

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - SPECIAL SESSION
COMMITTEE ON APPROPRIATIONS**

Call to Order: By **CHAIR DAVE LEWIS**, on July 24, 2002 at 1:00 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chair (R)
Rep. Edith Clark, Vice Chair (R)
Rep. Matt McCann, Vice Chair (D)
Rep. John Brueggeman (R)
Rep. Rosalie (Rosie) Buzzas (D)
Rep. Tim Callahan (D)
Rep. Bob Davies (R)
Rep. Stanley (Stan) Fisher (R)
Rep. Dick Haines (R)
Rep. Joey Jayne (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)
Rep. Monica Lindeen (D)
Rep. Jeff Pattison (R)
Rep. John Sinrud (R)
Rep. Joe Tropila (D)
Rep. John Witt (R)

Members Excused: Rep. Donald L. Hedges (R)

Members Absent: None.

Staff Present: Taryn Purdy, Legislative Branch
Mary Lou Schmitz, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 5, 7/17/02
Executive Action:

Chairman Dave Lewis opened the meeting by introducing consumers testifying on HB 2, concerning budget cuts to their programs.

Mary Caferro, Working for Equality and Economic Liberation, (WEEL) **EXHIBIT**(aph-9b01)

Mary Carole Wise, Montana Youth Homes, Jan Shaw Youth Home **EXHIBIT**(aph-9b02)

Stephane Ballenger-Brooks, Montana Youth Homes, **EXHIBIT**(aph-9b03)

Jennifer L. Lufkin, Montana Youth Homes **EXHIBIT**(aph-9b04)

Derek Joseph Velarde, Montana Youth Homes, **EXHIBIT**(aph-9b05)

Charlie McCarthy, Executive Director, Mental Health Association of Montana.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 11.2}

Judy Erickson, National Mental Health Associate Consumer Advocate, **EXHIBIT**(aph-9b06)

Archie Nunn, President, Montana Senior Citizens Association **EXHIBIT**(aph-9b07)

Bill Davis, Helena, Retired Military Office and School Teacher; Department of Public Health and Human Services, Eligibility Examiner.

Ardell Nelson, Delta Kappa Gamma, Teachers Organization

Dick Pattison, Treasurer, Montanans Opposing Sales Taxes and a member of the Board of Directors of the Montana Senior Citizens Association. **EXHIBIT**(aph-9b08)

James Gibson, Missoula, President, Missoula People First.

Representative Joe Tropilla, HD 47, Cascade County said he will place an amendment on HB 2 during Executive Action. Earlier this month Montana was one of 26 states selected to divide \$2 million in bonus payments from Secretary Thompson, U.S. Department of Health and Human Services for outstanding performance in helping welfare recipients toward employment in FY 2000. Montana placed first in the nation in the category of Job Entry and placed in the top ten in two of the three other categories evaluated. Therefore, they were awarded \$2,276,700 in

payments. This was not an increase to a TANF budget or replace similar supportive services in child care assistance or reduce in the last budget cut.

Proponent: Senator Shea, Butte, said she assumed when this award came it would go back to the agencies and go back to the program that received it. The purpose of this amendment is just to make sure that this money goes back into the programs and serve these various programs. This is an additional money and exactly fits into the money that was taken away from this program.

{Tape : 1; Side : A; Approx. Time Counter : 11.2 - 28.6}

Gail Gray, Director, Department of Public Health and Human Services, said she hasn't seen the entire Bill but the only thing she will be looking at is if her department runs short of cash benefits for the TANF programs, they will need to go to that money first. If it is cash benefits for the supplemental services and childcare, they would be in support but they do have to have a provision on cash benefits.

Janet Bush, Director, Montana Child Care Resource and Referral Member and represents three other groups who advocate for young children. The Montana Association for the Education of Young Children, The Montana Child Care Association and the Montana Head Start Association.

Mike Rupert, CEO, Boyd Andrews Community Services, opposed cuts to state money for out-patient chemical dependency treatment.

Tom Bolan, Chairman, Human Resource Development Council
EXHIBIT(aph-9b09)

Written testimony given to Secretary at this time **EXHIBIT(aph-9b10)**

{Tape : 1; Side : B; Approx. Time Counter : 0 - 9.1}

Chairman Lewis referred to the gray sheet, **EXHIBIT(aph-9b11)**. There is an issue concerning \$400,000 that would be transferred back to the general fund from the Department of Revenue. The staff has taken a position that this needs specific legislation which he has introduced.

Greg Dewitt, Legislative Fiscal Division, said they have no problem with the transfer back to where the money should be in

the general fund. It is just a matter of getting it there. Their position from the legal department is HB 2 cannot amend permanent statutes so Bill LC70 will be heard in this Committee and he suggests they pass the Bill, not the language.

Chairman Lewis said the Committee will take action on this issue and it will be dealt with when the Bill is actually introduced in the Special Session.

Vice Chair Edith Clark took over the meeting at this point.

HEARING ON HB 5

Sponsor: **Representative Dave Lewis, HD 55**, said this Bill entails two different fund transfers. One is the transfer from the Department of Transportation. They were given some money as part of HB 124, the local government funding Bill because there was concern they would come up short as far as highway construction money in the highway special revenue account. It appears that this is not the case so they are willing to transfer that money back to the general fund. There is also a portion of HB 5 that addresses the research and commercialization fund, with a fiscal note. The Governor is recommending a reduction in the research and commercialization appropriation for this fiscal year 2003, \$1,685,000.

Informational Testimony: **Chuck Swysgood, Director, Office of Budget Program and Planning** said this Bill, along with a number of others to be heard are part of his package that deals with the \$45 million shortfall. His office, staff and the Agencies are here to address legislation that affects them.

The amendment, as it relates to the research and commercialization, is that the Bill failed to allow them to retain any of their funding in FY 2004. It still means that they will be reduced in FY 2004 and 2005 by \$1.2 million. They are continuing this reduction into the next biennium.

{Tape : 1; Side : B; Approx. Time Counter : 9.1 - 16}

Dave Galt, Director, Department of Transportation, said the impact in the general fund transfer in FY 2002 and 2003 will not impact their ability to maintain Montana's highways.

Mark Simonich, Director, Department of Commerce said they support the reductions proposed in this Bill. The Research and Commercialization is attached to their Board. There is \$1,650,000 that is being reduced for this year and then the proposal is that for each of the next two fiscal years, 2004 and 2005, the statutory appropriation \$4.85 million would be reduced

by \$1.2 million each year. The amendment that **Representative Lewis** spoke to corrects the drafting to insure that there is funding for research all the way through the biennium.

Opponents: **George Dennison, President, University of Montana,** said the importance of that fund in the development of what has been one of the most successful stories of economic development in the state. It began in 1989 and was reinforced in 1999 when the first policy was related to a technical issue allowing the Red Cross to continue to support the research on campuses. In 1999 this legislature put in place the matching funds which are used to assure that the Universities match federal grants. At the time it was done they estimated it would take about \$10 million. The legislature had \$4.8 million and that is what they took and that is what they have used. They go through grant requests with the Board and that has worked relatively well. The major reason for putting the matching funds in place is that they were at jeopardy in not being able to participate in several of the programs by the national agencies, such as EPSCOR programs. He hoped the Committee would retain these funds.

Dick Crofts, Commissioner, Higher Education referred to **President Dennison's** testimony as the basic facts.

Ralph Hutcheson, Member Research and Commercialization Board **EXHIBIT(aph-9b12)**

{Tape : 1; Side : B; Approx. Time Counter : 16 - 28.8}

Cary Hegerberg, Montana Contractor's Association

Questions from Committee Members and Responses: **Representative Buzzas** asked **Mr. Hutcheson,** how many actual Montana jobs are supported by these research dollars? **Mr. Hutcheson** said it eliminates 12 programs and may eliminate four more. It would be somewhere between 5 and 10 research jobs and as many as 10 other jobs.

Representative Pattison referred to **Mr. Hutcheson** concerning the money that comes in and what percentage actually goes to salaries. **Mr. Hutcheson** said that depends on the project and where it is. In a University project the money will normally go 40% to salaries. In a private industry project the normal ratio is about 40%.

Representative Lindeen asked **Mr. Hutcheson** for information that outlines the return on the investment? She then asked **President Dennison** the intent how this actually works. He

said the part of the economic development he was referring to has to do with the role of research itself on University campuses in the State of Montana. That is a \$23 million business and 60% to 70% of that goes to this project.

Representative Witt asked for some expansion on **Mr. Hutcheson's** remarks concerning cash flow. He said the cash flow is when you take the income from the program and apply it to taxable items like income. The plans are that every project has to be commercialized. The total funding in EPSCOR is \$8 million and normally this would represent 150 employees. The average salary would be \$60,000 or \$70,000 for the research people.

Representative Kaufmann asked for an explanation of the \$102 million. **Representative Lewis** said this is the administration proposal and they determined the priority of all of the items listed. Rep. Kaufmann also referred questions to Mr. Swysgood and Mr. Galt. Page 74 of the Legislative Budget Analysis (blue book).

{Tape : 2; Side : A; Approx. Time Counter : 0 - 29.3}

Closing by Sponsor: **Representative Lewis** closed the Hearing on HB 5 by saying this represents one of those programs that is now out of money. We are going to have to look really hard at whether we can do this and at this level. We are going to have to set some priorities. This is a reasonable place to start to make cuts.

Taryn Purdy, Deputy Fiscal Analyst, explained the Summary Table for Executive Action, EX. 11 and the proposals of the Governor listed there.

Lynne Zantos, Legislative Fiscal Division said this proposal would add \$152,137 to the general fund. The Judiciary's budget for funding staff related to new judgeships approved by the last legislature for Ravalli and Cascade Counties. During the last session funds were appropriated for expenses related to the judges but the staffing for the judgeships was overlooked. It would be an ongoing cost against the general fund.

Karla Gray, Chief Justice, Montana Supreme Court urged the Committee's favorable consideration of the above item. These are the monies needed for staff operating costs and start-up costs for these two new judgeships the legislature authorized in the 2001 session. It was not really overlooked by anyone because at the time these judgeships were created and appropriation was passed and put in HB 2, the legislature did appropriate the amount the state was, at that time, taking responsibility for

the district courts. Together with the big Bill and HB 2 was SB 176, the state assumption of district court expenses. This amount would not have been appropriately included in the appropriation of state assumption because the state assumption Bill is based on 2001 costs and expenses. These were not even anticipated costs in the 2001 Counties' budget. There is no fault by anyone. This just fell through the cracks. We now have two new judges coming on in January, 2003 because of the critical need in those counties.

Representative Jayne referred to other Ravalli and Cascade Counties' judges and law clerks and asked **Chief Justice Gray** if these are in addition? **Chief Justice Gray** said these are additional judges. The judges' salaries and their own computers were funded by the legislature in HB 2 in the last session but the staffing and start-up operating costs for the two new judges, which, in the old world, would have been the counties' responsibilities. By the time these new judges come on in January 1, 2003 there is just no money out there.

Representative Jayne asked if it would be possible for the other law clerks to assist these new judges? **Chief Justice Gray** said not in her view. The other judges in the districts are so substantially overloaded.

Representative McCann asked how much of this is administrative costs versus the salaries of the court reporters and law clerks? **Chief Justice Gray** referred the question to **Lisa Smith**, Administrative Assistant, who said the salary in Cascade County is \$115,000. In Ravalli County it is \$113,000. **Chief Justice Gray** said the problem here is there is no other time frame for these monies to be appropriated in time for these judges who are going to take office about the first of January, 2003.

Follow-up Questions to Chief Justice Gray and Budget Director Swysgood: Representatives Tropicilla, Lindeen, Buzzas, Witt, Davies, Pattison, Kasten, Jayne.

{Tape : 2; Side : B; Approx. Time Counter : 0 - 28.1}

{Tape : 3; Side : A; Approx. Time Counter : 0 - 21.2}

Director LaChere, discussed the lottery administrative savings of \$190,000.

Sponsor: **Representative Stan Fisher, HD 75, Big Fork** said this is a Bill that would take money from the Resource Indemnity Trust fund which is money that has been collected from mine cleanup. It would transfer \$1 million of the RIT funds, which are state special funds, to the Department of Natural Resources. This \$1 million from the DEQ would fund their operation and the funds from there which are general fund money would be deposited into the general fund. Included also in this Bill is a weed program and they would take \$500,000 from the Department of Agriculture, which was funded out of the RIT funds, and transfer that to the general fund.

Proponents: None

Opponents: **Bob Gilbert, Member, Montana Weed Control Association**

Diane Rice, HD 33, Legislative Representative for the Montana Weed Control Association.

{Tape : 3; Side : A; Approx. Time Counter : 22 - 29.5}

Questions from Committee Members and Responses: **Representative Buzzas** asked **Jan Sensibaugh, Director, DEQ**, if her Department administers the RIT funds? **Ms. Sensibaugh** said no, her Department is the department that administers the Orphan Share funds. They get a portion of the RIT money for activities but the Department of Natural Resources and Conservation does most of the administrating. **Representative Buzzas** asked if we have current programs that would qualify for the Orphan Share that will not receive funding for reclamation because of this fund transfer? **Ms. Sensibaugh** said no, we do not. There are two sites they are working on under the Orphan Share, both of which will still be funded for the amount they believe the site will come in for. One is Corbin Flats in Jefferson County for about \$500,000. The other is S and W Sawmill in Darby for about \$1.9 million.

Representative Buzzas referred a question to **John Tubbs, Director, Department of Natural Resources**. She asked for an assessment of his sense of an impact of this transfer on the RIT fund and how those might impact projects? **Mr. Tubbs** referred to HB 9, saying there are the Orphan Share transfers of fund balance that are available both this year and the next biennium. There is a three-year reduction in the availability grant funds. It is deferred cost.

Closing by Sponsor: **Representative Fisher** closed the Hearing on HB 9.

HEARING ON HB 10

Sponsor: Representative Joe Balyeat, HD 32 **EXHIBIT**(aph-9b13)
EXHIBIT(aph-9b14)

Proponents: Mark Simonich, Director, Department of Commerce

Opponents: Bob Gilbert, Montana Association of Oil, Gas and Coal
Counties.

Sarah Carlson, Montana Association of Conservation
Districts.

Allen Olson, HD 8

{Tape : 3; Side : B; Approx. Time Counter : 0 - 29.6}

Lady in defense of state workers.

Brooks Dailey, Executive Director, Montana Farmers
Union

Lois Fitzpatrick, Montana Library Association,
EXHIBIT(aph-9b15)

Jane Holzer, Program Director,
Montana Salinity Control Association

Representative Joe Tropila, **EXHIBIT**(aph-9b16)

Districts wanting to be recognized as Opponents
presented by Representative Dave Kasten, who is not an Opponent
EXHIBIT(aph-9b17)

Mike Wendland, President, Montana Association of
Conservation Districts **EXHIBIT**(aph-9b18)

Bob Fossum, Vice President, Montana Association of
Conservation District **EXHIBIT**(aph-9b19)

Marlene Moon, Administrator, Conservation District.

Chris Evans, District Administrator, Lewis and Clark
Conservation District. **EXHIBIT**(aph-9b20)

Lady from Cut Bank

**Gayla Wortman, Administrator, Cascade County
Conservation District, Great Falls**

**Representative Diane Rice, HD 33, referred to a
letter from the Ruby Valley Conservation District.**

**Representative Jayne offered a letter from Dennis
Debride, Lake County Conservation District.**

**Representative Clark offered a letter from Toole,
Glacier, Pondera Counties' Conservation Districts EXHIBIT(aph-
9b21)**

**Questions from Committee Members and Responses: Representative
McCann asked who wrote the Bill? Representative Lewis said this
was one of the Governor's Bills in the Budget Office. Kurt Alme,
Director, Department of Revenue said their figures show they
definitely have a problem with the Budget for the 2005 biennium.
They wanted to take these actions now to carry over through the
biennium. Representative McCann said his only objection to the
Bill was the language and maybe it warrants more discussion.**

**Representative Witt asked about the unexplained coal tax. Todd
Younkin, Legislative Fiscal Division, said when that was put in
it was as a result of trying to balance the budget. All of the
appropriations out of that account were not being cut. The
\$54,000 was put in to try to balance that to the executive. Mr.
Younkin referred the committee to page 54 of the Legislative
Budget Analysis book.**

{Tape : 4; Side : A; Approx. Time Counter : 0 - 29}

**Representatives Witt, Fisher and Haines offered observations and
concerns to Mr. Alme who referred them to Page 53.**

**Representative Kasten to Jeff Hagener, Director, Fish, Wildlife
and Parks who said this goes into the coal trust so the \$408,000
is not a direct impact but \$14,300 is in the first year of and by
the end of the third year it amounts to \$74,000. The Parks'
programs overall are anticipating some serious problems in the
near future.**

**Representative Pattison asked Mark Simonich, Director, Department
of Commerce if the money is split up in the communities? Mr.
Simonich said there are 71 or 72 certified communities now.
There were 46 and then there was a 70% increase in communities
getting certified. The minimum allowed is \$3,000. The maximum
is based on the per capita population within the communities that**

are served. The maximum by law, is \$25,000. **Andy Poole, Deputy Director**, said they have adopted rules that basically make the maximum up to \$25,000.

Representatives Kasten and Lewis to Bud Clinch, Director, Department of Natural Resources and Conservation said, if that cut was spread to all conservation districts equally, it would be \$5700 each.

Follow-up questions by Representatives Kaufmann, Jayne and Buzzas to Representative Balyeat and Mr. Simonich.

{Tape : 4; Side : B; Approx. Time Counter : 0 - 20.7}

In response to a question by **Representative Lindeen concerning rural libraries**, **Ms. Fitzpatrick** referred to the State Librarian, **Karen Strege**. **Ms. Strege** said the vendor has various pricing schemes based on the size of the library. Some areas would pay between \$5,000 and \$7,000 for access to the Infotrac, which is on-line access to thousands of periodicals

Representative Jayne asked **Director Swysgood** for an update on the \$350,000 for the Office of Economic Development for business recruitment and retention, how much money has been spent, what are some of the results of that, have any businesses been recruited, etc. **Director Swysgood** said there will be a presentation made by the CEO of that office later on. The \$350,000 statutory appropriation was reduced to \$127,000.

Representative Buzzas asked if that was the money set aside for the Washington, D.C. office? **Director Swysgood** said that was some of the money that was going to fund that office that has been put on hold.

Closing by Sponsor: **Representative Balyeat** explained an amendment **EXHIBIT(aph-9b22)** and then closed.

{Tape : 4; Side : B; Approx. Time Counter : 20.7 - 28.4}

{Tape : 5; Side : A; Approx. Time Counter : 0 - 4.4}

At this time, **Representative Balyeat** presented an Amendment to HB 2 **EXHIBIT(aph-9b23)**

Representatives Buzzas, Kaufmann, Jayne, Haines, McCann asked **Representative Balyeat** for more information and explanations.

At this point, **Chairman Lewis** announced the Committee has to go back to deal with the Alcohol Tax Medicaid issue.

Lois Steinbeck, Fiscal Division Staff, EXHIBIT(aph-9b24) spoke from and explained page 47 in the Blue Book.

{Tape : 5; Side : A; Approx. Time Counter : 4.4 - 29.6}

{Tape : 5; Side : B; Approx. Time Counter : 0 - 2.6}

Representative Lewis asked if, instead of the \$1 million reduction in general fund, the use of the Alcohol Tax to offset that, would we take the million dollars out of the general fund, put in a million dollars in other funds that are contingent on passage and approval of SB 1.

Dan Anderson, Administrator, Addictive and Mental Disorders Division, said, in looking at possible ways to save general fund money, maybe the legislature should authorize his department to use this \$1 million, that otherwise would go to the counties, as a match for Medicaid for services related to chemical related illnesses. It is not being siphoned off into other programs or other disorders. These programs are still benefitting from increases in the federal block grant which they contract to them directly, plus a growing Medicaid reimbursement.

Representatives Buzzas, Fisher, McCann, Lewis to Dan Anderson, Lois Steinbeck and Pat Gervais with concerns and follow-up questions.

{Tape : 5; Side : B; Approx. Time Counter : 2.6 - 29.4}

Michael Ragnier, Missoula, Coalition of Montanans with Disabilities addressed the Committee concerning health care program cuts.

Carol Ann Hoviland, Lolo, President, Coalition of Montanans with Disabilities also addressed the Committee with her concerns.

Latonna Spotted Eagle, Case worker for Golden Triangle Mental Health and a group of people with her briefly addressed the Committee.

ADJOURNMENT

Adjournment: 6:30 P.M.

REP. DAVE LEWIS, Chair

MARY LOU SCHMITZ, Secretary

DL/MS

EXHIBIT (aph-9bad)