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MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN ROSALIE (ROSIE) BUZZAS**, on March 21, 2005 at 8:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Rosalie (Rosie) Buzzas, Chairman (D)
Rep. Carol C. Juneau, Vice Chairman (D)
Rep. John E. Witt, Vice Chairman (R)
Rep. Tim Callahan (D)
Rep. Eve Franklin (D)
Rep. Bill E. Glaser (R)
Rep. Ray Hawk (R)
Rep. Cynthia Hiner (D)
Rep. Verdell Jackson (R)
Rep. Joey Jayne (D)
Rep. Christine Kaufmann (D)
Rep. Ralph L. Lenhart (D)
Rep. Walter McNutt (R)
Rep. Penny Morgan (R)
Rep. John L. Musgrove (D)
Rep. Rick Ripley (R)
Rep. Jon C. Sesso (D)
Rep. John Sinrud (R)
Rep. Janna Taylor (R)
Rep. Jack Wells (R)

Members Excused: None.

Members Absent: None.

Staff Present: Marcy McLean, Committee Secretary
Laura Dillon, Committee Secretary
Jon Moe, Legislative Branch

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

Committee Business Summary:

Hearing & Date Posted:	HB 4, HB 5, HB6, HB 7, HB 8, HB 9, HB 11, HB 12, HB 299, HB 540, HB 748, 3/16/2005
Executive Action:	HB 4, HB 5, HB 6, HB 7, HB 8, HB 9, HB 11, HB 12, HB 299, HB 540, HB 748

HEARING ON HB 4

Opening Statement by Sponsor:

REP. JOHN MUSGROVE, HD 34, Havre, opened the hearing on **HB 4**, a bill that includes appropriations normally made by a budget amendment. He explained that while the Legislature is in session, amendments to the budget are approved through HB 4. These amendments provide one-time only spending authority, primarily through Federal funds. These funds are not appropriated in HB 2 because they are not expected to continue long term. HB 4 expenditures are not included in the Budget for the next biennium. There are two types of budget amendments: requests for new spending authority and language to continue authority already established.

Proponents' Testimony:

Amy Sassano, Office of Budget Planning, stated that this was a standard bill every two years to cover Federal funds that are received throughout the biennium.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

REP. JUNEAU asked if all of HB 4 pertained to Federal money. **Ms. Sassano** replied that statute does allow the office to process budget amendments for State Special Revenue in the case of an emergency, but there are no such amendments included in this year's HB 4.

Closing by Sponsor:

REP. MUSGROVE closed by recommending a "do pass."

(REP. GLASER exited the meeting.)

EXECUTIVE ACTION ON HB 4

Motion: REP. CALLAHAN moved that HB 4 DO PASS.

Discussion:

REP. MORGAN asked for the total dollar amount included in HB 4. **Ms. Sassano** responded that the amendments total about $8.8 million. The total amount in HB 4 is hard to quantify because it will be the amount of money left over that is not spent during this biennium.

REP. JUNEAU asked if any Federal money must be returned if it is not spent within an allotted time. **Ms. Sassano** stated that in general, Federal money does not have to be returned.

REP. SINRUD stated that he was not ready to vote on the bill because he has not yet been able to read it nor determine its fiscal implications.

Substitute Motion/Vote: REP. SINRUD made a substitute motion that HB 4 BE TABLED. Substitute motion failed 10-9 by roll call vote with REP. GLASER, REP. HAWK, REP. JACKSON, REP. MCNUTT, REP. MORGAN, REP. RIPLEY, REP. SINRUD, REP. TAYLOR, and REP. WELLS voting aye. REP. GLASER voted by proxy.
{Tape: 1; Side: A; Approx. Time Counter: 0 - 10}

Motion: REP. MUSGROVE moved that amendment HB000401.ajw BE ADOPTED.
EXHIBIT(aph62a01)

Discussion:

REP. MUSGROVE explained that this amendment specifies the different Federal programs that need spending authority.

REP. SINRUD asked how much money was involved in the Mental Disabilities Board of Visitors. **REP. MUSGROVE** stated that he could not answer the question without first reviewing the grant situation.

REP. SINRUD asked if the Federal funds carried over will continue to move into the next fiscal year. **REP. MUSGROVE** replied that this was not true in every case.

REP. SINRUD asked why the amounts from the previous biennium were not spent. **Ms. Sassano** responded that this was usually due to the grant period of Federal loans. In some cases the grant period

may end with the conclusion of the Federal fiscal year, in other cases, the grants continue for two additional years.

REP. SINRUD asked how much of the funding for Item 4 was Federal funds carryover. **Ms. Sassano** replied that Federal carryover dollars as well as $40,000 in the supplemental bill will help that office get through fiscal year (FY) 2005.

REP. SINRUD asked for further description of the Highway Patrol Program included on Page 1 of the amendment. **Jesse Munro, Montana Highway Patrol,** said that the Program was started by the Federal government last year. This Federally funded Program enables inspectors from the Motor Carrier Safety Assistance Program to work with companies that wish to operate in Montana.

REP. SINRUD asked if this was an ongoing Program. **Mr. Munro** answered that this was a year-to-year appropriation, which could end at any time.

REP. SINRUD asked if the Program would have to be continued with state dollars if the Federal appropriation were to end. **Mr. Munro** replied that the Federal government has indicated that this is not a Program that will be rolled over to the states in the future.

(REP. LENHART exited the meeting.)

REP. SINRUD asked what a "burbot" was, as referenced on Page 2, Item 11 of the amendment. **Jeff Hagener, Fish Wildlife and Parks (FWP),** explained that a burbot is a fish.

REP. SINRUD asked if the burbot study would be a continuing study. **Mr. Hagener** responded that the burbot is listed as a species of concern and the department would like to determine the current status of the species through a two-year study.

REP. SINRUD asked if the Department intended to place the burbot on the endangered species list. **Mr. Hagener** stated that he is hopeful the study will result in a determination that the burbot is not an endangered species.

REP. SINRUD asked if the Conservation Geneticist referenced on Page 2, Item 12 of the amendment was a permanent position that the Federal government pays for. **Mr. Hagener** replied that the position is paid by the Federal government.

REP. SINRUD asked if this position will need to be backfilled with state dollars. **Mr. Hagener** responded that it is the intent

of the Department that the position continue to be federally funded.

REP. SINRUD asked how long the study would take. **Mr. Hagener** stated that this was dependant on whether the burbot becomes listed as a threatened species.

REP. KAUFMANN asked if this bill was heard by the Long Range Planning Subcommittee. **REP. WELLS** replied that it was not.

REP. RIPLEY asked if the item listed on Page 2, Item 10 of the amendment was similar to the burbot study. **Mr. Hagener** explained that this study focuses on species living in the eastern part of the state and is not the same as the burbot study.
{Tape: 1; Side: A; Approx. Time Counter: 10 - 21.5}

REP. RIPLEY asked why these funds were being addressed through the amendment. **Mr. Hagener** replied that the funds are part of the amendment because they came in later.

REP. RIPLEY asked if the grizzly bear Program was part of the DNA study done on the bears. **Mr. Hagener** explained that this study was separate from the DNA study.

REP. RIPLEY asked for further explanation of the Rural Fire Assistance and Habitat Conservation Grants. **Ann Bauchman, Department of Natural Resources and Conservation (DNRC)**, said that the Department has received $485,000 from the Bureau of Land Management for the training and management of rural fire Departments throughout the state. The Habitat Conservation Grants are Federal funds that assist the Department in course management and establishment of land easements.

REP. RIPLEY asked if these funds had just become available within the last 30 to 40 days. **Ms. Bauchman** answered that this was correct.

REP. RIPLEY asked for further explanation of the Community Assistance National Flood Insurance water management activities. **Ms. Bauchman** explained that the Department has received additional National Flood Assistance Funds to assist communities in development of flood plain plans and implementation of National Flood Insurance procedures. The Department has received additional funding for monitoring of the Big Hole area.

REP. RIPLEY asked if the difference between the grant amount for flood insurance and the Big Hole study would go to fund irrigation seepage studies. **Ms. Bauchman** explained that the

flood insurance Program has been implemented statewide for a number of years. The state has just released additional money for this Program. The Big Hole grant is the result of a different Federal Program and is specific only to the Big Hole area.

REP. MORGAN asked for further explanation of the acquisition of land listed on Page 3, Item 16. **Mr. Hagener** explained that this referred to conservation easements at bull trout headwater streams.

REP. MORGAN asked about the Three Mile Wildlife Management Area. **Mr. Hagener** replied that this referred to an area not included under the bull trout easements.

REP. MORGAN asked what would be done with this area. **Mr. Hagener** said this is another conservation easement for an area in the Bitterroot Valley.

REP. MORGAN asked about the Swan Valley Forest Legacy Phase 1 Project. **Mr. Hagener** replied that Federal money is used to assist the Department in working with the Plum Creek Timber Company to put conservation easements on property in the Valley, rather than selling them outright.

REP. FRANKLIN asked for more information about the Army National Guard Distance Learning Program. **Karen Revious, Department of Military Affairs (DMA)**, said that the Distance Learning Program is a Program internal to the Department for training of National Guard members. It is the money to hire an FTE to get the necessary systems in place within local communities.
{Tape: 1; Side: A; Approx. Time Counter: 21.5 - 32; Comments: End of Tape 1, Side A.}

REP. FRANKLIN asked where the Memorial Wall Construction Project was to be carried out. **Ms. Revious** replied that the wall is to be constructed at Fort Harrison with Federal grant contributions.

REP. SINRUD asked for more information on the Project Safe Neighborhood (Page 5, Item 24). **Steve Bender, Department of Administration (DOA)**, explained that this is a Federal grant to create innovative Programs that will increase the safety of neighborhoods in local communities. Mr. Bender distributed a handout of the different Programs that will be funded through this grant.
EXHIBIT(aph62a02)

REP. SINRUD commented that the State Crime Lab was backfilled with State funds during the last biennium. He asked if the Forensic Science Lab Technician would be part of the Crime Lab. **Mr. Bender** replied that the position would assist the State Crime Lab.

REP. SINRUD asked how many Programs would be created using this one-time Federal money and if these Programs will be self-sustaining. **Mr. Bender** responded that these Programs will be funded through FY 2006. The Department understands that these are one-time monies and must plan accordingly. The funding for these Programs may be subject to further requests at the Federal level. ***{Tape: 1; Side: B; Approx. Time Counter: 0 - 9.7}***

REP. SINRUD asked how the funding would be used for the Information Technology Service Division statewide radio system. **Jeff Brandt, Department of Administration (DOA), Information and Technology Services,** explained that these funds would be used to coordinate public safety radio upgrades statewide.

REP. WELLS asked for further explanation of the telecommunications grants listed on Page 5, Item 26 of the amendment. **Ingrid Childress, Department of Labor (DOL),** explained that emergency grants are issued by the Federal government to help states dealing with large-scale layoffs. These funds go to re-employment and relocation services for dislocated employees.

REP. FRANKLIN asked what has been done with funding for serious and violent juvenile offender Programs. **Rhonda Schaffer, Department of Corrections,** said that various mentoring services and faith-based community Programs are being used.

REP. TAYLOR had noticed that some of the species could fall under more than one study and asked how the studies were to be staffed. **Mr. Hagener** explained that Federal grants were allocated for studies of specific species that have been identified as at-risk. The Department uses the funds for the intent which they were allocated. It is typical for the Department to have grants come in during the interim that they do not have the authority to administer.
{Tape: 1; Side: B; Approx. Time Counter: 9.7 - 20.1}

REP. SINRUD commented that the State has contracted with Bresnan Communications to retrain individuals, yet the company has laid off workers at various locations in the state. He asked if the former Bresnan workers could be used in other areas, thus eliminating the need to retrain for the company. **Ms. Childress** replied that they are different positions that required different

qualifications. In addition, these positions are not necessarily located within the same community. She added that any individuals who are willing to relocate and upgrade their skills could take part in the retraining Program.

(REP. FRANKLIN exited the meeting.)

REP. SINRUD asked what reptiles are included in Page 3, Items 13 and 14 of the amendment and what the co-op positions referred to. **Mr. Hagener** replied that a variety of snakes and lizards were included in the reptile study. He continued that the co-op positions are positions in cooperation with the University to carry out the study.

Vote: Motion carried 17-3 by roll call vote with REP. RIPLEY, REP. SINRUD, and REP. TAYLOR voting no. REP. FRANKLIN, REP. GLASER and REP. LENHART voted by proxy.

REP. MORGAN stated that she will oppose the bill because the amendments were added without the committee asking each Department to account for the money. She feels that the funding responsibility will fall to the State once the Federal grant dollars run out. **REP. RIPLEY** agreed that the dollar amounts should be listed in the bill and the Committee needed to fully understand what they were voting on before he could support the bill.

(REP. FRANKLIN and REP. LENHART entered the meeting.)

Mr. Moe explained that a number of the appropriations in the bill consist of language that indicates that any balances left will be appropriated during the next year. This makes it difficult for the Budget Office to come up with an accurate appropriation estimate.

REP. BUZZAS asked if these amounts were carryover from the last biennium. **Mr. Moe** replied that in many cases these Federal monies were approved in the budget amendment during the interim. ***{Tape: 1; Side: B; Approx. Time Counter: 20.1 - 33; Comments: End of Tape 1, Side B.}***

(REP. GLASER entered the meeting.)

REP. SINRUD said that he would oppose the bill because many Programs that start out being funded Federally end up becoming the responsibility of the states.

REP. TAYLOR asked if the Budget Office okays the grants during the interim. **Mr. Moe** answered that this was correct.

REP. TAYLOR asked why the Committee was only given one hearing in which to entirely review and research the impacts of these grants. **CHAIRMAN BUZZAS** replied that HB 4 had been on the schedule for a few weeks and that the schedule was available from party leadership.

Motion/Vote: REP. MUSGROVE moved that HB 4 DO PASS AS AMENDED. Motion carried 11-9 by roll call vote with REP. GLASER, REP. HAWK, REP. JACKSON, REP. MCNUTT, REP. MORGAN, REP. RIPLEY, REP. SINRUD, REP. TAYLOR, and REP. WELLS voting no.
{Tape: 2; Side: A; Approx. Time Counter: 0 - 8.6}

HEARING ON HB 9

Opening Statement by Sponsor:

REP. JOHN WITT, HD 28, Carter, opened the hearing on **HB 9,** a bill for cultural and aesthetic grant appropriations. He went through some of the projects supported by the Cultural Trust. The Cultural Trust was established in 1976 with a small portion of money from the Coal Trust. Both Governor Schweitzer and Governor Martz have recommended that the costs associated with the purchase of Virginia and Nevada Cities be replaced through a one-time General Fund transfer. There were 91 applications for Cultural Grants during this biennium. He continued that the amendments recommended by the Subcommittee were explained within the packet that each Committee member had received.

(REP. TAYLOR exited the meeting.)

Proponents' Testimony:

Carleen Layne, Montana Arts Council, and Ms. Sassano said they would be available for questions and asked the Committee to support the bill.
{Tape: 2; Side: A; Approx. Time Counter: 8.6 - 15}

Opponents' Testimony: None.

Informational Testimony:

Cathy Duncan, LFD, explained how the amendments that were adopted by the Subcommittee affected the overall bill.
EXHIBIT(aph62a03)

Questions from Committee Members and Responses:

REP. MORGAN asked how project ranking was determined. **REP WELLS** stated that the Cultural and Aesthetic Grants Committee reviews the applications and makes recommendations to the Subcommittee on the project ranking and the amount of funding. **Ms. Layne** added that the applications are reviewed based on pre-established criteria and the amount of money projected to be available. The Cultural and Aesthetic Grants Program provides the most substantial part of the budget for many of the organizations it funds.

REP. RIPLEY asked if the additional funds awarded to the Missoula Children's Theater were to offset costs to the schools. **REP. WITT** replied that the Subcommittee distributed the leftover funds to Programs that they thought could benefit the most people. **Ms. Layne** added that the funding requested by Missoula Children's Theater is for support of their Montana tour and to keep costs to schools as low as possible.

REP. RIPLEY asked if affects of the one-time General Fund transfer had already been calculated. **Mr. Moe** replied that all transfers that will contribute to the expenditure limitation have been calculated.

{Tape: 2; Side: A; Approx. Time Counter: 15 - 33; Comments: End of Tape 2, Side A.}

REP. SINRUD asked what the grant to the Emerson Cultural Center would be used for. **Ms. Layne** replied that the Center had requested funding to expand the educational outreach they are already doing.

REP. SINRUD asked if the Center could have facilitated this expansion through private fundraising. **Ms. Layne** replied that the ability of any agency to secure private funding is taken into account on every application. Cultural and Aesthetic Grants make up a very small percent of the organizational budget. In the case of the Emerson Center, the $10,000 will go towards over $500,000 in projected operating expenses over the biennium. Cultural and Aesthetic Grants are just one aspect of an organization's budget funding.

REP. JUNEAU asked if the Virginia and Nevada City purchases were still impacting the fund. **Jeff Tiberi, Montana Heritage Commission,** said that according to current statute, the $3.9 million for the purchase must eventually be paid back to the fund.

REP. MORGAN asked how the Saint Vincent Health Care Foundation could qualify for a grant through the fund. **Ms. Layne** replied that the grant will provide a hospital artist in residence to work with patients in the hospital. The Grants Committee has reviewed the project and determined that it does indeed qualify for a Cultural Grant. Any organization can apply for a grant, provided it will be used for a cultural purpose.

Closing by Sponsor:

REP. WITT reiterated the importance of cultural projects to schools and local communities. He asked that the Committee pass the bill in its current form.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 15}

EXECUTIVE ACTION ON HB 9

Motion: **REP. CALLAHAN moved that HB 9 DO PASS.**

Motion: **REP. WELLS moved that amendment HB000905.acd BE ADOPTED. EXHIBIT(aph62a04)**

Substitute Motion: **REP. SINRUD moved A CONCEPTUAL AMENDMENT TO REMOVE FUNDING FOR THE EMERSON CULTURAL CENTER, SAINT VINCENT'S HEALTH CARE AND THE MONTANA PBS PROJECTS, THEN ADD $5,000 OF THESE FUNDS TO THE BOZEMAN SYMPHONY SOCIETY PROJECT.**

Discussion:

REP. SINRUD explained that he has removed funding for these projects because he believes the organizations have a funding network adequate enough to address funding through alternate sources.

Ms. Layne reiterated that these grants only make up a small part of the overall operating budget for organizations. Some of these cuts will affect projects that have been highly ranked by the Advisory Committee.

REP. KAUFMANN asked what the special project was that would receive the $5,000 proposed to go to the Bozeman Symphony Society. **Ms. Layne** stated that the Symphony would use this money to accommodate increasing demand for their rural performance outreach Programs.

REP. MORGAN asked REP. WELLS for his opinion of the substitute motion. **REP. WELLS** agreed that the arts are important. He also

feels that the Emerson Cultural Center and Montana PBS projects should be able to address their funding needs through alternate sources. REP. WELLS stated that he supports two of the three funding cuts proposed by the amendment.
{Tape: 2; Side: B; Approx. Time Counter: 15 - 32; Comments: End of Tape 2, Side B.}

REP. SINRUD withdrew the substitute motion, without objection, so that REP. MORGAN could move to segregate the original conceptual amendment.

Substitute Motion: REP. MORGAN made a substitute motion to REMOVE FUNDING FOR THE EMERSON CULTURAL CENTER PROJECT.

Discussion:

REP. SINRUD commented that the Committee is not forced to follow the recommendations of the Subcommittee. He agrees with the concepts of the Emerson Cultural Center, but believes the Center has a large enough network to be able to obtain funding from sources other then the Cultural Trust.

REP. WITT stated his opposition to the motion. He believes the Culture and Aesthetic Grants Committee ranked the Center as a high priority for a reason and the Committee should not alter this. **REP. MCNUTT** agreed with the comments of REP. WITT.

Vote: Motion failed 5-15 by roll call vote with REP. HAWK, REP. RIPLEY, REP. SINRUD, REP. TAYLOR, and REP. WELLS voting aye. REP. TAYLOR voted by proxy.
{Tape: 3; Side: A; Approx. Time Counter: 0 - 6.2}

CHAIRMAN BUZZAS advised the Committee members that they were now voting on the original amendment.

Vote: Motion carried 17-3 by roll call vote with REP. HAWK, REP. SINRUD, and REP. TAYLOR voting no. REP. TAYLOR voted by proxy.

(REP. TAYLOR entered the meeting.)

Motion/Vote: REP. WITT moved that HB 9 DO PASS AS AMENDED. Motion carried 17-3 by roll call vote with REP. HAWK, REP. SINRUD, and REP. WELLS voting no.

{Tape: 3; Side: A; Approx. Time Counter: 6.2 - 13.8 Comments: REP. KAUFMANN exited the meeting.}

HEARING ON HB 12

Opening Statement by Sponsor:

REP. JON SESSO, HD 76, Butte opened the hearing on **HB 12,** a bill to authorize general obligation bonds for the energy conservation Program. He explained that the State sells general obligation bonds and uses their proceeds to make energy improvements to state buildings. The resulting energy cost-savings is then used to pay back the bond. The projects are designed by the State Architecture and Engineering Division so that the cost-savings exceed the planned debt service. Any excess savings that accrue to the State are used for additional funding for other building projects. An estimated $7.5 million in state energy costs have been saved in roughly the past decade.

Proponents' Testimony:

Tom Livers, Department of Environmental Quality (DEQ), distributed a handout, which explained the projects in greater detail. He said that each year, excess energy savings are swept into the Long Range Building Program (LRBP). Approximately $1 million in excess energy savings have gone to LRBP since the Program was first implemented.
EXHIBIT(aph62a05)

Ms. Sassano stated her support for the bill as part of the Governor's Budget and offered to answer any questions.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

REP. MORGAN asked why the boiler was being replaced in the Women's Prison when the building is not that old. **Jim Whaley, Architecture and Engineering Division,** said that the boiler is 20 to 25 years old and updating it with a new boiler will save money in the long run.

REP. MORGAN asked why the FWP project was not being addressed within the Department. **Mr. Livers** explained that the energy savings projects are addressed within all Departments statewide. The division determines the amount of energy savings that will result from the projects and that amount is then transferred from the Department's budget in subsequent years.
{Tape: 3; Side: A; Approx. Time Counter: 13.8 - 26.1}

REP. FRANKLIN asked if the University of Montana (UM) project listed was part of the campus improvements to the chemistry

building. **Hugh Jesse, UM,** replied that the two projects were separate from one another.

REP. FRANKLIN asked if the amount authorized would cover costs for the entire project. **Mr. Jesse** said that the project is in its second phase and the funding recommended should be enough.

REP. RIPLEY asked why the projects were being included through amendments. **REP. SESSO** said that this was because the original HB 12 was drafted this past summer and at that time, only the projects currently listed in the bill had been approved. Since that time, additional projects have been identified and these are included in the amendment.
{Tape: 3; Side: A; Approx. Time Counter: 26.1 - 30.8; Comments: End of Tape 3, Side A.}

REP. SINRUD asked what the time limit was for the bonds. **REP. SESSO** stated that the bonds are generally 10-year issues and the interest rate is established at the time of issue.

REP. SINRUD asked if there would be a drop in funding requests once the bonds are paid. **Mr. Livers** replied that each project must generate enough savings to at least pay for its annual debt service. Savings will continue to accrue after the debt service is repaid and they will be transferred to the LRBP.

REP. SINRUD asked why the projects were not funded with the one-time General Fund dollars. **Mr. Livers** replied that this was probably because this Program was not identified as a priority for one-time funds because it pays for itself.
{Tape: 3; Side: B; Approx. Time Counter: 0 - 9}

REP. GLASER asked for the total outstanding dollar amount of the bonds. **REP. SESSO** stated approximately $6.9 million will be outstanding after the proposed bond issue in HB 12.

Closing by Sponsor:

REP. SESSO commented that the Program has saved and will continue to save the State money. He asked the Committee for a "do pass" motion.

EXECUTIVE ACTION ON HB 12

Motion: **REP. FRANKLIN moved that HB 12 DO PASS.**

Motion: **REP. SESSO moved that amendment HB001204.acd BE ADOPTED EXHIBIT(aph62a06)**

Discussion:

After consulting with the LFD, **REP. WELLS** commented that he would like more time to consider the possibility of contributing one-time money or fund surpluses from other bills to HB 12 projects.

Substitute Motion: **REP. WELLS made a substitute motion to DELAY EXECUTIVE ACTION ON HB 12.**

Discussion:

REP. WELLS withdrew the substitute motion without objection after determining that the funds he wished to use were not available.

REP. JUNEAU asked for the Executive's opinion of using one-time-only money for HB 12. **Ms. Sassano** replied that the Governor's Office has not considered using one-time monies in this instance because it makes sense to take advantage of low interest rates during this biennium.
{Tape: 3; Side: B; Approx. Time Counter: 9 - 22.5 Comments: REP. RIPLEY and REP. SINRUD exited the meeting.}

REP. JACKSON asked where the energy savings was in the Montana State University-Havre project. **Mr. Livers** replied that the University is currently using city water to irrigate. There will be a savings once the irrigation system is revamped to use untreated water.

Vote: **Motion carried 19-1 by roll call vote with REP. HAWK voting no. REP. KAUFMANN, REP. RIPLEY, REP. SINRUD, and REP. TAYLOR voted by proxy.**

Motion/Vote: **REP. SESSO moved that HB 12 DO PASS AS AMENDED. Motion carried 17-3 by voice vote with REP. GLASER, REP. HAWK, and REP. SINRUD voting no. REPS. KAUFMANN and SINRUD voted by proxy.**
{Tape: 3; Side: B; Approx. Time Counter: 22.5 - 31.5; Comments: End of Tape 3, Side B}

HEARING ON HB 5

Opening Statement by Sponsor:

REP. JACK WELLS, HD 69, Bozeman, opened the hearing on **HB 5**, a bill for long-range building appropriations. He used the spreadsheet on HB 5 to explain the funding sources of the bill. The Long-Range Building Project (LRBP) addresses repair and maintenance of state buildings. A new section has been added to

the bill to allow for a one-time General Fund transfer to address a significant buildup of deferred maintenance projects. REP. WELLS directed the Committee members to refer to the gray bill version for discussion. He explained the different sections of the bill and why new sections were added. Included in the bill are authority-only requests for projects that will be completed with non-state funds. Sections 15 and 16 of the bill contain language to describe how projects that do not move forward will be addressed.
EXHIBIT(aph62a07)
EXHIBIT(aph62a08)
{Tape: 4; Side: A; Approx. Time Counter: 0 - 15.5}

Proponents' Testimony:

Ms. Sassano and Tom O'Connell, DOA, went on record in support of the bill. Mr. O'Connell stated that this bill takes care of the over $2.5 billion that the State has invested in its facilities.

Sheila Stearns, Commissioner of Higher Education, said that HB 5 includes many improvements to University system buildings that will benefit students.

Cary Hegreberg, Montana Contractors Association, commented that HB 5 projects will be a benefit to the many contractors who will work on them.

John Youngberg, Montana Farm Bureau Federation, gave his support for the bill and its inclusion of the Montana Agriculture Station projects.

SEN. LYNDA MOSS, SD 26, BILLINGS stated that she supports the bill and the Cultural and Historic Properties Interim Commission noted therein.

{Tape: 4; Side: A; Approx. Time Counter: 15.5 - 22.4}

Eric Burke, Montana Education Association-Montana Federation of Teachers (MEA-MFT) and **Kayla French, Board of Regents,** went on record in support of the bill. They said that HB 5 will address many of the deferred maintenance issues on college campuses throughout the State.

Mr. Hagener supports the bill and the inclusion of several FWP projects. There are several hatchery projects as well as a $2 million authorization for FWP to work with the University system to establish a park on Flathead Lake.

Chere Jiusto, Montana Preservation Alliance, gave her support for the bill. The bill provides the necessary framework to allow planning for preservation of historic buildings in the State.

Opponents' Testimony: None.

Informational Testimony:

Ms. Duncan explained the grey bill version and how each of the HB 5 amendments are outlined in this version.

Questions from Committee Members and Responses:

REP. MORGAN asked if the Montana State Prison project was already included in HB 12. **Mr. Whaley** explained that different components of the project fit in each bill. The energy saving part of the project is being included in HB 12 and the building aspect is part of HB 5.
{Tape: 4; Side: A; Approx. Time Counter: 22.4 - 31.8; Comments: End of Tape 4, Side A.}

REP. MORGAN asked if the $20 million included in the bill was for the Montana Historical Society's (MHS) plan to buy the Capital Hill Mall. **REP. WELLS** replied that aspects of the MHS project are included in HB 5 and a separate bonding bill.

Closing by Sponsor:

REP. WELLS stated that each project has been presented and discussed within the Subcommittee. He asked that the Committee adopt the recommendations of the Subcommittee.
{Tape: 4; Side: B; Approx. Time Counter: 0 - 5.6}

EXECUTIVE ACTION ON HB 5

Motion: **REP. WELLS moved that HB 5 DO PASS.**

Motion/Vote: **REP. WELLS moved that amendment HB000509.agp BE ADOPTED. Motion carried 19-1 by voice vote with REP. HAWK voting no.**
EXHIBIT(aph62a09)

Motion: **REP. LENHART moved that amendment HB000528.acd BE ADOPTED.**
EXHIBIT(aph62a10)

Discussion:

SEN. MOSS explained the impacts of this amendment on HB 777 to the Committee members. HB 777 sets up the Historical Commission and identifies the interim study. The amendment adds the $20,000 in HB 5 that was freed up from the Boulder River School project to the budget for the interim study.

REP. WELLS asked how the amendment would affect the stabilization of the Boulder River School still included in HB 5. **Mr. O'Connell** replied that it depends on how accurate the cost estimate was for the project. The project could fall just short of the funding needed to stabilize the building.
{Tape: 4; Side: B; Approx. Time Counter: 5.6 - 14.4}

REP. KAUFMANN asked why the Boulder School project was chosen as a source for the Interim Committee funding. **SEN. MOSS** replied that they would like to work with the Boulder community to preserve the school.

REP. LENHART asked if there was a timeline for the project. **Mr. O'Connell** stated that a timeline would be determined after the final HB 5 is passed.

REP. TAYLOR asked for the number of state buildings. **Mr. O'Connell** responded that there are about 4,200 state buildings. Some of the buildings that will be studied by the Interim Committee are included in this number.

Vote: **Motion failed 12-8 by roll call vote with REP. BUZZAS, REP. CALLAHAN, REP. FRANKLIN, REP. JUNEAU, REP. KAUFMANN, REP. LENHART, REP. MUSGROVE, and REP. SESSO voting aye. REP. RIPLEY voted by proxy.**

Motion: **REP. JAYNE moved that amendment HB000529.acd BE ADOPTED.**
EXHIBIT(aph62a11)
EXHIBIT(aph62a12)

Discussion:

REP. JAYNE stated that the amendment provides authority for UM to construct a Native American Student Center. This project is part of the University's capital improvement plan.

REP. KAUFMANN asked if there was indication that the money for the project could be raised. **Mr. Jesse** replied that designs for the project have been finalized and the University is in the position to raise funds for the project.

REP. KAUFMANN asked for the sources of the funds. **Mr. Jesse** replied that the funding will come from a variety of sources including private donations, Federal and higher education funds.

REP. SESSO asked if higher education funds were state funds. **Mr. Jesse** answered, "No."

REP. WELLS asked how much had been spent. **Mr. Jesse** replied that about $60,000 has been spent so far on the design phase.

(REP. SINRUD exited the meeting.)

REP. WELLS commented that UM had not raised very much money under the original authorization. He asked why the University was confident that the funds could be raised now. **Bill Johnston, Montana University System,** replied that UM is currently in a comprehensive capital campaign, which they haven't done in the past. This campaign makes the project more of a priority than it was before.
{Tape: 4; Side: B; Approx. Time Counter: 14.4 - 31.5; Comments: End of Tape 4, Side B.}

REP. WITT asked if this project had been discussed at all during the Subcommittee meetings. **Mr. O'Connell** replied that he did not remember this project being discussed in any of the Subcommittee meetings.

REP. JUNEAU commented that having a center for American Indian students would help the University System to increase their Native American enrollment.

Vote: Motion carried 12-8 by roll call vote with REP. GLASER, REP. HAWK, REP. JACKSON, REP. MCNUTT, REP. RIPLEY, REP. SINRUD, REP. WELLS, and REP. WITT voting no. REP. RIPLEY and REP. SINRUD voted by proxy.

Motion/Vote: REP. WELLS moved that HB 5 DO PASS AS AMENDED. Motion carried 15-5 by roll call vote with REP. GLASER, REP. HAWK, REP. JACKSON, REP. SINRUD, and REP. TAYLOR voting no. REP. RIPLEY and REP. SINRUD voted by proxy.

{Tape: 5; Side: A; Approx. Time Counter: 0 - 6; Comments: End of Tape 5, Side A.}

NOTE: 3:30 p.m. meeting reconvened.

HEARING ON HB 299

Opening Statement by Sponsor:

REP. JACK WELLS, HD 69, Bozeman, opened the hearing on **HB 299,** a bill for the long-range building Program bonds. The bill authorizes the State to issue $5.4 million in bonds to fund transportation equipment storage buildings. It will take a two-thirds vote of the Legislature to incur this debt.
{Tape: 6; Side: A; Approx. Time Counter: 0 - 6; Comments: Reps. Sesso and Sinrud entered hearing.}

Proponents' Testimony:

John Blacker, Department of Transportation (DOT), said that typically the DOT has not used bonds to pay for any of their facility projects. This bond issue will pay for 14 equipment storage facilities. In the past, DOT has had a $5 million facility Program; $2.3 million was for repair and maintenance and $2.7 million for capital improvements. This money was used to build five to six new buildings per biennium. Now that interest rates are so low and building costs are increasing, they felt it was a good idea to issue the bonds to pay for the 14 new buildings, and doing so would save the State money in the long run. As an example, in 2001 a new six-bay storage facility cost $300,000; today, that same building would cost about $450,000. These 14 facilities would be quonset hut type buildings, with very low maintenance. The plan is for DOT to pay back these bonds over 10 years, at $625,000 per year.

Opponents' Testimony: None

Questions from Committee Members and Responses: None

Closing by Sponsor:

REP. WELLS referred the Committee to Page 2 of the Fiscal Note, which shows the debt servicing of these bonds.

EXECUTIVE ACTION ON HB 299

Motion: **REP. WELLS moved that HB 299 DO PASS.**

Discussion:

REP. SINRUD asked if there were any specialties in these buildings and what the cost is going to be per square foot. **John Blacker** said these are just buildings, with a small office and bathroom and a cost estimate of $80-$85 per square foot. **REP. SINRUD** said he'd like to bid on the jobs because he could "make good money at $82-$89 per square foot."

REP. HAWK asked why the equipment needed to be parked indoors. **John Blacker** said the hydraulics in this equipment suffers in cold weather. The 650 snow plows have ice and snow build up that would render them inoperable if they were not stored indoors.

Vote: **Motion carried 19-1 by roll call vote with REP. HAWK voting no. REPS. GLASER and JACKSON voted by proxy.**

HEARING ON HB 540

Opening Statement by Sponsor:

REP. SUE DICKENSON, HD 25, Great Falls, opened the hearing on **HB 540**, a bill for bonding higher education and other state projects. HB 540 is sponsored by numerous legislators who have listened to people across the State and heard what they want: workforce training, accessibility and affordability of two-year education and reconstruction of vital Hi-Line water projects.

HB 540 authorizes the issuance of $60 million in general obligation bonds. It would provide funding for: 1)projects at the Colleges of Technology in Great Falls, Billings and Helena; 2) new petroleum building at Montana Tech; 3) St. Mary's water project; and 4) the State's cost share of the Fort Belknap water compact. The bonding provided in HB 540 coincides with Shared Leadership, a concept bringing together the Executive Branch, Higher Education, the legislature, and private business, to work towards economic development and greater prosperity in the State. During the interim, this group worked together to develop priorities. In Shared Leadership the top two priorities were workforce training and accessibility and affordability. The work group brought together citizens from across the state who have consistently said they want educational opportunities that will prepare citizens to fill good-paying jobs, encourage and expand businesses and enhance business skills and productivity. The State needs to make education accessible and affordable to both full-time and part-time, traditional and non-traditional

students. Many State elected officials have promoted the value of the State's investment in two-year education.

The projects in HB 540 represent a clear and compelling investment in Montana's future. A significant portion of the $60 million will be invested in two-year education. This investment cannot grow without the facilities needed to handle the growing demand for these Programs. There is no doubt the debt service on these bonds will be returned to the State many times over. It will come in the form of increased productivity for employers, increased recruitment of new businesses and expanded jobs and incomes for Montana's citizens. A two-year degree generally earns an additional $15,000 per year for a family; a four-year degree generally earns an average annual increase of $44,000 for a family. Both of these result in less expense to the State, since people with higher incomes make more informed healthy life style choices. But most importantly it means a stronger tax base for state and local governments.

The time is right with interest rates to move forward with these projects; any delay will cost the State more money. If HB 540 does not move forward, the State will encounter critical water challenges in north central Montana. It would also turn away businesses who have needs for trained and educated workers. Currently the State has ample debt capacity, interest rates are extremely low and most experts predict that borrowing rates will raise in the future.
EXHIBIT(aph62a13)
{Tape: 6; Side: A; Approx. Time Counter: 6 - 23.2}

The Fort Belknap water compact and the St. Mary's Canal are essential to the entire economic well-being of north central Montana. The water compact is a result of negotiations between Montana Reserved Water Rights Compact Commission, several tribes, the Federal government, and extensive public involvement in the Milk River Basin. The State's share of this settlement is $11 million, with $9.5 million of it included in HB 540. Settlement of the tribes' claims for reserved water rights avoids costly and time-consuming litigation, provides practical benefits for all Basin water users and protects irrigators in the Milk River project. It is a key component of the water adjudication in the Milk River Basin, because the better water management is a necessary link to the ultimate repair of the St. Mary's Canal. The Fort Belknap compact depends on the viability of the St. Mary's facilities. The St. Mary's Canal is critical for drinking water and irrigation in north central Montana.
EXHIBIT(aph62a14)

She explained that HB 540 started simply as bonding for the Colleges of Technology and north central Montana water projects.

Subsequently, through proposed amendments, Montana Tech, Montana Historical Society, MSU Ag Experiment Station, and MSU Gaines Hall may be added. She said she was concerned that the College of Technology in Great Falls has had their proposed bonding decreased from $20 million to $10.35 million.
{Tape: 6; Side: A; Approx. Time Counter: 23.2 - 30.6}

Proponents' Testimony:

John Bohlinger, Lieutenant Governor, said the administration is fiscally conservative and fully supports HB 540. He said it is essential to the completion of the Governor's plans for this biennium. People in Montana want educational opportunities for their children, particularly in two-year Colleges of Technology. Montana's Colleges of Technology have some of the highest tuition in the country.
{Tape: 6; Side: A; Approx. Time Counter: 30.6 - 32.6; Comments: End of Side A, Tape 6}

The St. Mary's Canal was developed 90 years ago by the Federal government; this Canal provides irrigation for the entire Hi-Line. It irrigates about 140,000 acres and provides water for communities from Havre to Glasgow. The concrete pillars that support the canal are deteriorating. Without repair, the canal will fail; when it fails, it will leave 14,000 people without water. Our Federal Congressmen are supporting Federal funding for the St. Mary's rehabilitation project.

Bruce Brodie, Exxon Mobil Refinery, Billings, said that they employ 290 people. Recently, they advertised for 12 positions that pay $55,000 per year and had 494 applications from across the country. They partnered with the College of Technology in Billings to develop a specific curriculum for refinery workers. With an aging workforce, they have seen an annual turnover of 20% of their operators. There is also an immediate need in their community for trained health care workers, mechanics, plumbers, carpenters, and electricians. There is an insufficient number of qualified Montanans to fill these jobs, so businesses are having to hire from outside the State. Montana is dead last of all states when it comes to enrollment percentage in our two-year colleges.
{Tape: 6; Side: B; Approx. Time Counter: 0 - 8.3}

Sheila Stearns, Commissioner of Higher Education, said they have been working hard to achieve a stronger Montana economy, and therefore, they also support the water projects in HB 540. She thanked the Architectural Division for their help in estimating the costs of the University projects.

Susan Cottingham, Montana Reserved Water Rights Compact Commission, said they negotiated the Fort Belknap water compact. The State's portion of this settlement will go towards projects that would mitigate the impact of the use of the Tribe's water. The compact allocates water from the Milk River for the Fort Belknap Tribe; once the water is developed, there will be impacts to the irrigation districts downstream. This money will go towards projects that will enhance the water supply for those irrigation districts so they will not suffer.

Candice West, Department of Justice, (DOJ), said the Attorney General fully supports the Fort Belknap water compact. When the legislature ratified the compact in 2001, it created a legal liability for the State to fund the mitigation, and it is critical in order to receive Federal funding.

Jani McCall, City of Billings, Deaconess Billings Clinic, St. Vincent's Healthcare, said they have partnered with the College of Technology in "Celebrate Billings," a group working to improve the quality of life in Billings through healthcare, education and economic development. Healthcare is the fastest and largest growing segment of the local economy. Montana State University Billings and the College of Technology have developed Programs for specific healthcare training.

Kayla French, Board of Regents, said HB 540 is crucial to continuing the same caliber of educational quality for the students in the University system.

Charles Brooks, Billings Chamber of Commerce, Yellowstone County Commissioners, said they look to the College of Technology for trained employees.

Gary Forrester, Montana Contractors Association, said HB 540 is a jobs bill; it's about improving jobs for Montana contractors.

Eric Burke, MEA-MFT, said that faculty members believe that granting access to excellent facilities in two-year schools will create new economic development opportunities for the State. Investment in higher education, particularly in the two-year colleges, results in significant economic return.

Nancy Schlepp, Montana Farm Bureau Federation, said the St. Mary's Canal project is very important to agriculture. She asked for support for the amendment to add money for the MSU Ag Experiment Station.

Arnie Olsen, Montana Historical Society (MHS), explained the amendment that would add $7.5 million to HB 540 for purchase of

the Capitol Hill Mall property. The current facility was built in 1950 and is no longer sufficient; they are bulging at the seams, and have had to lease 31,000 square feet in three separate buildings. Their space needs grow at about 1,200 square feet per year. Parking is nearly non-existent and there is not enough exhibit space to display their collection. No classrooms are available to assist with the thousands of school children who visit each year. The Montana History Center is a state-wide project; in a typical year they work with over 18,000 students and 50 communities. After considering the potential of cost efficiency, location, parking, overall square footage, positive impact on tax base, and practicality, the MHS Board felt this proposal had more potential than any other alternative. It's also a project that they feel they can match the State's contribution with private fundraising.
EXHIBIT(aph62a15)
EXHIBIT(aph62a16)
EXHIBIT(aph62a17)
EXHIBIT(aph62a18)

{Tape: 6; Side: B; Approx. Time Counter: 8.3 - 20.2; Comments: Rep. Jackson entered hearing.}

Betty Babcock, former legislator, Co-Chair of Steering Committee to purchase the Capital Hill Mall, said Article 10 Section 2 of the Montana Constitution states, "The State recognizes the unique and cultural heritage of the American Indians and is committed in its educational goals to the preservation of their cultural integrity." She said it is important that their wonderful treasures can be appropriately displayed in a museum, preserving their cultural integrity to some extent. Many of her friends have said they have items that are important to all of us, but they want to be assured of a safe place where they can be properly used and exhibited. The new location would provide the space and establish exhibits that exemplify the Indian culture, plus be able to display the many artifacts that are in storage.
EXHIBIT(aph62a19)
EXHIBIT(aph62a20)
EXHIBIT(aph62a21)

Joe Mazurek, former Attorney General, Co-Chair of Steering Committee to purchase the Capital Hill Mall, said Montanans have donated their most treasured family possessions to a facility that can no longer house them, let alone display them. Purchase of the Capital Hill Mall is a "once in a lifetime opportunity,", and Montana needs to step up and move forward. If the State would provide the important seed money, Montanans would provide the rest.

Lee Rostad, MHS Board, said they are excited about this opportunity to expand the MHS physical plant and research center.

{Tape: 6; Side: B; Approx. Time Counter: 20.6 - 32.6; Comments: End of Tape 6}

The MHS library, archives and museum are bursting at the seams. It is reasonable to have a building to do justice to the collection and work of the MHS and perpetuate Montana's heritage. Economically, the new location would provide an exciting tourist destination. She said they need the State money before they can ask for private donations.
EXHIBIT(aph62a22)
EXHIBIT(aph62a23)

Amy Sullivan, Montana History Foundation, explained that the MHS was approached by the Capital Hill Mall owners with the proposal to purchase it. A new, relocated mall would be three times larger, increasing the tax base. With the State's seed money, she said they would raise $30 million in private donations. They will be able to move people from high-rent space into this new purchased space. They plan to lease out 50,000 square feet of the new facility to offset their costs. Montana Tourism Coalition, Montana Innkeepers and Montana Chamber of Commerce all support this project.
EXHIBIT(aph62a24)

Bob Lashway, Facilities Director, MSU Bozeman, said there is $9 million in need at the seven agriculture experiment stations across Montana. The HB 540 request for $500,000 for the MSU Agriculture Experiment Station and the other monies requested in HB 5, most of these stations will receive some money. Gaines Hall at MSU Bozeman has been the Board of Regents' top priority for large capital projects since 2002. It is over 50 years old and has never been substantially updated nor renovated. It is one of the most heavily used buildings on campus, and has the largest lecture hall.

Mary Sheehy Moe, Great Falls College of Technology, said that in Great Falls and Helena, the Colleges of Technology are the only representatives of the Montana University system. The benefits of education are correlated with economic development. They have experienced great growth in their Programs along with an erosion in their ability to deliver education in a quality way because of limits in their facilities. Last year, Great Falls was asked to implement new Programs in welding, massage therapy, civil engineering, physical therapy, radiology technology, veterinary technology, pharmacy technology, and medical assisting. In each instance, they have had to decline due to limited space.

{Tape: 7; Side: A; Approx. Time Counter: 0 - 12.7}

Frank Gilmore, Montana Tech, Butte, said the Petroleum Building is very critical to Montana Tech because they have the third largest petroleum engineering Program in the nation. The current building is over 100 years old and not suitable for their work.

Russ Filner, Helena College of Technology, passed out a handout from Dean Frasier.
EXHIBIT(aph62a25)

Opponents' Testimony: None

Informational Testimony:

Mark Bruno, Governor's Budget Office, said they have prepared a draft Fiscal Note since the bill has not technically been amended.
EXHIBIT(aph62a26)

Cathy Duncan, Legislative Fiscal Division, told the Committee members that they have a copy of the Long-Range Planning Subcommittee's recommendations for amendments to HB 540.

Questions from Committee Members and Responses:

REP. MORGAN asked why there are so many projects in one bill. **REP. DICKINSON** said it was originally an education bill, then the Governor asked that the water projects be added. Subsequently, the Long-Range Planning Subcommittee added other things. She said there are many needs in the state and it is a good time for issuing bonds.

REP. JAYNE asked about the Fiscal Note. **REP. DICKINSON** said that with the addition of the MHS, the debt service has been increased by $1 million starting in 2009.

REP. JAYNE asked about the General Fund impact of $625,000. **REP. DICKINSON** said that is the money to get these projects started. **Jon Moe** said it is the beginning of the debt service. Pages 3-4 of the Fiscal Note show the debt service for a 25-year period.

REP. JAYNE asked if the General Fund does not have sufficient funds, then which projects would be impacted. **Jon Moe** clarified that if it is not funded, then the bonding will not occur.

REP. RIPLEY asked for clarification of the difference in technical notes on the two Fiscal Notes. **Mark Bruno** answered

that some of the amendments took care of the technical notes. **Cathy Duncan** said the Subcommittee's amendments took care of technical notes 1-3 on the original Fiscal Note.

REP. RIPLEY asked how much money is allocated to the St. Mary's project this session. **John Tubbs, Department of Natural Resources and Conservation,** said it is approximately $12 million. He explained that 100% of the financial burden is at the irrigation district level. It is a Federal project, owned and operated by the Federal Bureau of Reclamation, yet they have not spent any Federal dollars on this project to date.

REP. RIPLEY asked about MHS statement that they would likely raise $20 million, and asked what would happen if HB 540 fails. **Arnie Olsen** said it is highly likely that they will raise this money. Many of the donors want a financial commitment from the State. If HB 540 fails, the Mall opportunity will go away because the offer is only good through June.

REP. WELLS referred to the long-range impacts on the Fiscal Note. There are six Montana University projects with 80% State funding at about $2.9 million per biennium. Yet, the one building for MHS would be $1.7 million per biennium. He asked why there was such a significant increase in the one building compared to six.

{Tape: 7; Side: A; Approx. Time Counter: 12.7 - 32.6; Comments: End of Side A, Tape 7}

Mark Bruno said the $1.7 million for the MHS is based upon 250,000 square feet at $6.65 per square foot. They eliminated 30,000 square feet of satellite offices and added in off-campus leases. The net result is an annual increase of $870,000.

REP. WELLS asked about MHS current expenses for operations and maintenance. **Arnie Olsen** said they currently pay $300,000 per year for three facilities that have a total of 100,000 square feet. The proposed new facility would lease out 50,000 square feet for $800,000 in income per biennium.

REP. FRANKLIN said if the Montana Tech petroleum building and the MSU Gaines Hall were priorities one and three for the Board of Regents, then why did it take until February 2005 to request funding. **Sheila Stearns** said in September 2004 the Board of Regents prioritized these projects, but there is not a huge difference between projects. Gaines Hall has been waiting for funding for several years. A lot of time was spent with architects determining the actual needs and costs before bringing their requests to REP. DICKINSON to be included in HB 540.

REP. SINRUD asked what the new Programs offered through the Colleges of Technology will cost, and what the impact would be on the students. **Rod Sundsted, Montana University System,** said the new Program costs in HB 2 are only for equipment and some two-year Program development; but that money is not associated with the building requests in HB 540. The legislature appropriates $1,800 per student to cover the cost of their education. The building costs would not be passed on to the students. He said new Programs are started all the time based on the needs of the community, but HB 540 is not about starting new Programs. New Programs are started with existing funds, either by reallocating them or eliminating an existing Program.

REP. SINRUD asked why it is prohibitive for a resident of Great Falls to travel to the Helena College of Technology for welding classes. **Mary Sheehy-Moe** said the travel and relocation expenses would probably deter them from doing so. Many of their students are already traveling from 60 miles outside of Great Falls.

REP. SINRUD expressed his concern that the two-year colleges are offering duplicate Programs. **REP. WELLS** said the colleges presented testimony to the Subcommittee about their increasing enrollments. After visiting the Helena College of Technology, he said he did not think they would be able to handle any additional students from Great Falls since they are already at maximum capacity.

REP. TAYLOR asked why the Capital Hill Mall's offer expires in June 2004. **Arnie Olsen** said it appears the Mall is losing money so they want to take immediate action to protect their investment.

REP. MUSGROVE questioned REP. SINRUD's concern with duplication of Programs at the Colleges of Technology. **John Cech, Billings College of Technology,** said there is a demand for workforce training, particularly in construction and healthcare. He said they have developed a partnership with the Montana Contractors Association to train construction workers. The National Bureau of Statistics estimates that in the next 10 years there will be a demand for 9,000 construction workers and 4,000 registered nurses. The existing two and four year nursing Programs in Montana do not come close to meeting this need.
{Tape: 7; Side: B; Approx. Time Counter: 0 - 32.6; Comments: End of Tape 7}

He said their trade Programs in Billings are full with a waiting list, yet local businesses are asking them for more trained graduates. Colleges of Technology really relate and respond to

the needs of their local communities. The students are not able to relocate to another city to find this training.

REP. JAYNE said the State's only legal obligation is the Fort Belknap water compact. She asked if the water projects are segregated out, then what is the General Fund impact. **Mark Bruno** said it would be about one-third, or about $20 million.

REP. SINRUD asked why the State would not use on-time money to pay off the Fort Belknap water compact obligation. **REP. WELLS** said this idea was not brought to the Subcommittee. The water projects were added to HB 540 in February 2005, per a request from the Governor. **Amy Carlson, Governor's Budget Office,** said it was not proposed for one-time funding, since that money had already been allocated to other projects. Therefore, it made sense to put it into HB 540 as a long-term investment. **Jay Weiner, Montana Reserved Water Rights Compact Commission,** said they did not ask for one-time money for the Fort Belknap compact because it is different than the Crow Tribe settlement. The Crow money had been set aside for a particular purpose. The Fort Belknap money is to mitigate the impact of tribal development. Under the compact, a certain amount of water from the Milk River was quantified as the tribe's Federal reserve water rights. Only when the tribe begins to develop that water will there be any impacts on the non-Indian irrigators, which makes this a perfect project for bonding. The State does not want to issue the bonds and begin incurring expense until they actually need it. In HB 540 they are asking for the authorization to issue the bonds in the future, which is required in order to ratify the compact by Congress. Congress is unwilling to sign off on these compacts until State funding is made apparent. It is not feasible to appropriate one-time money because the State's financial obligation has not been determined at this time.

REP. SESSO asked how these bonds will fit into the big picture of the State's bond indebtedness. **David Ewer, Governor's Budget Director,** said bond rating agencies see Montana as a good credit risk and give the State a high rating. Montana does not have a lot of long-term bond debt outstanding. This request to issue $60 million in bonds will be spread out over many years, and some of them may never be issued.

Closing by Sponsor:

REP. DICKINSON said the General Fund responsibility is $450,000 if there are no amendments. These better educated students who are graduating from the University System are going to be making more money and paying higher taxes, which she said should be covering the bond debt responsibility. Students need to have the

two-year Programs offered in the cities where they live; most of them are not in the position of being able to relocate to another city. The projects in HB 540 are supported by a strong coalition of communities and legislators.
{Tape: 8; Side: A; Approx. Time Counter: 0 - 19.8}

EXECUTIVE ACTION ON HB 540

REP. MORGAN said she would like to delay Executive Action on HB 540, because she would like to review the one-time funding in HB 745. She said she would feel more comfortable using that one-time money for the water projects in HB 540.

CHAIRMAN BUZZAS said the problem is the Committee has an incredible amount of Executive Action to do in a short amount of time.

REP. WELLS said that he, too, would like to delay executive action. Perhaps there are ways to fund some of these projects, rather than bonding. He said he does not like the draft Fiscal Note and some of the projects need to be reviewed and recalculated.

CHAIRMAN BUZZAS said the draft Fiscal Note includes the proposed amendments and she wasn't sure if they could get the type of information REP. WELLS is requesting. **Mark Bruno** said after the Committee acts on the amendments and the bill, then an official Fiscal Note would be prepared. **David Ewer** said it is rare to see a draft Fiscal Note. Everybody wants to see a revised Fiscal Note before they offer an amendment, but because of the numerous Fiscal Notes, they have to set boundaries. The State's policy is that Fiscal Notes get changed after executive action. This draft Fiscal Note for HB 540 was an exception to the rule.

CHAIRMAN BUZZAS said the draft Fiscal Note reflects the additional $7.5 million in amendments added to the $60 million in HB 540. **David Ewer** explained that because of the nature of bonds, they do not know when all of them will be issued. It's possible there may be no dollar cost in 2007 if none of the bonds are issued immediately.

CHAIRMAN BUZZAS said that some of the projects in HB 540 may never come to fruition; passage of the bill is giving the authority to issue the bonds for these projects. Therefore, if a project is delayed or never done, then the fiscal impact would decrease. **David Ewer** said passage of HB 540 is empowering and

authorizing an approved list of projects that the State says are worthwhile.

CHAIRMAN BUZZAS said she didn't think there was anything to gain by waiting a day or two to act on HB 540, since there would not be a new Fiscal Note.

REP. GLASER said if the Committee does executive action now, then he would vote no.
{Tape: 8; Side: A; Approx. Time Counter: 19.8 - 32.6; Comments: End of Side A, Tape 8}

REP. JACKSON said he was not present for the hearing and if they have to vote on HB 540 as "all or nothing," then he would most likely vote against it. He said it includes a hodgepodge of projects that are not related. There are capital projects in other bills, and the State is having a hard time maintaining what they already have. Therefore, he said it is difficult for him to look at this bill as one package.

CHAIRMAN BUZZAS said she didn't mind delaying executive action, but it would need to be done in the next one to two days.

REP. WITT said the Subcommittee, which includes four members of this Committee, has spent a lot of time working on this bill. He said Committee members could either do a lot of homework on their own, or they could pay attention to the work of the Subcommittee. Since there are so few days left in the session, he said it was important that the Committee get in gear and act on these bills.

CHAIRMAN BUZZAS also said the Committee spent two and a half hours today in a hearing on HB 540. She told REP. JACKSON she was sorry he was not present during the hearing, but a lot of his questions were covered at that time.

Motion: **REP. SINRUD moved that HB 540 DO PASS.**

Motion/Vote: **REP. SINRUD moved that HB 540 BE AMENDED. Motion carried 11-9 by roll call vote with REP. CALLAHAN, REP. FRANKLIN, REP. GLASER, REP. HAWK, REP. JACKSON, REP. MORGAN, REP. RIPLEY, REP. SINRUD, and REP. TAYLOR voting no. REP. MORGAN voted by proxy.**
EXHIBIT(aph62a27)

Motion/Vote: **REP. SINRUD moved that HB 540 DO PASS AS AMENDED. Motion carried 12-8 by roll call vote with REP. GLASER, REP. HAWK, REP. JACKSON, REP. MORGAN, REP. RIPLEY, REP. SINRUD, REP. TAYLOR, and REP. WELLS voting no. REP. MORGAN voted by proxy.**

HEARING ON HB 7

Opening Statement by Sponsor:

REP. TIM CALLAHAN, HD 21, Great Falls, opened the hearing on **HB 7,** a bill authorizing $4.9 million to the DNRC for reclamation and development grants.

Proponents' Testimony:

John Tubbs, DNRC, explained that the $4.9 million would fund 17 projects. Interest from the Resource Indemnity Trust (RIT) and mineral taxes would be used to fund these grants. These funds are going to be used to plug abandoned oil and gas wells in north central and eastern Montana, reclaim abandoned hard rock mining sites, help local governments address oil and gas issues, and other crucial state needs. One of the amendments is to increase the funds for the St. Mary's rehabilitation project by $600,000. The other addition is clean up of a bulk plant contamination site in Harlem before it contaminates the public water supply. Per REP. WELLS' concern, an amendment was drafted to make the use of these RIT funds legal for the next two years while they investigate other long-term solutions.

Larry Mires, Two Rivers Economic Growth, said that seven counties are affected by the St. Mary's project and they support HB 540.

Opponents' Testimony: None

Informational Testimony:

REP. WELLS discussed the proposed amendments to this bill and the questionable use of these RIT funds. Evidently it has been done in the past, but the Subcommittee felt it was important to make it correct in statute. There is a bill that came out of the Natural Resources Subcommittee that recommends studying this issue.
EXHIBIT(aph62a28)

Questions from Committee Members and Responses:

REP. SINRUD asked if spending of the RIT in the past has been illegal, and who gave the authority to spend that money. **REP. WELLS** said that previous spending was for things other than grants over the past 10 years. **John Tubbs** said authority to spend the money comes from the legislature. The expenditures in question include the water court and Department of Environmental Quality (DEQ). A Supreme Court ruling said those types of

expenditures are allowed, however, LFD reviewed the state special revenue language and found more strict definitions for the revenue accounts. That language only allowed for grants. To overcome that language during this biennium without impacting HB 2, the amendment makes it legal for two years but says the issue must be resolved before the next session.

REP. SINRUD asked why the St. Mary's project design work is requesting a grant and why it is not funded by bonding. **REP. WELLS** said the Subcommittee felt they had sufficient funds to grant money for design work.

REP. RIPLEY asked about the clean up work referenced on Page 3 Line 6. **REP. WELLS** said that Tire Recyclers in Columbus had a few acres of used tires, which they abandoned. The State is having to treat it similar to abandoned oil. DEQ is going to try and do something with these tires that are an eyesore and a hazard to the environment.

REP. FRANKLIN asked about the RIT funds and the recent statute change. **David Ewer** explained the amendment states that appropriations made for reclamation can be used for administrative expenses, including salaries. There has been a long-standing concept in trust management that any expenses incurred by the trustee (DNRC) will be covered by the grant. Therefore, they do not use General Fund money to cover these RIT expenses at DNRC.

REP. RIPLEY responded that the interim study proposed by the Natural Resources Subcommittee will attempt to clear up the difference between statute and the Supreme Court ruling.

REP. JUNEAU asked why Section 7 of the bill terminates on 7/30/05. **Kathy Duncan** said the changes to statute are only for this biennium and therefore, need to terminate at the end. **John Tubbs** explained that the termination date gives the DNRC 30 days to transfer $400,000 from the Reclamation Development Grants over to Renewable Resources Grants. At that time, the statute reverts back to the existing statute so this gives them a one-time opportunity to transfer the funds.
{Tape: 8; Side: B; Approx. Time Counter: 0 - 32.6; Comments: End of Side B, Tape 8}

Closing by Sponsor:

REP. CALLAHAN thanked the Subcommittee for their work.

EXECUTIVE ACTION ON HB 7

Motion: REP. CALLAHAN moved that HB 7 DO PASS.

Motion/Vote: REP. CALLAHAN moved that HB 7 BE AMENDED. Motion carried unanimously 20-0 by roll call vote. REP. MORGAN voted by proxy.

Motion/Vote: REP. CALLAHAN moved that HB 7 DO PASS AS AMENDED. Motion carried unanimously 20-0 by voice vote. REP. MORGAN voted by proxy.

HEARING ON HB 11

Opening Statement by Sponsor:

REP. WALTER MCNUTT, HD 37, Sidney, opened the hearing on **HB 11**, a bill regarding the Treasure State Endowment (TSEF) appropriation. This Program funds 40 grants for safe drinking water, disposal of sewage and safe bridges, both existing and future.

Proponents' Testimony:

REP. WELLS handed out amendment HB011005.acd. The amendment adds $150,000 in additional money to each of the top four projects. In HB 11 there is a $5 million appropriation for a water project, and HB 748 provides $5 million for bonding authority with the hope of securing Federal funds. This could result in a duplication of efforts; therefore if HB 748 passes, the $5 million in HB 11 would be eliminated.
EXHIBIT(aph62a29)
{Tape: 9; Side: A; Approx. Time Counter: 0 - 9.1}

Jim Edgcomb, Department of Commerce, explained that TSEF was created in 1992 to help local governments solve serious health and safety threats, and make local infrastructure improvements reasonably affordable. In addition to funding the 40 projects, HB 11 stipulates reporting to the legislature the status of all construction projects. It will also allow for emergency grants and engineering studies that cannot wait for legislative approval. It would terminate two grants that were approved in 2001, but never started: 1) Essex Water and Sewer District, and 2) Florence County Water and Sewer District.

TSEF grants are crucial to making these projects financially feasible. They leverage a considerable amount of dollars, approximately $3.50 for every $1 from TSEF. Typically, applicants provide at least 50% of the cost of the project.

John Tubbs, DNRC, said that DNRC administers two regional water projects: 1) North Central Regional Water System, $220 million, and 2) Dry Prairie Regional Water Authority, $230 million. The TSEF funds are essential for receiving matching Federal funds.

REP. JOHN MUSGROVE said that under HB 11 the city of Rudyard has a county water sewer district that needs work done on their sewer; Carter has a water project; Dodson has a sewer project; Malta has a sewer project; Havre has a continuing water project; and Hill County has bridges. The total $3.3 million in TSEF grants is matched with $7.0 million in other funds. This money helps these communities comply with State and Federal regulations, address critical infrastructure needs, keep water and sewer rates at an affordable level, and provide economic development.

Larry Mires, Two Rivers Economic Growth, said the projects funded through HB 11 go a long ways in helping Montana.

REP. WITT asked for testimony from a representative of the Essex Water and Sewer District.

John Beer, Essex Water and Sewer District, said they are under administrative order from the DEQ to improve their water source. In January, the order was escalated with a letter from DEQ saying they were going to get a court order and force them to make this change. The District has 30 users, including Burlington Northern Santa Fe (BNSF) and the Isaak Walton Inn. It was built in 1910 and consists of 7,000 of transmission line. In 2001 they were granted a $225,000 TSEF grant, which they would like to have re-instated. BNSF has from 20-40 employees in Essex; they currently have a plugged and collapsed water line, and water pressure is down to one gallon per minute. Both BNSF and the Isaak Walton Inn have agreed to help with the water project. Originally the project was for $827,000, but they scaled it back to $400,000. They would do the project in three phases and are hoping to get a Renewable Resources Grant next session since they have a very high cost-per-user.
{Tape: 9; Side: A; Approx. Time Counter: 9.1 - 25.5}

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. WITT asked for information and recommendations on the Essex project. **John Edgcomb** said DEQ called him three weeks ago about the possibility of reinstating the grant to Essex. The Essex project would require them to apply to the Renewable Resources Grant Program during the next session in order to have a complete

funding package. He said that DEQ is very interested in getting the water problem in Essex resolved. If they can get a grant from the next session for $100,000, then they would probably have a complete funding package.

REP. WELLS said that there is only $187,000 left in TSEF, and there would not be enough money to fund the Essex project at $225,000.

REP. WITT said he didn't calculate the numbers, but is proposing that they give them some money.

John Beer said that $100,000 would help them immensely.

{Tape: 9; Side: A; Approx. Time Counter: 25.5 - 32.6; Comments: End of Side A, Tape 9}

REP. KAUFMANN asked why the bridges could not use Federal highway funds. **REP. WELLS** said that many of these bridges are the county's responsibility. **John Edgcomb** said there are some Programs that provide a limited amount of funds for bridges, but you would probably be on the list for many years before you receive any of the funds.

Closing by Sponsor:

REP. MCNUTT thanked John Edgcomb for his management of the TSEF Program and the Subcommittee for their hard work.

EXECUTIVE ACTION ON HB 11

Motion: **REP. MCNUTT moved that HB 11 DO PASS.**

Motion/Vote: **REP. WELLS moved that amendment HB001105.acd BE ADOPTED. Motion carried unanimously by voice vote.**

Motion/Vote: **REP. WITT moved that HB 11 BE AMENDED and the amendment be changed from $225,000 to $100,000. Motion carried unanimously by voice vote.**
EXHIBIT(aph62a30)
EXHIBIT(aph62a31)

Motion/Vote: **REP. MCNUTT moved that HB 11 DO PASS AS AMENDED. Motion carried unanimously by voice vote.**

HEARING ON HB 8

Opening Statement by Sponsor:

REP. JOHN WITT, HD 28, opened the hearing on **HB 8,** a bill authorizing renewable resource bonds and loans. The bill includes three new loans and re-authorizes four loans. These loans provide matching funds to State and Federal grants for irrigation districts and their projects. The Renewable Resource Program is one of the few sources of affordable funding. Section 3 of the bill provides for the issuance of $7 million in Coal Severance Tax Bonds to provide the funding for these loans. These are limited liability bonds of the State, where the only revenue pledged to repay the bonds are the borrowers' payments along with deposits to the coal severance tax trust. The total use of coal severance tax bonds per year is $600,000. HB 8 requires a three-fourths vote of the legislature to pass because it authorizes the use of money from the Coal Severance Tax Trust.

Proponents' Testimony:

John Tubbs, DNRC, said this is an important Program because it provides low-interest loans for irrigation projects. There are currently about $49 million in outstanding bonds that are being paid off by the borrowers.
{Tape: 9; Side: A; Approx. Time Counter: 0 - 13.7}

Opponents' Testimony: None

Questions from Committee Members and Responses: None

Closing by Sponsor:

REP. WITT thanked the Committee.

EXECUTIVE ACTION ON HB 8

Motion/Vote: REP. WITT moved that HB 8 DO PASS. Motion carried unanimously 20-0 by voice vote. REP. MORGAN voted by proxy.

HEARING ON HB 6

Opening Statement by Sponsor:

REP. JOHN WITT, HD 28, Carter, opened the hearing on **HB 6,** a bill revising and implementing DNRC Renewable Resource Grants and Loan Program. Section 1 of the bill appropriates $100,000 for

emergency grants, $300,000 for project planning grants and $4.6 million for projects listed on Pages 2-6. Interest from the Resource Indemnity Trust fund provides the source of funds for these grants. The Subcommittee added $600,000 to fund six additional projects. These grants help communities meet critical needs, such as providing safe drinking water, protection of streams and investments in dams and reservoirs. These grants keep the projects affordable for local governments.
EXHIBIT(aph62a32)
EXHIBIT(aph62a33)

Proponents' Testimony:

John Tubbs, DNRC, said the Subcommittee transferred $600,000 from HB 5 to HB 6. He stated the money became available because of the Committee's actions.

REP. WELLS explained the $600,000 transfer of funds. In HB 5 there was $1.8 million for remodeling the National Guard Armory in Helena. After reviewing that project, REP. WELLS tried to eliminate the project but was unsuccessful. However, they did remove $600,000 from the project and transferred that money to fund these renewable resource grants. With this money, they were able to fund an additional six projects.

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. KAUFMANN asked how the removal of the $600,000 is going to affect the Helena Armory. **REP. WELLS** said DEQ had asked for $1.8 million to totally remodel the building, including elevators, new entry, and removal of the gymnasium. The remodel would allow them to move their offices from occupying three floors to two floors. The reduction in funding allowed them to do everything except removal of the gym.

Closing by Sponsor:

REP. WITT thanked the Long-Range Planning Subcommittee for their work.

EXECUTIVE ACTION ON HB 6

Motion: **REP. MCNUTT moved that HB 6 DO PASS.**

Motion/Vote: REP. WELLS moved that amendment HB000603.acd BE ADOPTED. Motion carried unanimously by voice vote.

Motion/Vote: REP. MCNUTT moved that HB 6 DO PASS AS AMENDED. Motion carried unanimously by voice vote. REP. MORGAN voted by proxy.

HEARING ON HB 748

Opening Statement by Sponsor:

REP. JACK WELLS, HD 69, Bozeman, opened the hearing on **HB 748,** a bill to authorize issuance of $5 million in general obligation bonds for Federal water resource projects. The Long-Range Planning Subcommittee drafted this bill so that the money can be used to secure matching Federal funds. HB 748 coordinates with the $5.3 million appropriated in HB 11.
{Tape: 9; Side: B; Approx. Time Counter: 0 - 32.6; Comments: End of Tape 9}

Proponents' Testimony:

John Tubbs, DNRC, said the $5.3 million can be appropriated through HB 11, however, by providing the bonding authority through this bill there are certain benefits. HB 748 would help to circumvent the budget cap; by leaving the $5.3 million in the TSEF account, it would not disrupt the interest earnings. The true cost of this bill will be the interest on the bonds.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. SESSO asked for a recommendation on HB 11 versus HB 748.
REP. WELLS said the Subcommittee asked for HB 748 because it was the better way to pay for these water resource projects. It would alleviate the budget cap problem, and the interest on the money left in TSEF would offset the cost of the bond debt service. Also, interest rates are now at a good rate for issuing bonds.

Closing by Sponsor:

REP. WELLS said he will present a technical amendment to address the concern in the Fiscal Note regarding the Board of Examiners and DNRC having an agreement on the payment of the debt service.

EXECUTIVE ACTION ON HB 748

Motion: REP. TAYLOR moved that HB 748 DO PASS.

Motion: REP. WELLS moved that HB 748 BE AMENDED.
EXHIBIT(aph62a34)

Discussion:

REP. WELLS said the amendment establishes the agreement between the Board of Examiners and DNRC for payment of the bond debt service. It states that if there are any leftover funds, then they will be credited against the DNRC's payment obligation of these bonds.

Vote: Motion carried unanimously by voice vote. REPS. MORGAN and SINRUD voted by proxy.

Motion: REP. TAYLOR moved that HB 748 DO PASS AS AMENDED.

Discussion:

REP. MUSGROVE asked about the repayment of these bonds.

John Tubbs said these are general obligation bonds, backed by the full faith and credit of the State of Montana. It is the intent that the earnings from the TSEF will pay for the costs of these bonds, not General Fund. He said they will work with the Board of Investment's Intercap Loan Program to establish a line of credit so they only issue bonds as needed.

Vote: Motion carried unanimously by voice vote. REPS. MORGAN and SINRUD voted by proxy.

ADJOURNMENT

Adjournment: 8:10 P.M.

REP. ROSALIE (ROSIE) BUZZAS, Chairman

MARCY MCLEAN, Secretary

RB/mm

Additional Exhibits:

EXHIBIT(aph62aad0.PDF)