

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

April 11, 1987

The 30th meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. Senator Regan, Chairman, called the meeting to order following roll call to continue hearing and executive action on House Bill 2.

ROLL CALL: All members present.

CONSIDERATION OF HOUSE BILL 2:

EXECUTIVE ACTION ON SECTION D CONTINUED: Senator Regan said we were concluding section D and Senator Keating had a question on this section.

Senator Keating said, I guess my question was answered all right, but for general information of the committee, I was curious as to why there were 51 inmates at Swan River and 26 FTE's. I thought a 2 to 1 ratio on the staff and inmates seemed to be pretty high, but in checking I find that even at the prison there is 900 prisoners and 450 staff. You are looking at a ratio of one employee to 2 inmates in the various incarceration institutions which seems like a big load. Senator Regan said, it is 3 shifts in 24 hours.

Senator Keating said, there were going to be 20 more beds in the prerelease center and we are still looking at a net 83 bed increase in the prison. Is there some justification for that estimation? That is an amazing statistic if that's the case. Senator Bengtson said, the population is growing all the time and it is projected by the year 1990 some there will be close to 2,000 prisoners. Part of this is the number and type of sentences being imposed.

Senator Story said, there ought to be an offsetting factor. Everything else was based on the baby boom, etc. It seems to me that it should be going down. Senator Regan said, we have increased sentences and we have increased length of stay in mandatory legislation.

Senator Manning said, part of the problem is the increase in drug traffic and alcohol. You also have economic conditions in this state right now where there are a lot of people out of work and some instead of seeking work are seeking means of monetary value in another way.

Motion by Senator Haffey to close section D of House Bill 2.
Voted, passed.

SECTION C, HOUSE BILL 2. Representative Swift, subcommittee chairman for Natural Resources Committee went through the bill explaining the changes on the floor and some history of the amendments. He introduced the subcommittee members and staff.

C-1. Public Service Commission. The Public Service is now funded through a Utility Tax and the only difference was House Bill 583 making that a pass through and putting it into the general fund budget in the process. Representative Swift said they increased the Pipe Line Safety Program by \$11,000, approved the increase in the Rail Safety Program from \$18,000 to \$40,000 for fy '89-89, and an increase in travel by \$6,430 as a result of passage of House Bill 302 which was the closure of some rail stations and the PSC reviewing that it was felt there could be more travel. Two modifications, read C-3.

C-4. Department of Livestock. The committee looked at an across the board reduction of 5% to 10%. We asked the Department of Livestock to review that to see how this reduction of general fund would impact the department. They came back the next day and agreed they could do it, showed where the reductions would be, the committee accepted it and allowed them the flexibility to set their levels in each department as they needed. We did not take any vacancy savings in that department. There are relatively few numbers in the department and it was almost impossible to take vacancy savings here. This department has, on their own, reduced their own organization consistent with the economic situation because basically they work on about an 85% fee base.

C-14. Department of Agriculture. The department was asked to look at a 10% reduction of their funds. They said that would be difficult to do in certain divisions to take an across the board cut, so the committee worked through the budget on a division by division review. They eliminated the Deputy Director's position for a savings of \$86,000 in general funds. We added \$70,000 per year in their program because the Montana Agricultural Indication Program Checkoff System was again approved for the biennium. They eliminated the one supervisor position since they hadn't filled it for a year. That resulted in \$53,000 saving. They set up a bill to increase fees on plant industry inspections, warehousing, and that sort of thing. The bill has gone through the House and is now in the Senate. That would balance out the cost of that inspection program from about 61% coverage by fees up to 80%. They approved 3 minor budget modifications: one was to set in a new Apple Inspection Program, a Heavy Metal Surveillance monitoring

program, and in the Grain Lab we approved an additional position. All of these will come out of fees and there will be no general fund impact. They approved the forgiving of the \$197,294 which was the Beginning Farmer Program. That ran for 2 sessions, there were 3 loans and there is one that is still viable, and experienced a \$6500 return on that one loan and agreed to forgive that amount of general fund dollars. The action on the floor resulted in deleting the crop reporting program, and that amounted to \$150,000 and that might be too much impact on the Department of Agriculture and this committee may want to do something about that. Counseling and Mediation Program which was placed on board in '85 was picked up again in the last part of the session and no adjustment has been made. That will amount to about \$124,000 each year of the biennium.

C-28. Department of State Lands. Some decisions were made in the House. We had to pick up \$12,300 on the Twin Bridges complex because the contract went sour and the state had to take it back over. The understanding is that Hemmer will do what he can to get rid of the problem and get rid of that facility. They replaced the general fund in the Reclamation Bureau Program with RIT money at the Executive recommendation and that amounted to \$1,211,000 for the budget. They approved a modification for 2 new positions in the Hard Rock Mining area because of increased activities there. That made 3 positions and it was with the understanding that Mr. Hemmer would drop off one of the FTE's if the activity were reduced in that area. On the House floor they added an altered position hoping we could collect some of the funding we are not getting from that area. That amounted to \$32,000. They approved the assumption of block 3, which is fire protection. The state is taking it over from the Forest Service, and that amounted to \$264,000 the first year of the biennium and \$235,000 the second year, and if this was not continued we would have had to pay fees of 64 cents per acre for protection as contrasted to the 19 cents per acre. With that action we experience \$400,000 savings in the protection in the fire activity for the state. If we had a catastrophic fire year we may not come out that way, but based on the average cost over the years that is what it looked like. They approved an expanded Timber Program picked up in the '85 session. The House cut that back by 1/2, and Representative Swift said he did not feel this was a good step. We invested the dollars and now are backing off before the program is complete and we are losing in generated interest to the trust fund the money we would get if the program is held up.

C-42. Department of Fish, Wildlife and Parks. This department is fee generated through license and also the federal program, Dingell-Johnson, Pitman Roberts and there is a new one in Water Safety that they are experiencing increased federal funding through the Water Program. They

have 21 modifications in the Department. Read the modifieds as listed in the budget, C-42 through C-60. House Bill 535 and House Bill 526 will expand the program over the next 2 years by about \$3 million if the bills go through.

C-61. Natural Resources and Conservation. In this program they followed the Executive recommendation. They used the RIT funding to substitute for general fund in the Oil and Gas area in Centralized Services. That resulted in Centralized Services we used a little more of the Water Development funds and RIT than we normally experience. The projects and programs in DNRC that were funded with RIT fit fairly well with the statutory law because they do deal with soil and water programs, water reservations, reservoir projects, safety in conjunction with water programs etc., so we had no qualms about funding that program on that basis. DNRC carries the Conservation District budget in that department and again RIT funding did replace the general fund there for about \$700,000. They reduced the Water Rights Adjudication program and especially if it was in the adjudication area, by some \$.5 million a year. That stemmed from some of the conflicts that have been going on between the DNRC and the Water Resources. They said they felt they would not get their money's worth if it continued and that was the reason for the reduction. That resulted in the reduction of some 18 FTE's in the program and they had 9 field offices, and they were left the flexibility in conjunction with the priorities that came out of the court to adjust the people as they needed in line with the review of the adjudication. House Bill 754 passed out and set up a new selection project process for judge in the water court and had a review of the adjudication program in it and setting of priorities. They continued the continuance of the Water Compact Reserve Water Rights Commission for the same level of funding and we put RIT in the general fund budgeting there. We continued with the Missouri River Reservation Program, Dam Safety Program and the Powder River negotiations that have been going on for the past 4 years. They approved about 5 modifications: to continue working with the Northwest Power Planning Council and those are funds that come out of Bonneville Power Administration and residential and technical assistance in the construction program and conservation activity that's been going on there since the Northwest Power Plant Program began. We also approved some money for them to attend meetings. In order to keep up with that program and receive the federal dollars we have to attend some of those meetings and that is why it was approved. House Bill 5 and 6 was reviewed by the Finance Committee which takes in the water and soil programs etc.

C-77. Department of Commerce. They approved the transfer of the Tramway Safety Program into the Department of Commerce. Approved the Budget Modification for Business

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License Regulation Division and gave them \$75,000 for their legal problems for the biennium. Approved 4 modifications in the Professional Licensing C-85. They approved the Board of Outfitters from the Fish, Wildlife and Parks over into the Department of Commerce which involved the shifting of \$48,000 per year in the budget. They approved funding to complete the State Air plan, and that amounted to \$82,000. They eliminated 2 positions in the Transportation Division, the boiler plate language would allow them to pick that up if federal funding should become available. They reduced the Transportation Division general fund by about \$50,000 through the biennium and added some boiler plate language that would allow the funding for the McCarty Farms litigation case to continue at the \$95,000 level. That was line itemed to be sure that funding was kept for that litigation program. Approved the budget modification that would allow the Transportation Division to continue using \$.5 million if they had the match money to carry that through on short lines like Geraldine and some of those others. The House removed general fund in the Business Assistance Program and financed the program basically with funding that comes through the trust of House Bill 862. Basically what that did was substitute the general fund in the program of Business Assistance. This is packaging, Ambassador Loan Executive Program, One Stop Business Licensing, and Business Recruitment Project. Everything there is hinged on House Bill 862 becoming a reality. If it does not, it will shift back to the one category of Business Assistance, and we would not expand those programs. We approved 2 modifications for marketing at Pacific Rim Office for \$268,000 and the opening of 2 additional Small Business Development Centers, one in Helena and one in Glendive at the Dawson Community College. The House accepted the proposal to replace general fund in the Montana Promotion Division with Accommodations Tax Revenues. They reduced the general fund in the Local Government Audit Division by 50% and that amount is \$743,000. They accepted the Executive recommendation to fund the Local Government Block Grant, it was 1/3 of the Oil Severance Tax Revenues in the Local Government Block Grant Vehicle Fee. Between those two revenue sources, the program will be funded at about 50% level of what it was in the past; about \$8 million. The House Reduced the District Court Reimbursement from \$2.5 million per year to \$433,337 as a result if House Bill 890 passes. That 15% going into the pool fund and the boiler plate language included in the bill would restore the appropriation to \$2.5 million if House Bill 890 fails to be enacted. They only approved one project under the Coal Board Program and that was the Yellowstone county jail because it had that ongoing, we continued to fund that for the full amount and did not make any further commitments for the taxes from those coal dollars. Eliminated 10% in the Indian Affairs budget which resulted in a \$9,400 reduction. We approved the transfer of the Board of Investments to the

Department of Commerce, and the combining of the Montana Economic Development Board with the Board of Investments. That will result in about \$140,000 savings by that action. There is a loan connected in that that I understand will not be paid in the next couple of years. We approved 2 budget modifications in Montana Science and Technology Alliance budget and that was adding an administrative position. It consisted of \$34,809 for the Alternative Energy funds for the biennium, and 2 FTE's to the Seed Capital Program administration by \$177,609 for the biennium and the House added \$1,862,000 of Coal Severance Taxes onto the University Research Development Grants. This is a part of House Bill 862 that was mentioned which allocates 3% of the Coal Tax for the grants. We approved the budget for the Lottery Program as projected by the Executive. That's somewhere around the \$25 million level. They approved the transfer of the Video Poker Program from the Department of Revenue to the Department of Commerce and we approved the one modified for the Director Management Services Division budget. This did not involve any general fund.

COMMITTEE QUESTIONS: Senator Hims1 asked Representative Swift, on C-91 in regard to the modified. The Small Business Development Center, is that a new program that has come on board? Representative Swift said, as I understand it, it would be an addition in the staff and program. The discussion we had was that they would be primarily involved with the business activity; particularly the marketing and promotion of those kinds of activities, and the funding as I understand it will be federal dollars.

Senator Keating asked, isn't this a duplication of what they are doing over at MSU in the Small Business Assistance? Representative Swift said, they are doing some there, but basically it isn't a duplication because, as most of you know, the Small Business office has been here in Helena for quite some time, but as far as the other location, I don't know what they've been doing at Dawson Community College and I don't know the extent of the work that is done at MSU.

Senator Keating said, I am just wondering what we are going to do when the federal funds stop.

Senator Bengtson asked about the Business Development Centers in Glendive and Helena, and how those 2 offices interface with the Community Development Program, the Montana Economic Development Board and the Montana Science and Technology programs that we have. It is hard to see how they all fit together and if there is duplication. With the Community Development Program, I know it is federal funds too, but they work with the local communities as will those Business Development Centers in Glendive and Helena. Is anybody here from the Department of Commerce that works in that Department and can explain that?

Senator Regan asked Senator Bengtson if she would hold the questions for the agencies after they have had a chance to comment. If we can ask questions of Representative Swift now, then public testimony and follow that with questions.

Representative Swift said, basically those were the same kinds of questions tended to clarify and field during the subcommittee workings, and very frankly we thought there might be some duplication of those programs, but the time we had -- we couldn't get into all of those. There is a little general fund match in there. Carl Schweitzer, LFA, said he did not know the levels, but within the existing money that were given to the Business Assistance Division some of the ongoing things that they do can be used as match for the federal funds, so all of the new money was federal funds. Some of the things that Business Assistance is doing that was financed with general funds could be used as a match.

Representative Swift said, the point is that we didn't increase the general fund match beyond what they had before.

Senator Bengtson said she would like to know the total number of FTE's involved in this program. Representative Swift said, I think the 2 positions that we are expanding is the total expansion.

Senator Keating, C-77 on the agency summary, under the funding portion you see the general fund is down 77% and other revenue is up \$25 million. What are these other revenues? Representative Swift said, the Lottery will be the biggest increase. There would be some spilling in there of the video poker.

Senator Keating asked, why is the general fund money down so much. Representative Swift answered, again, we would be shifting out of those programs with the legislation we discussed earlier.

Senator Hammond said, I would like a little further information on the cuts in DNRC associated with the Water Adjudication, and how is that going to affect it? I have carried legislation a couple times now to try to hurry the adjudication on the Milk River. What affect will that have? Representative Swift said, actually with the priorities as I recall, I mentioned House Bill 754. They set up priorities by the 9 regional areas and the Milk River Program as I recall, we gave it priority in '85 was going to continue.

Senator Hammond said, but there were cuts in FTE's as far as DNRC was concerned. Representative Swift answered yes, but we pointed out to them that we were reducing that program because we felt we were losing efficiency to the complex we had and until that was resolved we were going to reduce the program in relation to what the DNRC was concerned about.

DNRC was concerned that we were moving too rapidly and were not doing the job properly according to the statutory rule, so we felt as long as that continued, we weren't going to get the operational efficiency and the quality we needed, so we would slow the program down. Our feeling in the committee is that it is a judicial question and it should be cleared up before we continue on.

Senator Gage asked, some of the fees and taxes we have put on for a specific purpose have ended up being general fund generators. How does the Utility Tax with PSC put it into that category? Representative Swift said, as far as I recall that bill was just nothing more than a pass through. I do share your concern that in general fund, we may get to pushing that differently than we would otherwise, but I don't know if that is going to happen.

Senator Bengtson said, back to the Department of Commerce, the Lottery Division has horse racing under it, and does it also have video poker. Representative Swift answered yes.

Senator Bengtson asked, what all is under the Lottery Division now? Representative Swift said, we moved the Video Poker over there as well as Horse Racing, and the Lottery will be in there so they will all be in the same place. There is one point I should make, though. We left 2 FTE's in the Revenue Department for investigations and that sort of thing.

Senator Bengtson asked, what sort of staff did you put in place then? Representative Swift answered, we moved 35 positions for Lottery and 4.7 moved over with the Video and Horse Racing. There were 4 more in Video and Horse Racing I did not mention.

Senator Stimatz asked, the Lottery isn't connected with the Horse Racing, is it? Representative Swift said, no. They are under the Commerce umbrella. The Lottery will stand on its own.

Representative Swift said, the boiler plate language does provide for Harness Racing to roll into place, provided that happens.

Senator Manning asked, in regard to that boiler plate language on Harness Racing -- what page is that on? He was told on C-116.

Senator Regan said they were due on the Senate floor and if there were no further questions they would go up and start again on the Department of Agriculture taking public testimony from agencies when they got back down. She said the committee would recess to the call of the chair.

The committee returned at 11:15 and Senator Regan asked for comments from the agencies on what had happened on the House floor.

TESTIMONY FROM AGENCIES ON HOUSE BILL 2, SECTION C.

Department of Agriculture. C-2 of the Bill, C-14, narrative.

Keith Kelly, Director, Department of Agriculture said, I have 2 brief comments on the ammendments that passed the Appropriations Committee and the House floor. At this point in time the Department of Agriculture is standing without the number 2 position in the Department and I would like to ask the Finance and Claims Committee if they could possibly be put back that we certainly do need him in the Department for a considerable amount of time. That position has been there since 1972, and the general fund impact is at \$23,000 and \$26,000 impaction of other revenue in the Department of Agriculture. I have passed out for the committee a copy of the issues and duties and types of needs and responsibilities we have had within the department of Agriculture. (This is attached as exhibit 1, House Bill 2, 4-11-87.

Mr. Kelly continued, the second issue, on the House floor action was taken there to delete from the Department of Agriculture the Federal Crop and Livestock Reporting Service, all of the state money that goes into that program. That program is right now 87% federal money with 13% state money and the biggest issue raised on the House floor was that people don't like getting forms to fill out. They are voluntary forms, they don't have to be filled out. The irony of it is that all of this money that is being taken out, they will still be getting their forms. That is from the federal level. The Crop and Livestock Reporting Service, it's impact on Montana. All county statistics and at the state level statistics and data used are done because of the Cooperative program with the state. We have a total of 3 clerical level people in there and one programmer in the Crop and Livestock Reporting Service. At the bottom of the exhibit, second page, are some of the types of services provided. The one we had the most serious problem with and you addressed it just briefly in the overview was the McCarty Farms. That was the data they selected to prove that the market dominance and captive shipper situation all came from our employees working out movements on grain movement summaries for the past several years. We would be in a real dilemma, or the Department of Commerce would be, to pursue their case without that type of information. That was one of the basis of information to prove our case.

Mr. Kelly said the figures that have been sent in have proven to be plus or minus 1% of accuracy, which is a good service. He said there is one other amendment in the

packet, the \$5,000 per annum in the marketing program in the Department of Agriculture. No final action was taken on this. It ended up sort of in limbo.

Representative Swift said, basically we decided in the subcommittee not to take any action on the \$5,000 increase on the travel and expenses for that particular group.

Senator Gage asked, was the assistant director taken out on the floor or in full committee. Representative Swift said no, it was taken out in our subcommittee and was left that way on the floor.

Department of State Lands. C-5. C-28 in the narrative.

Dennis Hemmer, Director, Department of State Lands said, in floor action there was removed 1/2 of the timber harvest that was approved in 1985. That would result in a decrease in timber harvest on state lands of about 9 million board feet, for an estimated excess of \$500,000. It is costing about \$118,000 each year and revenue would be somewhere over \$500,000. The drawback is that it does go into the permanent trust legacy accounts and returned to the account if not needed, but having it in place as long as we have we have reached the point where the increased harvest we put up is starting to return, and I believe it is approaching a level where it is paying for itself and it will soon exceed that. Over a 10 year period it will average out to about \$500,000 a year, so it is a plus standpoint. The other problem we run into is there are a number of mills that are depending on that 9 million board feet as a part of their resource base. The federal government has begun to reduce its timber harvest and we are reaching a time where the resource base is becoming a problem and this would be an additional 9 million board feet. I would ask the committee to reconsider that.

Department of Fish, Wildlife and Parks. C-6 in the bill and C-42 in the narrative.

Senator Smith said, I do have some amendments based on some of the changes in the bills that were introduced.

Department of Natural Resources and Conservation. C-8 in the bill, C-61 in the narrative.

Larry Fasbender, Director, DNRC, said, we have only one amendment request which relates to 2 pieces of legislation that are in the process of being passed. We have fees in those bills that allow us to collect fees for certain functions that we have performed, and we would need the authority to make budget amendments in order to utilize those fees after they are assessed. They relate to House Bill 642 and House Bill 831 that currently have technical

amendments that are in the process of going back to the House from the Senate, and as soon as those are passed they will be in effect.

Department of Commerce. C-11 in the Bill, C-77 in the narrative.

Keith Colbo, Director, Department of Commerce said, we have a series of amendments on bills that are being considered by the assembly, has been submitted to the Governor, or have been through both Houses in this form. There are about 6 of those dealing with some of our POL boards and functions that have been added to the department, dealing with the Aeronautics Division, transfer of functions etc., to the department of Commerce such as the investment division. We have prepared amendments for all of those and the committee members have them.

Senator Regan asked if there was anything that happened on the floor that you would like to comment upon. Keith Colbo answered said, we have one measure dealing with the Aeronautics Division, the removal of the audio visual library and that is a matter we would like to discuss with you. I would like to refer you to Mike Ferguson who is the Division Administrator of the Aeronautics Division.

Mike Ferguson said, this film library, although rather small and insignificant, means a great deal to us because the primary purpose of it is to provide visual aids for safety and education programs that we conduct from our division state wide. Pilot groups, speaking engagements, etc., and in addition to that we use a lot of these films with our aviation teacher workshop program that we conduct in the summer months through the University System. We use this film for this purpose as well, and then these teachers that go through this course use the film during the school year. Those teachers that are teaching aviation at space education classes are pretty well geared to that purpose. A lot of the film have been given to us, or loaned. Donated by NASA, FAA, and some of the industry factories, etc., for the purpose of promoting aviation safety and, I suppose in some cases, to promote their own product, but very little of that. Some of the oil companies are that way. The figure is only \$1696 which is earmarked revenue money to be transferred to OPI along with our film and then in turn we'll have to rent those films back at \$6.50 a whack and I ran a rough figure of our own in-office use and that will add another \$1,000 to \$1200 a year for us to rent our own film back to use, and we'll be the major users.

AMENDMENTS TO HOUSE BILL 2, SECTION C.

DEPARTMENT OF AGRICULTURE.

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Amendment #1. Motion by Senator Smith to amend on C-3, line 19. He said this would reinstate the Crop and Livestock Reporting Service. He said this would also amend the totals. He said they use this service on the farm on their feeder cattle and their grain. Each county has a yield base and they use this to report to the state ASCS office and to the U. S. Department of Agriculture in setting deficiency payments. This means millions of dollars to the state of Montana.

Question was called, voted, passed, Senator Keating voted no.

Amendment #1. C-3, line 6. Motion by Senator Stimatz to amend. This would restore the funding for the deputy director of the Department of Agriculture. It seems to me strange that we would get rid of the deputy director. I took a look at the statute. 80-1-102 MCA lists a whole bunch of duties. I did look through it to see what kind of a burden we put on the Department of Agriculture, and if the Director does not have an Assistant Director, that agency is going to be vacant part of the time. Nobody is going to be there tending to the shop of the chief executive position because the statute establishes a lot of duties on the Director who has to be out of the office and traveling around the state, attending various meetings of various agricultural groups and also out of the state. We keep a deputy director in every other agency of government and that includes the sub-agencies also. I might point out that the cuts that have hit this department with the Governor's 2% and 5% etc., have hit them pretty hard. The figures have been rather substantial.

Senator Story said, I think I should at least relate what the subcommittee felt. The subcommittee was looking at the fact that you are right, we won't balance the budget on this \$50,000 but you take several of them and it represents a lot of money. Because many of us on this committee are involved in Agriculture we felt that if we were going to recommend cuts in other areas such as eyeglasses, etc., that we should not favor our own industry at the expense of cutting everything else.

Senator Jergeson said, as I understand it, even with the restoration of this position and the acceptance of the first amendment the Department of Agriculture's general fund budget will still continue to be about 10% below that which was recommended by the Governor. I think that indicates the Department of Agriculture has not been unscathed as has been the case of the other departments as well. I think it is reasonable to expect that a Department that is working with the biggest industry in the state of Montana should at least have some level of parity with other departments and have a deputy director. In this session we have asked the

department to continue a great many things to help keep the farmers on the farm, and I think the deputy director is helpful in that position, too.

Question was called, the motion passed. Voting no were Senators Story, Keating, Smith, Gage and Boylan.

Amendment #3. Motion by Senator Boylan to amend C-3, line 19. He said this would reinstate the Marketing Program. Senator Boylan said he did not know if he would vote for the amendment but felt it should be brought up.

Senator Manning said he would support the motion, this is not that much money, and I know that one of the biggest problems dealing with Agriculture is in the marketing area.

Question was called, roll call vote, Motion passed, 9-7.

Amendment #4. Motion by Senator Boylan to amend C-3, line 16. He said this is the Apiary Law Division, House Bill 461.

Keith Kelly said House Bill 461 passed \$19,000. The industry requested the bill. It is \$19,000 general fund on increased fees. They want \$5,000 of it back for lab fees etc. It is a net cost of \$12,000 to the general fund of which the other \$5,000 would be used by the agency on the laboratory services in the honey industry.

Question was called, voted, passed.

Amendment #5. Senator Boylan asked Mr. Kelly about the Weed Management amendment. Mr. Kelly said while the Legislature is in session we have to address budget amendments. There is one that the private sources gave the Department of Agriculture. It is money that is weed control efforts out there. It is authority to use the money from the private sources out there.

Senator Regan asked if this was reviewed by the LFA and Mr. Kelly answered, yes it was.

Motion by Senator Boylan to move the budget amendment C-3, line 6.

Question was called, voted, passed.

DEPARTMENT OF STATE LANDS.

Amendment #6. C-5, line 18. Motion by Senator Story to amend. Narrative is on C-37. Senator Story said, Dennis Hemmer explained very well why he wanted to increase the sale. I will simply emphasize that the Department of State Lands have completed some studies where they have a

sustained 50 year yield of 50 million board feet and they wanted to spend money to increase the board feet. By spending money they return money to the general fund and to the Education Trust Fund. In addition to returning money to the general fund and the trust fund, by increasing the yield 9 million board feet we increase private jobs by about 135.

Senator Himsel asked Representative Swift, there must have been some rational action for the reason the House did this. Can you share that with us? Representative Swift answered, the reason for that, was reduction of the budget, period. That is the only reason I can give you.

Question was called, voted, passed.

DEPARTMENT OF FISH, WILDLIFE AND PARKS.

Amendment #7. C-7, line 21, etc. Senator Smith said he wished to amend House Bill 2. He said he would like to say that Director Flynn was not here this morning but he is here now and can answer any questions you might have. These amendments are all together and I think it will certainly speed up the process. Senator Smith read the House or Senate Bill that was passed and how it affected the budget for the FWP on the exhibit sheets 1 and 2 for Amendments # 7 through 10, and moved the amendments to take care of the funding for those bills.

Senator Keating asked, that transfer with that transition amendment #13 is putting that \$12,000 in one place, shouldn't there be a corresponding reduction in another place?

Jim Flynn said, that amendment was made on the floor of the House and it is my understanding that the amendment was made in our agency as well as 2 others, taking money out, but I am not aware as to whether it was put into the OPI budget or not.

Senator Regan said, I have a question for either Carl or Mrs. Rippingale. Have all these bills we have before us passed, or could you give us the numbers of those that are passed and signed so we can handle those and then we will look at the last 3. Judy Rippingale answered, the ones that have not are #3, House Bill 526, #6, House Bill 813, #8, Senate Bill 177, #9, Senate Bill 219, #10, Senate Bill 331.

Senator Regan said, then I think we may not bother to discuss those that have not passed. We will take those up on the floor, but Senator do you want to handle #1,2,4,5, and 7 as one amendment or do you want to go separately?

Motion by Senator Smith to move # 1,2,4,5 and 7 as amendments to House Bill 2. Question was called, voted, passed.

Amendment #8. Motion by Senator Smith to move #11 on the sheet, C-7, line 24. He said, no general fund money, all license fee money. This was discussed in our subcommittee and some of us felt this was the time to plant those additional trees and shrubs in the conservation program.

Senator Keating asked, is this hunting license fees? Senator Smith answered yes.

Representative Swift said, we did review this in subcommittee, and the 3 page handout that you received, we totally agreed with the purpose of this because it did tie into the Wildlife planting.

Senator Hammond said, it seems to me that it is a real good situation because it is providing cover for birds in the area.

Question was called, voted, passed.

Amendment #9. C-7, line 21. Motion by Senator Smith to adopt the amendment listed as 12 on the amendment sheet. He said he felt this could be handled much better in one place than to be scattered all over in the Capitol complex.

Question was called, voted and passed.

Amendment #10. C-7, line 9. Motion by Senator Smith to adopt the amendment listed on the amendment sheet as 13 and is the Outfitter Council. This was transferred from the FWP to the Department of Commerce.

It was pointed out by the LFA that on the middle of the House floor they did transfer \$48,000 both years. Evidently this is start-up for October 1, so in essence the full amount for the fiscal year is still in the Department of Commerce budget. There are 3 months when it actually remains in FWP.

Senator Keating said, I want a corresponding reduction in Commerce then. If this \$12,000 is being transferred from Commerce to FWP. The money was appropriated to Commerce to take effect July 1. Senator Smith answered, no. It takes effect October 1. Director Flynn can answer that for you.

Jim Flynn, Director, Fish, Wildlife and Parks said, what we are talking about here is two different funding sources: one is the funding source that is collected from the license fees that Outfitters pay for their annual license. That money, by the House floor amendment was transferred to the

Department of Commerce as of July 1. The way House Bill 406 is written, between July 1 and October 1 the Department of Commerce has some responsibility with the Outfitting Industry. After October 1 they have full responsibility. From July 1 to October 1 we also have transitional responsibilities there with moving the industry over to the Department of Commerce. Right now, without this amendment, all of the money sits in the Department of Commerce which is where it should be and will definitely have to be after October 1. Our amendment allows us to spend money to take care of the July 1 to October 1 transition period, and that is money that will come out of the hunting license.

Senator Gage asked, is the same amount available to the Department of Commerce both years of the biennium? Jim Flynn answered, that is my understanding, with the amendments made is that they will as of July 1 be collecting all of the money from the Outfitter License fees.

Senator Gage said, then I would have to agree with Senator Keating. They are going to be taking on more duties that FWP will be handling for this transition period. In future years, and if it is costing the Department \$12,000 to do that, -- well, maybe it would be a wash.

Senator Regan said, you could make an amendment to make an adjustment in the other budget.

Senator Gage said, on further thought on this, I think it is going to be a wash.

Question was called, voted, passed.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION.

Amendment #11. C-11, following line 16. C-70 of the narrative. Motion by Senator Story to amend House Bill 2. I am striking some boiler plate that was put in after it left the subcommittee. What the boiler plate language did was, we appropriated so much for the Water Rights Division, but that amount of money was further split down on C-70 to between the adjudication funding and the water right funding. New water rights and adjudication of existing water rights, and the boiler plate language would not have permitted any transfer of funds between those two functions even though you have the field offices with some of the same people doing some of the same jobs. With this language removed, if it turns out that we had overfunded or underfunded one of the functions at the expense of the other the Department may come in for a budget amendment transferring from one to the other. With the boiler plate language in it, they cannot do so.

Senator Bengtson said, I would like to ask Larry Fasbender if this is in accordance with what you need. Larry Fasbender, Director, Department of Natural Resources said, we have no problem with that. It does give us more flexibility if indeed the money does become available, or we see a way to utilize funds from the one division and transferring it into another. We have been in the process for the past two weeks of determining how we are going to handle the \$500,000 cut per year. We will be reducing approximately 18 people from the Water Adjudication Program, and the effect of doing that will be to substantially reduce our ability to examine claims, and depending on what the Supreme Court rules as far as the rule process is concerned -- and it appears now that they will require us to examine all claims -- we will substantially slow down the process, as Representative Swift indicated was the effect of the amendment.

Question was called, motion was voted, passed.

DEPARTMENT OF COMMERCE.

Amendment #12. C-12, line 15. Motion by Senator Hammond to amend House Bill 2. This is merely pass through money because now with the fee schedule instead of taxing the aircraft, 90% of the fee is allocated to taxing jurisdictions -- that is the counties; but 10% stays in the State, and this is an amendment that would give them spending authority for their \$48,581 for fy '88 and '89. The current number of aircraft registered is 1,825.

Senator Regan asked if this bill had passed both houses, and was told yes.

Question was called, voted, passed.

Amendment #13. C-12, line 12. Motion by Senator Smith to adopt. This would be a result of Senate Bill 170 by Senator Rasmussen and additional duties resulted. It is within the Professional & Occupational Licensing Division Board of Optometrists. This amendment adds \$5,925 in fy'88 and \$3,050 in 1989 to cover the cost of the Board to implement and operate this program.

Question was called, voted, passed.

Amendment #13A. C-12, line 12. Because of House Bill 555 signed by the Governor, and again the Professional Occupational, this amendment adds \$59,630 in '88 and \$56,630 in '89 to the Board of Medical Examiners and to cover the cost of implementation of the program the first year and continuing the program the second year.

Motion by Senator Smith to adopt the amendment.

Question was called, voted, passed.

Amendment # 14. C-12, line 15. Motion by Senator Smith to adopt the amendment. He said this would add \$1696 to the Aeronautics Division budget and returns the audio/visual library to the Aeronautics Division. People fly in to the airport to pick up a lot of this information, and if they can't pick it up there they would have to make a trip to the Capitol to pick up the information.

Senator Hammond said, the confusion there, this was discussed by someone from the Agency but we have not seen the amendment before.

Question was called, voted, passed.

Amendment #15. C-18, following line 25. Motion by Senator Haffey to adopt the amendment. This is under the Board of Investments which has been transferred to Commerce, and it is language only. The Bd. of Investments receives services from the Investment House in the course of conducting their business that is "in kind" services or "soft-dollar" services, research information -- that sort of thing. It is something of value that the state receives and it should be set forth as something we authorize. This language simply says we are doing that.

Senator Hims1 asked, would you explain a little more about the designated commissions paid on the purchase and sale of securities for products and services. Senator Haffey said, it is just like I said. I would like to have Tom Crosser explain this particular thing.

Tom Crosser, Governor's Office said, what happens is, the Brokerage firms when they charge a commission apparently 50% of that commission is designated as "soft dollar" funding for the larger investors. Apparently it is a fairly common practice with major investors, and they use those "soft dollar" funds for portfolio analysis and things like that for the investor. The state of Montana has had this for years, it has never been acknowledged in the accounting system because it is retained within the Industrial Brokerage firm. They cannot use the funds for purchase of issues or for their commission on future issue purchases.

Senator Hims1 asked, they are kickbacks of commissions normally charged then? Tom Crosser said, I am not real familiar with how it works, but it's a system that the Securities and Exchange Commission utilize to allow brokerage firms to set aside these "soft dollars" and currently the brokerage houses set aside 50% of the commissions that large investors pay as a "soft dollar" account and they utilize those for portfolio analysis and

things like that, but they are not actual dollars that can be transferred.

Senator Hims1 said, I am familiar with discounts to large accounts with trust departments etc., the discount commissions, but I have never seen a kickback. Tom Crosser said these "soft dollars" cannot be used to discount commission.

Senator Hims1 said, "soft dollars", now, they are either hard or they aren't. Other than consulting services that they provide, and all the brokerages do that, and what bothers me is the designated commissions paid on the purchase and sale of securities -- I think that gives me some concern.

Senator Keating asked, if this is a practice that has been ongoing, why all of a sudden do we have to recognize it in writing and in statute? What is the reason for this?

Senator Haffey said he would defer to Tom Crosser in answering that. Mr. Crosser said, we just became aware of it awhile ago and thought it advisable to put it in the bill so that you knew about it, and if the Board came back to you in 2 years and explained how those dollars were used during this coming biennium it would be useful.

Senator Hims1 said, to put this to rest very simply, we want to know more about this, so we put this language in. If we don't want to, we won't. It is going to go on, and the answer to Senator Hims1's questions -- probably the only way we will ever get them while we are working with the legislature is to put in this language.

Senator Story said, what it sounds like you're telling us is they pay a commission and part of that commission is used to do what we thought they were paying the commission to do. To analyze the stocks and make decisions. Senator Haffey said, I've explained it as well as I can. Senator Story said, it stays in the brokerage firm? Senator Haffey answered yes, the state doesn't receive money, the state receives services. Senator Story said, so once they pay this commission it stays there, but the people who pay it use part of it to pay for these services.

Tom Crosser said, one half of the commission the brokerage gets is credited to the "soft dollar" account.

Senator Hims1 said, it may keep somebody out of jail so I guess we better vote for it.

Question was called, voted, passed. Senator Gage voted no.

Amendment #16. C-16, line 14. Motion by Senator Haffey to adopt the amendment. He said, yesterday we made an amendment to the Department of Revenue in regard to Video Poker. This is the other half of the amendment. Explanation is given following the amendment.

Question was called, voted, passed.

Amendment #17. C-18 following line 15. Motion by Senator Smith to adopt the amendment. This extends the loan from the general fund from 1987 to 1989. The narrative follows the amendment.

Senator Regan said, Senate Bill 298 has passed both houses, is that correct. She was told yes.

Senator Bengtson said, I have a question on the "severely hindered" federal legislation. In other words, have they not sold the bonds? She was told that was right.

Judy Ripplingale said, can we make the language appropriate to put in the bill? This is written slightly more casual than you would typically write language to go in House Bill 2, and we probably need to specify first the amount of the loan, and second to spell out things like the Montana Development etc. Senator Regan said, if this amendment passes we will ask you to prepare an amendment that will reflect this.

Senator Bengtson said, I was wondering if they are not able to pay the loan and extending this for another biennium or what. Tom Crosser answered, the new tax reform at the federal level has made the tax exempt issues that the Montana Economic Development Board -- those issues that they were going to issue plus attracting a financial market, they haven't had the response to those bond issues that they thought plus they are not generating fee income that was designated to repay that loan. They are going to probably have to do several things to pay the loan back. Redesign their investment ideas so that it is more attractive under the new tax structure; that will generate more fee income. Another possibility that no one has had a long enough time to look at is with the merger of the two boards there may be some efficiencies that can be brought into the boards and they could use some of those savings to repay the loan. I don't believe they will be able to make any significant amount of progress this coming biennium to do the whole \$150,000. Hopefully they will get some of it paid back in the next biennium. I think it will take at least 4 years to make progress in that area.

Senator Bengtson said, this \$150,000 was the start-up for the Board? Tom Crosser said, for the Montana Economic Development Board.

Question was called, voted, passed. Senator Keating and Senator Bengtson voting no.

Senator Story asked, if this hadn't passed, what would have happened? Tom Crosser added, the Department of Commerce would have to pay the loan back.

Amendment #18. C-14, line 15. Senator Jacobson moved this amendment be adopted. She said she carried a series of 3 bills regarding collections that came from the Audit Committee. This bill was just one of that package and was probably the one with the most change in it. It asks the Department of Commerce to coordinate all collection of revenue by counties on behalf of the state. Narrative follows the amendment. She said this would provide for one FTE in the first year and reduce it to 1/2 in the second year.

Judy Rippingale said, the information on the bottom of the page adds up to \$46,000 and the amendment on the top is \$46,200. Which one is it supposed to be and we will put it in the bill appropriately. Senator Jacobson said, the amendment they asked me to prepare says \$46,000 even. (there was some "table talk" in the committee and it was decided it should be \$46,200.)

Senator Smith said, when I looked at that I noticed there is a very large number of FTE's and I would think there are plenty of people within that department right now to carry out those responsibilities.

Senator Jacobson said, it is really a judgment call. They will have to prepare a manual. I believe MACO has offered a manual that is already present for them to start with. They are answering some of these questions right now. I suspect in the first year it will take them some time to pull all this together because we're talking about \$65 million coming in from all kinds of little pots of money that has to be coordinated together and then the information brought back out.

Senator Smith said he would like to comment that we keep passing legislation that requires more work and more FTE's, and that adds more money.

Senator Bengtson said, my question is about the Audit Committee and all the auditors that are going out and requiring -- they have these performance audits and then they come up with a recommendation, and then the department has to respond to the audit and I think we are part of the problem ourselves.

Senator Jacobson said, the collections out there at this particular moment are a mess.

Senator Keating said, I am curious as to why the Department of Revenue doesn't do this instead of the Department of Commerce. Senator Jacobson said, if you remember, most of the requests that the Department of Revenue get on the subjects, they refer them to the Department of Commerce. The Department of Revenue came in and testified for the bill.

Senator Himsel said, just an observation; several years ago they had a standardized program they were going to put on all the counties. The stuff all fell flat, they wouldn't pay any attention to it. Voted, roll call vote, motion failed 5 yes, 11 no.

Amendment #19. C-12, line 24, etc. E-3, line 16, etc. F-4, line 10 etc. Senator Jacobson she wished to offer these amendments. She said, all this amendment does is to take out some House action that was done probably a little premature. It's been the position of this committee that we would not change House Bill 2 until the bills have been passed and signed by the Governor. This is all in regard to House Bill 862 and then changed House Bill 2. It has not been acted on by the Senate at this time. I would offer these amendments and suggest if House Bill 862 passes that they be put in in a conference committee.

Senator Jacobson asked the LFA if it was as easy to do all 3 since it runs through more than one section. Judy Rippingale answered, it is much easier when you have one qualitative question to do the amendment just one time, even though it affects the other sections, we'll take care of it.

Senator Regan said, I will rule since this is a sort of clean-up, that we will go into sections E and F in order to accept this as one amendment if there is no objection.

Motion by Senator Jacobson to move all 3 amendments. Question was called, motion carried.

Motion by Senator Story to close Section C of House Bill 2.

Question was called, voted, passed.

Senator Regan said they would recess for lunch and be back at one.

The committee reconvened at 1 p.m. and continued with House Bill 2.

OTHER EDUCATION, SECTION E. Subcommittee overview.

, Representative Nathe, subcommittee Chairman gave an overview of Section E, making comments on changes made since leaving the subcommittee.

Representative Nathe named and thanked the subcommittee members, the researcher, LFA and the Budget office.

Senator Regan said, before you start I think you should know that we must finish this bill today and report it upstairs today in order to be ready for 2nd reading Monday morning at 8 a.m. I would ask all of you that want to comment on the floor amendments, and that is the only issue we want comments on, to address them very succinctly. Please be brief, we will give you your shot, but long testimony tends to kill bills.

E-1. Board of Education. Representative Nathe said, under the Board of Education we have the Fire Services Training School in Great Falls and the School for the Deaf and Blind in Great Falls. Under the latter there is one amendment on E-3. That amendment increased the general fund by \$46,000 and the reason it was offered was of the concern that all of the income that comes from State Lands that goes into the School for the Deaf and Blind, the oil money is down to such an extent this would allow them a cushion. The other thing in the School for the Deaf and Blind is under the program known as Student Services we did attempt to solve the transportation problems. The Board of Education has mandated that those students be home at least 9 times a year. We used to have bus transportation up on the Highline and we could put those kids on a commercial bus and send them back to Wolf Point or Kalispell. Now that has all deteriorated and several years ago the school bought some vans to haul those kids. We were hanging out, as a state, on a limb, as far as our liability, if anything happened because the van was not a recognized vehicle to use to transport school children for the state of Montana. Rather than trying to change the statutes to allow vans to be used we looked at other means of transportation and the cheapest one was to charter a twin engine plane to haul those kids back and forth 9 times a years.

E-10. Superintendent of Public Instruction. E-14. This was the increase of personal insurance, \$1360, that was inadvertently left off at the rate of \$680 a year, and was insurance for half time FTE. You had another amendment that you handled earlier, and that was the consolidation of the film library. It was handled in section B.

E-21. There was a floor amendment here to increase the Gifted and Talented funding from \$95,000 a year to \$100,000 a year.

E-13. There was language put in the bill on the floor of the House that was to collect the county surplus revenues by the 20th of June each year. That was merely language put into the bill.

Representative Nathe said he should point out that in this portion of the budget that we moved the audiology program from the Board of Public Education on back to OPI. As you recall in 1985 it was moved from OPI to the School for the Deaf and Blind and from there to the Board of Education and now we're putting it back in OPI. There were no statutes changed at any time during any of those moves, and statutorily this is where our laws say it belongs.

Representative Nathe said that completed his overview and he would answer any questions.

Senator Jacobson said she would like to comment on the the 10% on Education Trust Fund Money and we use it on basic education programs. The money that is left over goes into the Vo-tech centers budget. At this point in time all the reductions that have been made in the Education Trust Fund are coming out of the Vo-tech centers and the Adult Basic Education monies has not been touched. People are coming and asking about amendments and there is no need -- yet.

TESTIMONY FROM AGENCIES ON HOUSE BILL 2. SECTION E.

Bill Sykes, School for the Deaf and Blind said, an amendment was introduced on the House floor that would reduce 10% of the collections from the School Trust Fund by \$46,000 in the '89 biennium. General fund was increased by a like amount. It was admitted in response to State Lands revising down their estimate of what the school monies would be.

Senator Regan said, I have one question for whoever can answer it on E-15. This deals with the state special revenue. The Traffic Safety Administration from totalling \$92,780 in '88, \$92,819 in '89; these funds are derived from: and this portion is retained by OPI for administrative costs. How much are they paying? All of it? \$92,000 for operating the program.

Taryn Purdy, LFA answered, that is correct. They retain \$92,000 each year for operating expenses. The rest of the funds are appropriated with language in House Bill 2.

Senator Regan asked, what's the total amount of the fund? Taryn Purdy answered, I don't have the exact amount but it is approximately \$1.1 million. Senator Regan said, for one program for administering it -- was that issue discussed? How many people do they have and what do they do? Taryn Purdy said, the money is primarily used for personal services which amounts to a little over \$50,000. There is 1.67 FTE's in that particular sub-program of basic skills. We have about \$24,000 in operating expenses, and a little over \$13,000 of transfers which are used to help fund administrative costs and replace federal funds.

Senator Keating asked, on this VoTech Job Training and Equipment program that was on the floor, it moves a contingency fund to other funds -- about \$1.2 million, and I can't find the narrative and I am just wondering where it is. Representative Nathe asked if it were the Job Training and Equipment Program on E-12? That is that House Bill 862 is money that you people have taken out of this program.

AMENDMENTS TO HOUSE BILL 2, SECTION E.

Amendment #1. E-1, following line 11. Motion by Senator Jacobson. She said this has to do with a Resolution you passed, House Joint Resolution 16. This is a study of Basic Education and its funding. Narrative follows amendment.

Senator Story asked, the way this is worded, if that does not pass there are about 16 or 18 studies and they will fund around 4 of them. Will this money go back to the general fund if it is not one of the funded studies? Senator Jacobson answered yes.

Claudette Morton, Executive Secretary answered yes, the way this reads there is one part you would vote on at the time of the study, but it still requests or directs the Board of Public Education to carry out its' part of the study whether you take part or not.

Senator Regan asked Judy, there is going to be a study on the formula for the Universities? Senator Rippingale answered yes. Senator Jacobson said, that is separate from this one? Judy Rippingale answered, this is k through 12. Senator Regan answered, that is what I thought. Then it has nothing to do with the other study that LFA is involved in? Judy Rippingale said, we are involved in this study also, and we will do it with our Education staff.

Senator Hammond asked, If this study that is in HJR 16 survives and is funded, then are you going to use this money and study it separately? Claudette Morton answered, we are hopefully studying it in conjunction with your work; but if you all decide you don't want to work with us, then we'll go ahead with it. That is the way the resolution was written and was passed.

Senator Story asked, is that a legal resolution? Without taking something to the Governor, can you by joint resolution require an executive agency to study it?

Question was called, voted, roll call vote, 8 yes, 7 no, the motion passed.

Senator Regan said, the Board of Education is going to have to determine what the standards are in view of the law suit. I hope they come up with something good.

Amendment #2. E-4, line 7. Motion by Senator Hammond to adopt the amendment. He said there are federal monies out there. If they exceed the amount budgeted the agency would like to include a budget amendment to include spending authority unless specifically prohibited by the Legislature.

Tom Chesbro said, the simple way for the OPI to be able to go in for budget amendment is to obtain additional federal spending authority if any additional federal money does become available in any grants.

Senator Regan said, I guess I don't understand this. We don't normally give this blanket spending authority. Would you explain what you are expecting to receive or why we should do this? Mr. Chesbro said, at the present time I know of at least one area where at least 3 federal grants are being combined into a single federal grant. The amount that will be available at this time we have no idea of. We have authority in the bill at the present time for the amount that the 3 old grants were for. The new grant has been requested at least \$100,000 more than was in there and there are possibilities of other grants coming in the same way.

Senator Regan asked, couldn't this be handled like a normal budget amendment. Why do you have to have this language. Mr. Chesbro answered, basically this is for simplification. The fact that we can go in for the budget amendment without too much static when we do go in for additional federal funds. It makes it very simple when we do go in for a budget amendment.

Senator Regan said, it is an end-run around the budget amendment process. I have trouble with it. Mr. Chesbro said, we would still have to go through the same process.

Senator Keating asked, would you have to file a B212? He answered yes, sir. We would still have to go through the same procedure.

Senator Keating said, then my question is, where it is specifically prohibited by the Legislature, is that the Legislature's "hold" to some action that we have taken in the 90 days, or would that be the interim? Senator Regan said, we have no power to prohibit that.

Senator Keating said, would the Revenue Oversight Committee, or the Legislative Finance Committee rule against a B212, or specifically prohibit it? He was told no. Senator Keating said, then the language is superfluous, isn't it? Senator

Haffey said, we could pass it or not pass it. They might get some comfort out of this, but it doesn't change the process.

Judy Rippingale said, the only way I can see it doing anything for the agency is that they could use it somehow to get OPI to try to overlook some criteria they didn't need for something.

Senator Hammond said he would like to call on Dr. Krause to answer some questions. Carroll Krause said, there is an issue that you will be dealing with. The transfer between OPI and the Board of Regents to accommodate House Bill 39. The reason we placed that amendment; there is now \$171,000 carry forward money that is available. It is not going to show up here, it is going to be in the treasury. I think we were concerned about having at least in the narrative, acknowledgement of that fact because I would hesitate to go before the Finance Committee saying we knew at the time that there was \$171,000 in the treasury that we do not have a match for at this time, but as we come up with the match for it we would hope to use the B212's to amend into it. I think it is more important for you to know that money is there and we will be seeking a match for it.

Senator Regan said, the fact that you raised the issue now and told us about it without having the match is sufficient to say yes, we more or less told them. Mr. Krause said he would feel comfortable if that were a matter of record so far as he were concerned.

Judy Rippingale said, if you look on page E-11 of the bill, starting on line 20. This money he is talking about, I believe is addressed by the language the subcommittee put in so that if they can come up with matching funds they are allowed to spend it.

Question was called, voice vote, uncertain. Senator Hammond said he would withdraw, Senator Keating said he would make a substitute motion; Senator Regan said since it was in the process of voting and the vote was uncertain she would ask for a roll call vote. This procedure making it possible to withdraw the motion, Senator Hammond did so.

Amendment #3. E-3, line 9. Motion by Senator Hammond to adopt the amendment. Tom Chesbro, OPI said, this provides an additional \$21,000 general fund money to go in to OPI to replace or to be additional general funding for the indirect costs. It is tied in with House Bill 39, when the funding for Vocational Education was moved to the Board of Regents it took a lot of federal money with it. We got approximately \$21,000 of indirect costs from those funds, and basically this is asking for the \$21,000 to replace

those funds. This has been discussed with the fiscal analysts and the figures were agreed upon at that time.

Senator Jacobson said, I guess I would have to support this because over the past several years we have tied down administration in the OPI so tightly that I just don't see how they can afford this cut in their budget. There was a savings of about \$17,000 when the program was transferred over. That is built into House Bill 2.

Question was called, voted, Senator Regan and Senator Jergeson voting no.

Amendment #9. E-2, line 8. Motion by Senator Manning to adopt the amendment. He said this removes a 4% vacancy savings etc. Narrative on amendment sheet.

Bill Sykes said the 4% rate was assessed in that particular program is direct care program operating 24 hours a day, 365 days a year, and quite simply 4% rate cannot be generated.

Senator Regan asked the LFA if they had checked the amendment and Judy said it is being checked at the moment. At the Chairman's request the amendment was held until the report came back. Senator Manning withdrew his amendment on the condition he had the opportunity to put it back in.

Amendment #4. E-2, line 25. Motion by Senator Jacobson to adopt the amendment. She said this has to do with the film libraries we have been putting back where they belong. This amendment puts the OPI back where it belongs from what the House did to it. They were assuming there was going to be a fee charge from all these people, so there was money coming out of those other departments and that has to go back.

Senator Regan asked, this does not show in the House action, so it is a result of other action. Senator Jacobson said it must have been floor action when they started taking all those film libraries their budget got out of whack too.

Senator Regan asked if the figures were correct. Judy Rippingale said no, but if you will let us make it correct we will do so. We know what it should be.

Senator Regan asked if she could give the committee the correct figures, or would this take some time? Judy Rippingale answered, where it says strike 847,788 it should say 848,468. I think their intent is to add \$5,000 so we would insert 853,468.

Senator Hims1 said, my amendment simply says cancel line 25 and replace with line 24. It just restores the figures that are in line 24. Judy Rippingale answered, yes. Judy

Rippingale said, the strike line is incorrect. It just has the wrong number. We will put his insert line in.

Question was called, voted, passed.

Amendment #6 and #7. E-11, line 16. Motion by Senator Jacobson to amend, and E-3, line 6, and F-2, line 2. She said this transfers the Vocational-technical centers from OPI to the Board of Regents, and these amendments make that transfer possible.

Senator Regan asked if the LFA had a chance to look over these amendments, and Judy Rippingale said yes.

Question was called, voted, passed.

Amendment #8. E-2, line 11. Motion by Senator Manning to adopt the amendment. He said this was to replace funds to maintain counseling, audiological and psychological services to students. See narrative following amendment.

Senator Story asked, why are we doing this? Did somebody pass a bill, did the Governor say they needed it, or why are we giving them the money? Senator Regan said no, the federal money fell off and they are saying we can't have the federal money and they want us to replace it with general fund money.

Senator Story asked, when did it occur? Did the subcommittee look at this and reject it? Senator Jacobson answered, yes, we did. It was one of those programs -- it was good and all of those things, but it was a federally funded program, and the subcommittee decision was that we have tried hard not to replace federal funds with state funds when they are dropping off.

Question was called. Those voting yes were Senators Bengtson and Manning, the remainder of the committee voting no, the motion failed.

Amendment #4. E-2, line 8. Motion by Senator Manning moved the amendment. Dori Nielson, LFA said, in the short time I had to check this motion out, the reason 4% vacancy savings was assessed in this area was for one thing it is what was done in the past. 4% was taken in all areas except education where 1% was taken, so this was done consistent with the past. In looking back at the historical vacancy savings for the agency, the figures that could be seen -- in fy'86 there was an 8% vacancy savings for the entire agency. In '85 there had been a 4.5% vacancy savings and in fy'84 a 4.7% vacancy savings and at the close of fy'86 \$54,000 in general fund were returned from the agency, consequently this committee went with the 4% vacancy savings as you see there.

Senator Story asked Mr. Sykes, your testimony was that this is direct care 24 hours and therefore there can never be vacancy savings. How did you have so much then? Bill Sykes said, in 1986 the resident population dropped down to 58 students. Our resident population is currently at 72 and is projected to remain at 72.

Senator Story said, why did it drop off before? Bill Sykes said, the 1985 graduating class was a large graduating class and a large number of them were resident students.

Senator Keating asked, if there is a surplus, is there a reversion? How did you get the money back. Judy Rippingale said that was a remaining fund, not a reverting fund.

Question was called, voted, Senator Regan and Senator Smith voting no, the motion passed.

No further motions were presented and Senator Manning moved Section E be closed. Voted, passed.

HOUSE BILL 2. SECTION F.

Representative Nathe gave an overview of Section F. He began by giving his ideas on why Butte Tech was so valuable to the state and then began with the overview.

Board of Regents. F-1. He said, an amendment came in to strike the language on F-1. He said the intent of the language which was put in by Representative Bardanouve that said the Bd of Regents by July 1, 1988 develop a unified computerized personnel system for all agencies etc. See Language in Bill, F-1.

Senator Smith asked if he could ask a question -- if this is a new program, what is it going to cost to implement this? Representative Nathe answered, the figures that were thrown out on the floor of the House as costing about \$4.1 million, I do not know if that is accurate or not. This was the reason the person gave for knocking out that language. It seemed that their biggest objection was their computerized class enrollment system.

Senator Himsl said, I understand this is stripped out of the bill?

Commissioner of Higher Education.

This amendment the Finance and Claims Committee took care of with the action on House Bill 862.

F-5. We lost interest earnings from the Educational Trust. That amendment is similar to the Vo-Tech amendment we had to replace the lost interest earnings. The amount involved

here is \$1,803,375. There was \$70,000 added to the Family Practice Residency Program.

F-6. Two new WICHE medical slots per year up for a savings of about \$136,000 each year of the biennium.

F-13. Read Program Description F-13 and Modifieds on F-14. This is their own money, and is a Wellness program to promote wellness.

Montana Cooperative Extension Service. F-24. 4% Vacancy Savings on the Extension Service.

University System - Six Units. F-30. There was an amendment inserted that amounted to \$3,515,265. That increased the University funding level 97% Support Rate and Instruction to 99%. It increased the Support level funding from 90% to 91% the first year and from 91% to 92% in the second year of the biennium for a cost of \$3.5 million.

F-30. There was another amendment put in that reduced the UM Support Program figures by \$600,000 to reflect the 13 printer positions.

Representative Nathe said there are quite a few modifieds, and perhaps he should go through those briefly.

Hazardous Waste Management. F-35. We funded Hazardous Waste and it is going to be coordinated by Montana State University for the 6 units.

All of the rest on F-35 are new space additions.

F-36. Modifieds.

#5. Security Personnel and that is for Northern Montana College.

Modified #6 Instruction Program Supplement. Read.

Modified #7. Base Enrollment. Read. Our projected figures show that they were going down to about 1300. They need a base level of enrollment in order to keep them qualified, or in order to keep their accreditation standards up. That can be achieved at a funding level of about 1550. They currently have 1600 students in school at this time. We set that base because of the enrollment scope of the school that the Board of Regents has redefined by dropping the Business Ed portion of their curriculum.

Modified #8. Instruction Support Rate EMC. They were down on their Instruction Support Rate in comparison to all the other units. This was raised. Read F-36.

Modified #9. The Instruction Support Rate for the Montana School of Mines was increased because when you go back to the formula that was set up in 1980 and put in place in 1981, and you take a look at the factors in the formula--the formula is okay, but if you don't update the factors in the formula then things get all skewed. The School of Mines had a very legitimate beef in that the formula was not working right for them. The reason being -- like for Engineering courses, that formula breaks out a separate cost for credit quarter hour before each course taught. At the college level it will be paid less than at the University level. For Engineering Courses taught at the School of Mines, you started out in 1981 at a cost of \$8.45 per quarter credit hour that we paid on Support Rate. When you go to the two major Universities and we pay at \$20.95. Since 1981 we have merely inflated forward that figure. What that amounted to this session was that Butte was at \$12 on an Engineering Course taught at Butte and at the 2 Universities they were at \$29.00. We merely raised Butte up to the same rate that we pay for Engineering Courses taught at the 2 Universities.

Senator Smith asked, you raised this. Was any consideration taken to the fact that maybe they were too high in the other Universities? Representative Nathe answered, no. We did not look at that, we looked at equity and it seemed so very disproportionate to have one 4 year College at \$12 and 2 Universities having the same thing being paid for at \$29.

Senator Smith asked, if they were teaching for that amount of dollars at one of the Universities, I would have thought you would have taken a look at why it was costing so much at another. Representative Nathe said, that's a good point, but it seemed like Butte was being short changed on the formula.

Modified #10. The University Funding Study. That's a funding study of \$150,000. Read F-36.

QUESTIONS FROM THE COMMITTEE. Senator Bengtson asked, when they say Legislative Committee, will that be the Legislative Finance Committee, will it come to the Education subcommittee, or does it just fund the Legislature? Representative Nathe answered, it just funds the Legislature. It will be however your Interim Committee is made in the Senate and in the House. An 8 member Legislative Committee, comprised of 4 members appointed by the House Leadership and 4 members appointed by the Senate Committee on Committees.

Senator Bengtson asked, does the Commissioner of Higher Education have any voting power, or are you just putting them on it. Representative Nathe said, they are involved in the study as a part of the study. That is where you have

the Fiscal Analyst etc. I would assume they are going to be involved in this, it would be to their best interest. As to the voting, I guess I don't quite follow the question.

Senator Bengtson said, it is a disproportionate appropriation. I am just wondering how the operation of this committee and how the interaction will take place. Representative Nathe said, I would assume the interaction would take place similarly to what the Legislative Finance Committee went through in 1980, the first move from the old formula. In regard to any expenditure of money, we just about have to have a lead group of some sort. We can't fund everybody equally and as far as the \$130,000 that would be expended for the LFA; you are talking of a 2 year study. You are talking about \$70,000 for staff, \$30,000 for computer time, and at least \$15,000 for printing and that again is based on what the subcommittee of the Legislative Finance Committee went through when they started on their KG-12 study. If we don't make that information available then you are suspect, so you've got to have at least \$15,000 for printing. There is about \$15,000 in travel by committee so that totals \$130,000.

Senator Bengtson asked, how are the Units going to be involved. Are you just traveling around in the committee or are you going to involve the faculty and presidents of the units. Representative Nathe answered, the administration of all of the units would be involved in the study. They would be having their input the same as they had their input on the formula funding study.

Senator Bengtson asked, is there a resolution addressed to this, or is this what we see? Representative Nathe said, this is what you see. It is also on page F-8 of the bill.

TESTIMONY FROM AGENCIES ON HOUSE BILL 2 AMENDMENTS, SECTION F.

Carroll Krause, Commissioner of Higher Education, said there are 3 amendments I would like to call your attention to, and they occurred in the House. One is the fact that 2 of the WICHE slots there were two removed to fund a Rural Residency Program, and I think it shows up under the WAMI budget at this point. That does allow us now to have 2 entering medical students. Prior to the session we had 6; 2 were removed -- the work study, and the additional 2 were removed on the floor. Over the next year we will have a total of 110 WICHE students compared to this past year of 120, simply because of the money. I understand if that was the choice of the Legislature and you wished to do that, I would hope that you would at least budget that separately and not continue that budget in WAMI because it really does not have anything to do with WAMI.

Commissioner Krause said, another area where we have some serious concern about an amendment, there has been discussion about printing, and there was an amendment on the floor that basically removed about \$605,000 of the U of M Support Budget. I think it was assumed that the printing budget of UM would automatically disappear. I would just tell you that the printing operation at the U of M is a self supporting operation, and there is no relation between printing operation and this money. What happened, the House took \$605,000 out of the Instruction and Support Program and the printing that is done by that operation is primarily to support the services of the University. I met with the printers prior to the session and asked them to help me to understand the concerns that we have. What are we printing that you have a concern about, and frankly the two objections that were presented to me were the basketball and football programs and the journal that the University has been printing for 20 years. It is a literary journal and the author insisted that it be printed on linotype and this is the only place in the state where she could get that printed. I think there is an impression that the U of M has been doing all kinds of printing and competing with private industry. It is true that if the printing operation wouldn't be there it would force us to send some of the printing off campus but it is there to serve the University and the University System and we believe that it is absolutely essential that that issue be addressed.

Commissioner Krause said they have some real concern about the out-of-state enrollment and tuition. We believe that the tuition estimates that are in the bill are over stated by at least \$1.5 million because our revenue from out-of-state tuition is not going to generate the amount of money that is there. I think there will be an amendment before you to look at the possibility of contingency fund so that if that money isn't generated, there could be a contingency and if it is generated then obviously it wouldn't cost the general fund any money.

President Koch, University of Montana said, with regard to the University of Montana print shop, I would like to underline the fact that there isn't any general fund support for that print shop at all. None of the employees there are employed with general fund dollars. The effect of the amendment on the House floor was to reduce the Universities Support percentage from 91 to 88 while leaving all the rest of the units of the system at 91. I hope you will agree that that is inequitable. With regard to the tuition and fee problem. Using the LFA's methodology, in terms of estimating how much money we should have collected, already this fall using the LFA's methodology we should have collected \$120,000 plus more than we actually did. If you extend that in the future years we are going to get in a worse and worse fix because the number of out-of-state students we

have is declining. I might add though, we have more in-state students at the U of M than we have had for several years. The problem is not the number of students but the mix. That is causing us severe revenue short falls.

Leroy Luft, Acting Director, Extension Service said, there was one amendment that was made on the House floor to increase the Vacancy Savings for the Cooperative Extension Service from 2% to 4%, and that passed by a vote of 48 to 47. This amounts to \$94,754 for the biennium. In the session 2 years ago there were no vacancy savings taken out for the Cooperative Extension Service, and our staff, our specialists, our County Agents, are on the same type of Regents contract with academic rank and tenure as all of the rest of the University System faculty, yet we appear now to be the only ones to my understanding hanging out there with this 4% vacancy savings. The Extension Service, in July when we submitted our budget requests voluntarily eliminated 13.9 FTE's. This was a 10% reduction in FTE's as we made our budget request and this reduction came both in the case of the termination of programs as well as the elimination of the vacant positions that we had that were there at that point of time, so we feel we more than cleaned house. This was the 10% reduction that we made. The vacancies at the Extension Service would result in, at the state level in most cases, no program being offered in that particular area. We are 1 deep as far as specialists are concerned at the state level to provide the back up information except for the areas of 4-H and Farm Management. As we look at the county situation, we have 23 counties that are single agent counties and our turnover rate as people leave appears to be heavier in the single agent counties than in the multi-agent counties, and with the county contribution toward the agent's salary vacancy savings accumulate very slowly with vacant positions at the county level.

QUESTIONS FROM THE COMMITTEE. Senator Regan said, I have a question. As I listen to this testimony and I look at the budget amendments, what essentially they did on the floor was to pull out the 2 WICHE slots and insert instead this Family Practice Residency Training program. Is that what happened? Representative Nathe said, those were two separate amendments made by separate individuals. The Family Residency Program got put under the WAMI program.

Senator Hammond asked, they put them under the WAMI? Senator Jacobson answered yes. Senator Hammond said, then on the increase from 97 to 99% in Instruction and from 90 to 91 the first year, 91 and 92 the second year; when they amended that, did they point at any source other than just general fund? Representative Nathe answered, it is all general fund.

Senator Hammond asked Dr. Krause if he has an answer to that. Dr. Krause said, I think there was a great deal of discussion on the floor where the money would come from and that was the Poker Bill that passed, and there was considerably more money that was generated by that bill than when initially presented. That bill was initially presented to the House to raise money for Higher Education. That money went into the general fund and the discussion on the House floor was that the money went into the general fund and it was legitimate to consider this as a trade-off. I understand there is not a direct relationship, but there was clearly the intent.

Senator Hammond said, I had heard that there was such an argument made in order to do this. On the county agents, how did we leave you? With 4 supervisors in the state or is it down to 2? Mr. Luft answered, with 4 supervisors.

Senator Hammond said, there was a lot of conversation to the effect that if you were short anyplace that with the 4 supervisors you could take up some slack. Mr. Luft answered, if we continue to lose county agents we would adjust in the administrator supervisory responsibility proportion, yes.

Senator Hammond asked, the County Agent doesn't have to meet a class every day. He isn't faced with the same responsibility that an instructor is in the classroom, is he? Mr. Luft said, no. They do teaching and instructing, but not the same as a classroom instructor.

Senator Gage asked, Did I understand correctly that the decrease of 13.9 FTE's was about a 10% reduction in your Extension Service Budget? Mr. Luft answered, yes, it was.

AMENDMENTS TO HOUSE BILL 2, SECTION F.

Amendment #1. F-0, line 15. Motion by Senator Jacobson. This is the issue that has to do with the in-state, out-of-state tuition differences and this would, in essence, set aside about \$1.5 million in contingency fund which would only trigger if the out-of-state tuition continues to decline as it has been. She said, I believe since 1982 the number of students paying nonresident fees has declined about 25% at the U of M., and I think there is probably a good argument for the fact that we did estimate them too high. There is no difference in the spending authority, there is just a difference in the mix of the portion of general fund monies.

Senator Keating asked, is this for the whole University system? Senator Jacobson said, no. It is just for the 2 units, the U of M and MSU.

Senator Keating asked, that is all that is needed? Nonresidents don't go to the others? Senator Jacobson answered, the nonresidents are not dropping in those other units. Actually Montana Tech is going up.

Commissioner Krause said, the number of percentage of out-of-state students in the other University Systems is very low. The primary problem is in these 2. Senator Jacobson said, the only other one that has many out-of-state students is Montana Tech, and there they are up.

Senator Hammond said, I know that this has been posed to us as a problem, but it is the bet on the come. We don't have any real exact numbers in any of these enrollments, and we have to fight with that constantly. We are betting on the come in this whole budget as far as the state is concerned, as to where we are going to get the money to do it with. I know this looks like a real problem to them now, but I just thought we had settled that once before.

Senator Regan asked if this had been considered in subcommittee and Senator Hammond said, yes. We talked about this a great deal.

Senator Jergeson said, we didn't consider this exact way of resolving the issue. The subcommittee essentially had the LFA with their out-of-state enrollment figures and the projections and we had the 2 units of the University System with theirs and both stood by their calculations pretty solid. The subcommittee attempted to see if there was a way to narrow that gap between the 2 positions. I made a motion in a different way to try to adjust this by splitting the difference since we weren't sure which figures were correct. That motion was not accepted by the subcommittee. This way to take care of the problem if it does occur as the Units suggest that it will, and yet not spend the money if the LFA method of calculation was correct, I think this would probably be the responsible way to approach it.

Senator Regan said, on the other hand, if you look at the floor action, with that amendment, if the \$3.5 million sticks it would seem to me this may not be as critical. I have some problem with it.

Senator Haffey said he would like to clarify his understanding of it. The subcommittees objection must have been to ease the mix of not having enough nonresident students to fund at a certain level. In terms of tuition you requested so much nonresident tuition and so much resident tuition giving you so much total. Representative Nathe said, are you saying that we had a pre-determined mix? We don't work it that way.

Senator Haffey said, no. The end result was based on your nonresident and resident mix and if the mix doesn't come in that way what will happen is the total numbers are balled up, funding less than you need. It looks to me like this language is an attempt to hedge both bets. I might be wrong, the only reason for the amendment is because of the way we appropriate general fund, it is necessary to set aside general fund now and back it off. This would be the only way to fund the total enrollment if the nonresident tuition is down. Representative Nathe said, if you go this way I would suggest you put in some criteria to make sure there there is no fee waivers granted to those students that are used on that mix; you've got to tighten it down, you've got it wide open the way it is now. It is probably a good way to handle it but if you want to see that there is a reversion back to the general fund then let's see that it is really tightened down.

Senator Regan asked Dori Nielson, LFA, when you came up with all these figures what did you use? Did you use the rolling average, did you use historic data? What did you use for these figures, because it is a guessing game. What did you use?

Dori Nielson answered, all projections were based on the latest information we had from enrollment and then using a projection model that we have, including data that involves many factors of retention of students from one year to another, the number of students that are graduate students, miscellaneous students, part-time students, all of that is figured for each unit individually and there are some rolling averages within that model to come out with the projected figures at the end. That is where the enrollment figures came from. The total enrollment figures would not take into account the serious dropping of out-of-state.

Senator Gage asked, isn't an option to this whole problem language to provide for a supplemental if there is a shortfall in this area? Senator Regan said, that would be a more reasonable approach, but even that has some problems.

Senator Gage said, I understand that, but we would at least be delaying and not tying up \$1.5 million fund for that period of time.

Senator Hammond said, it bothers me that many times the number of out-of-state students has been over the number that we have budgeted on. We didn't hear anything about that, but now there is a fear that they will be under and we hear a great deal about that. It can be both ways.

Senator Boylan said, I think the history shows that it is definitely going down. The curve that they projected from

the University and what is actually happened is that they are really going down.

Senator Jacobson withdrew her motion.

Amendment #2. F-9, line 11; F-11, line 7. Motion by Senator Jacobson. She said Senator Gage had mentioned they could use a supplemental, and this language put into the bill would allow the units to move money from the 2nd year into the 1st year should the shortfall occur, and then come in for a supplemental request in the 2nd year of the biennium. If our projections from the subcommittee are correct this won't cost you a thing. If they're not, the Universities will be able to fund the students on campus.

Senator Regan said, would someone explain to me, what's the 18.45 percent reduction or discount or whatever? I guess I don't quite understand how this is arrived at. Dori Nielson answered, the gross nonincidental fees that we anticipate are not the figures you see here because on those figures we calculate 18.45% that become waivers -- Student Waivers. Consequently, if we were to state the full amount that was anticipated for waivers for nonresident revenue, every dollar that comes in has 18.45 cents put into a waiver which is one of the programs which we are funding. Consequently we are talking about a net figure here. Actually we have taken the amount that will go into a scholarship program away. If the student doesn't come then we ought not to have a waiver. If the revenue isn't realized then there is no waiver, so this figure has been put together with the people from the 2 units. The figures have been agreed upon. We have subtracted out the amount of waivers so that they are not getting general fund money to replace waivers if the student is not there.

Senator Hammond asked Representative Nathe, was this tried on the floor? Was the other tried on the floor? Representative Nathe said no, they weren't. Senator Jacobson said, I think this is the first time we have come in with a supplemental approach. I think it is reasonable. We have allowed the Universities a couple of years to come in for supplementals when they have had more students than we projected.

Senator Hammond said, the reason I asked the question, they got the \$3 million in the other area and I would suppose they were a little embarrassed to come back in again. Senator Jacobson said, no she did not think so, actually they wanted \$15 million.

Senator Regan said, if this kind of amendment passes, then other units whose enrollment exceeds the projected, they too will be in for supplementals. Senator Jacobson said no, this only deals with those two units.

Senator Keating said, would there be a converse action to this in that if this thing were reversed, would there be a reversion of what we appropriated? Senator Jacobson said, I don't think there is any real chance of that happening.

Question was called, voted, passed. Senator Regan voted no.

Amendment #3. F-10, line 15. Senator Jacobson said, this amendment was assessed earlier by Carroll Krause, and this one has to do with the print shop amendment that was made on the floor. I think he pretty adequately explained what the problem is. I don't think their amendment did what they supposed it might do.

Senator Jacobson moved to adopt the amendment.

Senator Hims1 said, this statement is supposed to be general fund, but I understand that it is proprietary fund. Representative Nathe said, they took it out of general fund. Senator Regan said, that is part of the problem the University faces, is that it will be out of general funds instead of proprietary funds and it did not affect the print shop at all. Representative Nathe said, this was an indirect way to get at the print shop.

Question was called, voted, passed.

Amendment #4. F-3, line 6. Motion by Senator Hims1 to adopt the amendment. He said this refers to the Family Practice Residency Training Program. This is the program that started about 6 years ago, and we were subsidizing an intern. There has been very limited success. First they said they would only want it for one year. The second time they came in and said they wanted it again and we gave it to them with the understanding that was to be the last time around. This time we had a hearing in several different committees and it has been turned down and now it shows up in here and this time it is put into the budget in place of the WAMI program, as I understand it. It takes money we need so badly for education and puts it into a program where it might entertain, educate or seduce the idea of having someone stay in Montana. It is a worthy program, but I certainly don't think it belongs here to detract from the funds that we need for our students. It is only \$70,000, but when you embrace this one you are going to love it for a long time and I think we have to call a halt to this courtship.

Senator Jacobson said, we killed the bill as you remember, and it was reconsidered up on the floor and was sent back down here. Senator Regan said, it was supposed to have died here.

Senator Hammond said, I tried to get the program down here too, I tried to get the money out of the oil overcharge monies and I am not so terribly sure this is so wrong -- what they have done here. You know the history of the WICHI WAMI bill that I carried, and it was lobbied by the Board of Regents clear over to the House and was finally killed over there through their efforts and now they're in here because this will take a little of the money from the WAMI program and I am going to vote to support this.

Senator Bengtson said, I think this is a practical use of that money. Several doctors have been placed in Montana with this program. The WAMI program tries to bring Montana students back to place them in Montana and has not been successful, but that is their residency program that is supposed to be done in Montana. We've been trying to get those kids back to Montana -- these doctors are staying here.

Question was called, roll call vote, motion failed on a tie vote.

Amendment #5. F-6, line 23. Senator Jergeson moved to amend House Bill 2. This would go back to the 2% vacancy savings rate that the subcommittee recommended for the Cooperative Extension Service. The subcommittee struggled for a long time over this issue, and we had at one time decided to put the Experiment Station at 0% and then put the Extension Service at 4% and that got those two out of balance, and a compromise position was arrived at a 2% vacancy savings. The Extension Service is in a peculiar situation, because although they are not classroom faculty they have faculty appointments and the ability of this small agency to move people around at a vacancy savings rate of 4% is extremely difficult.

Question was called, voted, passed, Senator Keating voted no.

Amendment #6. F-9, line 9. Motion by Senator Story to increase the budget for MSU for 4 FTE's at the Museum of the Rockies.

Senator Story gave a strong case for the Museum of the Rockies, telling of the historic value, the education value, the advantages for the Professors involved in the dinosaur hunt, the fact that Montana was being recognized nationally, etc. He presented a brochure entitled "A New Star Is Rising Over the Rockies" which is attached as exhibit 1, amendment #6. He said this is reducing the request by half. He said they also have about 70 volunteers "manning" the museum which is totally free to Montana and another 20 who have put in a tremendous amount of time raising money etc.

Senator Smith asked, once that is put into the budget would it be continued as ongoing? Senator Story said, that is up to whoever comes back here in 2 years.

Senator Boylan said, I think it will have an educational value for all of the students all over the state of Montana. They bus them in here day after day to watch us, and I think the busses can take a lot of students there and it would be very educational.

Senator Jacobson said, I would like to point out that our subcommittee did look at this, but at the time we looked at it it was coming in as a separate bill and that is the only reason we didn't put it in this budget. We thought it belonged in a separate bill. The subcommittee heard that bill and passed it unanimously. I don't want you to think this was something the subcommittee turned down, we felt it was a real viable project.

Senator Hammond said, as I remember, the people who work there are also instructors at the University. In this amendment we are going to provide for 4 positions that are not necessarily instructors? Senator Story said, we're not double dipping, but that is correct. Senator Hammond said, they will be or not be? Senator Story said he would defer that to Dr. Teitz.

Dr. Teitz said, the museum of the Rockies is one that, its' personnel is through Montana State University, and those individuals do have academic appointments, but they operate full time in the museum.

Senator Hammond said, so you will just take 4 more people and use them part time? Dr. Teitz answered, these are new individuals because we do not have a planetarium at the present time and the planetarium will be funded by private funds outside of the state and these will be the personnel that will manage the planetarium. Similarly the new hall for the paleontology exhibits will be paid for by private funds. These are the staff to operate that new paleontology exhibit.

Senator Hammond said, but you do provide for 1/3 of the budget from the Universities. Dr. Teitz replied, we pay for a significant portion of the staff. This would be in addition to the faculty and staff there.

Senator Bengtson asked, how do students utilize the planetarium and the paleontological exhibits? Dr. Teitz said, the research material that is there is used extensively by graduate students in sociology, in biology, paleontology -- the new planetarium will be a very significant part of our astrophysics operations and the teaching of physics in general. In addition, the museum

personnel, as we bring them on board provide lectures in the classrooms as -- simply a part of their contribution to the University. There is no charge -- recharge kind of situation, but Dr. Hager lectures in Geology and in paleontology. Performing in the same way are faculty that will be in the new planetarium -- they will function very much along that same line. It is a resource much as a library would be a resource for investigations and there is a continuing education function -- if you recall the planetarium was up in the rotunda and this travels around the state and we have traveling exhibits. We bring in materials from all over the country, have the program at the museum and travel around the state not unlike the Shakespeare in the Parks program.

Senator Regan asked Dr. Teitz, the Museum of the Rockies is funded separately and is an entirely separate unit from MSU, or is there some interconnecting link? Dr. Teitz answered, the best way I could describe their relationship would be a joint effort. MSU and the state of Montana own the facilities that have been given to the state by private contributors. The operation, faculty are a part of the MSU and those dollars are allocated through our Vice President of Research and appropriated here. There is a separate corporation which is a 501C3 independent operation with a private board that makes it possible to generate the dollars in the support programs.

Senator Regan asked, why didn't this come in under your regular budget then? Dr. Teitz said, it was a choice at the time. We had it on the regular budget as a program out of schedule, it was deemed desirable to bring it forward as a separate bill. The subcommittee put it as a separate bill.

Senator Regan asked, what happened when they heard that as a separate bill? Dr. Teitz said, the subcommittee passed it out unanimously, if I recall correctly.

Senator Regan said, I am pleased to see that the amendment the House took in increasing your fees and instructional support, which had a net effect of increasing the University budget by \$3 1/2 million. Of that \$3.5 million, approximately how much will go to MSU? Dr. Teitz said, I believe that for the biennium our calculations show about \$1.3 million. MSU in this last year has taken a reduction of just under \$5 million and at the present time we are still a million dollars below 1985-86 expenditure levels. We are looking at a replacement of \$1.33 million. We are adding nothing to MSU. We are simply reducing the reduction -- or trying to keep some students in class. The addition of \$1.3 million is certainly not an addition of any programs, it simply softens the blow.

Senator Jergeson said, the Senate took a position on Senate Bill 611 -- that a University should get to retain 100% of their indirect costs and grants. Are any of these grants at MSU that could expect to be accomplished in connection with the Museum of the Rockies? Some are research, and would any be revolved around or tied to the Museum of the Rockies? Dr. Teitz said, we have a number of grants that come to the Museum, some are construction grants. We also have research grants that are jointly conducted by the University and the Museum. Some of those are directed to the museum and some are through the University; so the answer would be partially yes, there are some.

Senator Hammond said, I would like to ask one more question. These 4 new people, would they do any teaching in the University? Dr. Teitz said, any one of the individuals could possibly do teaching in the University. It would be part of their basic function with the museum, as their Educational Outreach, if you will. There will not be a trade-off with dollars, but we do not have someone who is an astronomer on the staff and we would use the planetarium expert to teach astronomy courses. Similarly the paleontological work is going to be done through augment the classroom on the campus. That is part of their Outreach Program, part of their general function; it is not a trade-off.

Senator Haffey said, I think it is a good idea, and I do hope it will not be a trade-off with something on SRS or something. What we are doing here that is future oriented. We have some problems. We have taken a lot of money out of some other areas.

Question was called, roll call vote, passed, 9 yes, 6 no.

Amendment #7. F-7, line 22. Motion by Senator Keating to amend House Bill 2. He said, this is in regard to the University Funding Study. This reduces the amount from \$150,000 to \$50,000 for this study. My information is that it really doesn't take \$150,000 to do a study, the \$50,000 will probably be more than all the money appropriated for all of our interim studies. This study could probably be accomplished just as well for \$50,000.

Senator Smith said, I would like to ask Mrs. Rippingale a question. Is this the same sort of study we did with the 4, either 4 or 6 years ago when we visited all of the Universities with the Legislative Finance committee? Judy Rippingale said, yes. It would be very much like that.

Senator Smith said, Is that study already obsolete? Couldn't we draw back on the information we picked up in that particular study? Judy Rippingale said, that study desperately needs a lot of work done to it now. It was done

in 1979 and 80 and a lot of things have changed and it really is very outdated. It needs very much to be redone.

Senator Smith said, I thought that study was done in '81. Judy Ripplingale said, I believe in the '81 Legislative Session it was complete and you were using it then.

Senator Jacobson said, our subcommittee sat down with all the different people involved with the study. The Commissioner's office and a number of people and went over very carefully what we thought needed to be done and what we thought was needed for the funding of it, so these are not arbitrary figures that are in front of you at all. I think you have to realize that in order to do the study correctly it is going to mean some travel. It is going to mean some consulting with other Universities and getting information back, that type of thing. I think if you adopt this amendment you will probably not get the type of job done you need to get done this time. Right now no one likes the formula. I think Representative Nathe pointed out to you earlier some of the things that just have become so outdated and I just think it is imperative. This is one of the largest sections of the budget and we are constantly under criticism for the amount of money that is in here. I think it would be in the best interests of the state to get the study done and get it done well.

Representative Nathe said, it is my feeling that with regard to this amendment of Senator Keating's that rather than accept the amendment that you kill the study. If you are not going to do it right there is no sense in doing it half way. I respectfully point out to you that if the \$150,000 is of that much concern, take a look at the leap-frogging that has occurred in this session in this bill that you are looking at on the modifieds. We leap-frogged \$1.9 million from the enrollment driven portion. Those factors aren't updated, it was a recommendation by the Legislative Finance Committee to the 46th Legislature that this be updated at least every 6 years. You are outdated on this. \$40,000 when you did the other study, you had some people working pretty much full time on it. One fiscal analyst, a fellow by the name of Dick Dodge as far as computer time and you had John LaFaver working a lot of the time on this study. I just feel if it is going to be cut down that far you might as well save all the money and not fund it at all.

Representative Nathe said they have leap-frogged \$1.9 million on support rate this session and no one has even questioned it. Most of it has been done because of lack of information.

Senator Himsl said, these studies have been going on for a long time. I don't know why WICHE for instance, several years ago made a very comprehensive study of all the funding

in the whole University system in the west and of the hundreds and hundreds of universities that are in this country, it seems to me there ought to be information available without us trying to rediscover the wheel. We've studied this over and over in this state and never seem to find the answer to it. WICHE, I know, has a very comprehensive study and I am sure there are other foundations that have a study on funding higher education. Rather than us spending that much money, we ought to look at the researches that have this information. I remember being involved, and I don't want to take the time, but one of the interesting things that came out of the WICHE study, and that included a lot incidentally, and they discovered that what they thought were the high cost courses in Higher Education -- they were inclined to think the science courses where they had a lot of stuff around -- that actually was not the case. The Liberal Arts that had the libraries and had the school of languages were higher cost than they thought they were. The information, I think is available, I don't think we have to go out and discover it again.

Senator Jergeson said, I oppose the amendment offered by Senator Keating for a number of reasons. I think we saw a good example of some of those reasons here today in our discussion of problems with the revenues generated by out-of-state tuition where those number of students are in an area where there is great disagreement as to whether the formula generates the right kind of figures. The question raised on support rate when Tech was raised to that of MSU. Those are some major critical issues we have to look at. What are the appropriate rates on each of those formula factors within the formula. In the last few years those figures have been adjusted for inflation and not for any other real judgment as to validity. If this amendment fails I have one to add which would be a compromise between the action by the House Appropriations Committee and that of the University System.

Question was called, voted, roll call vote. 6 yes, 9 no, the motion failed.

Amendment #8. F-8, line 11. Motion by Senator Jergeson to amend House Bill 2. He said this adds a line that the study committee shall also address cost-effective methods etc.

Senator Smith said in spending 20 years here of watching all these amendments to address all these new methods and I never saw a method come up yet that didn't cost more money.

Question was called, roll call vote. Motion passed, 9 yes, 6 no.

Amendment #9. BP-2, line 16. Motion by Senator Jergeson to amend House Bill 2.

Senator Jergeson said I have been asked to hand out language to the committee, language requested by Representative Ray Peck. Apparently the purpose of this language would be to generate budget information on the recharge centers that are listed here. Senator Regan may be more familiar with exactly how this would work.

Senator Regan said Representative Peck wrote me a note indicating that in the budget setting process the committee was not as conversant with the fees collected by the various units and they are -- she asked Dori if she would address it.

Judy Rippingale said, Dori passed this to me. This is so the Education subcommittee would end up with some information relating to the major recharge centers such as the computer center, the motor pool and the maintenance and service centers. These centers in the rest of the state government are generally run by Department of Administration. In the University System each University has their own center and it is my understanding that the Education subcommittee came up with a number of questions which involved recharge centers and how it related to the general fund that you were appropriating to them. It also illustrated itself in the House in 2 other ways. Representative Fritz had a bill to do something with the purchasing of paper and supplies where they felt the charges were being too high from the University center and they couldn't go down town. This also illustrated itself in some frustration with the printers in the amendment that passed on the House floor.

Commissioner Krause said, I think there is a lot of confusion and misunderstanding about the information that is available on our Recharge Centers. Designated funds is what they really are. Every year the Board of Regents peruse the entire operating budget which has every Recharge Center budget outlined, and it has every plant fund and auxiliary fund designated fund outlined. The budget which is approved by the Board of Regents goes to the LFA and the Governor's Budget office. That information is available and I think probably one of the errors made, we should have made more copies and given them to the subcommittee because they apparently didn't know this did exist. There is substantial cost in producing that whole budget.

Senator Regan said, we are not asking you for the whole budget, have you seen this amendment. This is not the whole book, this is just the Recharge Centers. I showed it to some of the Representatives of the University System and they didn't seem to have any problem with it.

Commissioner Krause said, I think we are doing this already and I don't have a problem with it.

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Question was called, voted, roll call vote. 12 no votes, 3 yes. The motion failed.

No further amendments were made for this section and Senator Jacobson moved we close section F. Voted, passed.

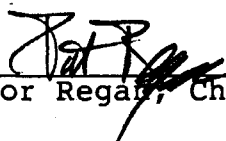
DISPOSITION OF HOUSE BILL 2: Motion by Senator Keating to concur in House Bill 2, as amended. Voted, passed.

Senator Regan said this bill must be read over the rostrum today, and had scheduled for Monday at 8 a.m., hearings on several important bills. Perhaps we can take executive action on the employees pay plan now so this major piece can go out.

DISPOSITION OF HOUSE BILL 233: Motion by Senator Story that House Bill 233 be concurred in. Voted, passed, with Senators Jacobson, Haffey and Manning voting no.

Senator Regan announced the Senate Finance and Claims Committee would meet at 7 a.m. Monday morning.

The meeting adjourned.



Senator Regan, Chairman

STANDING COMMITTEE REPORT

April 11

19 87

MR. PRESIDENT

We, your committee on **FINANCE AND CLAIMS**

having had under consideration **House Bill 2** No.

third reading copy (**blue**)
color

GENERAL APPROPRIATIONS ACT OF 1987

DONALDSON (REGAN)

Respectfully report as follows: That **House Bill** No. **2**

be amended as follows:

XXXXXX
DO PASS

(AMENDMENTS ATTACHED)

XXXXXXXXXX
DO NOT PASS

SENATOR REGAN

Chairman.

STANDING COMMITTEE REPORT

April 11 1987

MR. PRESIDENT

We, your committee on **FINANCE AND CLAIMS**

having had under consideration **HOUSE BILL** No. **233**

~~third~~ reading copy (~~blue~~ color)

Bardanoue (REGAN)

ESTABLISH STATE COMPENSATION PLANS/BENEFIT LEVELS AND 1988-89 PAY SCHEDULES

Respectfully report as follows: That **HOUSE BILL** No. **233**

BE CONCURRED IN

XXXXXX
DO PASS

XXXXXXXXXX

Senator Pat Regan

Chairman.