

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION**

**JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND
COMMERCE**

Call to Order: By **CHAIRMAN RICK RIPLEY**, on January 11, 2005 at
8:00 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Rick Ripley, Chairman (R)
Sen. Ken (Kim) Hansen, Vice Chairman (D)
Sen. Gregory D. Barkus (R)
Rep. Rosalie (Rosie) Buzzas (D)
Sen. Bob Hawks (D)
Rep. Walter McNutt (R)
Rep. John L. Musgrove (D)

Members Excused: None.

Members Absent: None.

Staff Present: Britt Nelson, Committee Secretary
Shane Sierer, Legislative Branch
Barbara Smith, Legislative Branch
Doug Schmitz, OBPP Representative

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

Committee Business Summary:

Hearing & Date Posted:
Executive Action: HB 2

Hearing on the Department of Commerce

CHAIRMAN RIPLEY addressed the committee about the importance of being present during Executive Action or, if unable to attend, the presentation of proxy votes through one of the other committee members. He introduced Tony Preite and the Department of Commerce, mentioning that there was some extra testimony that would be heard before Executive Action was taken. After the testimony, the committee could decide if they felt it appropriate to move on the newly presented information.

Tony Preite commenced saying that the committee had wanted more information on the Governor's Program as it relates to Indian Country Economic Development and the Made-In-Montana Program. He then handed out a packet with more information on each of these programs. He also provided a book, *Montana Industry Cluster Analysis: Executive Summary and Recommendations*, produced during Governor Martz's term.

EXHIBIT (jnh07a01)

Evan Barrett, Chief Business Development Officer at the Governor's Office of Economic Opportunity, discussed the Governor's proposals. He feels that in order to attack poverty, improve the per capita income, and increase salaries Montana has to involve and work with Montana small businesses, especially those that exist on reservations. The Governor's budget concerning the Indian County Economic Development adds one FTE and \$500,000 to the general fund each year of the biennium to be used by the Tribal Nations to help enhance and support economic development on the reservations. He mentioned that this comes out to about \$50,000 per reservation which is not a lot of assistance per tribe. However, especially in the reservations, there is a need to help small business ventures grow. The hopes for this Program are; 1) entrepreneurial business training for Montana Native Americans, 2) Economic development planning assistance, and 3) Tribal business assistance activities.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 8.7}

Evan Barrett also discussed the Governor's budget concern for the Made-In-Montana Program. He made a point to remind the committee that the program has been in existence since 1984 and has just been reduced in the past year or so. The budget adds one additional full time employee(FTE) and a \$500,000 general fund each year of the biennium. This would be sufficient to restore the program as well as expand it. He covered eight specific

activities which will utilize the Made-In-Montana appropriations. The Governor believes that these programs are part of a strong economic package for Montana.

EXHIBIT (jnh07a02)

CHAIRMAN RIPLEY suggested that the committee decide at this time if they wanted to take Executive Action on these two Decision Packages (DP) now or wait for a time when they have had a chance to review the information.

REP. MUSGROVE stated that he would be more than happy to take action on the two DP's presented with the rest of the Department of Commerce.

SEN. BARKUS admitted that he would be uncomfortable moving ahead and felt that Shane Sierer, the Fiscal Analyst, should be allowed more time to examine the information.

CHAIRMAN RIPLEY decided that it should be voted on by the committee.

SEN. HAWKS replied that he wanted everyone to be comfortable and would be willing to delay voting on the DP's up to a reasonable time.

REP. MUSGROVE responded that rather than turn the issue to a vote he would go along with the consensus of the committee and delay the vote.

CHAIRMAN RIPLEY agreed with **SEN. HAWKS** and proposed voting on the DP's during the Livestock Department's Executive Action, January 19th.

{Tape: 1; Side: A; Approx. Time Counter: 8.7 - 20.5}

**EXECUTIVE ACTION ON THE DEPARTMENT OF COMMERCE: BUSINESS
RESOURCES DIVISION**

CHAIRMAN RIPLEY initiated the move to Executive Action, reminding the committee that there needed to be a motion on the floor to consider a DP. Barring a motion the DP would not be addressed and the committee would move forward.

Motion: REP. MUSGROVE moved that DP 5101 BE ADOPTED.

Discussion:

SEN. BARKUS wondered if this was a temporary FTE that was being put into the statute.

Shane Sierer, Legislative Fiscal Analyst, reminded CHAIRMAN RIPLEY that the base budget had to be approved.

CHAIRMAN RIPLEY relayed to the committee that the Base Budget had to be approved first.

Shane Sierer told the committee that the first thing that had to be done was to approve the base budget. The base budget and present law statewide adjustments had to be approved before any other motion was taken.

There was no vote taken at this time so that they could approve the present law statewide adjustments and the base budget.

{Tape: 1; Side: A; Approx. Time Counter: 20.5 - 25.3}

Motion: **SEN. HANSEN** moved that **THE BASE BUDGET BE ADOPTED.**

Discussion:

SEN. HAWKS asked, with regards to benefits and claims, if the base adjustment was a catchup amount that had to do with the many liabilities regarding retirement.

Doug Schmitz, OBPP Representative, replied that as he saw the benefits and claims, payments went to either entities or moved out to other local government units. But they were not benefitting claims to employees of the state. The benefits and claims for the employees would fall under the Personal Services category.

Shane Sierer, LFD, enjoined that the benefits and claims are the moving of the Developmental Disabilities Claim Advising Council and is a Director of Management Services Program. He referred to Page C-206 which provided information on the Developmental Disabilities Claim Advisory Council reorganization.

Vote: **Motion carried unanimously, 7-0 by roll call vote.**

{Tape: 1; Side: A; Approx. Time Counter: 25.3 - 30.8}

Motion/Vote: SEN. BARKUS moved that STATEWIDE PRESENT LAW ADJUSTMENT BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

Doug Schmitz said that he believed that their motion addressed global issues but it does not address in its entirety all of the present law adjustments. The motion was hopefully only for Statewide present law adjustments.

At this time the committee returned to the Motion put forth by REP. MUSGROVE regarding DP 5101.

At this time the committee returned to the motion to adopt DP 5101.

Discussion:

SEN. BARKUS questioned if the three FTE's became permanent FTE; and where the funding to do this came from.

CHAIRMAN RIPLEY responded that in the last session they could not cut FTE only add or cut dollars. The funding for the three FTE were cut at that time and this DP is to make a statutory appropriation in HB 2 for the funding of the FTE.

Shane Sierer agreed with CHAIRMAN RIPLEY. He believed that it was a transfer from the last legislative session where these positions were moved from general fund to statutory appropriation. The FTE were not removed from the base budget so these three FTE were funded in the base and this year they would be moving the funding of the three FTE from the base to statute.

Vote: Motion carried unanimously, 7-0 by roll call vote.

{Tape: 1; Side: A; Approx. Time Counter: 30.8 - 38.8}

Motion/Vote: REP. BUZZAS moved that DP 5104 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

Motion/Vote: SEN. HAWKS moved that DP 5111 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

Motion/Vote: SEN. BARKUS moved that DP 5126 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

**EXECUTIVE ACTION ON THE DEPARTMENT OF COMMERCE: MONTANA PROMOTION
DIVISION**

Motion/Vote: SEN. HAWKS moved that DP 5212 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

Motion/Vote: SEN. HANSEN moved that DP 6003 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

{Tape: 1; Side: A; Approx. Time Counter: 38.8 - 50.2}

Motion: REP. BUZZAS moved that DP 6013 BE ADOPTED.

Discussion:

SEN. BARKUS did not feel like he had a satisfactory answer concerning the \$5,000 training trip to Washington.

REP. MUSGROVE also expressed concern with this.

CHAIRMAN RIPLEY clarified that they were discussing the attendance of the three staff members at a training for the division.

Dave Cole, replied that only half of the request was for out-of-state travel the other half was for in-state travel related to application workshops and monitoring projects. Mr. Cole also wanted to clarify that there has been a structural change in the program which effected two of the DP before the committee. Previously there was CDBG funding appropriated in October of the Fiscal Year. Those funds were then received by the division in April. This has changed and they have had to restructure in order to handle the changes. Referring to the increased travel he explained that there are more project in the state and thus require more travel.

CHAIRMAN RIPLEY mentioned the half of the \$5,000 that was for in-state travel and wanted to know if it was all new money for in-state travel.

Shane Sierer answered that \$2,700 was for in-state car mileage and the other \$2,800 was for in-state meals and lodging.

SEN. BARKUS wanted to clarify that it was all new money for increased travel.

Dave Cole replied that the increased travel was correspondent with the increase of programs.

REP. BUZZAS wanted to know if the CDBG money was federal or state.

Dave Cole explained that out of the overall budget for CDBG there was only two percent that was from the general funding and 98% federal funding.

CHAIRMAN RIPLEY expressed that he was concerned about what would happen if the federal funds were cut or came up short. He wanted to know if this was a situation where they knew they would have the funding or if they were going to have to wait to find out.

Dave Cole remarked that over the last 20 years the allocations have been pretty constant. The most that they have dipped was about 10% from one year to the other. This year they sustained a five percent cut in CDBG funds. However, it is pretty certain from one year to the next.

CHAIRMAN RIPLEY insisted that if the federal funds don't come through then they wouldn't require the division to do as much travel supervising the programs.

Dave Cole admitted that this was a possibility. However, reminded the Committee that the other part of it was that projects take two-to-three years to complete so even if funding goes down one year there are still all of the projects from previous years that need to be supervised.

REP. BUZZAS thought that the funding was pretty certain. She wanted to emphasize how important the CDBG allotments are to communities and that they shouldn't restrict them because of the money for travel.

Vote: Motion carried unanimously, 7-0 by roll call vote.

Motion/Vote: SEN. BARKUS moved that DP 6060 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 9.6}

EXECUTIVE ACTION ON DEPARTMENT OF COMMERCE: HOUSING DIVISION

Motion/Vote: SEN. HAWKS moved that DP 7405 BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

Motion: REP. MUSGROVE moved that DP 7414 BE ADOPTED.

Discussion:

SEN. BARKUS wanted someone to explain the increase of \$7,000 in indirect charges for the Director's Office.

Bill Hoffman explained that in the base year, 2004, the fund balance in the Management Services Division of the Director's Office started to exceed the sixty day limitation. They had two choices at that time; 1) spend their way out or 2) reduce the indirect charges to support their condition. They chose the second option. They did not charge indirect for a period of time so the 2004 base is understated. The adjustments in indirect cost will bring them up to rates that they are proposing for the 2007 biennium.

SEN. BARKUS requested a followup. He was curious how they would spend their way out of a problem.

Bill Hoffman replied that they would have been able to fix the problem by buying more equipment, updated computers, increased staff, etc.

CHAIRMAN RIPLEY needed clarification on how the division would be able to spend their way out.

Bill Hoffman answered that within the Management Services Division they could have accelerated the placement of equipment or filled staff. However, they decided not to do that.

Doug Schmitz added that the division was proposing a rate decrease for the next biennium. The \$7,000 in the DP was just to bring the division up to the base rate that they would need.

Vote: Motion carried unanimously, 7-0 by roll call vote.

{Tape: 1; Side: B; Approx. Time Counter: 9.6 - 17}

Shane Sierer presented an LFD analysis for the proprietary rate for the Internal Service Division of the Board of Investments. He handed out a sheet; a supplement to the LFD Budget, which provided the increase of rate for the Board of Investments.

EXHIBIT (jnh07a03)

Carroll South explained that about half of the money was the Bloomberg Financial Cost transfer of soft dollars which he had

discussed the day before. The bulk of the remainder was for administrative costs adjustments. The other two were mandatory increases in one of the accounting systems.

SEN. BARKUS wondered if this was the amount that was charged to all other agencies whose investments the Board is responsible for.

Carroll South agreed with that statement. He said that they have a very complicated allocation process which the auditor looks at every year and makes sure it is fair. They make the charges based on several factors.

Motion/Vote: **SEN. BARKUS** moved that **THE BOARD OF INVESTMENT FEE RATE BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.**

Discussion:

SEN. BARKUS inquired whether Mr. South thought that the market was going down.

Carroll South thinks that the Bond Market is going to go down significantly while interests rates increase. As interests rates increase by one percent the Boards bonds decrease by seven. He thinks the consensus is that stocks are going to increase over the next couple of years.

SEN. BARKUS asked why, if by budgeting a less amount in 2007, they needed the \$80,000 increase.

Carroll South replied that primarily it had to do with the biennial appropriation for the legislative audit. There is an appropriation at the beginning of the biennium for purpose of the audit.

Motion: **REP. BUZZAS** moved that **DP 8115 BE ADOPTED.**

Discussion:

SEN. BARKUS followed up on **SEN. HAWKS** question on how they increase the benefits of the interest rate.

Shane Sierer replied that what was happening was that the Developmental Disability Planning Advisory Council was being moved from a department. The Department of Commerce contracted with a non-profit agency to provide over-site in services for Developmental Disabilities Planning Advisory Council.

Vote: Motion carried unanimously, 7-0 by roll call vote.

{Tape: 1; Side: B; Approx. Time Counter: 17 - 29.2}

Shane Sierer introduced the Internal Service Center for the Director of Management Services allocating their costs and charges to all Divisions within the Department of Commerce. They were proposing a rate decrease from 15% to 13.7% in 2006 and 13.65% in 2007.

EXHIBIT(jnh07a04)

Motion/Vote: SEN. HAWKS moved that THE DECREASE IN THE FEE RATE BE ADOPTED. Motion carried unanimously, 7-0 by roll call vote.

Barbara Smith provided a profile of the Department of Natural Resources and Conservation and then ran down what was going to occur at the next committee meeting. She also noted a potential room change for a future meeting.

REP. BUZZAS wanted to apologize for her absences, explaining that the division of the House caused complications with scheduling. She asked CHAIRMAN RIPLEY to be considered excused at future meetings.

SEN. BARKUS commented that this committee is not equal.

REP. BUZZAS agreed with that observation but clarified that she meant the number of House members on the committee.

CHAIRMAN RIPLEY wondered if that was going to be challenged or if it was a problem.

Barbara Smith declared that it was her understanding that it was the choice that was made by Senate leadership.

Doug Schmitz reminded the committee that last session there were four Senators serving and it was also a seven-member committee.

{Tape: 1; Side: B; Approx. Time Counter: 29.2 - 39.5}

ADJOURNMENT

Adjournment: 9:30 A.M.

REP. RICK RIPLEY, Chairman

BRITT NELSON, Secretary

RR/bn

Additional Exhibits:

EXHIBIT ([jnh07aad0.PDF](#))