

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By **CHAIRMAN JACK WELLS**, on January 7, 2005 at 8:40 A.M., in Room 350 Capitol.

ROLL CALL

Members Present:

Rep. Jack Wells, Chairman (R)
Sen. John Brueggeman (R)
Sen. Mike Cooney (D)
Sen. Bob Keenan (R)
Rep. Ralph L. Lenhart (D)
Sen. Jon Tester (D)

Members Excused: None.

Members Absent: Rep. Carol C. Juneau (D)
Rep. John E. Witt (R)

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

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

Committee Business Summary: Overview of Legislative Fiscal Division Budget, Section F, Long Range Planning presented by Cathy Duncan, Legislative Fiscal Division.

CHAIRMAN WELLS talked to the committee about the attendance problems they were having. There needs to be a quorum of members present in order to call a hearing to order. He said that if the scheduling conflicts continue, the committee may be forced to change its meeting time. The chairman invited Cathy Duncan, Legislative Fiscal Division (LFD), to go over the agenda and explain some of the projects the committee will be hearing.

Cathy Duncan advised the committee to refer to Section F in their folders and began discussion of Long Range Building. The Long Range Building Program deals with both new buildings as well as deferred maintenance of existing buildings. The Long Range Building program typically consists of a bond bill and a cash bill. Currently, the committee will be dealing almost entirely with cash programs. There is one bonded bill for the Department of Transportation (DOT), for storage facilities, and the debt service on this project will be funded through state special revenue, as opposed to the general fund.

Ms. Duncan said that the cash program is funded through cigarette, coal tax, and other revenues. There are also some interest earnings and supervisory fees by Architecture and Engineering and Department of Environmental Quality (DEQ) transfers.

Ms. Duncan stated that there were two main issues with the cash program:

- 1) There will be a general fund transfer of \$30 million to this program over the biennium. These are one-time monies that are available in the general fund
- 2) Deferred maintenance on state facilities has not been kept up on in the past, and during this biennium, the \$30 million from the general fund will be used to catch up on the backlog, which is estimated at over \$100 million.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 6.9}

Ms. Duncan said that the program could meet with problems because it is being funded with cigarette and coal severance tax revenues and both have been decreasing over the past years.

SEN. TESTER asked what kind of impact the passage of I-149 would have on the cigarette tax revenues.

Ms. Duncan said that the revenue and transportation interim committee had included the estimated revenues from the passage of I-149, but since the increased revenues from I-149 were designed to go to health related programs, the Long Range Building program would not see a significant difference in numbers.

Ms. Duncan again reminded the committee that there is a downward trend in the revenues collected from both cigarette and coal severance taxes and she estimates this reduction at about 2.8 percent over the past 10 years.

{Tape: 1; Side: A; Approx. Time Counter: 6.9 - 10.8}

SEN. TESTER asked if this was because less coal was being mined in the state.

Ms. Duncan replied that over time, the state has lost coal production; however, there has been indication that this number may increase in the future. The Long Range Building Program received \$4.3 million a decade ago and is currently estimated to receive only \$3.67 million. Many outside factors have affected the amount of coal mined in the state and **Ms. Duncan** stated that she did not have the expertise to speculate why this was. She said that the main issue was that the funding for deferred maintenance on state buildings is going down, while the need is going up.

Mark Bruno, Office of Budget and Programming (OBPP), introduced himself and said that there is around \$60 million dedicated to the university system debt service under the Long Range Building Program, and they are happy with this amount.

Ms. Duncan said that in the past, most debt service came out of the general fund but this practice was stopped in the 1990's and the debt service was directed to be paid with coal severance tax revenues and this was the reason that coal severance tax money began going into the Long Range Building Program.

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SEN. COONEY asked about the current status of bonding. He wanted to know if the state had an increased amount of debt service or if this amount was being reduced.

Ms. Duncan said that she would like to answer the question later when she could present some concrete numbers and **SEN. COONEY** agreed.

CHAIRMAN WELLS told **Ms. Duncan** that he had some of the same questions and thought that discussing the question later with the whole committee would be helpful.

SEN. TESTER also suggested that we get someone in to speak to the committee about the current bonding situation.

CHAIRMAN WELLS agreed and suggested that the committee try and find some point on the agenda to fit in the presentation.

{Tape: 1; Side: A; Approx. Time Counter: 15.8 - 18}

Ms. Duncan went on to explain the State Building Energy Conservation Program. Under the program, the DEQ is authorized to pay for state building upgrades. The buildings are examined by the DEQ and if it is determined that the improvements will generate energy savings, that portion of the upgrade is funded through the program. The savings are calculated and placed into an account which pays for the debt service of the bonds and for program administration. Any additional savings are returned to the Long Range Building Program. This accounts for the DEQ transfers from energy savings section in the program's revenue. The program is expected to receive \$160,000 as a result of these projects over the biennium.

{Tape: 1; Side: A; Approx. Time Counter: 18 - 20.4}

Ms. Duncan went over the Treasure State Endowment Program (TSEP) next. The TSEP hearings begin for the committee on Monday, January 10. The committee will be hearing 47 grant requests under the program.

SEN. TESTER asked where the funding line was cut in determining which projects would be funded through the program.

Mark Bruno said the executive budget showed that under current law about \$17.4 million in debt endowment interests will be available for TSEP, however the OBPP and LFD differ on their estimates.

Cathy Duncan told the committee that TSEP is all funded with interest earnings from a trust and there is some question about the way that bond sales have affected the interest earning accounts over the past biennium. This could cause both the LFD and OBPP estimates to change. At this point, the OBPP estimate is \$17.4 million, however it was unclear to her whether or not this included emergency and pre-engineering grants. Given the current analysis, it is estimated that up to \$17.7 million of the TSEP program can be covered with the current funds available.

{Tape: 1; Side: A; Approx. Time Counter: 20.4 - 26.5}

SEN. TESTER asked if there was any way to receive an update of past projects and if any of those projects were not meeting the requirements, could their money be rolled back into the TSEP program.

Ms. Duncan said she knew of two projects that were going to be terminated from the previous biennium, but the question could be better answered by Jim Edgecomb, Department of Commerce, when he visited the group on Monday.

Ms. Duncan continued her presentation to say that TSEP loans were not used often by the communities because they do not have a very good interest rate and DNRC has been given \$56,000 for administering these loans during the next biennium. She only knew of a few communities who had began the paperwork for a TSEP loan, and they had never followed through.

SEN. COONEY asked if there had ever been a loan made out of TSEP.

Ms. Duncan answered that no loans had been made.

CHAIRMAN WELLS asked if the administrative costs for the program were worthwhile if they had never really been used.

Ms. Duncan stated that TSEP works very closely with DNRC and Renewable Resource Grant and Loan Program on all of the water projects.

Mark Bruno asked if there was also a revolving federal fund which is administered by DNRC that could be used. He thought that may be one of the reasons there had not been a lot of activity with TSEP.

Ms. Duncan said there was a number of places applicants could go for loans and DNRC has a loan capacity sufficient enough to facilitate these loans to communities on a regular basis. The two programs work closely and many TSEP projects are also receiving Renewable Resource Grant and Loan monies.

{Tape: 1; Side: A; Approx. Time Counter: 26.5 - 31.5}

Ms. Duncan began presentation of the Treasure State Endowment Regional Water System Program. The program was started a number of years ago with its own trust and work just began on the program during the last biennium. The DNRC actually administers the program and currently most of the work is centered on one project. John Tubbs, DNRC will be speaking to the committee in more detail regarding this at Monday's meeting.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 2.6}

Ms. Duncan stated that the only issue outside of the interest earnings issue previously discussed, were the administrative expenses associated with the program. Last biennium was the first

time administrative expenses were allowed to come out of the fund. These costs totaled \$660,000 in the last biennium and \$1.1 million are being requested from the fund to cover administrative costs for the current biennium. Administrative costs associated with this program are significant and currently take up one-third of the earnings of the trust.

{Tape: 1; Side: B; Approx. Time Counter: 2.6 - 3.7}

SEN. COONEY asked why money was first appropriated for program administration during the 2005 Biennium when the program itself has been around for many years prior.

Ms. Duncan answered that though the program has been around, it has not been implemented until recently.

CHAIRMAN WELLS asked where the Treasure State Endowment Regional Water program appeared on the committee schedule.

Ms. Duncan said that the committee would probably hear about the program at the end of the TSEP presentation, although it was not explicitly listed on the schedule. This is because the program was previously administered by TSEP and the DOC.

CHAIRMAN WELLS said that he was wondering who would present the program because its administration is presently the DNRC and he would like to hear more about the program.

Ms. Duncan stated she would put it on the committee schedule and began her presentation of the Renewable Resource Grant and Loan program. Like TSEP this program offers grants for water projects, but the focus is more on renewable resources rather than financial need. The program funds 59 projects with \$4 million and also offers a loan program. Previously an account was set up for the program, but over the years the account has been used for other purposes. There are instances where the appropriations taken out of the fund are not equal to the amount going in.

CHAIRMAN WELLS acknowledged that there were problems with the program funds, but asked if these were the responsibility of the Long Range Planning Committee.

Ms. Duncan said that she wanted to point out the funding issues with the program because it may make it harder for the committee to get a true picture of how much money is really available for grants.

SEN. TESTER asked if there was a way to find out exactly what was happening with the \$1.5 million dollars that is supposed to go to

water adjudication. He has heard that the executive branch wanted to appropriate additional funds and wanted to know how all of the money fit together.

Ms. Duncan answered that the appropriation would be very complex and is further complicated because the money flows between the Renewable Resource and Reclamation and Development Grant accounts. Ms. Duncan said the accounts were set up for grant administration and she could not answer why their funds were being used for other projects.

Mr. Bruno stated that while the executive budget was being put together, there was more money available in the Reclamation Development account so it was shifted to some of the administration costs for other groups like DNRC, or DEQ. The water court funds are actually all in the Renewable Resource account, so they should not have been significantly affected. Mr. Bruno stated that he could give more information about this later on if the committee wanted it.

{Tape: 1; Side: B; Approx. Time Counter: 3.7 - 13.9}

Cathy Duncan handed out a revision to the table on Reclamation and Development Grant funds included in Section F, page 22, Figure 11 to the committee.

[EXHIBIT\(jlh05a010.PDF\)](#)

Ms. Duncan began her presentation on the Cultural and Aesthetic Grants Program. The committee will be reviewing 84 grants under this program. In 1997 half of the funds for the program were used to purchase Virginia City and Nevada City. The executive recommendation is to replace the \$3.9 million which was used for those purchases. If this is done, the program will once again become self-sustaining because the interest earnings will meet its needs. Previously money from the general fund has been appropriated to meet the shortfall. In HB 2 there is additional \$40,000 appropriation for administration of this program. Ms. Duncan did not see that the additional money was necessary at this point, but agreed that the numbers could change.

{Tape: 1; Side: B; Approx. Time Counter: 13.9 - 19.9}

Ms. Duncan concluded her presentation and **CHAIRMAN WELLS** opened the floor for questions.

Mr. Bruno stated that he thought it was important for the executive and legislative branches to match their interest earnings estimates with each other.

Ms. Duncan wanted the committee to be aware that expenditure limitations could have an affect on all of the aforementioned programs as well as all general fund programs and she was not yet aware of how this would be handled.

CHAIRMAN WELLS said that the committee had two different approaches it could take:

- 1) The committee could consider all proposed projects without regard to a cap on general funds and then go back and try to adjust the appropriations later
- 2) The committee could keep a running tabulation as they deliberate and make sure that they do not exceed the cap.

CHAIRMAN WELLS said that he would like to discuss the approaches with leadership before making a decision.

Ms. Duncan told the committee to keep in mind the affects of Long Range Building (HB 5). The bill has had an increase of nearly 100 percent in expenditures and will be made effective upon passage, which will make it a 2005 expenditure; however the bill's language stipulates that it should be spent in the 2007 Biennium.

CHAIRMAN WELLS advised the committee to keep Ms. Duncan's statement in mind. He then went over some meeting protocol and scheduled the next meeting for Monday, January 10 at 8:00 A.M. to start hearings on HB 11 TSEP.

Ms. Duncan said that she would bring a schedule of the DOC hearings for those members who had particular interest in them.

SEN. KEENAN said there would be some interesting things in the presentation on Monday and reminded the committee that they would be making some important policy decisions.

{Tape: 1; Side: B; Approx. Time Counter: 19.9 - 27.8}

The meeting was adjourned.

ADJOURNMENT

Adjournment: 9:50 A.M.

REP. JACK WELLS, Chairman

LAURA DILLON, Secretary

JW/LD

Additional Exhibits:

EXHIBIT ([j1h05aad0.PDF](#))