mr. Edgcomb stated that the project would be handled on a contingent basis, as was done in previous years. The money will be awarded, along with any other funds that may have become available, at the end of the biennium on a priority basis.

SEN. BRUEGGEMAN asked if raising the maximum level of funding for TSEP projects was something the committee would discuss at this time.

SEN. TESTER responded that he felt the discussion would be appropriate during the interim.

Ms. Duncan presented a technical amendment to HB 11 (Exhibit 2). The amendment adjusts the level of appropriation in the bill to correlate with the adjustments made in HB 2.

EXHIBIT(jlh38a02)

Motion: SEN. COONEY moved that AMENDMENT HB001103.acd BE ADOPTED.

Discussion:

SEN. TESTER asked what effect this would have on the regional water programs.

John Tubbs, Department of Natural Resources and Conservation (DNRC), explained that the effect on regional water systems depended on how successful those projects are in securing federal funding. He stated that a significant impact is not likely in the first fiscal year of the biennium.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 11.3}

CHAIRMAN WELLS asked if the funding included in the bonding bill would be in addition to the money in HB 11

Mr. Tubbs indicated that this was correct.

SEN. BRUEGGEMAN asked if the repayment of the bonds would be handled through state special revenue.

Mr. Tubbs indicated that this most likely would be done if the bonding bill were to pass.

SEN. BRUEGGEMAN asked if the amendment in question was necessary. He commented that the amendment could end up restricting authority if revenues unexpectedly go up.

Mr. Tubbs agreed that the amendment would limit the appropriation in that case.

Vote: REP. WELLS CALLED THE QUESTION ON AMENDMENT HB001103.acd. Motion failed 3-5 by roll call vote with SEN. COONEY, SEN. TESTER, and REP. WELLS voting aye. SEN. KEENAN voted by proxy.

Vote: REP. WITT moved that HB 11 BE ADOPTED AS AMENDED. Motion carried unanimously by roll call vote. SEN. KEENAN voted by proxy.

EXECUTIVE ACTION ON HB 6

Motion: REP. WITT moved that HB 6 BE ADOPTED.

Discussion:

Ms. Duncan told the committee that there had been some changes in the earned-interest figures. This was reflected in the updated HB 6 spreadsheet (Exhibit 3). Ms. Duncan explained the limitations on the dollars. Funding in the account is intended to be used specifically for grants, but has begun to be used for other types of appropriations in recent years. The account was not created to fund these other appropriations.

EXHIBIT(jlh38a03)

CHAIRMAN WELLS asked Ms. Duncan to explain the starting figures on the worksheet.

Ms. Duncan went through all of the funds statutorily given for grant purposes, which were listed on the worksheet.

SEN. COONEY asked if the ending fund balance would go up as a result of the $50,000 being added to the total starting balance.

Ms. Duncan responded that the ending balance should change as a result of the $50,000 addition. She went on to explain some additional funds that come into the grants account and offset some of its expenses. If all grants under the bill are funded at the maximum level available, those entities who have used the money for other purposes would be forced to find alternate funding sources for their appropriations.

{Tape: 1; Side: B; Approx. Time Counter: 11.3 - 31}

REP. JUNEAU asked why some if the incoming money sources were listed at the bottom of the worksheet.

Ms. Duncan explained that those were sources of income that are not specifically limited to grant use.

REP. JUNEAU asked how the funding came to be in the respective account.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 4.6}

Mr. Tubbs explained that the figures listed at the top of the worksheet were those dollars that had been statutorily limited to grants. Additional money is added to the account to be used for other kinds of appropriations.

Mark Bruno reminded the committee that some administrative costs like the "pay-plan" increase were not reflected on the worksheet.

Ms. Duncan asked if the Budget Office had estimates of the pay plan costs to the account.

Mr. Bruno indicated that he did not have the estimates available at this moment.

At the request of the committee, **Ms. Duncan** went on to further explain the worksheet.

REP. WITT wanted to clarify that the funds from the account had historically been used for purposes other than grants.

Ms. Duncan responded that they had.

CHAIRMAN WELLS commented that the bill could still be funded as shown in this committee. He agreed that the Standing

Appropriations Committee could address the issue of ensuring that all appropriations from the account are statutorily correct.

REP. WITT asked how the bill would be changed as a result of HB 2.

CHAIRMAN WELLS felt that changes would likely be a result of the subcommittee's recommendations.

Mr. Tubbs commented that there were two subcommittees hearing projects that could potentially affect the outcome of the bill. He felt that the subcommittees should have a discussion about the bill before making their final recommendations to the Standing Appropriations Committee.

SEN. COONEY added that further negotiations could be referred to the Legislative Audit Committee.

{Tape: 2; Side: A; Approx. Time Counter: 4.6 - 19.9}

Motion: REP. WITT moved that his GRANT CREEK PROJECT amendment BE ADOPTED.

Discussion:

REP. WITT explained that his amendment would include the Grant Creek Flood Control and Restoration Project in HB 6. The project was recognized as a high priority, but was dropped from funding because the applicants were not aware of how to file the proper forms. His amendment would insert the project between Projects #48 and #49. The project would still only be considered for contingent funds at this ranking.

SEN. COONEY commented that the applicants have since been able to file the proper forms and secure the necessary funding, so he would support the amendment.

Mr. Tubbs reminded the committee that they had agreed to delete the Sweet Grass County Conservation Project from the priority list, so the Grant Creek Project would actually be inserted as Project #48.

Vote: REP. WELLS CALLED THE QUESTION ON REP. WITT AMENDMENT TO HB 6. Motion carried unanimously by voice vote. SEN. KEENAN voted by proxy.

Motion/Vote: REP. WELLS moved that HB 6 BE ADOPTED AS AMENDED. Motion carried unanimously by voice vote. SEN. KEENAN voted by proxy.

Ms. Duncan distributed an updated worksheet (Exhibit 4) dealing with HB 7, Reclamation and Development Grants. The bill was previously passed out of the subcommittee, but revenue figures have changed and this will impact the projects in the bill.

EXHIBIT(jlh38a04)

Mr. Tubbs added that he would be available to review the bill with the committee if they would like to schedule a meeting. Funding for the bill has been split for other uses as a result of the recommendations of two Decision Packages included in HB 2.

SEN. BRUEGGEMAN asked Mr. Tubbs if he was aware of where the money would be spent through the Decision Packages.

{Tape: 2; Side: A; Approx. Time Counter: 19.9 - 31.2}

Mr. Tubbs said the funding went to four sources under the Decision Packages:

1) One full-time equivalent Conservation District position
2) Two positions for the St. Mary's Project
3) The Irrigation and Development Grant Program
4) The Missouri River Conservation District Council

The committees are aware of the issues this presents in regard to HB 7 and are discussing their options.

SEN. TESTER asked if the Natural Resources Subcommittee had completed their budget recommendations.

Mr. Tubbs stated that all of HB 2 is a work in progress until finally being passed by the Standing Appropriations Committee.

Ms. Duncan explained the current balance availability and how these other uses of the account have affected the ending balance. The account has been over-appropriated, given the revenue estimates at this time.

CHAIRMAN WELLS advised the committee members to keep the HB 7 worksheet for reference in future discussions of the bill.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 13.8}

EXECUTIVE ACTION ON HB 9

Motion: REP. WITT moved that HB 9 BE ADOPTED.

Motion: REP. WELLS moved that HB000902.acd to HB 9 BE ADOPTED.

Discussion:

CHAIRMAN WELLS explained that his amendment (Exhibit 5) would allow the Montana Arts Council to exclude projects of less than $4,500 from funding reductions if a need to reduce the grant amounts arises. The council has been doing this by practice already and the amendment will include it in statute.

EXHIBIT(jlh38a05)

Ms. Duncan handed out the worksheet on HB 9 to the committee members.

EXHIBIT(jlh38a06)

Motion/Vote: REP. WELLS moved that HB000902.acd BE ADOPTED. Motion carried unanimously by voice vote. SEN. KEENAN voted by proxy.

SEN. COONEY asked if the balances reflected on the sheet was accurate.

Ms. Duncan went through the revenue estimates and associated costs outlined on the worksheet.

SEN. COONEY commented that an estimated $84,000 would remain in the fund balance after all the grant requests were met.

Ms. Duncan replied that this was correct. Also, two projects have asked to be withdrawn from funding. This will free up an additional $7,700.

EXHIBIT(jlh38a07)

Motion/Vote: SEN. TESTER moved that HB 9 BE AMENDED to eliminate Projects 1118 and 1131. These projects had asked to be withdrawn from funding. Motion carried unanimously by voice vote. SEN. KEENAN voted by proxy.

Motion: SEN. COONEY moved that HB 9 BE AMENDED to increase the financial award to the Liberty Village Arts Center by $6,000.

Discussion:

SEN COONEY said that he had visited the center and was impressed with its programs. The renovated church that houses the center is in desperate need of a new roof. He feels that this project cannot be completed without the full grant amount requested by the applicant.

CHAIRMAN WELLS asked if all projects in HB 9 were currently funded.

Ms. Duncan responded that the priority list was funded through the bottom, with the exception of those projects that had not been recommended to for funding. There will be a $95,000 ending fund balance now that two of the projects have been amended from the bill.

Motion/Vote: **REP. WITT CALLED THE QUESTION ON SEN. COONEY AMENDMENT. Motion carried 7-1 by roll call vote with REP. WELLS voting no. SEN. KEENAN voted by proxy.**

Motion: **REP. JUNEAU moved that HB000904.acd BE ADOPTED.**

{Tape: 2; Side: B; Approx. Time Counter: 13.8 - 30.1}

Discussion:

REP. JUNEAU explained that this amendment (Exhibit 8) would increase the funding for the Browning Community Development Corporation's summer art project. She feels that the project performs a significant service to the community through cultural education and outreach. The was confusion as to whether the application process was held on an annual or biannual schedule and the community only applied for half of the funds necessary to see the project through the biennium.

EXHIBIT(jlh38a08)

REP. WITT asked the location of the project in Browning.

REP. JUNEAU replied that it most likely took place in the city park.

CHAIRMAN WELLS asked how long the event lasted.

{SEN. COONEY exited the meeting at approximately 11:20 A.M.}

Carleen Layne, Montana Arts Council, stated that the event lasted two days. Local and regional artists are showcased, and a number

of educational programs are offered. An estimated 416 hours per year will be needed for event planning. Total project expenses are estimated at $72,000 for the first year. This money will fund administrative costs, artists, supplies, and advertizing.

Vote: SEN. BRUEGGEMAN CALLED THE QUESTION ON REP. JUNEAU AMENDMENT. Motion carried 7-1 by roll call vote with REP. WELLS voting no. SEN. KEENAN and SEN. COONEY voted by proxy.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 8.5}

Motion: SEN. TESTER moved that HB 9 BE AMENDED to fund the seven projects cut below $4,500 at the original amount recommended by the arts council. (See Exhibit 7).

{REP. JUNEAU exited the meeting at approximately 11:35 A.M.}

Discussion:

Ms. Layne explained that the seven grants in question ended up below $4,500 as a result of a pro-rate reduction of all the projects in order to put HB 9 within the original budget constraints.

CHAIRMAN WELLS asked if the amendment would restore the projects up to $4,500 of funding, but not to the original amount requested.

Ms. Layne indicated that this was correct.

Vote: SEN. BRUEGGEMAN CALLED THE QUESTION ON SEN. TESTER AMENDMENT. Motion carried 7-1 by roll call vote with REP. WELLS voting no. REP. JUNEAU, SEN. KEENAN and SEN. COONEY voted by proxy.

{Tape: 3; Side: A; Approx. Time Counter: 8.5 - 12.8}

Motion: REP. WITT moved that HB 9 BE AMENDED to fund Project 1162, Missoula Children's Theater, at the original amount requested.

Discussion:

Ms. Layne said the Missoula Children's Theater benefits an estimated 91,000 people in Montana. Although the theater tours nationally, they have only requested enough to fund their program within the state.

CHAIRMAN WELLS asked REP. WITT on which funding recommendation he had based his amendment.

REP. WITT indicated that his amendment was intended to restore the project funding to the recommendation of $30,000.

Vote: REP. WITT CALLED THE QUESTION ON REP. WITT AMENDMENT. Motion carried 7-1 by roll call vote with REP. WELLS voting no. REP. JUNEAU, SEN. KEENAN and SEN. COONEY voted by proxy.

Ms. Duncan presented a technical amendment, HB000901.acd, to the bill. This amendment will insert the total amount of appropriations included in the bill.

EXHIBIT(jlh38a09)

Motion: SEN. BRUEGGEMAN moved that AMENDMENT HB000901.acd BE ADOPTED.

Discussion:

SEN. TESTER asked if changes in the pay-plan appropriation would affect the total amount to this bill.

CHAIRMAN WELLS stated that it would not change how much was approved, but it would change the ending account balance.

SEN. TESTER asked if administration costs were included in the bill.

Ms. Layne responded that administration was included in HB 2.

Vote: REP. WELLS CALLED THE QUESTION ON AMENDMENT HB000901.acd. Motion carried unanimously by voice vote. REP. JUNEAU, SEN. KEENAN and SEN. COONEY voted by proxy.

Vote: REP. WELLS CALLED THE QUESTION on motion that HB 9 BE ADOPTED AS AMENDED. Motion passed 7-1 by roll call vote with REP. WELLS voting no. REP. JUNEAU, SEN. KEENAN and SEN. COONEY voted by proxy.

CHAIRMAN WELLS asked Mr. Edgcomb if he would be available to discuss concerns the committee members had about the TSEP project funding formula.

Mr. Edgcomb stated that the department planned on adjusting the target rate criteria and increasing the maximum funding amounts

before the next funding cycle. This would address the concerns of the committee and eliminate the need for a new bill.

CHAIRMAN WELLS reminded the committee members that the following day's meeting would be held at 9:00 A.M. and adjourned the meeting.

{Tape: 3; Side: A; Approx. Time Counter: 12.8 - 32}

ADJOURNMENT

Adjournment: 12:00 P.M.

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REP. JACK WELLS, Chairman

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LAURA DILLON, Secretary

JW/ld

Additional Exhibits:

EXHIBIT(jlh38aad0.PDF)