

MINUTES OF THE MEETING
EDUCATION SUBCOMMITTEE
50TH LEGISLATURE

February 17, 1987

The meeting of the Education Subcommittee was called to order by Chairman Dennis Nathe at 8:00 a.m. on Tuesday, February 17, 1987 in Room 104 of the State Capitol.

ROLL CALL: All members were present. Also present were Dori Nielson of the Legislative Fiscal Analyst office, Sib Clack of the Office of Budget and Program Planning, and Deb Thompson, Secretary.

HB611

Representative Dave Brown introduced HB611, allowing the university units to retain 100 percent of indirect cost re-imbursements realized from support of grant activities. He stated that this was an incentive for the University System to secure new contracts (020).

PROPONENTS

Dr. Carroll Krause, Commissioner of Higher Education, discussed indirect costs. He stated that the former funding study, indicated more study was needed on the issue of funding. The seed money was important for the faculty as an incentive to get outside grants and contracts. This was included in the program modification submitted with the budget.

President Tietz (052) explained the indirect cost reimbursements on the campus acted as a catalyst. When funds were low, the faculty responded to the need and worked for grant money. The return, in terms of faculty interest, was unprecedented. These contracts and grants in research training and research development have involved industry and industrial interests creating new jobs and opportunities. He stated that seed and venture money was an economic investment for the state.

Henry McClernan (086), Montana Tech, acknowledged that Tech does energy and minerals research that have direct impact on economic development. The money spent on the MONTS program to stimulate the grant writing by the faculty, the purchase of scientific equipment, and the seed money for starting programs directly encourage economic development in the state.

Dr. Jim Kock, President of the University of Montana, explained the Flathead Yellowbay project with only three FTE on general fund, (114) returns \$4 to \$5 dollars for every \$1 invested.

Todd Hudak, Associated Students of University of Montana, spoke in support of HB611.

Ms. Kathy Horjsi, Montana Federation of Teachers, supported HB611.

Dr. John Jutila, (179) vice-president for research at Montana State University, stated that indirect cost funds enhanced the intellectual environment. The use in the MONTS program brought outstanding students to explore new ideas and allowed faculty to develop competitive proposals. Money invested in this way has been successful. Grants are also offered to graduate students. He encouraged the committee to react favorably to the bill.

There were no opponents.

Chairman Nathe asked if all indirect money was tied to research grants. Jack Noble clarified that a very small amount was affiliated with student services, most of which was federal work study funds. Chairman Nathe asked for information on indirect costs system wide.

HB660

Representative Peck introduced HB660. HB660 provides by statute rather than boilerplate language appropriation authorization for Montana University System. He explained that section 1 and 3 move existing boilerplate language in HB500 into statute and would terminate June 30, 1989. Section 2 and 4 are identical to 1 and 3 except for the current designated subfund. (233) The legislative council recommended the need for this bill. A significant amount of money, approximately 25 million dollars annually, is in the current designated subfunds. A Supreme Court decision stated that the legislature appropriation power now extended beyond the general fund and encompassed all those public operating funds of state government. The funds addressed by this bill are public funds.

There were no Proponents.

OPPONENTS

Commissioner Carroll Krause opposed the bill. He stated that management requires flexibility in establishing designated accounts funds as the need arises (325). He agreed

that there was a large volume of money is involved. The computer operations and telephone system is also a chargeback to the departments. The chem lab, carpentry lab, field trips are fees approved by the board as miscellaneous accounts charged back to students. Plant funds are used often as temporary holding accounts. The volume of activity in the accounts is substantial and they cannot estimate how much activity is going to be in them. He said that this kind of flexibility was needed.

Jack Noble, Deputy Commissioner for finance (385) stated that the legislature in the past had gone through portions of designated accounts and decided it was too time consuming. Over 400 course fees establish recharge centers. All building funds and revolving general funds were all pledged in the plant funds. Millions in bonds are issued and approved by the Board of Regents. He asked that prior to the bill being put in statute, the committee go through designated accounts and other funds and make evaluations.

Glen Williams, Vice President of Fiscal Affairs of University of Montana, spoke in opposition to the bill. He listed various fees and revolving accounts. He stated that this bill would not give the control the legislature wanted.

There were no further opponents.

Representative Peck (556) stated that the bill addressed the legislature's constitutional obligation to track the 25 million dollars with no intention of interference. (660)

MONTANA UNIVERSITY SYSTEM - Executive Action

Research: Dori Nielson explained how adjustments were made in public service, research and plant. (Exhibit 1)

Sib Clack said that MSU had restructured organized research and reduced their budget significantly so the executive did not reduce them further. President Tietz commented that this was a routine part of the budget.

Bruce Shively, budget officer for Montana State University (196) stated that the LFA budget was more accurate.

Sib Clack commented that the process used by the budget office was to have base reflect the actions of Special Session III.

Senator Jergeson asked if retention of the indirect cost reimbursements would affect the level of activity in the organized research program. President Tietz replied that the two programs were different.

Dori Nielson (290) explained the figures for the operational plans for 1987. MONTCLIRC was one issue that had been added to the research program in the last biennium. User fees are in a separate designated fund and are not included in the current unrestricted budget.

Sib Clack (341) explained MONTCLIRC provided legal research assistance to all Montana judges, county attorneys, public defenders, court appointed council, sheriffs, and correctional officers. The program had been set up by emergency grants from the Board of Crime Control and another grant by the Northwest Area Council. A provision from the Northwest Area Council grant was that MONTCLIRC seek permanent funding from the legislature. The 1979 legislature funded MONTCLIRC under the Board of Crime Control, and then funded the program under the Supreme Court. The executive recommended continuation of general fund support for the program but suggests boilerplate language be included that they generate from user fees 25 percent of the general fund total for both years of the biennium.

Dori Nielson commented that MONTCLIRC provided a service to the criminal justice system which is not provided elsewhere.

President Koch, University of Montana, suggested that MONTCLIRC might be placed in the public service program instead of research.

Henry McClernan, Director of Research at MCMST, stated that research at Montana Tech was applied in the mineral resource development area. The proposal that had been presented to the committee had been a plan to spend the appropriated money. This plan included the MONTTS program which was the most efficient way to write competitive grants; the coal processing and quality determination that impacts directly on taxes and programs in the state; and enhanced oil recovery projects.

Chairman Nathe appointed a subcommittee with Senator Hammond as chairman and Senator Jergeson and Representative Peck to look at the public service portion and other portions to develop language in order to achieve consistency. Some programs appear to be inconsistent between and within units. MONTCLIRC appears to be more appropriately a public service program.

Representative Regan (116) stated that MONTCLIRC was part of the law school and used as a work study program. In past sessions the merits of this program were questioned. A user fee had been requested by the legislature to show a need for the service and each biennium the appropriation would be reduced as user fees increased. The program had not come up

to the level that was expected. There was still concern that public service or the criminal justice system may be a more appropriate place for the program.

Senator Jacobson moved to accept current level under research in FY88 and FY89 with zero vacancy savings and to remove the MONTCLIRC program from the appropriation of the University of Montana research program (173) The motion PASSED with Senator Jergeson voting NO.

Plant: Dori Nielson explained the adjustments to base in the six units.

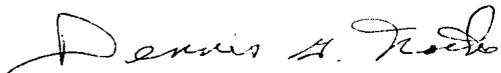
Sib Clack mentioned that Northern Montana College had difficulty with student occupancy in the dorms and had used current unrestricted funds in that area.

Mr. Bill Byars, Director of Fiscal Affairs (346), said there were major repairs that caused some one-time expenditures, but more assistance was needed for maintenance.

Senator Jergeson questioned comparisons by the square footage of buildings. Since several units had indicated their plant budgets were the lowest per square foot in the system. He asked for some form of consistency in order to fairly fund the unit's needs.

(2-B) President Tietz (200) explained energy savings that MSU had obtained and felt the efficiency should be reworded by allowing them to retain that amount in the base for other plant needs. Mr. Craig Roloff commented on the sharp increase in water rates.

ADJOURNMENT: The meeting was adjourned at 11:23 a.m. The next meeting was announced for 8:00 a.m. on February 18.


DENNIS NATHE, Chairman

UNIVERSITY SYSTEM - SIX UNITS
BASE ADJUSTMENTS - INCREMENTAL PROGRAMS

PUBLIC SERVICE Program

Unit	Exp over FY86 Approp Current Level	Reduc from FY86 Expend Executive Budget
-----	-----	-----
MSU	\$0	(\$386)
UM	(\$11,054)	(\$8,732)
EMC	\$0	(\$10,769)
NMC	\$0	(\$179)
NMC	\$0	\$0
Montana College of Mineral Science and Technology	\$0	\$0

RESEARCH Program

Unit	Exp over FY86 Approp Current Level	Reduc from FY86 Expend Executive Budget
-----	-----	-----
MSU	\$0	\$0
UM	(\$116,064)	(\$23,142)
EMC	\$0	\$0
NMC	\$0	\$0
NMC	\$0	\$0
Montana College of Mineral Science and Technology	(\$7,651)	(\$826)

PLANT Program

Unit	Exp over FY86 Approp Current Level	Reduc from FY86 Expend Executive Budget
-----	-----	-----
MSU	\$0	(\$153,225)
UM	(\$10,920)	(\$148,654)
EMC	\$0	(\$60,221)
NMC	(\$175,677)	(\$39,253)
NMC	(\$12,368)	(\$28,009)
Montana College of Mineral Science and Technology	(\$7,651)	(\$54,000)

HOUSE BILL NO. 660
 INTRODUCED BY Rep. NATHAN McMillan-Dington

1 into in pursuance of law, permitting such disbursement.
 2 (3) Money paid into the state treasury through error
 3 or under circumstances, such that the state is not legally
 4 entitled to retain it and a refund procedure is not
 5 otherwise provided by law, may be refunded upon the
 6 submission of a verified claim approved by the department of
 7 administration."
 8 Section 2. Section 17-8-101, MCA, is amended to read:
 9 "17-8-101. Appropriation and disbursement of moneys
 10 from the treasury. (1) Moneys Except as provided in
 11 20-25-302, money deposited in the general fund, the special
 12 revenue fund type, the enterprise fund type, the internal
 13 service fund type, and the capital projects fund type, the
 14 current unrestricted subfund, the current designated
 15 subfund, and the plant fund, with the exception of refunds
 16 authorized in subsection (3), shall be paid out of the
 17 treasury only on appropriation made by law.
 18 (2) Moneys deposited in the debt service fund type,
 19 expendable trust fund type, nonexpendable trust fund type,
 20 pension trust fund type, and agency fund type may be paid
 21 out of the treasury under general laws, or contracts entered
 22 into in pursuance of law, permitting such disbursement.
 23 (3) Money paid into the state treasury through error
 24 or under circumstances, such that the state is not legally
 25 entitled to retain it and a refund procedure is not

1 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE BY STATUTE,
 2 RATHER THAN BOILERPLATE LANGUAGE IN THE GENERAL
 3 APPROPRIATION ACT, THE APPROPRIATION AUTHORIZATION FOR THE
 4 MONTANA UNIVERSITY SYSTEM; TO HAVE THE LEGISLATURE ESTABLISH
 5 THE CURRENT DESIGNATED FUND APPROPRIATION BEGINNING IN THE
 6 1991 BIENNIUM; AMENDING SECTIONS 17-8-101 AND 20-25-425,
 7 MCA; AND PROVIDING EFFECTIVE DATES."
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 9 Section 1. Section 17-8-101, MCA, is amended to read:
 10 "17-8-101. Appropriation and disbursement of moneys
 11 from the treasury. (1) Moneys Except as provided in
 12 20-25-302, money deposited in the general fund, the special
 13 revenue fund type, the enterprise fund type, the internal
 14 service fund type, and the capital projects fund type, the
 15 current unrestricted subfund, and the plant fund, with the
 16 exception of refunds authorized in subsection (3), shall be
 17 paid out of the treasury only on appropriation made by law.
 18 (2) Moneys deposited in the debt service fund type,
 19 expendable trust fund type, nonexpendable trust fund type,
 20 pension trust fund type, and agency fund type may be paid
 21 out of the treasury under general laws, or contracts entered



1 otherwise provided by law, may be refunded upon the
 2 submission of a verified claim approved by the department of
 3 administration."

4 NEW SECTION. Section 3. University fund spending
 5 authority. (1) The spending authority for all funds
 6 appropriated for the university system other than the plant
 7 funds and the current unrestricted subfunds is contingent
 8 upon approval by the board of regents of a comprehensive
 9 program budget by July 1 of each year. The comprehensive
 10 program budget must contain detailed revenues, expenditures,
 11 and anticipated fund balances for current funds, loan funds,
 12 and endowment funds.

13 (2) All movement of funds between the current
 14 unrestricted subfund account and the current designated
 15 subfund account must be clearly identified in the state
 16 budgeting and accounting system.

17 (3) Programs for the comprehensive university budget
 18 include instruction, organized research, public service,
 19 academic support, student services, institutional support,
 20 operation and maintenance of plant, scholarships, and
 21 fellowships.

22 NEW SECTION. Section 4. University fund spending
 23 authority. (1) The spending authority for all funds
 24 appropriated for the university system other than the plant
 25 funds, the current designated subfunds, and the current

1 unrestricted subfunds is contingent upon approval by the
 2 board of regents of a comprehensive program budget by July 1
 3 of each year. The comprehensive program budget must contain
 4 detailed revenues, expenditures, and anticipated fund
 5 balances for current funds, loan funds, and endowment funds.
 6 (2) All movement of funds between the current
 7 unrestricted subfund account and the current designated
 8 subfund account must be clearly identified in the state
 9 budgeting and accounting system.

10 (3) Programs for the comprehensive university budget
 11 include instruction, organized research, public service,
 12 academic support, student services, institutional support,
 13 operation and maintenance of plant, scholarships, and
 14 fellowships.

15 Section 5. Section 20-25-425, MCA, is amended to read:
 16 "20-25-425. Control of expenditures. Pursuant to
 17 [section 3 or 4], the terms of appropriations of the
 18 legislature or of congress or of gifts of donors, the
 19 regents shall determine the need for all expenditures and
 20 control the purposes for which all funds shall be spent,
 21 subject to the provisions of the law dealing with state
 22 purchases."

23 NEW SECTION. Section 6. Codification instruction.
 24 Sections 3 and 4 are intended to be codified as an integral
 25 part of Title 20, chapter 25, part 4, and the provisions of

1 Title 20, chapter 25, part 4, apply to sections 3 and 4.
2 NEW SECTION. Section 7. Effective dates --
3 termination. (1) Sections 1, 3, 5, and this section are
4 effective July 1, 1987.
5 (2) Sections 2 and 4 are effective June 30, 1989, and
6 section 3 terminates on that date.

-End-

1 House BILL NO. 611 Waller Norm
 2 INTRODUCED BY Don Brown Michael
 3 David Ellison Stanley Gregg Laurel John
 4 Boyer Victory Frank ACT ALLOCATING
 5 REIMBURSEMENTS FOR INDIRECT COSTS OF UNIVERSITY GRANTS AND
 6 CONTRACTS TO THE UNIVERSITY SYSTEM, AND PROVIDING AN
 7 EFFECTIVE DATE. "Early Enrollment Program"
 8 Enrollment Program" Enrollment Program"

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Allocation of indirect cost reimbursements.
 11 Any reimbursement for indirect costs associated with a grant
 12 to or contract with the Montana university system or any of
 13 its units is allocated to the designated subfund of the
 14 university current fund, as provided in 17-2-102, for
 15 distribution to the unit receiving the grant or under the
 16 contract.

17 Section 2. Codification instruction. Section 1 is
 18 intended to be codified as an integral part of Title 20,
 19 chapter 25, part 4, and the provisions of Title 20, chapter
 20 25, part 4, apply to section 1.

21 Section 3. Effective date. This act is effective July
 22 1, 1987.

-End-



APP
36

From Deb. Thompson

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB611, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act allocating reimbursements for indirect costs of university grants and contracts to the University System.

ASSUMPTIONS:

- 15% of all indirect cost recoveries are currently deposited in the designated fund; 85% are appropriated for general operating costs of the university units.
- All indirect costs recoveries of each university system unit would be deposited in a designated fund for use by the unit.
- General fund money would replace the indirect cost revenue that is currently appropriated for general operating costs of the units.

FISCAL IMPACT:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Designated Fund	\$ 278,118	\$ 1,854,118	\$ 1,576,000	\$ 278,118	\$ 1,854,118	\$ 1,576,000
Current Unrestricted	1,576,000	0	(1,576,000)	1,854,118	0	(1,576,000)
TOTAL	\$ 1,854,118	\$ 1,854,118	\$ 0	\$ 1,854,188	\$ 1,854,118	\$ 0

89 Biennium Difference:

Designated Fund	\$ 3,152,000
Current Unrestricted	(3,152,000)
TOTAL	\$ 0

NOTE: Current Unrestricted Fund impact will be state General Fund impact.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

None.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Research activities of the units should increase with more designated fund revenue available to support research activities.

David L. Hunter DATE 2/6/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

Dave Brown
DAVE BROWN, PRIMARY SPONSOR

DATE

Fiscal Note for HB611, as introduced.

VISITORS' REGISTER

Education

COMMITTEE

BILL NO. _____

DATE 2-17-87

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
ED Ayres	Butte/Mt Tech		
CAROL KRAUSE	HELENA		
CRAIG ROLOFF	MSU/Bozeman	✓	
Bruce H Carpenter	SAC		
Bill [unclear]	[unclear]	✓	
Bruce Shindler	Bozeman MSU		
MATT THIEL	ASLIM		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.