

49th LEGISLATURE - SPECIAL SESSION 11
MINUTES OF THE MEETING
APPROPRIATIONS COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

The meeting of the Appropriations Committee was called to order by Chairman Bardanoue on Thursday, March 27, 1986 in Room 104 of the State Capitol at 8:00 a.m.

ROLL CALL: All members were present.

EXECUTIVE ACTION was taken on HOUSE BILLS 2, 8 and 18; HOUSE BILL 18 was heard.

E X E C U T I V E A C T I O N :

HOUSE BILL 8: Representative Moore moved that HOUSE BILL 8 DO PASS; it was seconded and the motion carried unanimously.

HOUSE BILL 2: Representative Winslow moved to amend the bill on line 5, page 2 by removing the \$41,000 appropriation in 1986 and 1987 for transient assistance. He submitted that if the money wasn't taken out something might be started that the State wouldn't be able to control. Representative Moore asked Dave Lewis, Director of the Department of SRS, if the funding was removed, was there any chance that there could be litigation against the State for this. Mr. Lewis said that the law said that they "may" provide that kind of assistance, so he didn't feel there would be any litigation on the issue. Affected persons could apply for General Assistance if they stated they intended to become residents.

In response to Representative Quilici, Mr. Lewis stated that at the present time the Rescue Mission in Butte was not receiving any of these funds; however, if funds were available the Rescue Mission and other similar organizations would be eligible to receive these funds.

In response to Representative Donaldson, Mr. Lewis said SRS reimbursed God's Love Shelter for what they billed SRS for lodging and food for a transient; however, the same transient could go to another area and the State could be billed again. Mr. Lewis said he felt that God's Love would continue to operate whether or not the State reimbursed them. He said that prior to God's Love's existence, Lewis and Clark County contracted with the Iron Front Hotel for this same reimbursement; however, the Salvation Army paid for most of this rather than SRS.

Chairman Bardanoue stated that if the Transient Program

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was going to be expanded, it should be looked at in the 1987 session of the Legislature, but he was in favor of the amendment proposed by Representative Winslow for the present. Representative Winslow asked the question, are we going to start funding these programs all over the State. If so, \$400,000 should be appropriated. The question was called for on Representative Winslow's motion; motion carried with Representatives Menahan and Quillici opposed.

Representative Winslow moved to add another amendment (EXHIBIT A). He explained that this wasn't appropriating any more money: as the General Assistance expenditure went down as a result of the program, the program would be paying for itself. Mr. Lewis submitted that if at least 30% of the participants in the program received job placements, it was a break-even situation. He felt the program with the Department of Labor would be at least this successful, and the case load would be reduced by at least enough to pay for the program. Mr. Lewis said the Job Service was willing to do almost the same kind of thing as private operators had done in Nebraska. He added that these kinds of programs were working well elsewhere and anything over a 30% placement would actually reduce expenditures. Anyone who was able-bodied would qualify for the program. Attendance at the program would be mandatory, and for each day missed, a week's General Assistance benefits would be denied. He added that in Nebraska welfare recipients were eager to get into the program. The program motivates and shows the people how to find those jobs not found in the Job Service. Representative Moore rose in support of trying the program in Montana, and seconded Representative Winslow's motion; the question was called for; motion carried unanimously.

Representative Moore then moved to delete the Department of State Lands funding portion of the bill; motion carried unanimously.

Representative Lory moved that HOUSE BILL 8 DO PASS AS AMENDED; it was seconded; motion carried unanimously.

Mr. Dennis Hemmer, Department of State Lands, informed the Committee that he had since the hearing on HOUSE BILL 8 received a \$97,000 bill from the Forest Service in Missoula from the BIA which should have been billed through the Forest Service which might need to be covered with an additional supplemental; however, his agency wanted to first verify and audit the bill. 1987 funds

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could be transferred into 1986 to pay it and a supplemental could be asked for in the 1987 Legislative session. The BIA had sent crews and equipment to help on last season's fires.

HOUSE BILL 11: The Committee discussed another bill which had been introduced by Representative Marks which was similar to HB 11. Representative Donaldson said the other bill's intent was to use existing agencies so that the appropriation would be nominal. At this point until that bill could be addressed in the other Committee, this Committee should wait to act on HB 11, he felt.

Mrs. Judy Rippingale, Legislative Fiscal Analyst (LFA), explained to the Committee that Representative Marks' bill was to be heard in the House Agriculture Committee that afternoon and after the hearing that committee planned to take executive action on the amendments to HB 11 and then pass their recommendation on to this Committee. The Chair ruled that the Committee would take Executive Action on House Bill 11 at 2:30 p.m. that afternoon. The Committee took a 15-minute recess.

(Tape 8:B:000)

HOUSE BILL 18 was then heard. The sponsor, Representative Dave Brown, presented the bill. The measure allows the University System to take those indirect costs which come in from contracted research, over and above the disbursement ratio set up in HOUSE BILL 500, to enhance and expand existing programs. This would give both professors and graduate students the opportunity to seek more national academic recognition, which would ultimately bring more dollars into the University System. If the measure is not enacted, he submitted that the University System would be being penalized for trying to bring in contract dollars that they don't presently have.

Representative Norm Wallin rose in support of the bill. He stressed the value of out-of-state money coming into the State. He submitted that there wasn't much incentive to get grants if none of the indirect costs could be retained by the Universities.

Commissioner of Higher Education Carrol Krause then spoke up in support of the bill, stressing that those indirect costs the money was intended for were real and clearly 15% was not enough to cover the real costs that the institutions absorbed in this process. Montana is one of the few states that have this sort of reversion; many state universities didn't have to revert the money at all. He stressed that they were not asking for the Legislature to eliminate the reversion of indirect costs but they were asking to be able to retain the additional unanticipated revenue to apply against some of the problems they currently have within the University System and to continue

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to build their research base. He stressed the importance of making an investment in education.

Bruce Shively, Assistant Grants and Contracts Administrator at MSU, explained the subject of indirect costs. Slightly less than 1.5% of the State-appropriated budget at present is for research. Most of the funding for research comes from grants and contracts which the faculty secure from a variety of federal and private granting agencies. At present MSU's 600-700 active research accounts generate about \$10 million in annual expenditures. The State-appropriated budget takes care of the instruction and support function and the grants and contract activity funds the research activities of the campus. Some granting organizations do not provide for indirect costs although most do. All federal grants have a 39.5% indirect cost rate which is negotiated. The amount of the indirect cost reimbursement the University receives depends on the volume of research conducted, and the indirect cost rate that the grants and contracts are charged at.

Dr. William Tietz, President of Montana State University, then rose in support of the bill on behalf of MSU and the rest of the Universities; they have been trying for many years to use the resources of the Universities to improve the economy of the State. Research and development activities generate about \$15 million in the State at present, and 90% of those dollars are spent in Montana, over and above the results of the research. On the campuses those dollars are buying people. Over the past ten years they have made great strides in getting highly competitive people to come to the State. The entire economic picture of the future of the State lies in keeping these people here, and passage of this bill will help improve the conditions under which these people operate.

Terry Minow, Montana Federation of Teachers, and the University Teachers Union, rose in support of the bill.

Opponents: None

Committee Discussion:

Representative Donaldson rose in support of the bill. At present the equipment budget at the universities is almost entirely being funded through research grants but soon the taxpayers are going to have to address the issue of outdated equipment at some of the campuses. He stressed that those pursuing research grants be encouraged because it would be an economic plus to the State.

In response to Representative Swift, Dr. Tietz said about 80% of the \$10 million was from federal sources, and 20% from foundations, private corporations, or individuals supporting research activities, with indirect cost dollars

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being heavily oriented to the federal side.

In response to Chairman Bardanouve, Dr. Tietz said that prior to 1981 all indirect cost dollars had been reverted to the State. It was brought out that \$380,000 was what would be generated over and above the \$1.6 million in the appropriations bill. Representative Donaldson said passage of this bill was not affecting the revenue estimates made in 1985; however, it would have a \$380,000 impact on the general fund. Representative Thoft wanted to know if the \$380,000 would be going towards maintaining the status quo or expanding programs, and Representative Brown said he felt that at best it would maintain the status quo.

Representative Bardanouve submitted that indirect costs were funded by general fund dollars. Mr. Shively said the indirect cost money was aimed at the added cost caused by the presence of the research contracts on the campus. Dr. Tietz submitted that the activities associated with the research programs were over and above the base number which was provided for in the formula. In response to Representative Peck, he said that all of the people at any institution were paid through the General Fund; however, some of those individuals were paid charging against contracts and grants. There were elements that were paid through the General Fund because of the system presently being used, and although they were paid from the General Fund, the source of the dollars was from the contract and grant activity and the federal government, which went into the General Fund.

(Tape 9:A:010)

Representative Peck maintained that the taxpayers paid for the indirect costs; therefore the federal government was paying the State back for those costs which it was covering. He added that the 1985 Legislature had made a policy decision regarding how to handle this money and he resented having the issue brought up again at this time. In view of the cuts that would have to be made in June he felt it would be wrong to pass this bill at the present time. Representative Bardanouve rose in agreement with Representative Peck, and felt a policy decision like this should be made by the 1987 Legislature.

Representative Nathe said the research money was being used to instruct students and he was not in agreement with the State "having its nose this far in that money." He rose in support of putting incentives in although he granted that what the opposition was saying was valid.

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If he was a federal auditor he wanted to know how many times could he justify taking a 39.5% cut on a grant.

Representative Lory said that above the figure set in HOUSE BILL 500 100% was supposed to go to the State, and he felt this was a mistake made in the bill.

Representative Donaldson was in support of having a split for indirect costs, with part going to the State and part being kept by the Universities, but an 85/15 split was derived by the State's desire to "get the bucks." Also, he pointed out that the policies made in 1985 would no longer work. He disagreed that everyone would have to be hurt equally in the cuts that would have to be made. He stressed the importance of acting on the issue now and not in June so that the people being affected could remain on campus.

Representative Bardanoue submitted that the money to be gained from passage of this bill was going to be used to make up for the 2% cut made by Governor Schwinden. Dr. Tietz said that to some extent this was true. In response to Representative Moore, Dr. Tietz said the 2% cut had a \$577,000 - \$640,000 impact on MSU.

Representative Bardanoue wanted to know how MSU's actual enrollment figures compared to what had been predicted by the Legislature. Dr. Tietz said that student-faculty ratios had gone up while enrollment had gone down, and the figures came out "just about awash." Although the number of students had declined, the students that were there had shifted into high-cost areas. He pointed out that they had decreased their actual faculty and personnel by 60 positions in the past ten months.

Representative Quilici rose in support of the bill.

Representative Brown then closed. He pointed out that contract research grants allow the system to bring in new equipment that the system couldn't otherwise afford and this was a major educational reason to continue and change the way cost reimbursement was done in this area. Indirect cost ratios run elsewhere much higher, and he expressed amazement that the charges were being kept this low. Finally, if professors couldn't do research here, they would go elsewhere to do it.

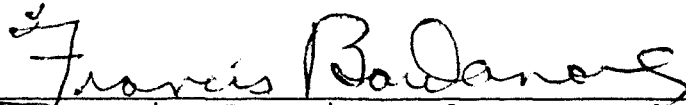
The hearing was closed on HOUSE BILL 18.

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E X E C U T I V E A C T I O N :

HOUSE BILL 18: Representative Moore moved that the bill DO PASS; Representative Lory seconded it. Motion carried with Representatives Thoft, Peck, and Bardanouve opposed.

The meeting was adjourned.



Representative Francis Bardanouve - Chairman

DR

DAILY ROLL CALL

HOUSE APPROPRIATIONS COMMITTEE
 SPECIAL SESSION II
 49th LEGISLATIVE SESSION -- 1986

Date 3/27 8:00am

NAME	PRESENT	ABSENT	EXCUSED
BARDANOUVE, FRANCIS - Chairman	✓		
DONALDSON, GENE - Vice Chairman	✓		
BRADLEY, DOROTHY	✓		
CONNELLY, MARY ELLEN	✓		
ERNST, GENE	✓		
FRITZ, HARRY	✓		
HAND, BILL			
LORY, EARL	✓		
MANUEL, REX	✓		
MENAHAN, WILLIAM	✓		
MILLER, RON	✓		
MOORE, JACK	✓		
NATHE, DENNIS	✓		
PECK, RAY	✓		
QUILICI, JOE	✓		
REHBERG, DENNIS	✓		
SPAETH, GARY	✓		
SWIFT, BERNIE	✓		
THOFT, BOB	✓		
WINSLOW, CAL	✓		

STANDING COMMITTEE REPORT

March 27, 19 86

Mr. Speaker: We, the committee on APPROPRIATIONS

report HOUSE BILL 19

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

Rep. Francis Barbanouye, Chairman

STANDING COMMITTEE REPORT

March 27

19 86

Mr. Speaker: We, the committee on APPROPRIATIONS

report HOUSE BILL 2

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

Rep. Francis Bardanoue,

Chairman

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color

AMEND HOUSE BILL 2 AS FOLLOWS:

1. Title, line 6.
Following: "SERVICES"
Strike: "AND"
Insert: ", "
2. Title, line 7
Following: "LANDS"
Insert: ", AND THE DEPARTMENT OF LABOR AND INDUSTRY"
3. Page 2, line 4.
Following: "Assistance"
Insert: " and Structured Job Search, Training, and Work Program.

If SRS contracts with the Department of Labor and Industry to provide all or part of the structured job search, training, and work program, the Department of Labor and Industry is appropriated the spending authority for the contract."