

MINUTES OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON EDUCATION
January 31, 1983

The House Appropriations Subcommittee on Education met at 8 a.m. on Monday, January 31, 1983 in Room 104 of the State Capitol. With Chairman Representative Esther G. Bengtson presiding, all members were present. The budget for the Office of Public Instruction was worked on. Testimony from some out-of-town people was taken regarding the Public Schools budget, which had been scheduled for hearing for this day but moved to February 2.

First, the testimony for Public Schools and Special Education was heard. Fred Appleman, representing the Montana Council of Administrators for Special Education, and also affiliated with the School Administrators of Montana, spoke up in support of OPI's request for Special Education, for 9% on both years. This is justified because of the increase in the number of handicapped students being served and also because of inflation.

Larry Holmquist, Bozeman, spoke as the Director of the Gallatin-Madison County Special Ed. Co-op. The Co-op has 17 school districts involved in it. There has been a significant drop in special education funding. Costs have been dropped even though there may have been dollar increases in some of the years recently. They can't provide the service they are mandated to if there are any more cuts.

Bill Hickey, an Anaconda school administrator, then testified; see written copy: Exhibit "A."

The OPI budget was then taken up.

Program 01 - Chief State School Officer. Pam Joehler (LFA) explained that the LFA's approach to working out the details of this budget didn't result in second-level comparisons. However, there were first-level comparisons which had been worked up; these were distributed; see Exhibit "B." (Located in bulk testimony file) Mr. Francis Olson, OBPP, also distributed some comparisons which the Governor's office had worked up; see Exhibit "C." (Bulk file). He explained that the revisions in Columns 11 and 12 represented OPI's most recent request. OBPP held current level constant across the top and the other changes are noted. Columns 5 and 6 include the previously modified amounts for the publications revolving account in parentheses. There was some question regarding whether this should be added to general fund. The main difference between OBPP and the LFA figures is in personal services and the revolving fund.

OBPP allowed \$1,465 each year for equipment and LFA allowed no money for equipment.

Mr. Tom Chesbro, Budget and Accounting Director for OPI, explained the difference in personal services. The figures were both based on actual 1982 expenditures but in FY 1982 the Office, rather than breaking down by individuals took the entire amount of Workers' Compensation refunds and reverted it into the general fund. This reduced their base. The need for the salaries is still at the higher level. Mr. Olson said that \$42,000 in audit costs were also included in FY 1984. Ms. Joehler said that Personal services were driven off FTE, not base costs, and she therefore didn't see how the LFA and OBPP were different. Tom Crosser (OBPP) said that their office's practice of basing the calculations on individual anniversary dates vs. giving a step each year could account for the difference. Mr. Gary Steuerwald, Assistant Superintendent, OPI, pointed out that there were no step increases in this program, since both positions are exempt. It was pointed out that there was usually a bill for elected officials' salaries which would adjust this total anyway.

Rep. Donaldson moved the OBPP budget for the Chief State School Officer Program. Rep. Bengtson wanted to know why the LFA didn't include anything for equipment in their estimates. Ms. Joehler said that she didn't receive sufficient justification for any of the equipment requests. Also, 1982 equipment expenditures were excessive in light of what they were appropriated for. Sen. Haffey wanted to know why operating expenses went up so much on the OBPP estimates. Mr. Olson said that the money the OPI requested for their revolving account made the total larger. By accepting this, the Committee would increase the general fund contribution by \$15,569 in 1984 and \$16,590 in 1985. Mr. Steuerwald explained that when the budget had been created, about \$19,000 was picked up which replaced general fund money which should have never been replaced, at current level, excluding the publications revolving account.

The motion to accept the OBPP estimate for \$172,198 in 1984 and \$127,552 in 1985 was carried unanimously.

Rep. Bengtson wanted to know what the percentage increase from the 1983 biennium to the 1985 biennium amounted to. Ms. Joehler stated that it came to 35.9%: much of this was due to the audit cost. It was also due to the publications revolving account being included in both years.

Program 2 - Basic Skills: Mr. Olson explained that the column entitled "Transfers--accounting entity" was the money that would be transferred out of the Basic Skills Program into Programs 4 and 5. It is an indirect cost transfer. The LFA took a different approach. They identified the portion that would be transferred and put it

directly into Program 4 or 5 in special revenue funds, and left the program costs with the program, and the indirect costs with the appropriate indirect cost pool in Program 4 or 5.

Ms. Joehler explained the LFA approach. OPI has a lot of different funding sources, which makes it a difficult agency to budget. Some of the programs are general funded, some by revolving fund, some by general and federal funds. The programs are broken down by funding source on the LFA document. (Exhibit "B.") The programs were addressed in the same manner as they were presented on the document, as follows:

100% General Fund Programs. Rep. Donaldson moved to accept the levels provided by the LFA (Exhibit "B": \$751,479 in 1984, and \$757,447 in 1985). Mr. Olson stated that the OBPP budget was slightly higher. He explained where the figures had been derived from. Mr. Tom Chesbro, OPI Budget Director, stated that the bottom had dropped out of federal funds in the past two years and revenue estimates had gone down severely. The best figures are OBPP's (Exhibit "C," Columns 11 and 12). These calculations were provided to the LFA on January 18, and they reflect what they feel would be available. The LFA has taken 1982 levels and expanded them at 6% per year. The appropriation, if they wanted to establish it that high, would be fine, but it affects their indirect cost pool. Expanding the federal funding to an unreasonable level is saying that federal funds will be available by indirect, and if the funds don't exist they will be very short on their indirect cost pool.

Mr. Olson pointed out the difference in operations, then.

Rep. Donaldson stated that if federal funding was lowered, he didn't see how indirect costs could go up. Mr. Chesbro said that these costs were based on an approved indirect cost proposal submitted to and approved by the federal government. In 1984 the rate was about 28.3% so it is up about 3% for 1984. This is why higher indirect costs have been proposed in the budget. Mr. Olson said, in light of the reduced federal revenue estimates, he proposed Columns 11 and 12 as OBPP's proposal for the Basic Skills Program. Rep. Donaldson withdrew his motion. He submitted that the Committee was unable to track the figures through on the OBPP budget.

100% Revolving Fund Program. The LFA had not appropriated any additional general fund money into the Audio-Visual Library for films while the Governor's office had. If general funds aren't used to bring up the level of this

Program, the Program will be dependent upon the revenue generated from the current rate structure. In the past year \$13,000 in revolving fund revenue was used, in addition to almost all of the \$50,000 general fund authority, to purchase new films. The Chairman submitted that if general fund wasn't used to purchase films, the rates for rental would go up and use would go down.

Senator Jacobson moved to accept the LFA budget but to add \$50,000 per year for equipment. Discussion followed. The \$63,000 spent on films in the past year probably bought about 140 films. Sen. Hammond wanted to know if the \$6 rental fee took care of replacement costs. Mr. Chasbro said \$7 or \$8 would have to be charged in order to accomplish full replacement. Rep. Donaldson rose in support of some day being able to convert to video and save much of the expense involved with film.

The Question was called for on the motion to approve the LFA figures of \$192,624 in 1984 and \$195,075 in 1985 and in both years appropriate \$50,000 in general fund. Motion failed.

Sen. Hammond moved that \$50,000 be allowed for the biennium. Ms. Joehler stated that to accomplish this, the total would have to be reduced by \$25,000 each year, because the \$50,000 in the LFA budget was part of the revolving authority. Sen. Hammond said he hadn't meant to reduce the revolving authority. Rep. Donaldson said that the Other Funds category would have to be reduced. Curt Nichols (LFA) said that if the Committee wanted to leave the spending authority at \$50,000, they could add \$25,000 to the total and then add \$25,000 to the general fund. Or, if they wanted to give them \$25,000 authority, the revolving authority could be reduced by \$25,000 and it could be replaced. Sen. Hammond withdrew his motion.

Rep. Donaldson moved to grant \$192,624 in 1984 and \$195,075 in 1985 spending authority, to be funded by Other Funds of \$192,624 minus \$25,000, plus \$25,000 each year of general fund. Motion carried unanimously.

Indian Education. Mr. Chesbro explained that this was the first of the federal programs where the LFA had taken 1982 actual expenditures and expanded them by about 6% per year. The actual dollars available are only \$20,000 in 1984 and hopefully that much in 1985. Indirect costs which don't exist have been taken out of this money by the LFA.

Mr. Olson explained that OBPP used the appropriation for all three of those programs, including Indian Education,

to \$115,061. The balance to maintain current level would probably be additional general funds to that amount. General funds would be used to replace the loss of federal funds in those programs.

Mr. Chesbro said that OPI was not asking for replacement funds on the Indian Education Program; they are asking \$20,000 general fund each year. Ms. Joehler asked Mr. Chesbro how they would be paying for the 1.5 FTE on \$20,000. He replied that for FY 1983 the grant had also been reduced to \$20,000 and they had used funds from other basic skills programs--general fund money--to maintain the program. They would do the same in the 1985 biennium. Ms. Joehler said that indirect costs would only be allowed to be taken on what was actually spent on the program, so the indirect cost recovery would be less than what the LFA would show.

Mr. Nichols wanted to know just where the agency would be getting the additional money to fund the program from general funds. Mr. Chesbro said some money would be moved from most of the other programs to support this one. Rep. Peck questioned whether this was good budgeting practice. Mr. Chesbro replied that this had been a management decision, which had been made to enable the Indian Education Program to function. Rep. Ernst said that if the Legislature was going to fund this program, there should be a strict accounting of the funding. Mr. Chesbro said that OPI only needed \$20,000 general fund because the program had been reduced considerably when federal funds became less.

Rep. Donaldson moved that the total appropriated amount be \$40,000 for each year of the biennium; one-half to be federal grants, and one-half to be general funded. Motion carried unanimously.

Teacher Education and Certification. Mr. Chesbro said that in this program the LFA had once again based their estimate on the level of federal funds in 1982, which was the last year of the program. They do not have that program in 1983, 1984 or 1985. He suggested that federal funds estimates be dropped from the budget. They are not asking for replacement funds in this program.

Sen. Haffey moved to approve the budget at the general funded level of \$132,390 in 1984 and \$134,074 in 1985. The reduction in the program will come out of operating expenses. The motion carried unanimously.

Adult Basic Education. Mr. Chesbro stated that the Adult Basic Education federal funding has been at \$50,000 for at

least six years. OPI requested additional general fund help by \$5,000 in 1984 and \$7,000 in 1985. The total cost in this program is approximately \$54,000 to \$55,000 for 1983. The LFA is taking indirect costs amounting to about \$11,000, which do not show up in this budget; this brings the federal fund total to about \$58,000, which he submitted would not be at that level.

Sen Haffey wanted to know where the indirect costs were reflected. Ms. Joehler explained that they were located in the summary on the last page of Exhibit "B."

Sen. Haffey moved approval of \$10,555 general funding in 1984 and \$12,555 in FY 1985, and authorization of \$41,584 in 1984 for Other Funds, and \$40,239 in 1985. Discussion took place. Rep. Bengtson wanted to know what would happen if no additional general fund was granted. She questioned whether the program couldn't be more self-sustaining than it was.

The Question was called for; motion failed. The Chairman said she would like to check on this program before voting on it. Action was postponed on this portion of the Basic Skills budget.

100% Earmarked Funds - Traffic Safety. Regarding Personal Services in 1982, there was a 1/4 FTE that was no longer part of the payroll. Rep. Donaldson moved the LFA totals. Mr. Chesbro said that this program assisted in the operations of the summer Driver Education Program in Lewistown, so a great deal of the expenditures were for driving to Lewistown. In addition, the Traffic Education programs across the State are visited. Sen. Hammond said that the visitations could be cut out.

The Question was called for; motion carried with Reps. Peck and Ernst and Sen. Tveit opposed.

100% Federal Funded Programs. Ms. Joehler stated that some of the programs were now being supported by carryover categorical grants that went into a block grant, and the funds wouldn't be available after this year. That is the primary issue. It represents about one-half of the total funds for these programs. There are no indirect costs specifically taken off these programs.

Sen. Haffey moved approval of the LFA figures; motion carried unanimously.

Budget Amended, Not in Current Level. This is the Lewistown project. The money is recovered for equipment and upkeep from other sources. This is a revolving account. No general fund money is associated with it.

Rep. Donaldson moved \$20,531. Motion carried with Rep. Peck and Sen. Hammond opposed.

Mr. Chesbro said that OPI had a request for a mobile simulator in the amount of \$8,000 in a revolving account. It was in current level till last biennium and had had to be budget amended since. He pointed out that it was not connected with the Advanced Drivers Education program. Ms. Joehler explained that it would be included if the Committee desired, because the agency had requested it.

Sen. Jacobson moved that \$8,000 be appropriated per year in the revolving account for the Driver Simulators. Motion carried unanimously.

Equipment 84/85. Ms. Joehler said that instead of identifying specifically for any one program, the equipment appropriation was for the entire Basic Skills program. Rep. Donaldson moved adoption of the LFA figures. OBPP had suggested \$65,185 in 1984 and \$77,301 in 1985, as compared to the LFA's \$1,000 for the biennium. However, the Governor's figures included the Audio-Visual Library films allocation of \$50,000 each year. Mr. Chesbro suggested \$10,000 as an acceptable appropriation amount. The office needs software primarily. Rep. Donaldson withdrew his motion.

Sen. Jacobson moved to appropriate \$5,000 per year in general fund money for equipment. Discussion took place. Sen. Haffey said he wanted to know exactly what the equipment money was going to be spent on and had been spent on. Mr. Chesbro said that considerably more than \$5,000 had been spent in the past year. Mr. Curt Nichols said that the total equipment expenditure in 1982 was \$75,000, \$63,000 of which was for films; about \$10,000 was for other equipment. \$4,750 went for the Lewistown Drivers Education program.

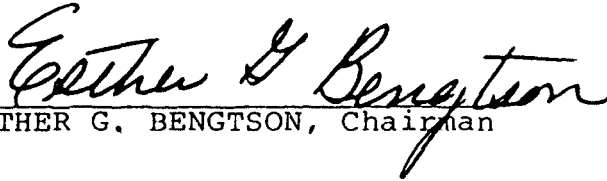
The Question was called for on Sen. Jacobson's motion; motion carried with Rep. Peck and Senators Tveit and Hammond opposed.

100% General Fund Programs was taken up again. Rep. Ernst moved to deduct \$20,000 from each year from the LFA general fund appropriation to reflect the \$20,000 general fund appropriation for Indian Education. Motion carried unanimously.

Rep. Donaldson suggested that OPI be checked with by the LFA regarding the differences in figures. The Chairman

agreed that anything that would expedite handling the OPI budget would be desirable. It was agreed to meet at 7 a.m. the following morning.

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



REP. ESTHER G. BENGTON, Chairman

Educ. Subcomm.
1/31/83

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TESTIMONY BEFORE THE HOUSE EDUCATION COMMITTEE ON SPECIAL EDUCATION FUNDING

My name is Bill Hickey and I am the school administrator in the Anaconda Public Schools responsible for Special Services. I am here to testify in support of the fiscal needs for handicapped, as well as non-handicapped children.

In 1973, there was a comprehensive study by a Legislative interim committee on special education. It was from this study that full services for the handicapped and the current finance system evolved. This was a comprehensive study which led to informed, enlightened and comprehensive legislation. Since that time, there has been a series of piecemeal modifications to this legislation which have caused some significant problems.

The system started out as a fully funded allowable cost program. The intent was to increase accountability, add services and decrease costs. In 1979, the allowable cost was modified, placing approximately 20% of the basic cost back on the district. In 1981, a capstone was placed on this money so that the limited allowable cost was funded on a pro-rated basis of 92%. A small increase was added the following year, further distorting the original legislation by a reactive legislative process.

With these "add-on" legislative changes, school district's are paying 20% to 35% of special education costs from general fund revenues. While the number of special education students has drastically increased over the last eight (8) years, this number still remains below the national average cited by the federal government. At the present time, handicapped as well as non-handicapped children are in direct competition for the same educational dollars. District's with lower mill values are having a greater time than those district's who are blessed with slightly better prosperity, as indicated by their tax base.

With the economic hard times of the 1980's, a strongly supported educational system at the state level is essential to guarantee equal educational opportunity to the young people who are emerging as tomorrow's citizens. Without adequate funding in this Legislature for Special Education, the mandates for services will cause an even greater competition for dollars between regular and special student's in the next biennium. In order to minimize this existing conflict, the appropriation for Special Education must be increased by at least 12%. This is only a short term answer which will prevent the two entities, regular

and special education, from entering such fiscal competition that education opportunity would be lost for many public school children. The long term answer rests with this Legislature authorizing a comprehensive legislative interim study, as was done in 1973, to study mandates, program alternatives, appropriate service patterns, rules, revenue sources and then a funding mechanism. The time has come when the existing system cannot function with reactive legislation. Such an interim study would give the next Legislature the kind of data and information needed to move in a proactive fashion. Hopefully, these two measures if enacted would again place the Legislature in it's appropriate role as guardian of educational opportunity for Montana's public school students.

William F. Sibley