

MINUTES OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON EDUCATION
January 26, 1983

The House Appropriations Subcommittee on Education met at 8:00 a.m. on Wednesday, January 26, 1983 in Room 104 of the State Capitol. With Chairman Rep. Esther Bengtson presiding, all members were present. The budget request for the Office of Public Instruction was heard.

Mr. Francis Olson (OBPP) began by giving his analysis of the budget. Personal services are funded at the FY '83 actual amount by the Governor. Operations are funded using a FY '82 base, plus inflation factors of about 6% per year. Equipment is funded at the requested amount, which reflects the needs of the agency. Audit fees and rent fees were added to the sum by OBPP. The Book Fund program, in modification request, seeks spending authority for \$15,569 in FY '84 for money collected from the sale of law books, directories, and handbooks it distributes; spending authority for these funds was authorized by budget amendment in 1982 and 1983. OPI wants those amounts included in each FY as a current operation.

There is a funding change in the Vocational Program. Additional general fund support for vocational education administration was provided for in Special Session I, due to a decrease in federal funding. This change is incorporated into the current level request.

There is a funding change in Administrative Services. The current level request reflects a General Fund increase, granted by Special Session I, to replace part of the federal funds for administration of Chapter II block grants. When several programs were merged into one, the federal funds were reduced, and the increased General Fund support will maintain the operation at current level.

The Special Services Program current level request also reflects a general fund increase granted by Special Session I to replace federal funding which was reduced for the same reason as with Administrative Services.

The request also includes a \$50,000 per year maintenance of General Fund for the Audio-Visual Program.

Also, recently the OPI gave the OBPP revised revenue estimates as regarded block grants, which came in at a higher level than originally anticipated. The changes are reflected in the OBPP budget request, and are included in the budget comparison sheets.

Pam Joehler (LFA) then gave her analysis. Prior to the block grant, the categorical grants provided about \$1 million for administration. At the time of Special Session I, the block grant was predicted to only provide about \$325,600. OPI agreed to reduce its administrative effort down to \$677,500. The Legislature provided General Fund replacement to make up the difference and bring the amount up to \$677,500. General Fund replacement was also provided for Vocational Education and some of the revolving account to support the indirect cost pool. The expenditure decrease was not reflected in the '82 base. The LFA analysis needs to adjust the base down to \$677,000 to reflect the changes. The agency didn't indicate on its budget documents where the reductions would be made. Their FTE were reduced by 9.65.

Current level was used in the rest of the budget except for two areas: (1) The out-of-state travel base was reduced. (2) Contracted services for legal services was reduced. Approximately \$20,000 for legal services outside the agency was contracted for and sufficient justification for this was not provided.

The agency currently receives indirect cost recovery from the federal grants. It is double-counted in that it's received in the program and the indirect cost portion is then transferred to a revolving account, from which the indirect cost pool functions are supported. The change in the fund structures that will be taking place in the '85 biennium proposes that the revolving account be combined with the General Fund. This could have an adverse impact on the agency's incentive to recover the indirect cost if they had General Fund authority to spend it. Therefore, the LFA put these funds in a special revenue account; this also eliminates the double counting of the transfers.

It came to the LFA's attention recently that the agency was not requesting General Fund replacement for some federal programs which the LFA had initially assumed it would; this will require an adjustment to the budgeted expenditures. The LFA allowed the agency \$50,000 in the equipment area for the Audio-Visual Library; however, they were provided revolving authority instead of General Fund because they felt the Legislature should be involved in decisions regarding continuing support. In addition to the reduction the agency took in their FTE, current level also reduced 3.5 FTE.

Questions were then asked. Rep. Donaldson asked for clarification regarding the revolving account for equipment. Ms. Joehler explained that the Audio-Visual Library was supported by a revolving fund: a use fee is charged on films. During the past legislative session, they asked for general fund support in order to buy new and replacement films. Instead of providing general fund authority the LFA is providing revolving fund authority. Approximately \$13,000 was used in this capacity during the last biennium from the revolving account.

Rep. Peck asked Mr. Olson if it wasn't now true that the federal appropriation for Indian Education would not be declining. Mr. Olson said this was correct and the \$3 million would go back into the Foundation Program. Mr. Tom Crosser (OBPP) explained that the \$6 million that had been set aside for the impact aid money was now in the Governor's recommendation for the Foundation Program. Some revised revenue came in from BLM on mineral leasing money; it equaled about a \$6 million reduction in the Governor's estimate into the School Equalization account, so they took the \$6 million for the impact aid and put it into the Foundation Program to cover that loss. He has received word that the supplemental appropriation from the federal government was approved, and this will take care of the problem for this year. The recalculation is also addressed in that bill. It is fairly promising that the entire problem regarding impact aid has been resolved.

Mr. Gary Steuerwald, Assistant Superintendent, Dept. of Administrative Services, Office of Public Instruction, then gave a presentation. See Exhibit "A." He went through the budget program by program and questions were asked by program, as follows:

Program 01 - Chief State School Officer. In response to Rep. Donaldson, Ms. Joehler explained that no funds were appropriated in FY '85 by the LFA for Publications because the revolving account had initially been set up for the production and sale of school law books, and this is done every other year. Now, however, OPI proposes to use this fund for other publications as well. An adjustment will be made in the LFA recommendation to accommodate this change.

Chairman Bengtson wanted to know if the schools were using the film library as much as they had before the rental rates

went up. Mr. Steuerwald stated that when the rates were raised from \$2.50 to \$6.50, the circulation dropped from 88,000 down to 30,000, with a corresponding revenue drop from \$180,000 to \$160,000. Mr. Olson (OBPP) spoke on the issue, from the perspective of a former school administrator. He submitted that when the user charge for a film is raised, it creates a hardship on the smaller schools. He pointed out also that when the rates had been increased, the school district budgets had already been set, and they had to reduce the amount of films they would have rented as a result. The outcome of this is that the voters are asked to help fund the cost.

Rep. Donaldson brought up the possibility which had been discussed in 1981 of moving from a film library to a video library. The cost would be less. Tom Chesbro, Director of Budgeting and Accounting, OPI, replied that no organization has become involved in making educational films using video. Rep. Peck wanted to know if the film usage was still lower than earlier. Mr. Chesbro said the figures for this year's usage were up approximately 5,000 films. Mr. Olson pointed out that there is a copyright problem involved with the use of video cassettes, and this could be the reason that there is not much availability.

In response to Rep. Peck, Mr. Chesbro explained that the five mobile simulators had to be maintained by the State, and people are on contract to take care of them. OPI has the contract within their office, and therefore the maintenance cost is monitored and kept constant throughout the five regions. OPI bills the districts for the cost of the maintenance. He added that in the last two years he had had to obtain revolving account authority through budget amendments.

In response to Rep. Bengtson, Mr. Chesbro explained that the general fund support for the Adult Basic Education Program was a 10% match for the federal funding, for administration. At present they don't have enough money to support the program with a full-time program specialist and the secretary. They are asking for \$5,000 additional general fund support, in addition to the current budget in '84 and \$7,000 in '85. He explained the funding process for Veterans' Education and Indian Education. Four of the Indian reservations receive their money directly from the BIA; three get it through OPI. Discussion ensued concerning accreditation and other issues regarding Indian Education.

Program 03 - Vocational Education

Chairman Bengtson wanted to know what the \$54,000 appropriation would cover, and was told that it provided for a professional staff member, a supporting staff member, and a part-time accountant.

Program 04 - Financial Services

Ms. Joehler stated that the LFA's approach was, when a decline in federal funds was experienced, rather than automatically replacing them with general fund support, the LFA tries to offer the matter to the Legislature as an issue. They take federal funds at the base level and inflate them, to come up with the difference between what the agency says will be there and what the increase would be, assuming that the federal funds will be maintained at current level. That difference is an issue: whether the Legislature wants to replace the money with general fund money or address program reductions. This is why, throughout the OPI budget, there are differences in opinion.

Program 05 - Administrative Services

In response to Rep. Bengtson, Mr. Chesbro stated that OPI currently had six revolving accounts. All that is being done in this program is that the amount of the account is being established. The funding level determines the amount of expenditures allowable without having to go through a budget amendment.

Mr. Steuerwald has the administrative and financial programs under him. OPI wants to combine these two programs. This would make budgeting for the indirect cost pool much easier. The number of separate appropriations would be reduced.

Sen. Hammond wanted more information regarding the revolving funds. The top limit of the account is determined by usage of the account. In the indirect cost revolving account, Mr. Chesbro suggested putting everything that was an indirect cost into the indirect cost pool. Most things are in it now, except the rent on the Capitol, their 11th Avenue building, and their storage; putting these items in will increase the size of the pool but won't change the amount of dollars.

Mr. Steuerwald brought up the issue of the possible position upgrades within OPI as the result of the case before the Board of Personnel Appeals. He urged the Committee's consideration of granting a \$144,606 contingency line-item.

Questions were asked. Sen. Jacobson wanted to know which positions were vacant as regarded the 3.35 figure. Ms. Joehler explained that they were primarily clerical.

In response to Rep. Peck, Mr. Chesbro stated that OPI or the State could appeal Board of Appeals decisions through the court system. Discussion took place regarding the possible results of such a move. The settlement in March 1982 provided retroactive pay beginning fifteen months prior to the Board of Appeals' final decision. The \$144,606 would only cover current pay. Ms. Joehler wanted to know if the \$144,606 took into consideration vacancy savings on the 3.35 FTE. Mr. Steuerwald said it didn't. If the money were granted, OPI would be able to fill the 3.35 positions. If those positions were left off the payroll, \$32,700 less would be expended. Mr. Steuerwald pointed out: (1) holding the positions vacant for two years couldn't generate OPI enough money to cover the classification appeals, and (2) they need those 3.35 FTE.

Sen. Haffey wanted to know what Mr. Steuerwald felt was the major issue he wanted the Committee to understand. He replied that it was the snowball effect of the LFA's over-estimating of federal revenue and the assumption that certain funds can be used to take indirect cost off, which is false. The biggest issue at present is Chapter II money.

Ms. Joehler spoke up. She said that she had read the regulations regarding Chapter II, and didn't see anything that said precisely that indirect cost couldn't be taken. The snowball effect is: a higher estimate would lead to a higher indirect cost recovery. If the federal funds come in lower, they will receive fewer indirect costs. She submitted that indirect cost activities is still a function of State administration. If general fund is going to be replaced, it's either going to be replaced in the program area or the indirect cost pool. In response to Rep. Peck, she said that indirect cost money can be used to fund staff positions.

Mr. Steuerwald said OPI had no problem with maintaining general fund as it currently was; what they object to is the issue that's involved when federal funds are used to reduce general fund. The law requires a maintenance of effort, and also there is a supplement/supplant requirement. The indirect

costs can be used to supplement the general fund. Rep. Peck submitted that with a higher estimate, such as the LFA's, more of the add-on indirect money will be generated.

Sen. Haffey asked Mr. Steuerwald to illustrate how the problem showed up, using the general fund amounts generated by OPI vs. the LFA, in Program 05. Mr. Steuerwald said the problem was that the LFA had estimated \$65,750 on indirect costs, and Chapter II money couldn't take indirect costs out. He added that these were new regulations, and if OPI would have known about them during the special session, they wouldn't have agreed to reduce their general fund appropriation by any amount that exceeded the \$325,600.

Chairman Bengtson said the Committee wanted to see those regulations. Mr. Steuerwald said that the federal government Denver office had informed him that they couldn't use indirect costs out of Chapter II. With the exception of Chapter II, OPI has no problem taking indirect costs off.

Ms. Joehler said she had talked to the Denver office when the budget was being prepared. She was told that there wasn't a specific requirement not allowing this, but he did caution on the supplement regulation. She submitted that the functions were administrative, and this is not a supplanting of general fund. Mr. Steuerwald agreed with Rep. Peck that all OPI had to do was show that the State contribution to the support of the program was not being reduced.

Rep. Peck brought up the issue of legal fees. He expressed concern about State offices getting private counsel on staff. He submitted that for a school district to seek private counsel, permission had to be gotten from the county attorney. He said he didn't understand why the State Superintendent's office would issue advisory opinions by an attorney on staff when every school district has an appointed legal counsel. Mr. Steuerwald said that the school districts could get quicker action from OPI than the attorney general. Also, in many cases the county attorneys are unfamiliar with the school laws, so they ask for an advisory opinion from OPI. Ms. Joehler said, regarding the amount of the LFA's proposed reduction, that she didn't reduce the base for the in-house legal staff; only for contracted legal services. Rep. Peck questioned whether the Attorney General didn't have a responsibility to provide legal counsel to the agencies of state government.

Rep. Donaldson spoke on the upgrading issue, and requested more information regarding possible solutions to the problems. Sen. Haffey wanted to know what OPI's position was regarding how combative they planned to be. Mr. Steuerwald said that all job descriptions had been rewritten for the agency. Also, if the Board of Personnel Appeals at its hearing considers substantial upgrades, OPI will argue that it cannot afford them. Sen. Haffey concluded that State law was a constraint the agencies had to deal with all the way through the courts. Rep. Donaldson suggested that however the issue was going to be dealt with, it needed to be approached by all the committees in the same manner. The hearing was then closed on the OPI budget.

The Committee took a five-minute break.

The Chairman announced that Curt Nichols (LFA) had come up with the necessary language for the University Supplemental request. MSU President Tietz and Tom Nopper's suggestions were abided by.

Regarding the Vo-Techs.' budget, Ms. Joehler stated that she had met with Gene Christiaansen, and he had agreed with the 1,000-hour conversion approach.

Sen. Jacobson wanted to know if the LFA was going to address what kinds of changes would be made in the centers which would be receiving substantial increases in funding. Ms. Joehler said that increases would show up in personal services and operations. All she could offer beyond that was that the money would be spent in those areas.

Rep. Bengtson wanted to know if there was a way of easing the adjustments in for the various centers across the State. Ms. Joehler said capping was an option. Sen. Haffey pointed out that both the Missoula and Butte Vo-Techs. expect enrollment increases, yet face general fund and total fund decreases, under the formula. He rose in support of easing into the formula. The Chairman suggested using the guidelines of not more than a 10% increase and not less than a 5% increase in funding. Rep. Donaldson rose in support of the system-wide approach; centers that were in the past over-funded may now have to receive a less amount of funding. Sen. Haffey pointed out that differences between costs from center to center may be related to inefficiencies and/or higher than average salaries, etc., or they may be related to higher cost programs. He related the easing concept to what was being done with the University System. Rep. Bengtson submitted that a lot of the differences were in salaries. Sen. Haffey cautioned against building into the formula any approaches that would discourage quality teaching.

Rep. Donaldson rose in support of bracketing enrollment as a solution to the problem of projecting enrollments.

The meeting was adjourned at 10:25 a.m.

Rep Esther G Bengtson Chm.

Rev. Esther G. Bengtson - Chairman

VISITORS' REGISTER

HOUSE Education 3-6 - COMMITTEE

BILL OP1 budget

Date 1/26/83

SPONSOR _____

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



1/26/83
EXHIBIT "A"

OFFICE OF PUBLIC INSTRUCTION

STATE CAPITOL
HELENA, MONTANA 59620
(406) 449-3095

Ed Argenbright
Superintendent

January 26, 1983

Joint Subcommittee for Education
and Cultural Resources
State Capitol, Room 104
Helena, Montana 59620

Dear Chairman Bengtson and Members of the Committee:

The purpose of this budget as requested by the Office of Public Instruction is to maintain current staff and current levels of funding.

During the First Special Session, called because of losses in federal funding, a total of \$432,179 of general fund support was appropriated in order to reduce the impact of the federal cutbacks. Several of the programs are funded with a combination of the block grant funding along with this general fund replacement. These programs are essential to this office. Therefore, it is necessary to request continuations at the current level of funding plus general fund support for inflation increases or pay plan increases.

General fund support is requested to continue the \$50,000 per year appropriated for purchase of new and replacement films in the audiovisual library. With this funding it is possible to maintain a current film listing without having to increase the film rental costs. Past experience has proven that raising the rental has caused less usage resulting in less revenue.

Continued general fund support is also requested for the indirect cost pool. The cost pool is used to support such functions as accounting, personnel and internal staff services, as well as paying the rent on the Capitol office space, the office building at 1300 11th Avenue and storage space in the Star Motel. In order to assure that adequate funding is available in the pool, it is necessary that general fund support be appropriated. This appropriation must make up the difference between the recoverable federal indirect cost and the requirements of the pool.

General fund support is requested in the amount of \$5,000 in FY '84 and \$7,000 in FY '85 for additional funding of the Adult Basic Education administration. These funds would be used to cover increased costs for in-state travel, printing of tests and booklets, and scoring of the G.E.D. tests.

Several new non-general fund appropriations are also being requested.

Publications Revolving Account--The purpose of this account is to record the receipts and expenditures associated with the various publications that are distributed by this office, including such items as the school law book, education directories, etc. This fund has been requested to be permanently established on a recent audit and should be established for \$20,000 in FY '84 and \$15,000 in FY '85.

Mobile Traffic Simulators Revolving Account--This account was inadvertently omitted during the last session and had to be added by budget amendment in each year of the current biennium. It is used to record the expenditures for maintenance on the simulators and the reimbursement received from the districts to cover these costs. The account should be established for \$8,000 in each year of the biennium.

Advanced Driver Ed Revolving Account--This account was added by budget amendment during the current biennium and is being requested to continue under current level. The purpose is to account for all receipts and expenditures associated with equipment usage during training exercises for the emergency driver classes held at Lewistown. The appropriation should be established for \$17,385 for each year of the biennium.

During the last session this Committee requested that the budgets for the office be segregated into seven separate programs. Since that time, the Superintendent has reorganized the office and combined 04-Financial Services and 05-Administrative Services under one assistant superintendent. The Office of Public Instruction feels it would be beneficial for budgeting and accounting purposes if these two programs could be combined under 04-Administrative Services.

Travel--OBPP and OPI recognize the importance of travel outside the state of Montana. Both are recommending that the current level of travel be maintained. The LFA, on the other hand, is recommending a reduction for the biennium of \$57,865.

OBPP and OPI recommend continuation at the current level for out-of-state travel to technical training, professional development, academic and technical conventions.

Legal Fees--The LFA is recommending a \$50,000 reduction for the biennium in legal services. OBPP and OPI are recommending the current level of funding for legal services. In 1982, legal services have concluded 10 Administrative Appeals, two Board of Personnel Appeals, one Office of Civil Rights Complaint, one Supreme Court Appeal, issued 60 written advisory opinions and processed 1,300 telephone calls regarding legal questions. In addition, legal services have 18 administrative appeals currently active, 12 administrative appeals pending, and five cases either in Federal, State, District or Supreme Courts.

FTE Reductions--The LFA is recommending that 3.35 FTE be removed from OPI. OPI does not agree with the reasons given by the LFA for the reduction. In March of 1982, OPI learned from the Board of Personnel Appeals that OPI was responsible for upgrades filed in 1978, and that further upgrades were highly probable. OPI did not fill the above vacancies in order to meet the cost of the ordered upgrades and in anticipation of the pending upgrades in 1982 and 1983. OPI feels that its actions were prudent, justifiable, and good sense. OPI does not feel it should be reduced 3.35 FTE simply because it acted in a responsible manner.

Personnel Contingency--OPI is facing the possibility of personnel upgrades resulting from an appeal filed in 1978 with the Board of Personnel Appeals. Twelve of those positions were ordered upgraded by the Board of Personnel Appeals in March of 1982. 40 positions are pending. Should the Board of Personnel Appeals order these 40 upgrades, OPI will be faced with \$144,606 in upgrade costs. OPI is requesting a contingency line item appropriation of \$144,606.

PROGRAM 01--CHIEF STATE SCHOOL OFFICER

OFFICE OF PUBLIC INSTRUCTION

OPI, OBPP and the LFA are in agreement in all areas except the Publications Revolving Account. OPI and OBPP are recommending that the Publications Revolving Account be authorized for both years of the biennium. This is a non-general fund account, used to record the receipts and expenditures associated with publications distributed by OPI.

OBPP is recommending:

FY '84	-	\$17,493
FY '85	-	\$18,543

OPI is recommending:

FY '84	-	\$20,000
FY '85	-	\$15,000

Office of Public Instruction

PROGRAM 01--CHIEF STATE SCHOOL OFFICER

	Fiscal Year 1984		Fiscal Year 1985	
	General Funds	Federal Program Funds	Indirect Cost Funds	Other Funds
FY '83 Budget	100,084			
		6,000		
<u>OPI Requests</u>				
General Fund-Program	110,198			
General Fund-Audit	42,000	112,552		
Publications RA		20,000		15,000
TOTAL	152,198	20,000	112,552	15,000
<u>LFA Recommendation</u>				
General Fund-Program	108,405			
General Fund-Audit	42,000	110,603		
Publications RA		20,000		
TOTAL	150,405	20,000	110,603	
Difference over (under) OPI	-0-	-0-		(15,000)
<u>OBPP Recommendations</u>				
General Fund-Program	91,256			
General Fund-Audit	42,000	92,812		
Publications RA		34,511		19,740
TOTAL	133,256	34,511	92,812	19,740
Difference over (under) OPI	(18,942)	(14,511)	(19,740)	(4,740)
Correction	+18,942		+19,740	
	152,198	17,493	112,552	18,543

PROGRAM 02--BASIC INSTRUCTIONAL SERVICES

OFFICE OF PUBLIC INSTRUCTION

OBPP and OPI recommend the continuance of the \$50,000 per year appropriation for the Audiovisual Library. This appropriation is used for the purchase and replacement of films. Raising the rental fee has shown to reduce usage, subsequently reducing AV library revenue.

Both OBPP and LFA differ with OPI in their estimates of federal revenue. Program 02 received federal funds from three federal sources--Adult Basic Ed, Veterans' Ed and Indian Ed. Adult Ed has received \$50,000 for the past five years and, because Montana is a floor state, this amount will not change. Veterans' Ed and Indian Ed are federal contracts with the VA and BIA and these contracts will remain the same. Neither the VA nor BIA have received increases in federal funding.

OPI recommends that this \$115,060 of Adult Basic Ed, Veterans' Ed and Indian Ed federal funds be appropriated.

OPI is recommending that a non-general fund Traffic Education Equipment Revolving Account be established in the amount of \$17,385 for FY 84 and \$17,385 for FY 85. The revenue for the revolving account will come from the rental of equipment and facilities at the Lewistown Traffic Education Site. Expenditures will be for tires, gasoline, repairs, and equipment replacement. This program has been added by budget amendment the past two years.

OPI is requesting the establishment of a non-general fund Driver Education Mobile Simulator Revolving Account. The \$8,000 per year appropriation was inadvertently excluded during the 47th Legislature and has been added by budget amendment for each of the two years of the current biennium. The revolving account will be used to pay for the operation and maintenance of the simulator at five sights. Revenue for the account will come from fees paid by school districts.

Office of Public Instruction

PROGRAM 02--BASIC INSTRUCTIONAL SERVICES

	General Funds	Fiscal Year 1984		Other Funds	General Funds	Fiscal Year 1985		
		Federal Program Funds	Indirect Cost Funds			Federal Program Funds	Indirect Cost Funds	Other Funds
FY '83 Budget	938,983	99,864	41,051	255,275				
OPI Requests					975,967			
General Fund	935,815							
Federal Funds		96,988	18,073			96,988	18,072	
AV Library RA	50,000		11,660	164,500	50,000		12,126	174,370
Mobile Simulator RA				8,000				8,000
Traffic Ed RA			12,630	72,000			13,135	74,880
Traffic Ed Equip RA				17,385				17,385
TOTAL	985,815	96,988	42,363	261,885	1,025,967	96,988	43,333	274,635
LFA Recommendation								
General Fund	911,740				909,646			
Federal Funds		111,352	19,840			118,248	20,815	
AV Library RA	-0-		12,360	226,296	-0-		13,100	236,875
Mobile Simulator RA				-0-				-0-
Traffic Ed RA			13,388	76,612			14,194	75,809
Traffic Ed Equip RA				-0-				-0-
TOTAL	911,740	111,352	45,588	302,908	909,646	118,248	48,109	312,684
Difference over (under) OPI	(74,075)	14,364	3,225	41,023	(116,321)	21,260	4,776	38,049
OBPP Recommendations								
General Fund	935,815				975,967			
Federal Funds		N/A	N/A			N/A	N/A	
AV Library RA	50,000		11,915	148,085	50,000		11,915	148,085
Mobile Simulator RA				8,000				8,000
Traffic Ed RA			11,000	79,000			11,000	79,000
Traffic Ed Equip RA				-0-				-0-
TOTAL	985,815	N/A	N/A	235,085	1,025,967	N/A	N/A	235,085
Difference over (under) OPI	-0-			26,800	-0-			(39,550)

PROGRAM 03--VOCATIONAL EDUCATION

OFFICE OF PUBLIC INSTRUCTION

OPI and OBPP recommendations for Program 03 are in agreement as to estimated federal funds available and the level of general funds necessary to maintain Program 3 at current levels. The LFA has over-estimated the federal funds available by \$61,480 for the biennium. Program 03 receives federal funds from Sections 120 and 130 of the Vocational Education Act. Program 03 will receive \$648,989 from Section 120 and \$114,527 from Section 130. Any additional federal funds from Sections 120 and 130 have been earmarked for use by the Vocational-Technical Centers.

OPI recommends that the federal appropriation for Program 03 be approved at \$763,516.

All parties--OPI, OBPP and LFA--recommend appropriating the Federal Job Training/CETA funds at \$54,000 per year.

Office of Public Instruction

PROGRAM 03--VOCATIONAL EDUCATION

	General Funds	Fiscal Year 1984		Fiscal Year 1985	
		Federal Program Funds	Federal Indirect Funds	Federal Program Funds	Federal Indirect Funds
FY 1983 Budget	321,902	255,275	72,243		
OPI Requests					
General Fund	328,443			333,775	
Federal Vo-Ed		255,462	72,296	255,462	72,296
Federal Job Training		42,089	11,911	42,089	11,911
TOTAL	328,443	297,551	84,207	297,551	84,207
LFA Recommendations					
General Fund	314,189			302,602	
Federal Vo-Ed		271,281	76,775	287,560	81,380
Federal Job Training		42,090	11,910	42,090	11,910
TOTAL	314,189	313,371	88,685	329,650	93,290
Difference over (under) OPI	(14,254)	15,820	4,478	32,099	9,083
ORPP Recommendations					
General Fund	328,443			333,775	
Federal Vo-Ed		255,462	72,296	255,462	72,296
Federal Job Training		42,089	11,911	42,089	11,911
TOTAL	328,443	297,551	84,207	297,551	84,207
Difference over (under) OPI	-0-	-0-	-0-	-0-	-0-

PROGRAM 04--FINANCIAL SERVICES

OFFICE OF PUBLIC INSTRUCTION

OPI recommends the continuance of Program 04 at the current level. Program 04 receives the majority of its federal revenue from the federal indirect cost pool. The LFA has anticipated substantial increases in federal program revenue which will not occur. In addition to the indirect pool, Program 04 receives federal funds from Federal School Foods, Federal Child Nutrition and Federal Advanced Drivers Ed. OPI is estimating that these and other federal funds from which the indirect cost pool is taken will not increase as federal funding increases are not anticipated. By estimating increased federal revenues, the LFA is able to project increased indirect cost revenue, and thus a decrease in general fund needs. OPI disagrees strongly with the assumption of increased federal revenue. The LFA recommendation that state general funds be replaced by federal funds is contrary to existing federal law. Federal statute prohibits the supplanting of state general funds with federal funds. Federal funds may only be used to supplement state funds.

OPI recommends that Program 04 be appropriated \$1,080,489 general fund, \$737,000 federal funds, and \$921,373 in other funds.

Office of Public Instruction

PROGRAM 04--FINANCIAL SERVICES

	General Funds	Fiscal Year 1984			General Funds	Fiscal Year 1985			Other Funds
		Federal Program Funds	Indirect Cost Funds	Other Funds		Federal Program Funds	Indirect Cost Funds	Other Funds	
FY '83 Budget	522,479	245,931	53,298	20,000					
OPI Requests									
General Fund-Program	357,622				379,079				
General Fund-RA TRF	157,474				186,314				
Federal-School Food Services		219,298	55,702			219,298	55,702		
Federal-Child Nutrition		44,366	5,634			44,366	5,634		
Federal-Advanced Drivers Ed		40,000	3,500			40,000	3,500		
School Foods RA				45,000				45,000	
Indirect Cost RA				402,092				429,281	
TOTAL	515,096	303,664	64,836	447,092	565,393	303,664	64,836	474,281	
RA Recommendation									
General Fund-Program	433,122				421,309				
General Fund-RA TRF	12,327				13,498				
Federal-School Food Services		220,277	55,950			233,501	59,300		
Federal-Child Nutrition		49,850	6,330			52,841	6,710		
Federal-Advanced Drivers Ed		40,000	3,500			40,000	3,500		
Schools Foods RA				45,000				45,000	
Indirect Cost RA				324,165				343,183	
TOTAL	445,449	310,127	65,780	369,165	434,807	326,342	69,510	388,183	
Difference over (under) OPI	(69,647)	6,463	944	77,927	(130,586)	22,678	4,674	86,098	
3PP Recommendations									
General Fund-Program	N/A				N/A				
General Fund-RA TRF	N/A				N/A				
Federal-School Food Services		199,362	50,638			199,362	50,638		
Federal-Child Nutrition		44,366	5,634			44,366	5,634		
Federal-Advanced Drivers Ed				-0-				-0-	
School Foods RA				47,475				47,475	
Indirect Cost RA				N/A				N/A	
TOTAL	N/A	243,728	56,272	N/A	N/A	243,728	56,272	N/A	
Difference over (under) OPI		(59,936)	(8,564)			(59,936)	(8,564)		

PROGRAM 05--ADMINISTRATIVE SERVICES

OFFICE OF PUBLIC INSTRUCTION

OPI recommends the continuance of current level funding for Program 05. As with Program 04, the LFA is over-estimating federal revenue available for the indirect cost pool, thus decreasing the general fund support. The LFA is recommending that indirect costs be taken from Chapter II federal funds. This is expressly forbidden by ECIA regulations. To take indirect costs from Chapter II funds is against federal law. The LFA has estimated an increase in Chapter II revenue at 6% per year. Montana is a floor state with Chapter II and, as such, will not receive an increase in Chapter II funding. Because Chapter II money supports FTE, any increased cost due to inflation and pay plan must be supplemented with general funds.

OPI and OBPP are recommending an appropriation for the non-general fund Resource and Assessment Revolving Account be established at \$10,000 per year. The revolving account is established to record the receipts and expenditures associated with ERIC searches and other information retrieval activities. The sources of revenue for the revolving account are school districts and professional organizations.

OPI recommends appropriations of \$894,947 from the general fund, \$620,000 federal funds and \$346,391 other funds for Program 05.

Office of Public Instruction

PROGRAM 05---ADMINISTRATIVE SERVICES

	General Funds	Fiscal Year 1984			General Funds	Fiscal Year 1985		
		Federal Program Funds	Indirect Cost Funds	Other Funds		Federal Program Funds	Indirect Cost Funds	Other Funds
'83 Budget	350,712	298,470		101,579				
Requests								
General Fund-Program	344,760				390,708			
General Fund-RA TRF	51,097				108,382			
General-Chapter II		310,000				310,000		
Indirect Cost RA				158,442				167,949
Resource & Assess RA				10,000				10,000
TOTAL	395,857	310,000		168,442	499,090	310,000		177,949
Recommendation								
General Fund-Program	288,741				247,947			
General Fund-RA	80,556				108,382			
General-Chapter II		258,855	65,750			274,380	69,700	
Resource & Assess RA				5,000				59,567
Indirect Cost RA				77,886				5,000
TOTAL	369,297	258,855	65,750	82,886	356,329	274,380	69,700	64,567
Difference over (under) OPI	(26,560)	(51,145)	65,750	(85,556)	(142,761)	(35,620)	69,700	(113,382)
Recommendations								
General Fund-Program	N/A				N/A			
General Fund-RA	N/A				N/A			
General-Chapter II		310,000				310,000		
Resource & Assess RA				10,000				10,000
Indirect Cost RA				N/A				N/A
TOTAL	N/A	310,000			N/A	310,000		
Difference over (under) OPI		-0-				N/A		

PROGRAM 06--SPECIAL SERVICES

OFFICE OF PUBLIC INSTRUCTION

OPI and OBPP are recommending the continuance of Program 06 at the current level. As with Programs 04 and 05, the federal funds for Program 06 have been over-estimated by the LFA. The LFA is taking indirect cost from Chapter II, which is in direct conflict with Chapter II regulations. Because the federal revenue has been inflated, the general fund has been decreased--again in direct conflict with federal law prohibiting supplanting of state general fund with federal funds.

OPI recommends current level funding for program 06 at \$437,491 general fund and \$1,940,468 of federal funds.

Office of Public Instruction

PROGRAM 06--SPECIAL SERVICES

	Fiscal Year 1984		Fiscal Year 1985	
	General Funds	Federal Program Funds Indirect Funds	General Funds	Federal Program Funds Indirect Funds
FY 1983 Budget	124,398	892,966 141,364		
OPI Requests				
General Fund-Program	209,720	822,177 160,557	229,771	802,437 155,297
Federal				
TOTAL	209,720	822,177 160,557	229,771	802,437 155,297
LFA Recommendations (Revised)				
General Fund-Program	136,098	811,230 184,820	102,046	859,799 195,905
Federal				
TOTAL	136,098	811,230 184,820	102,046	859,799 195,905
Difference over (under) OPI	(73,622)	(10,947) 24,263	(127,725)	57,362 40,608
OBPP Recommendations (Revised)				
General Fund-Program	237,402	824,908 128,406	303,041	788,391 115,423
Federal				
TOTAL	237,402	824,908 128,406	303,041	788,391 115,423
Difference over (under) OPI	27,682	2,731 (32,151)	73,270	(14,046) (39,874)

PROGRAM 06--SPECIAL SERVICES

Federal Program Detail

	<u>Federal Program Funds</u>	<u>Federal Indirect Funds</u>	<u>TOTAL</u>	<u>Federal Program Funds</u>	<u>Federal Indirect Funds</u>	<u>TOTAL</u>
OPI Requests:						
Chapter II	124,472		124,472	124,472		124,472
Bilingual Ed	38,158	9,692	47,850	38,158	9,692	47,850
National Origins	50,169	12,743	62,912	50,169	12,743	62,912
Chapter I	191,388	48,612	240,000	183,413	46,587	230,000
National Diffusion Network	35,294	9,706	45,000	23,529	6,471	30,000
EHA-B	290,196	79,804	370,000	290,196	79,804	370,000
EHA-St. Initiated	40,000		40,000	40,000		40,000
EHA-D	32,000		32,000	32,000		32,000
EHA-Preschool Incentive	20,000		20,000	20,000		20,000
Refugee	500		500	500		500
TOTAL	822,177	160,557	982,734	802,437	155,297	957,734

The Office of Public Instruction

Ed Argenbright
State Superintendent



State Capitol
Helena, Montana 59620
(406) 449-3654

January 26, 1983

Joint Subcommittee for Education
and Cultural Resources
State Capitol, Room 104
Helena, Montana 59620

Dear Chairman Bengtson and Members of the Committee:

When I took office as the State Superintendent of Public Instruction in January of 1981, I inherited a classification appeals case before the Board of Personnel Appeals from the former State Superintendent's administration. It concerned positions in the office at grade 15, education program consultant II. Twelve individual employees had appealed their classification in 1978, and the case had been in the pending files of the Board of Personnel Appeals for over three years.

The Classification Bureau of the Department of Administration determined in July 1981 that these twelve positions were correctly classified at grade 15. The Board of Personnel Appeals heard the case in September of 1981 and in March of 1982 overturned the Classification Bureau's findings and held that those particular twelve positions should be classified at grade 16, either education program consultant III or education program manager I. The Board also granted 15 months of retroactive pay for all employees concerned in the action. The OPI paid the retroactive amount (\$51,572) and raised employees in the positions to grade 16.

We are now in the position of having "specialists" engaged in substantially the same kinds of duties in the following grades:

Grade 14--education program consultant I.	2 staff members
Grade 15--education program consultant II	23 staff members
Grade 16--education program consultant III.	3 staff members
Grade 16--education program manager I.	12 staff members

Since the Board of Personnel Appeals matter, we have engaged in a complete rewrite of office position descriptions. Some had not been rewritten since the Office of Public Instruction originally came under the classification system in 1977, and the majority of the specialists in grades 14 and 15 have asked for audits of their positions in light of the Board of Personnel Appeals determination. All specialists' positions are being audited for classification determination by the Classification Bureau of the Department of Administration.

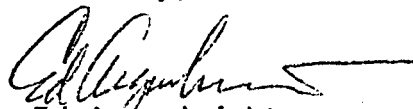
Joint Subcommittee for Education
and Cultural Resources
January 26, 1983
Page Two

Personnel of the Classification Bureau have informed the OPI that they will begin their audit of these positions on February 15. However, if the matter is not settled until after the pay bill is passed by the legislature, any classification upgrades and subsequent pay increases will have to be absorbed in an already strained OPI budget. This cannot be accomplished without cutting additional staff.

While the Classification Bureau may elect to retain the grade 14 and 15 status of these positions, we have to assume that the specialists will appeal to the Board of Personnel Appeals since twelve of their fellow workers have already been granted upgrades by the Board. We also must assume--given the findings of the Board of Personnel Appeals in the previous matter--that the Board will find exactly as it did in the previous case and will raise all specialists to grade 16.

Based on the 1982-83 pay matrix, we ask your consideration of a contingency line item in the personal services budget of \$144,606 for the biennium to cover this increase, should the positions be upgraded either by the Classification Bureau or the Board of Personnel Appeals. Unused money will be reverted to the General Fund if this matter is settled without classification upgrades.

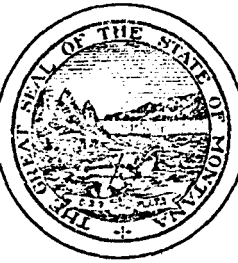
Sincerely,



Ed Argenbright
State Superintendent

cc: John McEwen, Chief, Classification Bureau

DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION



TED SCHWINDEN, GOVERNOR

ROOM 130, MITCHELL BUILDING

STATE OF MONTANA

(406) 449-3871

HELENA, MONTANA 59620

RECEIVED
JAN 26 1983
SUPERINTENDENT
OF PUBLIC INSTRUCTION

TO: Ed Argenbright, Superintendent
Office of Public Instruction

FROM: John McEwen, Chief
Classification Bureau *John McEwen*

DATE: January 24, 1983

SUBJECT: Classification Audits

This is to confirm that the Classification Bureau will conduct a series of position audits of Educational Consultants and Program Managers in your agency. This project is scheduled to begin on or about February 15, 1983. The purpose of the audits will be to determine the appropriate classification and grade for these positions.

If you have any questions, please call me at 449-3871

JM/pb