

MINUTES OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON EDUCATION
February 14, 1983

The House Appropriations Subcommittee on Education met at 8:00 a.m. on Monday, February 14, 1983 in Room 104 of the State Capitol. With Chairman Rep. Esther G. Bengtson presiding, all members were present. Executive action was taken on the budgets of the Agricultural Experiment Station and the Cooperative Extension Service.

Agricultural Experiment Station. Personal Services. The Chairman explained that 5.85 FTE were being put into a designated account for the Seed, Soils, and Foundation Seed Testing Lab. The LFA left the service components in the unrestricted account; the new total level would be \$6,179,318 in each year of the biennium. This sum included the 5.85 FTE, while the OBPP figures did not. Mr. Bill Sykes, LFA, explained why he had left the positions in. The fee structure isn't enough to support the Seed Lab fully from the designated account. The FTE were left in the unrestricted area until the fee structure could be raised. If the FTE were moved to the designated account, all of the revenue being taken out of the unrestricted and part of the expenditures being left in would impact the general fund.

Tom Crosser, OBPP, said the Agency removed \$90,942 of earmarked revenue into the designated area to cover the costs that were moved to the designated area.

Chairman Bengtson asked Dr. J. R. Welsh, Agricultural Experiment Station, if the general fund would be impacted by the moving of the FTE. Dr. Welsh referred the Committee to the Ag. Experiment Station 1985 budget book which had been distributed to the Committee members during the budget hearing on February 8, 1983. The Agency is suggesting that \$90,942 be transferred from earmarked revenue into the designated accounts. The 5.85 FTE is the service component of the laboratories in terms of personal services that would be moved to the designated status. He said that from this point on, as the labs adjust their fees, they would be generating revenues which would be dependent on the service provided by the laboratories. Regarding impact on the general fund, the designated account status only affects the earmarked revenue category.

The reason they want to move the FTE into the designated accounts is because, under the present system, the labs are forced to pick up shortfalls in Station revenue by way of the earmarked revenue. They are moving towards funding themselves independent of the rest of the Station. In the present structure, there is no incentive to adjust user fees, because the added income simply goes to the Station budget. Another reason for their wanting to make the change was, the labs have the opportunity to adjust their personal services depending on the revenues being generated and the need for FTE.

Mr. Crosser said that as long as all of the service component costs were extracted from the base, there shouldn't be an impact on the general fund. He said this appeared to have been done.

Mr. Sykes submitted that they had not moved all of their operations costs to the designated account, but they had moved all of the revenue. Mr. Crosser said the OBPP's lower figures in Contracted Services and Supplies and Materials were related to the proposed move.

Rep. Ernst moved that the 5.85 FTE be moved to the designated account. Discussion took place. Mr. Crosser pointed out that there had been a \$200,000 error in Personal Services in the original OBPP budget and the Regents' budget.

It was brought out that part of the reason all of the expenses weren't moved to the designated account was because part of the expenditures were related to the service portion of the Ag. Experiment Station itself. By moving the revenue over only, when the service function of the Experiment Station is performed, the Experiment Station would actually have to pay the designated fund. Dr. Welsh said that in the past, the research portion of the labs has been the part that the Experiment Station has carried. As this is moved into the designated account, the research community will become the responsible party.

The question was called for; motion carried unanimously.

Sen. Jacobson then moved the OBPP figures for Personal Services; motion carried unanimously.

Operating Expenses. Mr. Sykes explained that the LFA had averaged out-of-State travel for four years. This was done because the 1982 base showed a nearly 50% increase over 1981. Mr. Crosser said the 1982 actual expenditures for travel were used by the OBPP, with a 10% reduction in out-of-State travel, and a \$2,000 reduction in general travel expenses. The figures were then inflated by 6%.

Dr. Welsh said their policy was to try to hold out-of-State travel to one trip per scientist per year. They feel that out-of-State travel was imperative to keep the Station on the front edge of the research community.

Sen. Tveit moved the OBPP figures for travel. Motion carried, with Reps. Bengtson and Peck opposed.

Regarding recharge services, Mr. Sykes didn't include the base adjustment the Agency had requested for personal services recharges;

it was a 36% increase over FY 1981, and there was no documentation to support the adjustment. Mr. Tom Nopper, MSU, said the 1982 figure was higher because the recharge study performed by MSU was a more accurate accounting than it had been in the past.

Sen. Jacobson moved the OBPP operating expenses; motion carried unanimously.

Equipment. Mr. Sykes said the OBPP had inflated the 1982 actual expenditures by 6% and then reduced that amount by 10%. The LFA used a five-year average. Discussion took place regarding the Station's replacement schedule. Sen. Haffey submitted that OBPP basically had a 15-year replacement schedule, and the LFA's was even greater than that. Rep. Peck indicated that the Committee did not want to be tied to any replacement schedule; the Committee directed the fiscal analyst to work with the Experiment Station in developing a more detailed replacement schedule which would facilitate a more thorough analysis of equipment needs in the 1987 biennium.

Sen. Tveit moved the OBPP figures; motion carried unanimously.

Dr. William Teitz, MSU President, wanted to know if they could assume that the Committee wished them to have a 15-year amortization plan. Chairman Bengtson said the Committee wasn't specifically saying this; she wasn't in favor of putting all equipment on the same schedule. Rep. Peck said he thought there should be 5-, 10-, 15-year, etc. categories within a schedule. Sen. Haffey said he would like to see a reflection by year, also. Dr. Welsh said they were now in a position where information on the computer could be cross-sectioned in almost any manner they wanted to. He said he would have no problem reworking and refining the data.

Buildings. Mr. Sykes said the OBPP amount had been requested for upgrading of lab buildings, but in the justification, that was all that was stated, so the LFA didn't include this. Mr. Crosser said that traditionally they had upgraded their laboratories over the years, and there wasn't any specific project outlined; it was just an ongoing thing.

Dr. Welsh said the funds would all go into Bozeman. Part of the upgrade on the Experiment Station buildings comes from operating budgets and part from other available funding through plant fund sources. He added that over the years, they had had very few resources to do upgrading. It was brought out that in the past, the function was classified as repairs, but now it is coded into buildings. Mr. Crosser said that about \$15,700 was spent on this sort of thing in FY 1982.

Rep. Donaldson moved the OBPP figures; motion carried unanimously.

Mr. Sykes wanted to know if the Committee wanted the Station to exclude all equipment items from the replacement schedule that didn't lend themselves to a schedule, for the next biennium. Rep. Donaldson said that those issues that appear to be something the entire Legislature would want to address should be excluded from the schedule.

Unrestricted Earmarked Revenue Account - 31802. Mr. Sykes said the difference in the account was due to the movement of the 5.85 FTE. He added that he had talked to the Experiment Station, and they wanted to keep \$100,000 in the account as a reserve, to meet revenue fluctuations. In other words, they could only tap the reserve if their revenues came in at less than the appropriated amount. Rep. Donaldson wanted to know what happened to the reserve if no provision for carry-over was made. Mr. Sykes said limits could be put on the reserve stipulating that it could only be spent if the earmarked account revenue came in less than the appropriated amount, and the reserve could only be spent up to the amount of the appropriated authority. He distributed a sheet which clarified the matter; see Exhibit "A." Discussion took place regarding how this was handled in other Agencies. Mr. Sykes said language would be necessary to accommodate this in the appropriations bill. He added that to ensure good management of the carry-over, language would be necessary which would state that any access over the \$100,000 level would have to be due to a certified emergency situation.

Mr. Jack Noble, MSU, said he didn't feel that any language would be necessary. The Attorney General's office confirmed the authority of the Station to maintain earmarked revenue balances at the end of the biennium. What would be needed would be a letter of intent by the Committee.

Sen. Jacobson moved the OBPP figures for the earmarked revenue account. Mr. Sykes agreed to draft a letter of intent that would enable them to use the \$100,000 in the reserve. Motion carried unanimously.

Rep. Donaldson moved the Regional Account and the Hatch Act. Motion carried unanimously.

Program 15 - U. S. Range Station. Rep. Peck moved the OBPP total program figures; motion carried unanimously.

The budget for the Cooperative Extension Service was then considered. Personal Services. Rep. Peck moved the LFA figures; motion carried unanimously.

Operating Expenses. Mr. Sykes said he had used the 1979 figures for out-of-State travel because there had been a 102% increase in travel from 1981 to 1982. He inflated the 1979 figure forward by 8%, to 1982, and then by 6% for 1984-5. Rep. Donaldson

said he thought there had been an intentional effort by the Education Subcommittee to expand travel, in 1981. Mr. Sykes said that in the base adjustment made in 1981, \$3,600 was to go towards out-of-State travel, and \$5,000 was to go towards in-State travel. From the LFA's standpoint, the Committee did not give a base adjustment to out-of-State travel; it was mainly for in-State travel and other line-items. Even if the \$3,600 was considered, it wouldn't be sufficient to give them a 102% increase.

Dr. Carl J. Hoffman, MSU Extension Service Cooperative representative, said that in 1981, their major concern was out-of-State travel to bring in job candidates. In addition they have been teaming up with other States, due to the regional nature of a lot of the Experiment Station's programs; this lends itself to out-of-State travel. Most of the travel is done by specialists, and some by administrative personnel.

Regarding AGNET funding, Mr. Sykes referred the Committee to P. 695 in the LFA narrative. In 1982, the agency had to budget amend \$41,938 in federal Smith-Lever funds to make up the shortfall in user fee revenues. The agency's projections for 1984 and '85 are well under the 50% level that user fees are supposed to meet. If he hadn't taken out the budget amendment, the general fund would have to pick up the deficit in user fees as well as the amount of the expenditures left by the budget amendment. He pointed out that the Legislature had expected users to begin taking up the total cost of AGNET, beginning in the 1985 biennium, when the AGNET program had first been appropriated for. Therefore, he removed all of the budget amendment for AGNET. The LFA wrote up as a modified request the amount that they could not make up in user fees. \$29,747 in 1984 and \$30,742 in 1985 is what would be needed if the general fund were to pick up the deficit in user fees below the 50%.

Regarding the difference in Supplies and Materials, Mr. Sykes said he didn't inflate those expenditures related to the multilith operation. Dr. Tietz said the problem with that item was that a philosophy had been developed regarding designated accounts to help pay for equipment. Therefore, charges were established so that an equipment replacement fund would be developed. When that fund grows, it becomes a likely target for subsidizing operations. They are asking for clarification on whether or not this is going to be done. If replacement fund balances are going to be built, they should be left for those purposes.

Rep. Donaldson said he was in support of setting limits on the level of excess monies in the replacement accounts.

Mr. Sykes pointed out that the Multilith account had enough money in it at present to fund the replacement schedule for their equipment. A list of the proposed purchases was passed out; see Exhibit "B." He added that the fact that their receipts were running 27% over their expenditures would ensure a continuing reserve balance.

Mr. Nopper pointed out that the Multilith operation serviced the entire campus. He felt that all users should pay for the equipment purchased within that account. But if the funds are used for the Extension Service, the users are getting the short end of the stick. Dr. Hoffman said that when the equipment was requested it was suggested that they use a designated account. He said that the purchases to date had been from user fees.

In response to Rep. Donaldson, Dr. Tietz said he didn't believe the Multilith account had expanded its service, but the demands on it had increased.

Rep. Donaldson moved that it would be the philosophy of the Committee that the Multilith Department would be able to build the fund balance sufficiently enough to accommodate equipment. It needs to be determined how much money is needed for equipment. Beyond that, the fees need to be reflective of this.

In response to Rep. Bengtson, Mr. Sykes said the philosophy in Rep. Donaldson's motion had been built into the LFA budget, because receipts were still overrunning expenditures.

The question was called for on Rep. Donaldson's motion; motion carried unanimously.

Rep. Donaldson said that the next issue the Committee had to resolve was whether or not AGNET was going to be funded. Sen. Tveit moved that the Committee continue to fund AGNET. He rose in support of AGNET as a valuable tool. He said that farmers needed computers just like every other business. Sen. Jacobson was in support of AGNET, and was opposed to discontinuing participation after it had already begun in the State. She was in favor of providing more "hands on" experience to the layman. Sen. Hammond agreed with Sen. Jacobson that there hadn't been very much practical application by a great number of people.

Rep. Donaldson moved to accept the LFA's Option A as regarded AGNET; see P. 695, LFA Narrative. This would involve about \$60,000 additional general fund than currently in the LFA budget. This would also reflect about a 1/3 user fee contribution. This motion would pick up the federal expenditures that were generated by the budget amendment. The question was called for; motion carried unanimously.

The LFA budget for Operating Expenses was then moved by Rep. Peck. He stated that his motion was to incorporate what had been

accepted under Rep. Donaldson's motion. The amounts would be \$662,084, plus \$29,747 in 1984 and \$696,650, plus \$30,742 in 1985. Motion carried unanimously.

Equipment. Mr. Sykes explained that he had excluded equipment because he questioned if it was essentially field research in nature. Dr. Hoffman said that in the past, sometimes the operator's equipment was used, or the Experiment Station equipment was used.

Sen. Haffey moved the LFA figures for equipment; motion carried with Sen. Hammond opposed.


Buildings. Rep. Ernst moved the LFA figures; motion carried unanimously.

Unrestricted Smith-Lever Account. Sen. Hammond moved the LFA figures; motion carried unanimously.

Dr. Tietz spoke up regarding the Extension Service budget. In the case of Supplies in the Operations category, the Service didn't spend the full authority in the last biennium and as the new year is started, instead of reverting to the appropriated amount, the balance forward is used as current level and as a general principal if this is done prudently, one would not spend as much in some years as in others. He submitted that it was inappropriate to penalize the fund or the unit for having exercised prudent management, by reducing their budget the next year.

Rep. Peck pointed out that it was a possibility that too much money had been appropriated to begin with.

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


Rep. Esther G. Bengtson - Chairman

VISITORS' REGISTER

HOUSE Agrops Education SUBCOMMITTEE

BILL WORK SESSION

Date 2/14/83

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Pat [unclear]	[unclear]	MT. [unclear]	✓	
Chris Johnson	Great Falls	MT. Farmers Union	✓	
Robert McQueen	Highwood	Coop.	✓	
Harry Johnson	Krona	Ag Advisor Council	✓	
[unclear]	[unclear]	MT. Stock [unclear]	✓	
[unclear]	[unclear]	[unclear]	✓	
Don [unclear]	Balsie	ASMSU	✓	
[unclear]	[unclear]	M.U. SYSTEM	✓	
Jim Stephens	Boz.	Mont Farmers Union	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

PROPOSED MANAGEMENT OF MAES EARMARKED REVENUE
(Excluding LARRS)

1. Use best estimate (based on five year running average) of anticipated income in appropriations bill.
2. Allow carry-over of \$100,000 as a reserve across the biennium and to be available to cover revenue short-fall.
3. Transfer to physical plant improvement any excess over \$100,000.

This management strategy allows:

1. The Legislature to establish and fund specific program levels.
2. The MAES to manage revenue fluctuations efficiently.
3. Some possibility of addressing the physical plant development and maintenance problem.
4. Compliance with recent legal interpretations.

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Multilith
FY 82

FY 82 Multilith Fund Balance		107,271.92	
Capitol Purchases by Fiscal Year Affecting Fund Balance			
FY 83:			
Perforator, slitter, numbering machine	12,000.00		
Tape binder	4,000.00		
Padding frame	<u>350.00</u>	16,350.00	
FY 84:			
TCS4 Offset & platemaker	36,000.00		
EMF Collator (120 lines)	13,500.00		
Plastic binding panel & binder	<u>2,500.00</u>	52,000.00	
FY 85:			
Folder and trimmer	10,000.00		
1850 Multilith	<u>16,000.00</u>	<u>26,000.00</u>	
Total			94,350.00