

MINUTES

**MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN MIKE COONEY**, on March 31, 2005 at 8:00 A.M., in Room 317 Capitol.

ROLL CALL

Members Present:

Sen. Mike Cooney, Chairman (D)
Sen. Keith Bales (R)
Sen. Gregory D. Barkus (R)
Sen. John Brueggeman (R)
Sen. John Cobb (R)
Sen. John Esp (R)
Sen. Steven Gallus (D)
Sen. Ken (Kim) Hansen (D)
Sen. Bob Hawks (D)
Sen. Bob Keenan (R)
Sen. Rick Laible (R)
Sen. Lane L. Larson (D)
Sen. Greg Lind (D)
Sen. Don Ryan (D)
Sen. Trudi Schmidt (D)
Sen. Corey Stapleton (R)
Sen. Jon Tester (D)
Sen. Dan Weinberg (D)
Sen. Carol Williams (D)

Members Excused: None.

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Taryn Purdy, Legislative Branch

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

Committee Business Summary:

Hearing & Date Posted: HB 2, 3/24/2005
Executive Action: HB 2

CHAIRMAN MIKE COONEY stated he hoped to wrap up the remaining sections. **SEN. COBB** advised the committee that **Taryn Purdy, Legislative Fiscal Division**, would distribute amendments for bills contingent upon passage and approval. Usually those amendments go on in conference committee, but this time they might go on in this committee. If the bills pass, the money has to be appropriated in HB 2. Most of these bills passed and have been signed by the Governor.

Section C:

REP. RICK RIPLEY, HD 17, Wolf Creek, thanked the Legislative Fiscal Division and budget office staff. He acknowledged the cooperation of the Department. Subcommittee members included **REP. DON MUSGROVE, REP. WALTER McNUTT, REP. ROSIE BUZZAS, SEN. GREG BARKUS, SEN. KEN HANSEN, and SEN. BOB HAWKS**. The Section C budget for the biennium was \$59.7 million in general fund, \$206.2 million in state special revenue, and \$147.1 million federal funds, for a total of \$413 million. Increased utilization of interest and related revenues in the Resource Indemnity Trust (RIT) for uses outside the statute caused concern in the subcommittee and a bill was requested to review and potentially revise the funding mechanism. The majority of funding for Fish, Wildlife, and Parks comes from the general license account. The account is currently structurally imbalanced. There is a large increase in funding for economic development, the worker training program, and the Big Sky Economic Trust Fund proposal.

Fish, Wildlife, and Parks (FWP)

The Department does not receive any general fund money. State special revenue from the general license account provides for 50 percent of the Department's funding. The general license account consists of fees for hunting and fishing. Expenditures from this account drive the need for fee increases, and the Legislature establishes these fees. For 2006, revenues are estimated at \$27.6 million and expenditures at \$34.2 million. For 2007, revenues are estimated at \$27.6 million and expenditures at \$30.3 million. Spending exceeds revenues by \$9.4 million for the biennium. New fees raised in HB 172 will reduce that deficit by \$4.9 million, but the deficit will continue in the 2009 biennium. Other sources of state special revenue provide 18.2 percent of the budget. Federal special revenue provides for 32.8 percent. The Legislature approved a budget that was \$0.3 million higher than the executive budget. **REP. RIPLEY** continued with budget details for the divisions in the department.

Department of Environmental Quality (DEQ)

Funding for DEQ consists of 5.9 percent general fund, 41.1 percent federal funds, primarily through the Environmental

Protection Agency (EPA) and 53 percent state special revenue derived from fees for services and reclamation bonds. The Legislature approved a budget 2.3 percent lower than the Executive request. The Legislature did not approve a \$2.0 million general fund appropriation for a hazardous waste study in northwest Montana, and \$0.3 million was removed to balance the RIT accounts. The Legislature approved an additional \$17.5 FTE of the 19.5 FTE requested. The Legislature approved \$1.3 million in base adjustments to account for the cost of a number of positions vacant for all or a portion of the base year. **REP. RIPLEY** continued with budget details for the divisions.

Department of Livestock (DOL)

For the biennium, the legislative budget is \$108,600 more in total funds than the executive budget. General fund is \$350,000 higher and state special revenue is \$241,400 less. The primary differences between the legislative and executive budgets are due to the funding switch in the diagnostic laboratory of \$150,000 each year from state special revenue to general fund, a contingent line item for an additional meat inspector of \$25,000 general fund each year due to a workload increase, and an accounting error in the base year that left out \$28,000 in printing costs each year. The approved budget continues the department's participation in the Bison Operational Cooperative Agreement for Brucellosis Management and the Greater Yellowstone interagency Brucellosis Committee grant. The legislative budget increased general fund and federal special revenue in the Meat and Poultry Inspection Program to add 2.00 FTE for meat inspectors and language to add an additional meat inspector if the workload increases. The legislative budget eliminated 9.50 FTE across the agency, primarily due to revenue reductions. The Legislature brought forward a funding switch in the diagnostic laboratory by increasing general fund \$300,000 over the biennium and reducing state special revenue by a like amount. **REP. RIPLEY** continued with budget details for the divisions in the department.

Department of Natural Resources and Conservation (DNRC)

The Legislature approved a biennial budget \$8.2 million higher than the proposed executive budget. This is an increase of \$2.6 million general fund. The increase in the general fund budget is the result of the approval of \$1.6 million per year in funding for initial attack fire operations for the Forestry Division and contracted services for the Water Rights Compact Commission. The increase of \$5.6 million in state special revenue included \$2 million in water adjudication fees contingent on passage and approval of HB 22, and \$0.7 million for increased activities for the Montana Board of Oil and Gas. There were 43.00 FTE approved, mainly to accelerate the water adjudication process. The

Legislature approved present law adjustments totaling \$6.0 million over the biennium of which \$5.2 million was state special revenue. The Legislature removed \$2.0 million in general fund from the base budget as the debt to the Crow Tribe will be paid in FY 2005. They did not approve \$0.4 million of general fund per year to reinstate the Montana Agricultural Heritage Program. The department was seeking a \$2.0 million supplemental to deal with fire related costs incurred over the 2005 biennium which are not eligible for reimbursement from other sources. Montana costs for fires in the 2005 biennium was \$37.5 million, most of which was paid for by one-time federal tax relief funds. **REP. RIPLEY** continued with budget details for the divisions in the department.

{Tape: 1; Side: B}

Department of Agriculture (DOA)

The legislative budget was approximately \$319,000 higher than the executive proposal. The general fund was increased by \$338,334 over the biennium, and state special revenue was reduced by \$19,092. Major changes from the executive budget included the approval of \$230,300 in 2006 and \$108,034 in 2007 in general fund for the analytical lab in Bozeman for operational costs and purchase of lab equipment. The package adds 1.0 FTE and adjusts 4.0 FTE to full-time from part-time. The Legislature reduced the executive proposal for Growth Through Agriculture funding from the coal severance tax shared special revenue account by \$19,092 over the biennium. The Legislature approved the continuation of the cooperative agreement with the US Forest Service in the 2007 biennium. Approximately \$340,000 of general fund was appropriated over the biennium for the analytical lab in Bozeman. Increases in the grants of \$1.2 million to professional societies and universities for marketing research activities and \$588,000 of EPA homeland security grants were approved.

Department of Commerce (DOC)

General fund is 17.5 percent, state special revenue is 12.9 percent, and federal funding is 69.4 percent. The legislative budget is \$2.8 million lower than the executive proposal, with a state special revenue reduction of \$3.0 million and an increase in federal special revenue of \$200,000 over the biennium. The Legislature appropriated \$200,000 of federal special revenue for small business innovation research grants for information sharing and reduced available coal severance tax shared account authority to the Coal Board by \$34,883 over the biennium. The Legislature did not approve the executive proposal for the creation of the new Big Sky Economic Development Trust Fund that was to be created from the coal tax trust fund for economic development in Montana. The executive proposal is contingent on the passage of

HB 249 and establishes a statutory appropriation of state special revenue over the biennium of \$2.9 million, making the requested HB 2 appropriation unnecessary.

CHAIRMAN COONEY invited agency directors to comment.

Jeff Hagener, FWP, thanked the subcommittee. He addressed the structural balance in the general license account and stated that account is always in structural imbalance because of how the Legislature handles the fee increases. A fee increase occurs and the fund balance goes above what is needed for actual expenditures in a given year. After a certain amount of time the balance shifts the other way and they are expending more than they are bringing in. The Department requested a fee increase in HB 172. It does not cover the entire gap, but there are several other balls in play that may help, and there are some programs that will be phased out. There were several reductions in programs that occurred on the House floor amounting to \$1.3 million. Some programs were taken away entirely. Those amendments occurred without discussion with the agency. The decision was made that the Department will sustain the \$1.3 million reduction in costs from the general license account, but they will ask for an amendment that will shift some of that to reinstate five programs that are considered to be high priority. As an offset for those five programs and about half of the \$1.3 million, there is an amendment to HB 5 to reduce that same amount of expenditure out of HB 5. Over the next biennium, assuming HB 172 passes, they will take a look at how long they want to extend the fund balance. The current fund balance is about \$19 million.

Richard Opper, DEQ, thanked **REP. RIPLEY**, the subcommittee, and staff. The agency did their best to keep new proposals to a minimum and stay within the Governor's budget. They came to agreement on how to handle the issues with the RIT.

Mary Sexton, DNRC, thanked the subcommittee members and **REP. RIPLEY**. She thought the money for up to 39.0 FTE for the water adjudication process would be well spent in both the long and the short term. She expressed gratitude for the fire suppression additions in response to the fire audit.

Anthony Preite, Department of Commerce, commented that, regardless of what comes out of the determinations made over the next few weeks, the Department of Commerce will do the best with what they have to move the state forward.

Nancy Peterson, Department of Agriculture, advised they asked the livestock industry to put up an additional \$100,000 this year to protect consumers and maintain consumer confidence. That equates

to a total of almost \$300,000 per year that producers are putting up. Fees have been increased in order to keep the protection and regulatory side of the Department running to promote, protect, and enhance the industry.

Mark Bridges, Department of Livestock, commented the submitted budget is relatively lean. This is the seventh year of drought and state special revenue income has been a struggle for the Board of Livestock. Fees have been increased on the livestock industry. It has also been a struggle backfilling the effect of HB 124.

REP. RIPLEY called attention to the performance audit summary for wildland fire administration. The subcommittee and the agency came up with a plan to address the audit that is different than how fires have been funded.

EXHIBIT (fcs68a01)

Questions from the Committee: None.

Public Comment:

Barbara Grover, Montana Women Involved in Farm Economics, spoke in support of the budget and the Montana Agricultural Experiment Stations.

Chris Christiaens, Montana Farmers Union, declared the growth in agriculture funding over the past few years has done more for economic development and to protect and help producers than anything he could think of. He expressed concern about the switch in some of the coal tax allocation monies. Even though it is not a great deal of money, it is less dollars available to the program. They think it is vital that full funding for Growth Through Agriculture is important and they are also concerned about keeping the extension services staffed and funded.

Janet Ellis, Montana Audubon, stated support for the FWP amendment that reduces HB 5 expenditures. Part of this amendment deals with species of special concern including cutthroat trout, arctic greyling, sage grouse, etc.

Gary Amestoy testified he represents some irrigation projects and encouraged support for the irrigation development grants program. This was not included in the executive budget and was put back in HB 2. It is an important program to agricultural producers and irrigation.

Sarah Carlson, Montana Association of Conservation Districts, commented about the coal tax issue and the Growth in Agriculture decrease. HB 482 addresses the problem, and the conservation districts have been operating assuming that bill will pass. It will set the percentage of the coal tax that goes to that shared account that is shared by the four entities back up to what it was before the cuts in the special session. The conservation districts are supportive of the Growth Through Agriculture program, and it is not their intention to gain anything by harming the other program. She thanked the Department and the subcommittee for their work with the conservation district programs.

Motion: SEN. HANSEN moved that HB000270.ABS BE ADOPTED.

EXHIBIT (fcs68a02)

{Tape: 2; Side: A}

Discussion:

CHAIRMAN COONEY asked **Mr. Hagener** to comment. **Mr. Hagener** explained these are important programs that are appropriate to restore. Items one and four are interrelated and deal with the shooting range grants program. For many bienniums the shooting range grants program was \$160,000 per year. Last biennium it was increased by the Legislature to \$320,000 for the biennium. It was reduced back this year because of a need to reduce expenditures from the general license account. In the House, \$100,000 each year was taken out of the Administrative and Finance Division and moved into the Conservation and Education Division for that purpose. This amendment proposes to restore Administration and Finance back to where it was. The appropriate place for that money to be used is in conservation and education, but they believe it is appropriate to reduce that back to a biennial appropriation of \$260,000. That is \$100,000 more than was proposed in the executive budget. In support of the warden investigator positions, he cited the amount of organized wildlife crime. The regional investigators were taken out of HB 2 in House action, but restored in HB 235. The Department thinks it more appropriate that those investigators are in HB 2. If this amendment passes, there will be an amendment to HB 235 to remove them when it reaches the Senate. They are in the fifth year of an eight-year mountain lion project. The \$40,000 allows the Department to wrap up the study in six years rather than eight years. Their website gets 250,000 hits per month and it is steadily increasing. The amendment would establish a position that would allow the Department to do a better job with that. In order to receive the federal match, the State Wildlife Grants

Program has to provide a comprehensive management plan for all species on the landscape by October, 2005. The primary emphasis of that funding is for plans for management for species of concern. The amendment provides contingency language if HB 235 is not passed and approved.

SEN. GREG BARKUS inquired about item four. **Mr. Hagener** said it reduces the shooting range grant program to the \$160,000.

SEN. CAROL WILLIAMS wondered about the status of the Fish, Wildlife, and Parks Foundation and whether it is covered in this amendment. **Mr. Hagener** advised, in the Fish, Wildlife, and Parks Foundation, there was language in the subcommittee that removed the Department's authority to spend any money on support of personal operations of the foundation. On the House floor, there was a further amendment that took that FTE and the dollars out of the agency's budget. When they looked at their priorities, this was not included.

CHAIRMAN COONEY asked about the language that was added preventing the Department from supporting the foundation. **Mr. Hagener** recalled it said support of personal services or operations of the foundation. **Barb Smith, Legislative Fiscal Division**, advised the language is on page C-5, line 2, of HB 2. It says there cannot be any state special revenue funds used for personal services or operations of the foundation. **CHAIRMAN COONEY** advised his constituents are concerned that language will prevent the director from attending foundation meetings. He wondered if this makes the foundation unable to accomplish its mission. **Mr. Hagener** replied he sits on the foundation board as an ex-officio member as does the Chairman of the Fish, Wildlife, and Parks Commission. Further legal clarification may be needed. The intent over the long run was to phase out any funding the agency put into the executive director position or the support of it, and the audit started that process. The Department would maintain a portion of a position in the Department for a liaison to funnel grant requests from the agency to foundation. **CHAIRMAN COONEY** inquired, with the current language in HB 2, if the foundation is in a position to do the job it was originally set up to do. **Mr. Hagener** advised the phase out program would be forced to an earlier end. They will have to look at the solvency of the foundation, and the foundation board will have to make a decision about that. It changes the relationship and future planning. It will make it more difficult for the Department to carry out the functions it intended to do as far as a liaison moving forward with those projects.

SEN. KEITH BALES asked for an explanation of the amendment concerning HB 235. **Mr. Hagener** advised HB 235 funds the

investigators one-time-only in this biennium. The intent of the amendment by **REP. MICHAEL LANGE** to HB 235 was those would become permanent positions within the agency. If HB 235 passed in its current form, and HB 2 passed in its current form, the effort would be duplicated. **Ms. Smith** clarified putting this in HB 2 puts that money into the base, because they wish to have these employees be permanent. The reason the language is there is that HB 235 still has that authority. If HB 235 fails, they have to take the money out. When they amend HB 235 to take out those regional investigators, that language will be taken out. It is a confusing issue because of the point in time.

SEN. BARKUS advised the auditors brought up the point that the director of the foundation was also an employee of FWP and was getting paid from both the agency and the foundation. The subcommittee felt that was inappropriate.

Vote: Motion carried by roll call vote 11-6 with **SEN. BALES, SEN. BARKUS, SEN. BRUEGEMAN, SEN. COBB, SEN. LAIBLE, and SEN. STAPLETON** voting no.

Motion: **SEN. LANE LARSON** moved that HB000243.ASS BE ADOPTED.

EXHIBIT (fcs68a03)

Discussion:

CHAIRMAN COONEY advised this amendment would reduce general fund in the Made in Montana program in the Department of Commerce by \$200,000 in FY 2006 and FY 2007. He asked **Mr. Preite** about the budget for the program in the last biennium. **Andy Poole, Department of Commerce**, answered that it depends how the term is defined. If it is defined broadly, it is several million dollars. Related to the trade show program, approximately \$50,000 was spent during each year of the last biennium.

SEN. RICK LAIBLE recalled this was a keystone for the Governor's campaign, and advised rejecting this amendment. The Governor made a commitment to the citizens to promote Montana products.

SENATOR BARKUS noted **CHAIRMAN COONEY'S** name was on the amendment but he did not move it. **CHAIRMAN COONEY** advised his name is on a lot of amendments because of his position as chair. **SEN. BARKUS** asked **SEN. LARSON** why he "reluctantly" introduced the amendment. **SEN. LARSON** advised with this reduction, the program still has a budget over what they had in previous years. He noted the necessity of finding cuts. **SEN. BARKUS** asked if "reluctant" is

how **SEN. LARSON** feels. **SEN. LARSON** replied he believes in promoting Montana products, but they need to find some cuts.

SEN. COBB advised he would oppose the amendment. He referred to the revenue estimates, and the fact that **Terry Johnson, Legislative Fiscal Division**, said there could be another \$30 million coming in that he did not count yet. Even if **SEN. JIM ELLIOTT'S** bill does not pass there could be a \$100 million surplus. He thought the budget office needed to stop asking for more cuts. He contended this is the session to do economic development, and there is no need to do these cuts.

CHAIRMAN COONEY said he would support this motion. This is a tough motion for him to make. He was highly critical of the last administration when dollars for Made in Montana were pulled out. He was very pleased when the Governor proposed \$500,000 each year of the biennium. As they go through the budget, they have to find areas where they can trim. The administration is aware of this amendment and are not happy with it. He indicated he is not happy with it either. He hoped **SEN. COBB** was right, and that in the end they can restore some of these dollars. He thought this was a responsible move at this point in time.

Vote: Motion carried 11-8 by roll call vote with **SEN. BALES, SEN. BARKUS, SEN. BRUEGGEMAN, SEN. COBB, SEN. ESP, SEN. KEENAN, SEN. LAIBLE** and **SEN. STAPLETON** voting no.

Motion: **SEN. HAWKS** moved that HB000268.AFD BE ADOPTED.

[EXHIBIT \(fcs68a04\)](#)

Discussion:

SEN. HAWKS advised this amendment replaces HB000268.abs.

{Tape: 2; Side: B}

The Gallatin River EIS for outstanding resource waters designation is a project that has been around for six years. His original source for funding was RIT excess funds. It was discovered later that this funding was also used by the Bureau of Mines for water studies, and that was a traditional use of that source. They included junk vehicle fees to cover the balance that would not be covered with RIT funds, and that was stripped out. This amendment requests partial funding in hope of getting this process finished, with the balance coming from another source. The designation will allow the impacts of any proposed development or actions along the river corridor to go through the

public process. The EIS will decide if ORW status is appropriate for the Gallatin and provide an alternative approach to controlling impacts on this river. The development there is very heavy, and there have been millions of dollars in fines related to the development. This will come back to the Legislature if the status is established.

SEN. LAIBLE inquired about the source of the other funds. **SEN. HAWKS** said one possibility could be other funds within the Department to finish this study through the next biennium. There is the possibility of a private match. There is plenty of interest in the region to get this study done. **SEN. LAIBLE** asked what happens to the \$150,000 if the other funds are not found. **SEN. HAWKS** replied these funds would be designated for this use and perhaps it would wait until the next biennium. **SEN. LAIBLE** asked why some of the money from the fines were not used for the EIS. He thought that would have been an appropriate use for those funds. **SEN. HAWKS** advised these fines go into the general fund and are not designated for use by DEQ. There are options in lieu of fines, but this EIS was not the priority of the developer when fines were being assessed to do this particular project.

SEN. BARKUS asked about **SEN. HAWK'S** comment that some of these funds may be used to study whether or not ORW status is appropriate. **SEN. HAWKS** advised the EIS could examine alternatives to ORW status. An ORW designation is the potential goal, but that status requires an EIS to be in place. It is a matter of establishing the social and economic impacts on the development of the drainage. It is an overall concept for the drainage, its development, and the public review of that development that is at stake. **SEN. BARKUS** asked why the RIT funds are an appropriate vehicle for this EIS. **SEN. HAWKS** advised it was reviewed by DEQ, legal staff, and was judged by all quarters to be an appropriate use of these funds. It does not necessarily hold the same designation for use as the RIT funds that are not corpus funds. These are beyond the \$100 million dollar cap. **SEN. BARKUS** held that it is a totally inappropriate use of RIT funds to pay for this EIS. He thought adequate private funding is available from Trout Unlimited, American Rivers, the Yellowstone Club, etc. He thought it was unprecedented that public dollars be used to pay for an EIS that was being requested by private individuals. He urged the committee to resist this amendment.

SEN. STEVE GALLUS requested that someone from the legislative division or the Governor's budget office speak to the question about what happens to this specific appropriation if it is not matched. **Ms. Purdy** clarified there is nothing in the amendment that indicates the appropriation goes away if there is no match,

and restrictive language would be needed. They could restrict this appropriation to one-time-only or they could add language that the money cannot be spent unless it is matched. **SEN. GALLUS** said he would leave it to the sponsor if he thinks that restriction is necessary.

SEN. BALES commented they just voted on an amendment that took money out of Made in Montana because they did not think they had enough money, and he did not think there was money enough for this. If they are not going to fund Made in Montana, he did not think they should be funding this. If it is an important enough issue for the people in that area, they should step forward and do it.

SEN. HAWKS said there is a definite difference of opinion as to priorities. The waters of Montana belong to the state of Montana. Earlier in the session, the Legislature decided the quality of those river corridors were not a high priority. This particular river valley is one of the prime sources of rural environment in Montana. He thought the state needs to take a stand to protect some of these sites. This is an EIS to study the proposal that would try to preserve some of the quality of this particular river corridor.

CHAIRMAN COONEY asked **SEN. HAWKS** if he was willing to add the one-time-only language to the amendment. **SEN. HAWKS** said he was. **CHAIRMAN COONEY** asked **Ms. Purdy** to add that language to the amendment.

SEN. TRUDY SCHMIDT asked if **SEN. HAWKS** was comfortable with language that the funds cannot be spent unless matched. **SEN. HAWKS** replied the estimate of the cost of the EIS is \$250,000. He was not certain DEQ could do it for less than that; they claim they cannot. If they could create an arrangement by which it could be done for \$150,000 at department expense, he would hate to restrict it. He favored restricting it for this use as one-time-only.

Clayton Schenck, Legislative Fiscal Analyst, advised there were technical issues with this amendment. **Mr. Johnson** explained the amendment takes money from the Resource Indemnity Trust Account. Those dollars are in a non-expendable trust. Language is needed in HB 2 that authorizes the transfer of dollars from that trust account into a state special account and then the state special dollars are appropriated.

SEN. HAWKS asked if this is not part of the corpus and not contained within the trust. **Mr. Johnson** advised, in terms of the RIT, it is in the corpus. In terms of the RIT, this is dollars

over and above the \$100 million that is in the trust. That is the piece they would be taking. **SEN. HAWKS** asked if the language they would need to bring this about could be done conceptually. **Mr. Schenck** advised it is a matter of doing the amendment so the transfer is done properly. If the amendment passes, staff will make it work. They understand the concept.

SEN. BARKUS asked if it takes a two-thirds vote to get money out of the trust. **Mr. Schenck** indicated not on for the excess on the corpus.

SEN. HAWKS said, given the assurance of **Mr. Schenck**, he would choose to move ahead. **CHAIRMAN COONEY** said they would vote with the understanding there would be language added to clarify the issue that was just discussed.

Vote: Motion carried 11-8 by roll call vote with **SEN. BALES**, **SEN. BARKUS**, **SEN. BRUEGGEMAN**, **SEN. LAIBLE**, and **SEN. STAPLETON** voting no. **SEN. COBB**, **SEN. ESP**, and **SEN. KEENAN** voted no by proxy.

Motion: **SEN. JOHN BRUEGGEMAN** moved that HB000211.AFD BE ADOPTED.

EXHIBIT (fcs68a05)

Discussion:

SEN. BRUEGGEMAN advised Wyoming has a Leadership Wyoming program, and Montana now has a Leadership Montana program. Wyoming spends considerably more to support their program. He is the member of the first class in Leadership Montana. Leadership Montana develops a network of business and social leaders and brings people together from all sectors of the community to discuss issues facing Montana.

SEN. SCHMIDT asked if this had ever been in the budget. **SEN. BRUEGGEMAN** replied, it had not. They looked at Wyoming's model, and Wyoming provides some state support. This organization returns more yield than this amount of money. **SEN. SCHMIDT** asked if this has ever been within the Department of Commerce or if it is totally new. **SEN. BRUEGGEMAN** advised this would be totally new. Leadership Montana is a relatively new organization. They thought the Department of Commerce was the best home for this.

SEN. GALLUS advised everyone he spoke to that had anything to do with Leadership Montana said it was professionally one of the best growth experiences they ever had and believe it will benefit

their communities as well. He said he would support the amendment.

SEN. HAWKS asked someone from the Department of Commerce explain how they might integrate this program. **Mr. Preite** advised this is an excellent program. Many local government organizations and some directors of the certified regional development corporations have taken the course, and the experience has been beneficial. If the amendment passes, they would put the program into the Department of Community Development.

SEN. SCHMIDT asked if this is modeled on programs like Leadership Great Falls or Leadership Helena on a state level. **Mr. Preite** thought that was correct. **SEN. SCHMIDT** asked if the program would pay for travel, etc. **Mr. Preite** advised he had not had time to look at the proposal.

CHAIRMAN COONEY thought the program has merit. If the amendment does not pass, he wondered if the Department could participate anyway. **Mr. Preite** recalled the recommendation was to reduce the Made on Montana program by \$200,000; they may have been able to find a place for the program there. He said they would look at it.

SEN. BRUEGGEMAN thought this was important to bring urban and rural sectors together.

{Tape: 3; Side: A}

Vote: Motion failed 9-10 by roll call vote with **SEN. BALES, SEN. BARKUS, SEN. BRUEGGEMAN, SEN. ESP, SEN. GALLUS, SEN. LAIBLE, SEN. LARSON,** and **SEN. STAPLETON** voting aye. **SEN. KEENAN** voted aye by proxy.

Motion: **SEN. BARKUS** moved that HB000267.ABS BE ADOPTED.

EXHIBIT (fcs68a06)

Discussion:

SEN. BARKUS advised the amendment reinstates funding for some hard working folks that serve on the Clark Fork River Task Force.

SEN. GREG LIND said they heard a bill recently in the Natural Resources Committee dealing with the Clark Fork Basin. He asked if this is related. **SEN. BARKUS** thought so. He asked someone from the Department to comment. **Jack Stultz, DNRC,** advised SB

236, which reaffirms, re-establishes, and continues the Clark Fork River Task Force, is directly related to this amendment.

SEN. LIND thought the fiscal note on that bill was zero. **SEN. BARKUS** indicated it was; he was trying to get some funding for it in HB 2.

Vote: Motion failed 8-11 by roll call vote with **SEN. BALES, SEN. BARKUS, SEN. ESP, SEN. LAIBLE, and SEN. LIND** voting aye. **SEN. BRUEGGEMAN, SEN. KEENAN, and SEN. STAPLETON** voted aye by proxy.

Motion: **SEN. BARKUS** moved that HB000281.ABS BE ADOPTED.

EXHIBIT (fcs68a07)

Discussion:

SEN. BARKUS declared this is an important amendment for northwest Montana. There are fourteen DNRC sites that are in serious disrepair. These are access sites for various bodies of water throughout northwest Montana. The Department of Fish, Wildlife, and Parks has been asked to take care of these and the funding has been cut. He asked **Mr. Hagener** to further brief the committee on this issue. **Mr. Hagener** advised these are fourteen heavily used recreation sites in northwestern Montana. They are DNRC trust lands, and the use of those may change. They have been negotiating for some time with DNRC to take over the actual maintenance and operation of those sites. They proposed funding to be able to do that in subcommittee, and that was taken away on the House floor. A portion of the fishing license dollars goes into a fishing access account, and at least 50 percent of those monies must be used for maintenance. The remainder of that money can be used for acquisition. If this amendment passes, for this next biennium, those would be considered to be new sites and more of the acquisition money could go into maintenance. That is where the funding would come from.

Vote: Motion failed 6-13 by roll call vote with **SEN. BARKUS, SEN. LAIBLE, and SEN. RYAN** voting aye. **SEN. BRUEGGEMAN, SEN. COBB, and SEN. KEENAN** voted aye by proxy.

Motion: **SEN. COONEY** moved that HB000280.ABS BE ADOPTED.

EXHIBIT (fcs68a08)

Discussion:

CHAIRMAN COONEY said he served on the committee with **REP. RIPLEY** and this could be dollars well spent. This is a tough motion for him to make, but it boils down to whether they have the money to do this. They are hoping to end up with an \$80 million fund balance. It is anticipated those dollars would be used to help defer the cost of wildfires. These dollars are there to offer a quicker response to small fires before they grow into larger problems.

SEN. LAIBLE asked if **Director Sexton** had seen this amendment.

Ms. Sexton said she was aware of the amendment. **SEN. LAIBLE** asked about the impact on quick response this year, and whether this would be a high exposure year for fires. **Ms. Sexton** indicated if it keeps raining it will certainly reduce the fire hazards. There were five decision packages that were proposed in response to the audit. The first three were their top priorities. The two that were in this amendment were viewed as lower in priority. Those sorts of costs are often covered in their supplemental and in the severity that is already set aside. Their top three priorities are not touched by this amendment.

SEN. LAIBLE asked if they will apply for a supplemental for the fire season. **Ms. Sexton** said that has been traditionally done.

SEN. LAIBLE said if they do not get this money now, they will get it in a supplemental. **Ms. Sexton** responded that has been the case in the past. In their supplemental funding this year, they have severity of \$500,000 for spring already allocated. **SEN. LAIBLE** thought this is false economy. This money is going to be used to expedite the process of getting the fires quicker, which saves the state money so a supplemental will not be needed. He asked the committee to oppose the amendment.

SEN. JOHN ESP noted the audit committee and the Department worked together to come up with proposals. He thought the idea melds itself right in with the Governor's initiative to find efficiencies in government. It attacks the problem in a more efficient manner than is currently being done. He stated he would not support the amendment.

CHAIRMAN COONEY asked **REP. RIPLEY** to speak on the amendment.

REP. RIPLEY advised there were several people present who served on the Legislative Audit Committee. That is where this concept originated, and there was cooperation from the Department, the Legislative Audit Division, and the committee. He believed it was a mistake not to fund this up front. He thought this was the direction they need to move, and this was a start.

SEN. BARKUS contended the amendment was irresponsible legislating. He thought they needed the initial response to

attack fires. This was looking at the dollars and not looking at the problem.

CHAIRMAN COONEY observed that everyone understands the state is potentially facing a very tough summer. In the past, the Legislature has not funded this type of effort. The agency has gone forward as best they could, and then come in with a supplemental. The Legislative audit is good reading, and he agreed with it. He voted for and supported doing that study, and thought those people did an incredible job. He was not convinced the \$1.2 million that would be removed would solve the problems. The \$1.2 million would be a drop in the bucket, and he feared they may not be able to respond as quickly as they currently can respond. He said he was mindful of the issue, but it comes down to a matter of priorities. This amendment does not tie the hands of the agency to respond, and he hoped they would support the motion.

Vote: Motion passed 11-8 by roll call vote with SEN. BARKUS, SEN. ESP, and SEN. LAIBLE voting no. SEN. BALES, SEN. BRUEGGEMAN, SEN. COBB, SEN. KEENAN, and SEN. STAPLETON voted no by proxy.

Motion: SEN. HANSEN moved that HB000241.ASS BE ADOPTED.

EXHIBIT (fcs68a09)

Discussion:

SEN. BARKUS advised he had a call from a constituent about the amendment. Commitments were made, and a new business called Tele-tech had just come into Kalispell and has 55 employees. Part of the contract was workforce training provided by the state. He said he would oppose the amendment.

Mr. Preite advised the amendment would reduce the program by \$500,000. It would not allow the Department to provide the needed training for new employees for companies that are coming into the state. They are currently working with Tele-tech, and that company believed funds would be made available to them. A number of companies have expressed a real interest in this, and the Department has just started promoting this program. They think this program is of considerable help to new companies to create new job opportunities. Further, they believe this is one program that will pay for itself in a short period of time in payroll taxes. He characterized the program as a valuable tool, just as the Made in Montana program is a valuable tool.

CHAIRMAN COONEY inquired about whether there would still be funds available in the program. **Mr. Preite** replied there would be \$1.5

million. They believe they could utilize all \$4 million to create new job opportunities by the end of the biennium. They can proceed with the \$1.5 million, but would prefer to have the full amount.

Vote: Motion carried 12-7 by roll call vote with SEN. BARKUS, SEN. LAIBLE, and SEN. LARSON voting no. SEN. BALES, SEN. BRUEGGEMAN, SEN. KEENAN, and SEN. STAPLETON voted no by proxy.

Recess

{Tape: 3; Side: B}

Reconvene

Motion: SEN. HAWKS moved that HB000244.ASS BE ADOPTED.

EXHIBIT (fcs68a10)

Discussion:

SEN. HAWKS advised in subcommittee action, they moved some of this fund, which had previously been state special, into the general fund. This amendment would reverse that action, and would alter the complexities of the difficulties they have to solve.

SEN. BALES inquired, what budget problem does switching funds solve. **SEN. TESTER** responded this would free up \$300,000 of general fund and transfer it to state special revenue. This helps create a more structurally balanced budget. **SEN. BALES** asked if it has nothing to do with the cap, and **SEN. TESTER** replied, yes. **SEN. BALES** declared he would oppose the amendment. The subcommittee discussed this thoroughly, and thought this should be transferred from state special to general fund. The Department of Livestock is running primarily on state special revenue, and a small amount comes from general revenue. Livestock numbers are down, and the Department has been cutting back dramatically in order to keep from raising the per capita fee. The other issue that came up in subcommittee was this lab not only provides a service to the livestock industry, it also provides a service to the general public.

SEN. COBB asked how this would affect the structural balance in the Department of Livestock. **Mr. Bridges** responded the passage of HB 124 took \$1.2 million of per capita tax. The Department was receiving that in May, June, July, and August, and that shifted. There have been about 500,000 less head of cattle in the state due to drought. The Department needs \$1.2 million for

the new per capita tax collection process in January. Due to budget cuts the board made, fee increases at the lab on the livestock industry were 44 percent in the last two years. The livestock industry requested this in subcommittee because of fee increases. There was talk of a proprietary fund. Diagnostic labs are very competitive across the United States, and by raising the fees the lab has less business. Structurally, the Department is \$600,000 short of the \$1.2 million to get them from the beginning of July through January. **SEN. COBB** asked if they would have to raise fees. They are already short, and if this \$300,000 is taken they are short that too. **Mr. Bridges** replied that will depend whether the numbers hold and there is no continuing exodus of livestock numbers. **SEN. COBB** inquired if the Department could take the \$300,000 cut without raising fees. **Mr. Bridges** said he did not know; it depends upon the weather.

SEN. HAWKS stated this is a complex issue, and the subcommittee realized that. He hoped the impact on livestock would sort out in a reasonable way. He encouraged support for the amendment.

Vote: Motion carried 11-8 by roll call vote with **SEN. BALES**, **SEN. BARKUS**, **SEN. COBB**, and **SEN. LAIBLE** voting no. **SEN. BRUEGGEMAN**, **SEN. ESP**, **SEN. KEENAN**, and **SEN. STAPLETON** voted no by proxy.

Motion: **SEN. LIND** moved that HB000212.AFD BE ADOPTED.

[EXHIBIT \(fcs68a11\)](#)

Discussion:

SEN. LIND indicated this amendment would move \$100,000 from the Worker Training program into the Made in Montana program in order to provide some flexibility within that Department. It does not add money or remove money.

SEN. BARKUS asked if this further reduces the Workforce Training program. **SEN. LIND** replied, yes.

SEN. LAIBLE wondered whether a revised amendment was needed. **Ms. Purdy** advised the amendments will be combined. Each amendment has to show the impact separately. The total impact would be \$1.4 million. **SEN. LAIBLE** inquired about taking another \$100,000 each year from the Workforce Training program, and putting it into the Made in Montana program. He asked **Mr. Preite** to comment. **Mr. Preite** advised they were both excellent programs. There is a chance they can replace some of the Workforce Training funds to build the program back up. They do not know what the

federal share will be in the Governor's discretionary fund. That addresses not only new worker training but also existing. He saw little chance of getting the \$100,000 to put back into Made in Montana.

Vote: Motion carried 11-8 by roll call vote with SEN. BALES, SEN. BARKUS, SEN. ESP, SEN. LARSON, and SEN. WILLIAMS voting no. SEN. BRUEGGEMAN, SEN. KEENAN, and SEN. STAPLETON voted no by proxy.

Motion: SEN. BALES moved that HB000251.ASS BE ADOPTED.

EXHIBIT (fcs68a12)

Discussion:

SEN. BALES advised this would put money back into the Diagnostic Lab in the Department of Livestock and take it out of the Department of Agriculture. He said he hated to do that, but thought there was more money available in the Department of Agriculture at this point.

SEN. HAWKS requested that the Director of the Department of Agriculture comment. Ms. Peterson advised the Livestock Analytical Lab and the analytical lab in the Department of Agriculture are two separate labs, and do not do the same projects. The Department of Agriculture does analytical testing of livestock fees, whereas the Department of Livestock tests animals. She was not sure of the reason for the move.

In response to a question by SEN. TESTER, Ms. Peterson stated the additional request was for some FTE to beef up livestock fee testing at the borders and also for some lab equipment; they wanted to move towards DNA testing. She assumed that was the reason for moving the \$300,000 from the Department of Agriculture to the Department of Livestock. SEN. TESTER asked if this would come out of the money that was set aside to test feed for animal byproducts, etc., at the border. Ms. Peterson replied, that is correct. SEN. TESTER said the other lab deals more with live animals, and that was affirmed.

SEN. BALES said he did not like the options, but thought this would be a good option at this point.

Vote: Motion failed 7-12 by roll call vote with SEN. BALES, SEN. BARKUS, and SEN. LAIBLE voting aye. SEN. BRUEGGEMAN, SEN. ESP, SEN. KEENAN, and SEN. STAPLETON voted aye by proxy.

Motion: SEN. COONEY moved that HB000269.ABS BE ADOPTED.

EXHIBIT (fcs68a13)

Discussion:

Ms. Purdy explained this amendment is in response to the review of the bill by **Greg Petesch, Code Commissioner**, and cleans up language.

Vote: Motion carried unanimously by voice vote.

Recess 11:20 a.m.

Reconvene 11:30 a.m.

{Tape: 4; Side: A}

Section D

REP. TIM CALLAHAN, HD 21, Great Falls, thanked legislative staff, the budget office staff, and the agencies. Total appropriations for the biennium were \$556.6 million. Of that, \$293.1 million is general fund, just under \$131 million is state special, just under \$130 million is federal special revenue, and about \$2.9 million is proprietary funds. The legislative budget is \$1.7 million under the executive budget for the biennium.

Board of Crime Control

The legislature added 1 FTE for each fiscal year, which brings the total FTE for this agency to 20. There was an increase in federal funds of \$9.3 million, primarily due to an increase in homeland security projects that included 1.00 FTE for a federal grant administrator. The increase in general fund was due primarily to statewide present law adjustments. Funding for the Board of Crime Control is 89 percent federal and 11 percent general fund.

Department of Justice

There was an increase in general fund of \$4.8 million over the base budget. This included \$1.5 million for the Montana Drug Task Force that was previously funded with federal funds from the Byrne grant. There was an increase of \$0.3 million in county attorney payroll. A net increase of 5.00 FTE and \$0.4 million was to support the increased workload in the Motor Vehicle Division, the Highway Patrol, information technology, drug enforcement, and Medicaid fraud activities. There was funding of \$0.2 million for replacement vehicles in the Department of Criminal Investigation, and \$0.6 million for 3.00 FTE in the Forensic Science Division. Additionally, there were statewide

present law adjustments in the general fund increase. State special fund increases were \$7.2 million over the base budget due to an increase of 3.50 FTE and \$0.4 million to support information technology efforts, interest on borrowed funds for the Motor Vehicle division re-engineering and automation project of \$1.3 million, base adjustments in the Highway Patrol of \$2 million, restoration of vacancy savings in the Highway Patrol of \$1.0 million, Law Enforcement Academy base adjustments of \$0.4 million, and statewide present law adjustments. A decrease of \$1.5 million in federal funds was due mostly to the loss of the Byrne grant that funded the Montana drug task force. Funding for the Department of Justice was 39 percent general fund, 56 percent state special revenue, four percent federal, and one percent proprietary funds. One of the major issues was recruitment and retention in the Highway Patrol.

Public Service Commission

The overall budget increases of \$280,000 for the 2007 biennium compared to the FY 2004 base budget was due to statewide adjustments and computer replacements. Funding is 100 percent state special revenue.

Department of Corrections

Major budget highlights included a general fund increase of \$27.3 million over the biennium. The Legislature addressed increases in secure care populations with additional authority for contract beds for \$2.9 million, additional beds for pre-release facilities for \$9.0 million, authority for a new revocation center at the Montana State Prison for \$5.5 million, and 55.64 FTE. Other increases were for additional probation and parole officers for \$1.4 million, overtime and holiday payout for secure care employees of \$2.3 million, and increases in the rates paid to the county-managed regional prison, pre-release centers, the operator of the private prison in Shelby and the WATCH program of \$1.9 million. There was a funding switch in juvenile delinquency funding of \$3.0 million, which was moved from secure care to replace money that was previously moved from juvenile placement funds. Additionally, there was a request from the regional prisons to increase per diem payments of \$0.3 million and a request from the Corrections Corporation for a per diem increase of \$0.6 million over the biennium. The Legislature decreased the executive budget request for contract beds in the private prison by \$2.8 million in 2006 and \$4.5 million in 2007 and added general fund of \$11.9 million for additional pre-release beds and the expansion at the prison. Funding for the Department of Corrections is 97 percent general fund, two percent state special, and one percent federal and proprietary funds.

Department of Military Affairs

The Legislature adopted a increase in general fund of \$70,351 and reductions to state special revenue of \$44,474 as compared to the executive budget. The Legislature appropriated \$100,000 of general fund for the purpose of constructing a liberty house at Fort Harrison VA Medical Center. There was a decrease of 1.00 FTE from the executive budget request for a full-time substitute teacher in the Youth Challenge Program. Funding for the Department of Military Affairs is 26 percent general fund, five percent state special, and 68 percent federal special revenue. Budget highlights included increases of \$6 million over the biennium. This included the opening of ten new facilities or additions to the Army National Guard for utilities, janitorial services, and added maintenance personnel. There was continued federal funding authority for the distance learning network and the Army National Guard communications backbone. There was overtime for Air Guard security and fire fighter overtime and ongoing operations, maintenance, and repair costs at existing facilities. The legislature also continued funding the National Guard Scholarship Program with \$500,000 general fund for the biennium, an increase over the 2005 biennium of \$250,000, and removed the one-time-only designation.

Department of Labor and Industry

The legislative budget for the biennium had the same total funds as compared to the executive budget. The Legislature did not accept the executive proposal to fund the Displaced Homemaker program with general fund and instead funded that with employment security account funds (ESA). They replaced \$464,820 in federal special revenue funding over the biennium with state special revenue in the Unemployment Contribution Bureau to complete the transfer from the Department of Revenue. The Department of Labor and Industry is two percent general fund, 44 percent state special, 53 percent federal special, and one percent proprietary funds. Major budget highlights included a total fund increase of \$12.3 million for the biennium. General fund increases were due primarily to approved funding switches in several divisions of \$938,000. State special revenue increases were primarily due to funding the Displaced Homemaker Program with ESA funds instead of general fund, increased debt collection costs of \$200,000 over the biennium in the Employment Relations Division, and \$464,820 of additional state special revenue for the Unemployment Contribution Bureau. The federal fund revenue increases were \$1.8 million in on-going costs associated with the transfer of the Unemployment Insurance Contribution Bureau from the Department of Revenue, and \$3.2 million in statewide present law adjustments for 43.00 FTE that were not in the base but funded through present law adjustments.

CHAIRMAN COONEY asked for comments by agency directors.

Major General Randy Moseley, Department of Military Affairs, thanked the subcommittee for their actions. The Department came forward with a frugal request and would appreciate the committee's support.

Keith Kelly, Director, Department of Labor and Industry, thanked **REP. CALLAHAN** and the subcommittee. There will be an amendment offered to restore \$1.5 million for rural job service offices. Job training is one of the highest priorities for the rural Montana economy.

SEN. LARSON asked **Mr. Kelly** about supplementing electrical, plumbing, and boiler licensing enforcement in the Building Codes Bureau. **Mr. Kelly** indicated the biggest strain on the organization was when the boiler inspectors came on board and the insurance companies started backing away from doing inspections on boilers. That put pressure on the other trades that were mentioned. The fee adjustment should get them back on par. The boilers have to pay their own way. **SEN. LARSON** was curious about adequate staffing levels for good enforcement. **Mr. Kelly** indicated the four inspectors for plumbing and electrical licensing make the program whole with the boilers fully covered. **CHAIRMAN COONEY** suggested getting further information to **SEN. LARSON** and having further discussion when they get into amendments.

Bill Slaughter, Department of Corrections, advised they support the executive budget, because they support the same vision. Their goal is to move secure-care custody people from about 27 percent of the total offender population to about 20 percent of total population. That means that 73 percent of offenders are in community options, pre-release, parole, or community corrections supervision. This would go up to about 80 percent of the population. The reason they believe this is possible and should occur is because they see more and more people in the system that are non-dangerous offenders and suffering from alcohol and methamphetamine addictions. The average population at the women's prison is about 207, and 85 percent of those women are non-dangerous offenders. He thanked the subcommittee for their forward thinking. One area of concern was methamphetamine users. Mental health issues are on the rise as they are everywhere in America in corrections. There are 19 parole officers in the budget, expansion possibilities of 287 pre-release beds, and 85 beds for revocation. Parole officers do not always have the community options they need. If offenders relapse, they are put back in the more expensive prison bed. This revocation center will allow parole officers to put people back into the deep level of the pool, and then put them back out into the community. It

works in corrections all over America, and the Department has not had the ability to do that.

Wayne Budt, Public Service Commission, expressed gratitude to the committee and staff. After House action, their budget is a little below what the executive recommended.

Larry Fasbender, Department of Justice, advised he and the division administrators would be available to answer questions.

Don Merritt, Board of Crime Control, thanked the subcommittee for their work on the budget, and said they would be available for questions.

Recess - 11:57 a.m.

Reconvene - 3:45 p.m.

Motion: SEN. COONEY moved that HB000258.AHF BE ADOPTED.

EXHIBIT (fcs68a14)

Discussion:

Mr. Slaughter commented this allows the spending authority for monies collected by parental contributions made towards the cost of care for adjudicated youth. There is more money coming in than there is authority to spend.

Vote: Motion carried unanimously by voice vote.

{Tape: 4; Side: B}

Motion: SEN. SCHMIDT moved HB000239.ASS be adopted.

EXHIBIT (fcs68a15)

Discussion:

SEN. SCHMIDT advised this amendment has to do with HB 203.

CHAIRMAN COONEY recalled that HB 203 expanded the Board of Athletics and the Board of Public Accountants. This is the amount of money they have available and need the authority to spend. He asked how this would be paid for if the amendment does not pass. **Jim Brown, Department of Labor**, did not know with certainty whether the three boards involved would have sufficient authority to cover the individual increases for each one of those boards.

Vote: Motion carried 16-2 by roll call vote with SEN. HANSEN and SEN. RYAN voting no.

Motion: SEN. COONEY moved that HB000260.AHF BE ADOPTED.

EXHIBIT (fcs68a16)

Discussion:

Mr. Slaughter advised these monies were to place juveniles in programs that they do not have. The \$1.5 million a year replaces those dollars that were taken out over the years to support Department of Corrections supplementals a couple of times. In FY 2000, in these six programs, there was \$792,527 left in the program after the regions had been serviced. There was a contingency fund of \$1 million. The Department does not run that program; it is run by a district judge and some juvenile probation officers. In FY 2003 there was \$673,247 left in the surplus; in 2004 there was \$944,808 left in the surplus. There is still a safety net in the contingency fund.

SEN. RYAN asked if this is a decrease of the increase. **Mr. Slaughter** advised this amendment decreases the amount of per diem increase for the WATCH DUI program and the pre-release centers. **Rhonda Shafer, Department of Corrections**, stated the amendment reduces per diem rates and gives back the \$3 million that was originally taken from secured facilities and placed in the Juvenile Delinquency Intervention program. This amendment move that money back to secure facilities for the contract beds. It also reduces the per diem amount that was given for the regional prisons and for Corrections Corporation of America (CCA). **SEN. RYAN** stated this amendment decreases the amount of increase for the WATCH program. **Ms. Shafer** said, that was correct. The subcommittee made the decision to increase the per diem rate for all contracted facilities a total of four percent. The budget office, in order to have a structurally balanced budget, is asking to reduce that per diem increase.

SEN. BALES recalled a conversation with **Mr. Slaughter** before the per diem increase about the contracts. At that point in time **Mr. Slaughter** indicated there was extra room in the budget for per diem increases. After that those were voted in. There had been no increases for the last several years, and **SEN. BALES** was concerned that even the two percent each year would not bring them up to what it might have been with inflation. He asked **Mr. Slaughter** what effect that would have on a request for proposal for new beds of any kind. **Mr. Slaughter** advised they try to build a little into the budget. Per diem is negotiated, whether

for private prisons, regional prisons, or pre-release. In committee there was a proposal for two and two. The Department does not have the money to fund the two and two in the original Schweitzer budget, and that was made clear in subcommittee. All three entities are affected differently. With the budget crisis last session, they were able to draw down the numbers in the private prison. They increased the beds in the pre-release centers but were not able to increase their per diem rate. He acknowledged it was unfairly distributed, but they did the best they could with the money they had. **SEN. BALES** asked if this passes, how it would affect the ability to get proposals back for new facilities. **Mr. Slaughter** advised if the private prison does not get a per diem rate, they may not be able to expand. The regional facilities are having difficulties with power bills, etc. If a higher rate was negotiated, the Department would have to cut back on contract beds to pay for that. There would be a supplemental for the Department of Corrections. They do not control the number of people that come into the system nor the numbers that go out. They do their best to move offenders to pre-release, because that is cheaper and shorter term.

SEN. LAIBLE asked **Mr. Slaughter** about his concerns about taking money away from intervention. **Mr. Slaughter** said that should be a concern, but the JDIP funds are for juveniles. The money is supposed to go to secure care for adults. If not for the surpluses in the program, he would be very concerned.

SEN. WILLIAMS advised there was a bill before the committee by **SEN. JIM ELLIOT** about the per diem rates in the regional prisons. There seems to be a lack of trust about negotiating. She expressed concern about passing the amendment. **Mr. Slaughter** recalled that during his four years with the Department, the state of Montana was in crisis. The Department of Corrections did everything they could to hold back spending. In one or two of the regional facilities, the per diem was cut. The only things the regional facilities can cut are programs. When that happens, offenders come out of prison worse than when they went in. This is not good correctional practice. Since that period of time, those programs were restored in the regional prisons, and the Department is working with the facilities on what their costs per diem actually are. **SEN. WILLIAMS** said she understood, but the counties also experienced difficult times. What ended up happening was a larger burden was put on county governments to pick up things the state should have and did not. She thought cutting back the per diem percentage for those folks was not really making them whole. **Mr. Slaughter** said they are important partners, and he acknowledged costs have gone up. He indicated they would sit down with the regional prisons to try to find the per diem rate. They may have to take money out of contract beds

in order to make up the per diem. The system grows at 5-7 percent every year.

SEN. SCHMIDT asked **Harry Freebourn, Legislative Fiscal Division**, to comment. **Mr. Freebourn** clarified the amendment reduces the increase. There were increases given in the subcommittee for the Community Corrections program, for the WATCH program, and for the pre-releases. This amendment reduces a two and two percent increase to a one and one percent increase. It reduces some increases that were given to regional prisons and to CCA in Shelby. They were also given two and two percent, and this amendment reduces it to one and one percent. The amendment increases the secure facility budget by \$222,000 in FY 2006 and \$216,000 in FY 2007 and transfers \$1.5 million from the juvenile intervention funds to secure facilities. Originally, the subcommittee had transferred \$1.5 million from secure facilities into the juvenile correction program. **SEN. SCHMIDT** asked about the history of the JDIP funds. She recalled discussion in the subcommittee about the per diem increases, and wondered how many years since these facilities had an increase. **Mr. Freebourn** could not recall the exact number of years, but it had been several. **SEN. SCHMIDT** asked if the one percent for per diem increases could be brought back up to two percent from the JDIP funds, instead of designating those to secure custody. **Mr. Freebourn** indicated that could be done.

SEN. BALES spoke in favor of **SEN. SCHMIDT'S** idea.

SEN. GALLUS indicated he intended to segregate the third item of the amendment and vote on it separately. There are two different but important issues. It was the will of the subcommittee that these providers have a rate increase. **Mr. Thatcher** from Butte had indicated that it had been ten years since there was an increase in per diem. He favored a substitute motion, but could not support the amendment in its current form.

Motion: **SEN. SCHMIDT** moved a **SUBSTITUTE MOTION** to keep the per diem increase at 2 percent and take the amount necessary to do that out of the \$1.5 million JDIP transfer back to secure beds.

SEN. RYAN thought they should get an amendment drafted that does what they want.

SEN. SCHMIDT withdrew her substitute motion.

{Tape: 5; Side: A}

SEN. GALLUS said there was money in HB 2 from a bill that was tabled in transmittal. That could be incorporated into the

amendment to lessen the adverse effect on the \$1.5 million transfer.

CHAIRMAN COONEY withdrew his motion on the amendment.

Motion: SEN. SCHMIDT moved that HB000261.AHF BE ADOPTED.

EXHIBIT (fcs68a17)

Discussion:

SEN. SCHMIDT asked for comment on the amendment. **Gene Huntington, Gambling Control Division**, indicated within the executive budget was \$1.1 million to pay for an accounting system that is different than what is currently authorized in law, which would be authorized by HB 89. It was funded from the general fund in 1999. The general fund and the entire line item was removed on the floor of the House. Members of the House did not feel this should be funded with general fund because it benefitted the gaming industry and should be paid for by the gaming industry. During the last legislative session, they increased their fees because their fund of earmarked money that is paid for primarily by video gambling machine permit fees was in trouble. In looking at that fund and analyzing cash flow, they feel they can provide the \$1 million, but it may hasten a need for a fee increase down the road. This system also provides the database for liquor licensing. Traditionally, they paid 29 percent. They are looking to the liquor proprietary fund to pay the other \$435,000.

Vote: Motion carried unanimously by voice vote.

Motion: SEN. SCHMIDT moved that HB000266.AHT BE ADOPTED.

EXHIBIT (fcs68a18)

SEN. SCHMIDT explained this would strike contingency language. She asked for an explanation. **Mr. Fasbender** advised, in working with the subcommittee, the Department proposed they would generate revenue in order to cover some of the costs for some programs they requested. The Drug Task Force, which the amendment would fund, was originally funded by Byrne grant money. At the end of December, they were notified by the Board of Crime Control that the funds for drug task forces would be cut. There were sixteen positions that were funded, and this came too late for a proposal in the executive budget. They looked at legislation and identified HB 102 and LC 1683 as vehicles. There were a number of other pieces of legislation relating to the activities of the Department of Justice that also generated some

additional revenue. Their concern was this was a critical factor in dealing with the methamphetamine problem as well as other drug problems in the state. This has been a highly productive task force. This is a critical program, and they feel it appropriate that the contingency be removed. The other pieces of legislation could more than cover the cost.

SEN. RYAN asked how long the program has been existence. **Mr. Fasbender** replied at least since the 1980s. The two chemist positions at the forensics lab had been funded ever since the program started in 1976. It has been ongoing and counted on in every session for many years. **SEN. RYAN** asked if there was any rationale for why the federal government decided not to do this program. **Mr. Fasbender** speculated that for a number of years the Congress felt the program was very effective. A lot of the individual jurisdictions felt the way the money was distributed was inappropriate in that it did not go directly to cities. A number of large cities were of the opinion that they did not get enough money out of the Byrne grant. The change in the funding formula gives more federal direct grants to the cities. In many cases some of the cities in Montana will get more direct federal funding that the Board of Crime Control will have no control over. That was why the money was reduced by about \$1.2 million. At the national level the amount of money available to the Justice Department to fund programs such as this was reduced by \$1.5 billion. For the next fiscal year, the Department will not have the \$1.2 million that originally had gone to these programs. **SEN. RYAN** asked if there is potential the federal money will come back in the second year of the biennium. **Mr. Fasbender** said there is that potential; they have no way of predicting what the Congress and the administration will work out. This amount does not fund the entire program. They will have to go back to the Board of Crime Control for all the operating money for this program to apply for the grant money that is available. Should the program be reinstated with additional funds, they will try to get as much as they can. At that time, they would be able to reduce the amount of money that would be available through general fund. **SEN. RYAN** asked, if federal funding becomes available in the second year to replace general fund, that the \$600,000 not be looked at as something that is available for ongoing programs in the future. **Mr. Fasbender** asked if he was proposing language that if federal funding becomes available the general fund would be reduced. He stressed they want to make sure those programs continue. **Ms. Purdy** clarified that statute says if the federal government comes back with money when general fund is being used for the same purpose, they would have to replace general fund with that federal fund. If this happens in the second year, there is a statutory obligation to do that.

Vote: Motion carried 13-5 with SEN. BARKUS, SEN. BRUEGGEMAN, SEN. ESP, SEN. KEENAN, and SEN. STAPLETON voting no.

Motion: SEN. SCHMIDT moved that HB000267.AHF BE ADOPTED.

EXHIBIT (fcs68a19)

Discussion:

SEN. SCHMIDT requested that someone from the Department explain the amendment. **Ross Swanson, Department of Corrections,** explained the amendment takes out the contingency language in HB 2 and reinstates the figures for the reissue of license plates that is now in state law to be effective in January of 2006. There is an additional \$192,470 for the Department of Justice in FY 2006 for work associated with the license plate reissue. Currently, state law requires a reissue of the plates be done in 2006. **Mr. Freebourn** further explained that the Department of Corrections produces the plate, and the Department of Justice distributes the plate. In Section 61-3-322 (4)(b), MCA, there is the requirement that the generic plates be reissued starting on January 1, 2006. These are the non-specialty plates. To do that, the Department of Corrections estimated they would need \$3,853,751 in 2006 and \$496,837 in FY 2007 to produce the plate. The Department of Justice would need \$192,470 to distribute the plate. In both cases, the dollar amounts are one-time-only, and in the case of the license late reduction, the amount is also restricted.

CHAIRMAN COONEY asked **Mr. Johnson** to explain the revenue side. He asked if the amount of revenue would decrease as the result of specialty plates. **Mr. Johnson** advised in terms of the revenue estimates that are contained in HJR 2, the anticipation of reissuing license plates has been built into the revenue estimates. The reason they were built into the revenue estimates is because that was current law. In terms of the revenue related to the reissue, there is a rough estimate of about \$6.2 million.

CHAIRMAN COONEY asked about the role of the specialty plates. **Dean Roberts, Department of Justice,** said they figured a 20 percent reduction in the sale of the normal reissue plate due to the specialty plates and also permanent registration. Those people do not need to re-plate until they transfer the vehicle to another owner. **CHAIRMAN COONEY** asked if the \$6.2 million estimated in HJR 2 takes into account the reduction as a result of specialty plates. **Mr. Roberts** said it was his understanding that was the case.

SEN. BALES said if legislation to amend the effective date does not pass, this goes back into effect. He asked if there was a

bill that would amend that, and, if so, what the status was. **Mr. Roberts** commented, in the debate on HB 2 on the House floor, there was an amendment proposed. There were three possible bills it could have been proposed on. In SB 371, it was brought to the attention of the Senate Transportation Committee, but there has been no executive action on that bill. At this point in time, there was no amendment on any bill.

SEN. LAIBLE inquired if the \$6.2 million is just for the sale of plates. He wondered about those who cheat on registrations. **Mr. Roberts** said 3M is the big player in this industry. There is somewhere between 2-7 percent of people that will register their vehicle who have not registered since the last time there was a reissue. **SEN. LAIBLE** asked, if there was five percent registration on registration cheats, what the estimated revenue would be from that. **Mr. Roberts** said they take in somewhere between \$115 million and \$120 million; five percent of that is a substantial amount of money both for the county and the state.

Vote: Motion carried 17-1 with SEN. ESP voting no.

Motion: SEN. GALLUS moved that HB000248.ASS BE ADOPTED.

EXHIBIT (fcs68a20)

Discussion:

Reid Lund, Youth Challenge Program, advised this position is filled by four part-time teachers. That position was eliminated because it was modified, and this amendment is the means by which he can put them back into the budget. This does not increase the baseline budget or the original request. One teacher has been deployed and one teacher accepted a new position, so he currently has only three full-time teachers.

{Tape: 5; Side: B}

SEN. SCHMIDT asked how many students are in each class. **Mr. Lund** replied they start with about 120 students and can fluctuate down to about 70. Normally, each teacher will teach about 25-27 students per class.

Vote: Motion failed 5-14 by roll call vote with SEN. BRUEGGEMAN, SEN. GALLUS, SEN. LAIBLE, SEN. SCHMIDT, and SEN. TESTER voting aye.

Motion: SEN. GALLUS moved that HB000210.AFD BE ADOPTED.

EXHIBIT (fcs68a21)**Discussion:**

SEN. GALLUS asked **Mr. Kelly** to explain about the job centers in rural communities. **Mr. Kelly** advised the money comes from the Employment Security Account. With the cuts and downsizing in recent years, adequate services are not being provided. The job centers are in Wolf Point, Thompson Falls, Sydney, Shelby, and Dillon. In addition, they would look at Glasgow, Havre, Cutbank, Great Falls, Missoula, and Kalispell. This money would provide minimal services in these offices. The business community is supportive of the job service offices. Another part of the amendment would be \$150,000 per annum to support small business. There is a specific business in northeastern Montana that may involve some type of additional training monies as new technology comes on; this part of the amendment would be one-time-only.

SEN. RYAN inquired where the money in the Employment Security Account comes from. **Mr. Kelly** replied there is a tax on businesses at the rate of 0.013 percent in addition to the unemployment insurance tax. It is like a surtax that started years ago to keep job services open. **SEN. RYAN** asked if the tax rate will stay the same with this amendment. **Mr. Kelly** replied, the tax rate does not change.

SEN. LARSON asked if there was a job service office in Miles City at one time. **Mr. Kelly** advised, yes. **SEN. LARSON** asked if they plan to have one of those in Miles City in the future. **Mr. Kelly** indicated that could be looked at. The purpose of the amendment is to put some focus on rural Montana. He was informed by staff that there is still a job service office in Miles City.

Vote: Motion carried 16-3 with **SEN. COONEY**, **SEN. ESP**, and **SEN. STAPLETON** voting no.

Motion: **SEN. GALLUS** moved that HB000268.AHF BE ADOPTED.

EXHIBIT (fcs68a22)**Discussion:**

SEN. GALLUS asked **Mr. Fasbender** to discuss the amendment. **Mr. Fasbender** advised one of the things they have been doing at the Department of Justice for some time is taking a look at the business processes they have in order to identify any changes that need to be done to make operations more efficient. Part of this amendment is in response to a requirement of the federal

government. The Department developed a five-year strategic plan dealing with criminal history records for justice programs in the state that coordinate with the federal level. A study of this section was completed in December, 2004. That did not give the Department time to come in with a request for funding in order to implement that process. The federal government has been pushing for an integration of all criminal history programs. The Department is proposing to use \$250,000 available in state special revenue to go after matching federal monies to begin this process of e-justice integration. This process is taking place across the United States and improves the ability of criminal justice agencies, courts, and the public to get information. They are asking that the \$250,000 be a biennial appropriation, and they will go after additional federal funds. This will be the beginning phase of e-justice integration that will include mobile data terminals in police cars. They anticipate this will cost about \$700,000 to get all of the different phases complete.

SEN. GALLUS inquired if there are benefits to investigation. **Mr. Fasbender** replied whenever they can speed up the ability of law enforcement to access information or to have current information, it improves the ability to investigate. The information that will be generated will be entered electronically and not sent in through a paper process. Data entry errors will be minimized, and the information is current. This is a high-speed dissemination process. **SEN. GALLUS** commented about the public safety aspect.

SEN. RYAN inquired if the Department will be back in the next biennium to request another \$700,000. **Mr. Fasbender** advised this portion of the project will be completed for \$700,000. It is an ongoing project. The courts are in the process of implementing their full court system as well as working towards having a system for district courts to provide dispositions in a more timely manner and improve quality. In coordination with corrections, with the judiciary, and with local law enforcement, this is an opportune time to continue to do this. This is ongoing, and the program will continue to upgrade and improve the ability to have electronic transmission of information related to the criminal justice system. Much of the work that has been done has been funded at the federal level. This is one area where federal funds are still available.

SEN. LIND inquired why they are seeing this as an amendment. **Mr. Fasbender** explained the business process re-engineering work was done by Northrop Grumman, and that report came in late December. After analysis, they developed a five year plan and are ready to start the process. They want to begin this biennium rather than waiting another biennium before starting.

SEN. HANSEN asked how much the federal government is involved money-wise. **Mr. Fasbender** answered there is a program called the National Criminal History Improvement Program (NCHIP) that has been going on for some time. Most of the work to this point has been done with federal funds. The program has continued to expand, and some of the funds are not available. The focus is moving from criminal history improvement to the integrated justice system where different agencies have access. That is where the federal government is still involved. There is a need to access information at border crossings.

SEN. SCHMIDT asked **Mr. Freebourn** to comment. **Mr. Freebourn** indicated the item was not presented to the subcommittee.

SEN. LAIBLE inquired if this system captures DNA sampling. **Mr. Fasbender** indicated DNA has a different system. The finger prints and mug shots are a separate system that the federal government is developing. He anticipated at some point those could be brought together. The DNA system is in its infancy.

SEN. LAIBLE asked if the current system will become obsolete, or if the two will be melded together. **Mr. Fasbender** said they are building systems that anticipate those changes. The Department uses a system called File Net that can access information in any database. The technology is progressing rapidly.

SEN. HAWKS asked if this should be one-time-only funding. **Mr. Freebourn** advised if this were to be one-time-only it will come out of the base during the next biennium. **SEN. HAWKS** thought with as many unknowns as there are in these systems, this ought to be one-time-only. He inquired if **SEN. GALLUS** would include that in his motion. **SEN. GALLUS** indicated he would still vote aye on the amendment if **SEN. HAWKS** wanted to make a substitute amendment.

SEN. BRUEGEMAN observed they cannot look at computer systems as something to be paid for once that will continue to maintain itself. A big part of a computer system is maintenance. He thought the Legislature ought always be careful when looking at information technology projects to make sure not to short maintenance costs. Maintenance will keep the system running efficiently. Lack of maintenance shortens the life span of some major systems.

SEN. GALLUS wished to vote on the amendment and then have a second amendment to make this one-time-only.

Vote: Motion carried 9-3 by voice vote with **SEN. ESP**, **SEN. LIND**, and **SEN. STAPLETON** voting no.

Motion: SEN. HAWKS moved TO ADD ONE-TIME-ONLY LANGUAGE TO AMENDMENT HB000268.AHF.

Discussion:

SEN. HAWKS emphasized he understood the argument of SEN. BRUEGGEMAN and said that generally applies. He did not think that necessarily applies to this situation. He thought the Legislature needs full review on this next session to discuss whether this needs to continue in the base or not. He thought a one-time review of that sort was a reasonable approach to these issues.

SEN. BALES agreed. This is a new program, and it needs to be monitored. They do not know what the maintenance costs are, and he thought it needs to be looked at again.

Vote: Motion carried 11-2 by voice vote with SEN. BRUEGGEMAN and SEN. GALLUS voting no.

{Tape: 6; Side: A}

Recess 5:20 p.m.

Reconvene 5:40 p.m.

Section E

REP. EVE FRANKLIN, HD 24, Great Falls, thanked committee members SEN. WILLIAMS, SEN. RYAN, REP. CAROL JUNEAU, REP. VERDELL JACKSON, REP. BILL GLASER, SEN. ESP and staff. REP. FRANKLIN gave an overview of the agencies.

Office of Public Instruction (OPI)

The 2007 biennial budget was \$1.4 billion; general fund was \$1.1 billion. The Legislature's recommended budget for OPI increased \$125.4 million as compared with the base budget; \$83.6 million is general fund, and \$41.8 is federal funds. The OPI administrative budget increased approximately \$12 million for the biennium compared to the base budget. Federal funds increased \$6.2 million in present law adjustments and for a new proposal for education in homeland security. The increase in general fund of \$6.2 million included Indian Education for All at \$2.3 million, Student Education Information Database at \$2.8 million, curriculum specialists for \$0.3 million, and other adjustments of \$0.8 million. FTE for OPI is recommended to increase by 15.35. OPI's distribution to schools program increased by \$113.0 million, of which \$77.4 million is general fund and \$35.6 million is federal funds. The federal fund increase is entirely a present law adjustment except for \$546,000 for training in

Homeland Security. Present law adjustments to Base Aid for inflation, student declines, transportation, school facilities, HB 124 block grants and other biennial adjustments were \$22.4 million. Increases in Base Aid were due to entitlement increases of \$250 per ANB for elementary, an added \$50 for high school and three-year averaging of ANB for \$44.1 million. There was an increase in special education money of \$5 million, school facility increases of \$4.0 million, and secondary vo-ed and gifted and talented increases of \$0.8 million. Indian Education for All grants to districts for information sharing with other districts was \$1.1 million. There was a work group of **SEN. WILLIAMS, REP. JUNEAU, and REP. JACKSON** that took testimony on how to move forward on the issue. The Montana Indian Educators Group came forward with a sizeable proposal requesting \$22 million additional funding to be added to Indian Education for All based on a per capita formula of \$50 per student across the state. The committee's sense was that was not reasonable or practical and wanted to have a sense of what additional monies might be used for. The work group came up with a plan, the committee scaled it down, and the decision was made to accept \$1.1 million. Some felt the additional \$6.4 million would be appropriate. The workgroup endorsed long term planning. Communities can compete for grant monies. The budget recommended by the subcommittee exceeded the Governor's budget by \$13.8 million. The subcommittee eliminated a proposal to reimburse school districts for increasing the business equipment tax exemption, and adjusted Base Aid by \$1.9 million for new ANB and higher common school revenue. On the floor of the House the school facility reimbursement increase was reduced by \$2.8 million. **Jim Standaert, Legislative Fiscal Division**, added that the comparison to the original Schweitzer budget was before the Schweitzer budget was changed, which added in \$14 million for three-year averaging.

Board of Public Education

The total biennial budget is \$724,000; general fund is \$332,000. Budget increases over the base year of \$70,000 in FY 2006 and \$66,000 in FY 2007 were statewide present law adjustments and \$47,500 each year to tie appropriations to anticipated revenue for studies and activities of the Board of Public Education. In comparison to the executive budget, the Legislative budget is \$6,800 higher. This was done in order to add state special revenue funds for additional travel to the Board of Public Education meetings by members of the Montana Advisory Council on Indian Education. **REP. GLASER** stressed the value of the Board and their constitutional role. He believed the Board needs to have a greater role moving forward with changes in the school funding formula and Indian Education for All.

Montana School for the Deaf and Blind

The school is strictly a general fund agency. The subcommittee eliminated vacancy savings for the agency, because the school is a 24/7 operation. The Legislature approved a budget that is \$1.7 million greater than the FY 2004 base budget including the addition of \$150,000 over the biennium to fund ongoing maintenance issues, a \$50,000 increase over the biennium for the purchase of 32 new computers, the addition of \$150,000 per year to increase teacher and other professional salaries, and statewide present law adjustments. There was an increase of \$138,000 over the executive budget per year of the biennium. To some degree the population of the school has changed and is becoming more complex.

Montana Arts Council

This is a \$2.2 million budget; the general fund is \$647,000. The Legislature approved a budget that is \$136,000 greater than the 2004 budget due to present law adjustments which included increased personal services and was a decrease in operating expenses of \$45,000 annually to partially offset broadband pay plan salary increases. New proposals included \$10,000 over the biennium for an E-Grants data base system. There was \$40,000 of one-time-only funding for additional grant resources. She noted that when Virginia City and Nevada City were purchased during the Racicot administration, the Cultural and Aesthetic Arts Trust was used. This is the source for the granting authority for the Montana Arts Council and is a portion of the coal trust. By spending down the core, there was less interest money available for grants. Former Governor Martz decided to give additional funding to the Arts Council. The subcommittee approved the executive budget as proposed.

Montana Library Commission

This was a \$7.5 million biennial budget with \$3.4 million general fund. The increases of \$0.9 million included present law adjustments, an increase for reimbursements for interlibrary loans to statewide local libraries, library federation support, restoration of funding for one FTE and \$70,000 for a one-time-only equipment request. The subcommittee made no increases to the executive budget.

Montana Historical Society

The legislative budget was \$13,000 greater than the 2004 base. There was a reduction of \$847,265 in lodging facility tax to eliminate a double appropriation and a reduction in two programs of 0.84 FTE and \$52,700 in general fund. Increases to the base included a restricted, one-time-only equipment package for \$75,000, present law adjustments, and increased authority to spend \$131,000 of proprietary funds for costs associated with

maintenance of the historic Governor's Mansion. The legislative budget was \$835,000 less than the executive budget than state special revenue because of the double appropriation.

{Tape: 6; Side: B}

Commissioner of Higher Education - Montana University System

The legislative budget included \$13.4 million general fund for new proposals related to the Shared Leadership for Montana Economy initiatives. She referred to a table on page E-51 of the narrative that compared the Martz, Schweitzer, and legislative budgets. Funding was increased for the Tribal College Assistance program by \$2.8 million in the 2007 biennium. The budget adds 10.00 FTE in the federally funded Guaranteed Student Loan program and 1.00 FTE in the administration program to support the Shared Leadership initiatives in their data warehouse management system. **REP. FRANKLIN** mentioned the increased ability to collect data, both here and in OPI, was significant in light of the court case and No Child Left Behind. Included was \$6.7 million of present law adjustment increases for enrollment increases, which was based on a change in the state's cost-sharing formula that increased from 43 percent to 80 percent. There was increased federal spending authority to support the growth of the student loan program and increased federal authority of \$3.3 million in federal grants for academic support in the Talent Search program. Increases for community college assistance were \$3.2 million general fund primarily due to enrollment increases. Compared to the executive budget, HB 2 was \$522,000 higher in general fund, and HB 2 funded workforce development programs in the research and public service agencies. There were a number of requests in the Martz budget that came out in the Schweitzer budget. The subcommittee pared it down and added a fire service trainer for the eastern part of the state, one wheat management bio-tech position, one position in the Bureau of Coal/Coal Bed Methane, and one urban/wildland forest management request. The state percentage share of funding for the University units is less than 40 percent for the 2007 biennium. This is a decrease from the 43 percent of the 2004 base. That leaves about 60 percent to be funded by tuition. Under HB 2 and in the current pay plan, the University projects the resident student tuition will increase an average of about 13 percent a year statewide. The increases in the pay plan will have to be resolved by the University system.

CHAIRMAN COONEY asked directors of agencies to comment.

Linda McCulloch, Superintendent of Public Instruction, thanked the subcommittee. She handed out an information packet.

EXHIBIT (fcs68a23)

For the 2004-2005 school year there were 146,552 students, 13,039 certified staff, 436 school districts, and 855 public schools. The Homeland Security grant is a learn and serve grant. The budget includes the \$1 million annual general fund appropriation and 3 FTE to comply with the constitutional and statutory obligations of Indian Education for All. The subcommittee added an additional \$310,846 and 1 FTE for OPI to provide \$1.1 million in grants to schools and perform other activities that support Indian Education for All. To fully implement Indian Education for All and to be sure that it becomes a permanent part of the Montana's education system, some groundwork must begin. The plan for these funds is to build a foundation on which all students have access to resource material and lessons that integrate Indian Education for All into Montana's accreditation standards. In addition, all teachers will have classroom resources and receive ongoing professional development. Montana will be redesigning its K-12 education funding system to tie funding to educationally relevant factors. Student achievement is one of those factors. The information system will provide future legislatures with the information necessary to assess whether a basic system of free quality public schools. OPI is at a crossroads with its information systems. The \$2.8 million in the Governor's budget for funding for OPI to build a student education information data system will help the decision-making process. The system will be useful for the local school district and the state and will be compatible with the federal system as well. Curriculum specialists help classroom teachers improve student learning. Up until the early to mid-1990s, OPI had specialists for many curriculum areas that teachers and schools could call upon for technical assistance. It is more cost effective and efficient to dedicate staff at the state level to provide curriculum and resources for 436 school districts, than it is to expect each school district to have their own staff. She spoke to the Joint Appropriations subcommittee in 2001 regarding the need to reinstate these specialists. Teachers need experts now more than ever. Small schools will particularly benefit from curriculum specialists. Her basic goal for OPI was to get resources and services to Montana classrooms. The Legislature has been charged with defining a quality education. In doing so they have addressed a variety of challenges that schools are facing to meet the needs of students. Educating children is the best investment that can be made in Montana. She and her staff were ready to be of assistance.

Steve Meloy, Board of Public Education, advised they are a seven-member, governor-appointed board that serves seven-year terms. They meet eight times a year, and they have enormous responsibilities. He noted the importance of the contingency

fund. The general fund adjustments include the \$4,000 a year that allows them to meet their statutory responsibility to meet twice a year, together with the Board of Regents, as the Board of Education. He thanked **REP. FRANKLIN**, the subcommittee, and staff.

Sheila Stearns, Commissioner of Higher Education, thanked the subcommittee and staff. She emphasized the extent to which the Board of Regents included business people from the private sector, legislators, and students in the budget development process. Priorities were to have a high quality system, to develop more access, and to grow the economy. She acknowledged **SEN. BARKUS**, who chaired the Interim Committee on Post-Secondary Education Policy and Budget and **SEN. RYAN**, who also served on that committee. They worked together to identify priorities culminating in a joint session last July that included workforce training for Montana jobs, distance learning, and access. She referred to a packet of information that was distributed to the committee.

EXHIBIT (fcs68a24)

New job growth will favor those with the most education. Jobs requiring an associate degree are expected to grow the fastest, increasing by 32 percent through 2010. Jobs requiring a bachelors degree will grow at 24 percent. That is why it so urgent to coordinate workforce development, especially in the two-year sector. Strengthening two-year education is part of what must be done. Tuition is projected to increase an average of 7.9 percent. Much of that is to pick up the student share of the pay plan. Unlike other agencies, the Legislature does not fund the pay plan for the University system at 100 percent. They are trying to keep the two-year tuition the lowest. She mentioned there was a cut made to her office on the House floor. The agency has relatively few FTE working on improving transferability, developing data, working on the Governor's post-secondary education scholarship program, Indian Education for All, and continuing to work on growing the economy.

George Dennison, University of Montana, paid homage to the subcommittee. He thought there was real potential in the Shared Leadership program and a demonstrated return on investment. Those are one-time-only dollars that are requested, and the Legislature will have an opportunity to see if the return on investment comes. Over the last two year period, there has been a revision of the budget development process that the Regents have followed. They were clear with the subcommittee that this is the level of general fund necessary. It is necessary to maintain the level of investment, and tuition will have to be

looked at. With this level of investment, he expected a three or four times return.

Steve Gettel, School for the Deaf and Blind, presented background information and a newspaper article to the committee.

[EXHIBIT \(fcs68a25\)](#)

[EXHIBIT \(fcs68a26\)](#)

He thanked the subcommittee, the Governor's office, and the House for the work on the budget. The issue is access to curriculum. To have a quality education requires that students have special education teachers with specific skills and knowledge in those disciplines. There are 72 students on campus, and almost 300 children are served in their home districts through outreach. They are in 49 of the 58 counties in Montana. The critical issue they dealt with for the past 10-15 years was having the resources to provide specially trained staff. Currently, 35 percent of the staff are within five years of retirement. They are competing against a regional market to bring in teachers with masters training. They made a comparison with Great Falls Public Schools, and the average disparity was about \$5,800. Even with the addition of the \$150,000 that was added to the budget, the school will still have teachers with \$9,000-\$10,000 difference in their salaries. The problem is recruiting. They left 3.5 teaching positions vacant to meet the budget for this school year. They tried to fill a position and had two applicants. One was not qualified, and one went to Washington when she found out what the salary was. Without skills and knowledge, these students cannot be educated.

{Tape: 7; Side: A}

Regarding the vacancy savings issue, he stated they have to be able to fill the positions they have in order to provide the most appropriate education.

Arnie Fishbaugh, Montana Arts Council, thanked the subcommittee and staff. The Arts Council promotes the arts in Montana through grants and arts education programs around the state. They have worked with legislators through the years to try to find out what would convince them the Arts Council is worthy of the investment of state dollars. She distributed a book to the committee entitled *Montana The Land of Creativity - Thirty Stories: Return on Investment the Western Way*.

[EXHIBIT \(fcs68a27\)](#)

They also just concluded, with the Governor's Office of Economic Opportunity, the first economic impact study of individual artists which showed that, in 2003, there was a \$233 million economic impact on the state of Montana, and 75 percent of those dollars were from out of state.

EXHIBIT (fcs68a28)

She concluded that the Arts Council is a small agency, but there is a big bang for the buck in terms of what they do. The agency had a 21 percent general fund cut from the last session, and that caused them to eliminate core programs. Salary adjustments were made that normally would have been covered by present law adjustments, but are covered in the executive budget by a 20 percent cut to their operations budget.

Arnie Olsen, Montana Historical Society, thanked the subcommittee and staff. He noted that they were more than happy to contribute over \$800,000 toward the spending cap because of the double appropriation. He quipped they knew that would be taken into account during the budget process. He offered to answer questions.

Darlene Staffeldt, State Library Commission, thanked them for supporting the state library budget.

Public Comment:

Barbara Grover, Montana Women Involved in Farm Economics, stood in support of the Education section. There were some natural resource elements within that section that they supported. There were compelling arguments for the fire school.

John Youngbird, Montana Farm Bureau Federation, stated he also represented the **Montana Grain Growers**. Two areas of interest to them were two the Extension Service and the Montana Agricultural Experiment Stations. When they get cuts they do not have the ability to make up those dollars. They are asking for a livestock specialist in Miles City. That livestock specialist works with the USDARS station and relays information to agricultural producers. The other position is a sustainability cropping systems specialist to help with new crops. In the Agricultural Experimental Stations there are three positions including an integrated noxious weed specialist and researcher. Spotted knapweed caused about \$14 million in direct negative impacts to agriculture. Indirect damages were over \$28 million, not counting damage to wildlife and scenery. The other position was for a bio-control wheat management researcher. He asked that the committee consider keeping those positions in the budget.

Recess

Recess: 6:50 P.M.

SEN. MIKE COONEY, Chairman

PRUDENCE GILDROY, Secretary

MC/pg

Additional Exhibits:

EXHIBIT ([fcs68aad0.PDF](#))