

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

March 15, 1979

The eighteenth meeting of the Finance and Claims Committee met on the above date in Room 104 of the State Capitol Building.

ROLL CALL: All members present except Senator Thiessen of the Senate Committee.

Rep. Bardanouve called the meeting to order at 8:02 as a Joint Hearing on the section on the University system, general education, community colleges, etc. He asked Rep. South to present the Educational subcommittee report. He also explained that the portion of the bill that had federally earmarked money must be a public notice hearing, have been advertised in the paper, and given the opportunity to participate in the hearing. He said he had and was in compliance with the law.

Rep. South presented the subcommittee members, the fiscal analyst and thanked them for the work that they had done. He said they had given the board of education the power of budget amendment in order to give them the authority to move money from one to another of the 5 vo-tech centers. He said they would take the part of the main bill and the explanation that was labeled "other education" first, to be followed with the higher education.

Rep. South went through the bill and said they had made recommendations on special education. At the present time special education has no ceiling on it, and had no special recommendations if costs should rise drastically above what costs were anticipated. We have put a ceiling on it. If this ceiling is reached and we do not have all the special education costs it would then go back to the local districts. The mechanism is not in this bill, but in another one that is going through the legislature. He said it must be recognized that people could move into an area; and the local conditions would change. They were recommending a \$1 million contingency fund in OSPI to take care of special education if the need should arise.

Rep. South went on through the explanation of the bill and Rep. Bardanouve called for citizen input on the part containing federal revenue sharing. No one wished to speak, the explanation continued, and then went on into the section on Higher Education.

Higher Education: Rep. South explained this section of the bill, and the differences between the executive, LFA, and subcommittee recommended budget; the reason for the supplements, and went through the written explanation of the bill.

Rep. Bardanouve further explained the computer at MSU. He said that last fall the finance committee found out that the computer at MSU is worn out. It is no longer capable of being maintained. Since they had done similar on one of the other systems a few years back they felt this was the only fair treatment.

Rep. South: The computer will cost \$2.3 million. The subcommittee is recommending in one way or another for the state to provide \$1 million of this amount. They have made an agreement with MSU to do this.

The meeting was opened to questions from the committee, and Rep. Bardonoue went back to the beginning and started with Other Education.

Board of Education: No committee questions.

OSPI: Rep. South explained that he had missed part of the explanation on this section, and went back to cover it.

Rep. Marks: There is a recommendation for more FTE. Is this special ed auditors or what? Rep. South: They will work with the special ed people to see that there are no more excessive increases or errors and can spot check the different districts to see that they are doing what they are supposed to be.

Vo-Tech: Sen. Lockrem: Do you have a recommendation for the appropriation for Vo-Tech in regard to the accounting system? Rep. South: We should have the figures ready when the bill goes to the Senate. Vo-Tech has agreed to go on SBAS. All the funds would have to go through the State Treasury. They would come on the central payroll. The only way to come on SBAS is to come on the central payroll and have them sent out by the State Auditor. They are still working on it to see how much the cost will be. To anyone who has seen the audits, it is quite obvious that they need help with their accounting system.

Senator Lockrem asked about the investments, and whether the investment income went to the general fund or to vo-tech. Rep. South said that they could only be sure they would go to the vo-tech by putting the funds in the treasury and the funds will be invested. Then, specifically, the interest goes into vo-tech and not just to be offset next year. It would have the same effect either way.

Sen. Story: Some of the vo-tech people in high schools were afraid that if the high schools were not a line item in the budget they might get their programs cut.

Rep. South: This will not affect the secondary area at all.

Senator Story: This seems to be quite an increase -- 14%. Rep. South: The high cost is in the salaries. We appropriated for on-going programs but not for new and expanded programs. There are three bills in the legislature which will change the appropriation. This is the last fiscal appropriation going to vo-ed.

In answer to a question from Sen. Lockrem, Rep. South said they have not taken into consideration the enrollment for any of the vo-techs or community colleges this time. They did not have enough information.

Senator Lockrem: Isn't the time frame inconsistent with the vo-techs. They are not the same as a college for instance.

Rep. South: They need to develop a uniform manner to count enrollment. They may be there on the day before or after the count is taken, and drop out or come in after. It is different than a university.

Rep. Marks: Are you working at an ANB calculation on the vo-techs?
Rep. South: Perhaps they should count on the 12th day and see how many are there at the end of the quarter.

Rep. Hand: About what is the student fee for vo-tech? Rep. South: It is \$40. It will probably be \$80, which is the proposed raise in fees.

School Foundation Program: Rep. Hand: About what is this going to do with the voted levies? Rep. South: There is no way of projecting what will happen in 1980. If the schedules increase, the voted levy should go down. If we increase the schedule, it might not happen. First we must see if the schools will keep the costs about what we think they ought to be.

Rep. Hand: You feel this increase will give this basic education in the state legality of the tax base? Rep. South: Yes, about 75%.

Rep. Marks: What will be the approximate deficiency levies?
Rep. South: None. Rep. Bardanouve: We hope to get a handle on it; the utility rate was big last time.

State Library Commission: Sen. Regan said she would like to comment on the means that were given to get federal funds. Rep. South said that this appeared between sessions - the federal funds became available and the interim finance committee decided to take the money and pass it through for Library Federations. We did not know by accepting this in that year that we were obligating ourselves to continue this. This is the actual minimum we can appropriate and still get the federal dollars.

Sen. Fasbender: Because the salaries are taken out of the federal funds, that matching amount will go up. There are rumblings from Washington that what we sent back there changed this to salary increases rather than salary.

Historical Society: Rep. Hand: I have been hearing that the Society is upset. Would their quarters change at all? I was told that they have an office here. Rep. South: They have the whole building. They share a portion with the veterans upstairs. This does not relate to that.

Sen. Boylan: Is there anything more in the bill for security?
Rep. South: No. Rep. Bardanouve: In another area, the Department of Administration, there is some funding for this.

Rep. Waldron: Is there any money to move that painting over to the Senate where it belongs? Rep. Bardanouve: I think we had better leave that alone.

Arts Council: We did increase the general fund money to bring them up to the current level. I would hope this would be

satisfactory to them.

Board of Regents: No comments.

Commissioner of Higher Education: Sen. Smith: I would like to ask a question in regard to an article I read that they were going to continue to fund the commissioner that retired at salary for 6 months as an advisor. Is this true? Rep. Bardanouve: This is in this beinnium - not in the one before us. Sen. Regan: How long does their office lease run? Rep. South: I believe for 9 years, starting in '76 it was a 9 or 10 year lease. It remains at \$6.10 per square foot for the term of the lease.

Community Colleges: Rep. Marks: You indicated a problem in regard to furnishing the local part of it. How do you expect to get the forces together to do that? Rep. South: Through the commissioners office, everyone needs to get concerned. We are heading for financial disaster. It would be an extremely high mill levy for local support. The community colleges are to have complete local control. Rep. Bardanouve: Possibly a revenue bond to the counties. Possibly an assessment on the counties in proportion to the enrollment from that county to put fairly, the cost where it belongs.

Rep. Marks: Is this just a decision sort of thing for the local level? Rep. Bardanouve: There is some cost sharing. Rep. Gesek: It was 65-35 this year. Rep. South: It is the same this year, how it will effect the local mill levy, I am not sure.

Rep. South said the old 65-35 concept had to change. The larger the general fund appropriation the larger the mandated mill levy on the community. If we are generous here on the state level the levy in the local area automatically goes up.

Sen. Regan: Does it also follow that if the local levy goes up we must go up? Rep. South: We went back to our legislative appropriation for the 1979 biennium.

Sen. Regan: The state's share is 65% of the amount shown here, and if the community colleges choose to raise more money it will not reflect our base 2 years from now? Rep. South. If we don't do this, we are bringing in an automatic raise next year.

Sen. Himsl: With no enrollment base whatever, isn't that a problem? Rep. South: The problem of basing it on enrollment is that they come in with say, 1400 students, but by the end of the program they may be down to 600.

Sen. Himsl: In regard to Dawson and Miles - they have the same levies but different enrollments? Rep. South: We don't really know - we have no accurate enrollment figures.

Sen. Himsl: Percentage-wise, this budget is down from last year - '78? Rep. South: Yes.

Rep. Bardanouve: We have three problem areas - community colleges, vo-tech centers, and mental health on a community level. No one has the final control and we are almost at a loss. No matter which way we go it is trouble, criticisms on the one end, and then too

much expanding on the other.

Rep. Menahan: How many students in each college from each county?
Rep. South: We don't have the figures here but we can get them.

UNIVERSITIES:

Montana State University: Sen. Boylan: You know how much the computer is going to cost. You put \$1 million in the computer, where is the rest? Rep. South: We have a semantic difference on what is fees and what is general funds. They are generating large amounts of money - more than they need - for retiring the bonds. There is \$1.3 million from one of these sources.

Rep. Yardley: Is this the money used to build dorms? Rep. South: No. Rep. Bardanouve: We have looked behind the general fund appropriation. We find funds behind funds etc. The fiscal analyst is not #1 on their popularity list.

Rep. Hand: When you retire bonds - isn't this flow through money? Rep. South: They must have adequate reserves. If you pledge \$10 a student and have 4 thousand students - when you get up to 8,000 students you have twice as much.

Rep. Hand: Then the balance can be used for other purposes? Rep. South: You have to have a reserve. Money was sold at 3%; they felt it is better to use that money. The university uses this money in their programs but when the legislature wants to use it they tell us it is illegal. This is true in the reverse, of course. As your enrollment fails, your income fails.

Rep. Marks: How is the problem recognized when the failing enrollment happens? Rep. South: Western almost went into default. The state is always responsible. The reason that we feel obligated to fund \$1 million to the computer is because that is the same percentage we contributed to U of M when they had the same problem.

Rep. Bengston: Could you explain just why the subcommittee appropriated the designated subfunds? I had some problem with this and would like to go into this funding. Rep. South: It is not a unique approach in state funding. It is necessary to monitor it. 80% of the funding going into some of these designated sub-funds is general fund. We think it is critical we monitor these funds. All that is needed to exceed this appropriation is a budget amendment. Currently the commissioner files these. We do not feel that is proper; we feel the board of regents should do so. We always appropriate revolving funds.

Rep. Yardley: Here we find that student fees have an area outside of the purpose of the fees. Rep. South: That is not a radical departure. Once they go through the bond requirement they become other lawful purpose funds. At one time the university could do this on their own vote. The legislature did not do it. Rep. Hardanouve: The students themselves put a lot of hours and did a lot of work on this.

University of Montana: Rep. Waldron: On page 5 of the bill - where the experiment station, etc., is - I don't see the forestry experiment station. When you separate it out, shouldn't it be there? Rep. South: In relocation - there is nothing to see about separating it from the U of M. One of the problems actually is that this would necessitate another hearing. We have a serious problem as hearings were finished just two weeks ago. We had to determine what to do. We need more information on the importance of breaking the school away from U of M. I don't think it will benefit U of M one bit.

Senator Regan: In '73 and '74 we would line out and separate how the forest system worked. It was done at the request of the forest station. Rep. Bardanouve: It is only a bookkeeping system. For P.R. relations only, it shows a bad comparison. Rep. South: It is rather a small amount - \$270,000 in '78.

Rep. Dussault: The subcommittee made a tentative decision to pull the forest experiment station last week. The result was to split organized research dollars between the two units. Why is this not in the university budget? Rep. South: We talked about it to see how much research was done, and could not separate it, but we need to do more work and can then recommend a change. He explained how they had allocated the money between MSU and U of M and the overlapping programs involved.

Eastern Montana College: Sen. Regan referred the committee to page 7 on the material following the appropriation bill. She said they were a class 2 school, but were not treated that way consistently. One way on a student ratio, the other on the salaries. Why not the 94-96% recommended by the commissioners' office? Rep. South: First, I personally think the 94-96% is an arbitrary figure indicating this is where the faculty is now and where it would get to go. It is a category 2 school, it offers no doctorates, cannot compare to the U of M or MSU. The situation at Eastern is one that probably developed back in '75 and '76 when EMC gave a one year increase of 13.9% to the faculty. That placed them above what the state could ever catch up on for state pay raises. The committee is still convinced it is indeed a category 2 school. We do not wish to change the 90% category for Eastern.

Sen. Regan: If we are #2, then why did 19:1? Why not play fair? You can't have it both ways. Size is not relevant to faculty salaries. It is relevant to student faculty ratios. It is three times larger than the next size schools. We looked at the 8 year trend. They had historically operated in a 20 + ratio. We reduced it down last session.

Sen. Regan: It seems to me we are being penalized for running a tight ship. I would appeal to the committee to take a good hard look at this.

Montana College of Mineral Science and Technology: No comments.

Northern: No comments.

Western: Rep. Hand: In separating Western out, my people have been somewhat dismayed. We have a drop of 11 percent and a 5 percent drop in 1981. Rep. South: One reason is when we come off the 1978 base at Western - at that time Western was paying utility for auxiliary building with general fund money. Now the auxiliary money is used for auxiliary utilities. #2, coming off the 1978 base, there is no change in operation; if you increase in '79 more than our guidelines then you could have an '80 budget less than the '79. Another disparity - the other campuses had a drastic utility change between '78 and '79. The others were paying out of general fund money.

Rep. Hand: There is criticism of the subcommittee for cutting the comptroller. This position is greatly needed. Rep. South: There is no legislative intent to cut the comptroller. We cut the amount of money. The campus can decide who will be cut, and what the combination of people will be - not the legislature.

Rep. Hand: I hope you do not tie the hands so that we can still pull out of what we are in now. Wasn't one of the administration increase because of the computer system we have down there? Rep. South: There is no problem with that.

Bureau of Mines: Rep. Hand: You funded the ground water studies? Rep. South: \$47,000 appropriation to different water studies. Rep. Hand: Is this an on-going program? Rep. South: Yes. One is in the group with the U.S. Geologists. This is a ground water survey. They get matching federal money to do this.

Coop Extension Service: Rep. Marks: In regard to KEEP. You reduced some funding on it or moved it down to another place? Rep. South: We took it out. Rep. Marks: What was the committee's valuations there? Rep. South: We have higher priorities than KEEP in Montana. We retained KEEP in 1975. They were able to generate a large amount of federal money. It was taken out in '77; people in the state said if we gave them \$30,000 they could generate the money. They still have this, but this time the people did not know how or where they could generate the extra money. There was no need to keep it with just the state money. They could not do anything with it anyway.

Senator Smith: I have one question on EDEAM. What was the reasoning here? Not getting our money's worth out of it? Rep. South: We are against adopting any new or modified programs this year. We did not feel we should bring in new funds without evaluating the current on-going ones. We thought we would like to have an economist in the Department of Agriculture in Eastern Montana or a sheep specialist.

Rep. Nathe: How do you justify the sheep specialist? The decrease in sheep population in the state of Montana against EDEAM? Rep. South: I am not in agriculture myself, but I think sheep are important.

Senator Smith: This was just a trade-off. Senator Fasbender: Federal money will still come in to keep EDEAM going. We just felt

the trade-off was better. The office of Commerce is doing a similar thing to EDEAM.

Rep. Nathe: Is there money still going in? Sen. Fasbender: Only the general fund money was taken out.

Rep. Nathe: What does it do to the person hired out there?

Rep. South: \$12,000 from the state. We took out the \$12,000 and the \$14,000. \$17,000 federal for '77 and \$23,000 plus for '78 funds are still there and still coming in.

Rep. Moore: We have been trying to build up the extension service over the years. We now have a dairy man, a sheep man, a beef man and a hog man, etc.

Agricultural Experiment Station: Rep. Manuel: On the \$100,000 herd balance, do you consider it adequate to finance the operations? What if they have to buy cattle?

Rep. South: I don't think this \$100,000 is restrictive. There is a bill in the legislature - you can run negative cash position. If at the end of the year you are still in a negative cash balance, you can book a loan. You can't start new programs to replace the whole herd. They have a separate account for purchasing cattle. They can only spend it for two things - to replace cattle or to put funds in the operational budget.

In response to legal use of student fees and as to whether it would then short the fund, Rep. South answered Rep. Nathe that at MSU they have twice as many student fees as needed. There are two bills in the legislature for some building additions that would benefit the students. They are generating enough to build some additional buildings

OSPI: Alve Thomas asked if they were to eat the \$200,000 budget for adult education. It was in the budget last year and not in this budget. Rep. South: We decided on a 3-3 vote there would be no funding.

Ms. O'Leary in the elementary educational learning field said that with the \$200,000 they were able to get into the outlying areas of the state. They got into Lincoln, Townsend and would go into Boulder this year.

Mr. Hoffman said these funds affect 39% of the Dawson area which serves a satellite area, \$130 a pupil, \$11 an hour for instruction, amounting to 24¢ per student cost per hour per student for instruction. It has a potential of handling 39% of the population of the state. Flathead Valley Community College handles the same - Kila, Polson and Thompson Falls. Fifty or 60 students at a time would not be learning.

Rep. Moore: We just moved the state general funds. There are several million dollars of federal monies for this purpose.

Vo-Tech Centers: Glenn Burgess, Billings Vo Tech center said he

would recommend funding there. He felt they needed more money and gave his rationale to support his position. He said in 1975 their involvement gained a lot of enrollment because of their involvement in special programs. Three new programs in previous years, after '75 the growth occurred and the enrollment began to increase. In 1976 they were awarded \$183,000 CETA funding to take care of this increase. 1977 was the peak of growth, the legislators took a position of handling the funding at a subsistence level. This level was with a predicted 16% growth in enrollment. We did not have the 16% according to the people who studied it. Our increases were: 24% in 75-76, 15% in 76-77 and 24% in 1977. At the same time we had to take another appropriation cut of 7.5 in our staff at the center. We had 57.5 FTE but some were funded from CETA. We made these cuts in the last 2 years and tried to hang on. Two more years of CETA (soft monies) we can continue but have been advised we can expect \$80,000 CETA each year. Our need to take care of the enrollment is \$145,000 for the next biennium. \$98,000 for next year, and \$45,000 for the second year.

Rep. South: The subcommittee revised it, we funded them at the 1978 level with inflation.

Rep. Moore: We have \$330,000 a year in federal monies in the OSPI for additional basic education - \$152,000 in the biennium for CETA. Each school district has an optional 1 mill levy for additional education.

Rep. Waldron: What is the increase over last year? Curt Nichols, Fiscal Analyst, said it is about the same.

Mr. Stockton, office of OSPI said the one mill levy for adult education is completely different.

Rep. South: It includes adult basic education.

Dr. Key, OSPI, on the Butte summer programs; will they be re-instated - will this include some of the money included in vo-tech? Similar programs were dropped during 78-79 - it is re-instating this program?

Rep. South: No. If it was in the '78 program it is in our recommendations.

Foundation Program: No questions. No questions on Advisory Council, Library Commission, Historical Society, Deaf and Blind School in Great Falls or the Arts Council.

Higher Education: Commissioner of Higher Education Office: None.

Board of Regents: George Bandy, acting commissioner, said they did appreciate the additional \$5,000. When the analysis was made of the office, it was his recommendation that the office was very nearly being to the point of having adequate staff. They made the request, and appreciate the fact that the committee is recommending current level staff. We hope that in two years when we have the new commissioner on board that you will consider what

he says the staffing should be.

Community Colleges: Dr. Bandy said he wished to make two comments. Two of the community colleges have brought a number of citizens with them who wish to testify. There are some on the U of M, that cannot stay into the evening. The first concern that we have is that they will be severely restrictive. I asked each President to calculate the bottom line budget based on the mode of funding on community colleges, and we have a difference of opinion with the subcommittee. We are willing to sit down and try to work out something satisfactory.

Verne Kailey, Miles Community College elected to sit down with the dean of education and their business manager. They cut three staff members out of the bottom line, and if they go any deeper they will have to cut programs out of the college. He gave the figures of the cut back as \$874,000 and \$116,000 out of \$1,032,000.

Dr. Roan, Miles City, said that one of the things we forget is that on the other end of the dollars are people. He said he would like to take 3 people and show what they had done. One was a lady who is now making around \$14,000 and paying over \$700 in state income tax. If she had not been allowed to go to the community college, she would probably have been on the welfare rolls. Another student went to Miles, was earning money before and took additional education. There is now \$800 difference in the amount of money paid in income tax to the state between the two periods of time. A man who would have been unemployed is now earning an income that pays \$1700 in state income tax a year. It costs about \$1500 to educate a student in the community college. The money that is spent from the state in educating students in the community college comes back to the state in income taxes. We are trying to keep the brains in the state - when they cut dollars, they cut people.

Jessica Stickney, Chairman of the Board of Community College.

The kind of cuts that will happen end up in the long run being irresponsible and takes years to recoup what happens when not funded at a reasonable level. We do have the local and logical scope of serving undergraduate students. We have trained and retrained people to go into the job service; people who have a degree who can go back into areas they want to learn more about. We do not want to become a university - we are growing because we do the job well.

Senator Fasbender: Do you think the students out of the district are being subsidized by the people in the local district? Ms. Stickney: I am perfectly willing to district Montana into a community college area for assessments

Senator Fasbender: Is there any indication as to why they do not go out into the areas and try to have them district themselves into the community college district? Ms. Stickney: I think the incentive is in our area, but not in the bordering areas until the state mandates it.

Senator Fasbender: Do you think you could get the incentive in

Mr. Norman Carey, a Miles City member of the board of trustees, said he would like to give the rural insight - they have a lot of rural kids going to the community college. There is really not much other choice for them; they are farm and ranch kids and that business is not the best these days. Eastern Montana can only absorb about 3 out of 10 in agriculture, and they need training. He said they want more room - that they have their mechanical training all in one room, and they want to put in a building training program. We need a decent school. There is a demand for it. They go to the community college and then pay taxes in our area.

Rep. Moore: This is an expansion. We are also trying to support 5 vo techs in the area.

Dr. Gayle Kyman: Graduated for 20 years from MCC. Provided people to go out in the area. Now we want to have a little help. In my business the college provides a lot of training of older people. One woman was despondent - we put her in an art course and it probably saved her life.

Dr. Judd LeFlower: Perhaps you should understand what a community college is. In the old days you went to college and the education you got lasted for a lifetime. With the change in life and the rapid change in life styles this no longer holds true. The business community needs updated training and retraining in their fields. There are sometimes 3 or 4 job changes during a lifetime. People of all ages are coming to us. No longer are we limited to recent highschool graduates. Work can now be mixed in with the education. We have grown because we have responded to the people's needs. The industrial base in the state is growing in the eastern area.

Senator Fasbender: Is it your consensus then that we should expand the community colleges? Dr. LeFlower: Not to a university, but we need more room to take care of the needs of the local people.

Rep. Moore: This was not a sinister attempt on the part of the subcommittee. We have realized that over the years you have had an open ended budget. It is becoming a great burden on the state as well as the mandated mill levels on the people in the local area. We have left the point. Our total population throughout the state has pretty well stabilized with the increasing cost - three community colleges, five techs, six universities - we have had to be careful with what money we do have.

Mr. Lucas: Our group does not want to take any more time away from the university system than we can help. We appreciate the problem you have. I am surprised and gratified at the grasp that the subcommittees have on the variety of problems facing the legislature. I am surprised however that you can take and in one stroke reduce our budget 29% when in fact the enrollment has increased. The enrollment is increasing dramatically in the outlying areas with night classes, also increasing in the day courses. We should increase as our population increases. Our growth is in industry, home building, etc. It is new growth.

Institutions in such an area are reflecting that growth. The right way is to broaden the tax base. You will not get counties to automatically increase the tax base. It will have to be mandated by the legislature. When you compare Miles and Dawson, you are comparing apples with oranges. One is within the city, one is a rural college. I don't think the comparison is valid. Our enrollment is increasing - we don't go out and get people, they come to us. Instead of a burden, we are contributing to keeping the state viable. Taxes go back into Montana to increase the economic base.

Rep. Moore: We have a beautiful new facility in a vo-tech center, equipped for almost everything, and we are running it at about 1/3 capacity.

Mr. Lucas: If I thought closing our Miles Community College would fill your colleges, I would close it; but this is not so - if we were to close our community college, the people down there would just not get educated.

Dwight Milne, Flathead Valley Community College said that the cut of approximately \$125,000 under the current operating money will reduce whole programs. We are asking to increase \$81,000 in '80 and \$86,000 in '81. This would keep us in a position where we would not have to reduce services in the area. The universities are costing \$3200, \$3500, \$2900, and \$2800 per student, we are at \$2200. It seems to me that the state is getting a bargain.

Jean Roebuck: Students outside the area do not represent a very large percentage of our students. They come to us looking for skills to earn money in their own community. Many cannot afford, or cannot fit into the university. Our people come to us to be employed in their own area. The age average is 27 years. This adds to their ability to pay state taxes. I would agree something needs to be done, and I would be most happy to participate in this. The community colleges were built by getting funds for them from the local districts. The county created it and does support it. The 35-65 formulation is a problem for the county trustees who are elected by the district. If the state cannot fund the 65% the local districts may ask for a levy to make up the difference. There is a difference in the wording of the bill and the actual appropriation - it has stated that this is 65% and it is not. There is a space between them, and it makes it more difficult to go back into the counties and try to explain it.

Rep. South: The subcommittee funded this at 35% of the regents' budget. There can be a difference if you figure 35% of the legislative budget rather than the regents' budget.

Mrs. Keo, Bigfork, said she felt the committee had heard what the problems were and hoped they would consider the request.

George Ostrum, Kalispell - alumni of the community college: he said while he was amazed at the amount of work the committee had done that he felt they were turning the faucet off. He said they are used to being financed in a certain way, and would like

the committee to help them; but felt it was turned all the way off without any warning; They had to do the homework, but needed the help of the committee.

Rep. Moore: This subcommittee has been working on this for three sessions in a row. We did not just turn it off with no warning.
Mr. Ostrum: We are being penalized because we are being efficient. I would like to make a recommendation that this be studied between now and the next session.

Rep. Bardanouve: The subcommittees met every day and they were told this is only \$50,000; this is only \$80,000; this is peanuts - several times a day by the number of days in the session - when you add them up you have so many peanuts the warehouses can't hold them. It makes up a \$500 million budget.

Rep. Menahan: Your school costs \$2200, Montana Tech \$3500 - there is a \$1300 a year difference between a horse shoeing course and an engineering course.

Rep. South: Did your community have a vote taken on a mill levy increase for the support of the community college?

Mrs. Roebuck: I admit they have had some problems in the past.

Rep. South said based on a comparison of the 1978 expenditures for the 1978 students - the cost per student in 1981 would be: MSU \$2300; U.M. \$2600; EMC \$2600; and Western \$3100. This is for the same year.

Mr. Dawson: They gave a handout, attached.

Dr. Bandy: In regard to the universities, there are several people here who wish to speak, and I think we will turn it over to the presidents of the University system.

Dr. Bowers, Missoula: These people are here because they saw what U of M went through last year. They are seriously concerned.

Paul Chalmers, President, First Federal Savings and Loan: He said he has been connected with Montana and Montana Education for about 45 years. Has been connected with the university for about 45 years, first as a student, then as a resident, and had never before appeared before a legislative committee insofar as he had thought the university was getting along well. In regard to the law school, the forestry school, etc., our kids are coming from Montana. There is a quality there that isn't anywhere else. The education was good enough so that the corporations were hiring graduates from there before other people. He said they are struggling with a situation that is a result of overbuilding of submarines, etc. - that proposition 13 was not valid - if we were going to blame the wrath of the taxpayer on the schools we were crazy. He felt the wrath should be left at the federal government, not here. Rep. Bardanouve expressed his opinion that this was not a Jarvis budget - it was more generous than last year.

Rep. Moore: There is a 19.6 increase in the university budget this year.

Dan Lambrose: Said he felt this was almost selling a facility - the investment in an institution. They have some problems in regard to morale there, and because of this, the people are not getting their money's worth.

Steve Finner: Not just Missoula - it is the quality of education that is involved. They are getting a nice increase, but it is not enough to do what needs doing. It is very hard to make the ends meet, you lose good professors when you can't meet the price.

Mr. DeChamp: Executive committee member of the U of M pointed out that Dr. Bowers has been left to explain to the people of U of M to adhere to the fact that they will be funded on a basis of 19:1. He said he would hope that the committee would understand the kind of treatment that would be reflected, and appreciate the fact that Dr. Bowers had received a lot of criticism relating to the funding of the past session.

Gene Peterson, business man: He said he, too, thought proposition 13 was not valid when applied to schools, that the people of the state of Montana had voted overwhelmingly for the 6 mill levy for the university system. He felt the committee should be commended for running this wrecking business. He would recommend that we build all our schools of cement block with no windows (this in answer to a comment on the cost of a building facade). He said no one would come to the schools since they would be cost efficient, but have nothing to do. He said there is some problems with teachers, tenures, etc., when reducing staff, that there is not exactly parity in funding, and would like to suggest that the president be given some funds to work out the parity, etc.

Rep. Bardanoue: We told them last year that they should come up with a better formula. The report that came from the university itself said they even thought the 19:1 might not be the best formula. They could not come back with anything any better and it was the best they could do. That is what really happened.

Sen. Fasbender: The subcommittee will address the problem. There is a certain amount of simplicity in the 19:1 but we will work on this to try to come up with something better.

Dr. Bowers: It costs more to educate the people beyond the four year course. Missoula has been penalized some because of this.

Jim Serles: Went to U of M on an athletic scholarship. He said he would hate to see no one getting a good education there and have to go out of state.

Tom Davis, retired army officer emphasized the increased spending to the law school. Rep. Bardanoue said the law school turned out so many lawyers and filed so many cases, they felt it was cheaper to go this way than to spend over \$4 million for supreme

court justices.

Rep. Kemmis said since he was from Missoula he felt it was his responsibility to tell the committee that the cuts that the university had received last time grew out of a legitimate concern to bring the university under some control and adopt a formula that would work. On the other hand, what happened was traumatic at the U of M. At this time there is a crisis at the University. The people are beginning to wonder if they dare stay and make a career there. Graduate hours are weighted to make it hard on the university. The way we weight graduate hours in this state is out of line with the entire country - it is out of line with the regents here. It makes it hard to carry on, and I would like to press for a change in the way graduate hours are weighted.

Katie Delano: Community Colleges feel they have been penalized.

Sen. Smith: Your city centers approached us to come up for \$1 million for fire fighting for public buildings - \$679,000 to provide funds for fire fighting at the university buildings.

President Bowers: The university wants to develop a better system than the 19:1. I would like to reserve some time to speak at the meeting this evening for my own remarks. I thank the committee for arranging to listen first to the people from Missoula who could not stay.

Rep. Bardanouve: There are possibly people here today who do not understand what has been done. The same budgeting formula was given to all the units - it basically treated all the universities alike. The reason U of M was hurt more was because of an error that was inherited. Dr. Bowers has done the best job possible. I know that on campus he was not the most popular. If you lose Dr. Bowers you have lost something that is very, very valuable as a liaison with the legislature. He carried out his word. The difficult job he was given, he could have avoided and over-spent his budget, but he did not do this. He had to make some very painful decisions. He has my highest respect. The reason why it was hard was that in the 1973 appropriation was given at a certain enrollment. The enrollment, through no fault of the University, fell off. The university kept betting on it coming up, the enrollment kept declining, the faculty was kept on and in some cases increased. It was not reduced with the enrollment. They lost 900 enrollment with the same size faculty. The legislature said this situation would not continue. We gave some to ease the situation somewhat - maybe we did it too quickly, but did put on them a very tough decision which the legislature thought had to be made. The same formula was given to all the other universities, but they were not hurt as much.

Rep. South: It has reached a point where President Bowers is booked at a public meeting. Rumors have been heard that the situation there is totally due to Dr. Bowers. If this is the word that is going on around Missoula it would not have mattered who was president, or how much they pursued the status quo they could not have benefited,

because of the assumption we thought was valid. We would not have varied from it. Obviously, if this is the rumor, then you can take this word from me, as chairman of the committee, that it is untrue. It is about as far as you could get from the truth. I would commend Dr. Bowers' position during the retrenchment period.

Rep. Moore: I would echo one thing. The same thing I have told the students - the greatest asset U of M has is Dr. Bowers. I hope you remember that.

Mr. Abramson, Missoula, has been a member of both the university staff, and the faculty. Because of the unique relationship he has, he has been asked to show around the preferred recruit to replace someone. In no single case has the preferred recruit been the one to come to the university. He has shared the sort of things going through their minds. While Montana and the mountains offer a lot, they don't hold enough to consider a job for possibly only three or four years.

The morale is low. They are searching for positions, but it is expensive, and they are not getting the people they want.

Rep. Bardonoue: Nothing that was done last session was more agonizing to me than what happened to the U of M budget. There was probably no communication with people on this campus. The morale is not very high, it is very low in fact. I personally feel very badly about what was done, but sometimes you have to bite the bullet. It hurt Missoula.

Rep. Dussault: I appreciate the comments of the chairman and the subcommittee and share it relative to the position taken and the position it put Dr. Bowers in. If this is still set at a minimum then I would question your equity in dealing with it this session and the student ratio. We stand to lose a good president at U of M.

The meeting was adjourned at 12:30 p.m. to be reconvened at 7:30 p.m.

Senator Himsl, Senate Chairman
Finance and Claims Committee

Gordon Bollinger, Chairman
Clyde Jarvis
Thomas J. Schneider
James R. Shea
George Turman

March 9, 1979

FACT SHEET

MONTANA PUBLIC SERVICE COMMISSION REQUEST
FOR A ONE-TIME APPROPRIATION OF \$300,000

The Montana Public Service Commission will request from the Montana Legislature a one-time appropriation of \$300,000.

WHY THE REQUEST?

On February 21, 1979, the Montana Supreme Court unanimously upheld a Public Service Commission rate order which had been challenged by the Montana Power Company.

In its decision, the Supreme Court held that the PSC had the power and even the duty to investigate a \$15.7 million investment by Montana Power, which the Commission, in its order, found questionable. This \$15.7 million is currently in Montana Power's rate base. (Rate base is the Company's investment upon which it earns a return.)

The \$15.7 million represents the difference between the value of electric plant assets as determined by the FPC and the PSC in a 1944 proceeding.