

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Senator Judy Jacobson, Chairman, on March 14, 1991, at 8:00 a.m., Room 108.

ROLL CALL

Members Present:

Judy Jacobson, Chairman (D)
Greg Jergeson, Vice Chairman (D)
Gary Aklestad (R)
Thomas Beck (R)
Esther Bengtson (D)
Don Bianchi (D)
Gerry Devlin (R)
H.W. Hammond (R)
Ethel Harding (R)
Bob Hockett (D)
Richard Manning (D)
Dennis Nathe (R)
Lawrence Stimatz (D)
Larry Tveit (R)
Eleanor Vaughn (D)
Mignon Waterman (D)
Cecil Weeding (D)

Members Excused: Senator Fritz, Senator Manning

Staff Present: Pamela Joehler (LFA).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON SENATE BILL 62

Presentation and Opening Statement by Sponsor:

Senator Jacobson, District 36, sponsor, stated SB 62 along with HB 142 are two bills that came out of the postsecondary education study committee recommendations. She noted by law the Board of Regents are to submit a unified budget to the State

Board of Education before September 1. The education study committee considered various options regarding this and chose the option to make it more clear in the law that copies of budgets be submitted for educational institutions under the general administration and supervisory control of the Board of Regents to the State Board of Education, and that is contained in the bill. She noted the bill does not require the legislature to make lump sum appropriations to the university system in whole or in part, but it does make it clear in the statutes that is an option available to the legislature. It also brings in the vocational technical centers and allows part or all lump sum appropriations in that area. Senator Jacobson said it is her understanding that the subcommittee on higher education has recommended lump sum appropriation by unit for the vocational technical centers and has a discretionary pool of money that can be moved between units. She concluded at this time there has been no suggestion of lump sum appropriation in part or in whole for the university system, but it is possible.

Senator Jacobson asked Commissioner of Higher Education John Hutchinson to inform the committee what he has in mind regarding lump sum appropriation.

Proponents Testimony:

John Hutchinson, Commissioner of Higher Education, stated his support of SB 62, indicating the bill is the product of the work of the interim postsecondary education study committee. He distributed to the finance and claims committee copies of his testimony in support of SB 62. (See Exhibit 1)

Bob Marks, representing the Governor's office, stated their support of SB 62. He said he understands the concerns of allocating money to the university system and feels the lump sum appropriation of funds to the university system makes sense. He stated he thinks the legislature in decades past have taken it upon themselves to get in micro-management of the allocation of funds, particularly within the units and he stated it goes against the philosophy of a strong board. He concluded the Governor recommends this bill, or if in the judgment of this committee they desire to go to the South Dakota method as indicated by Mr. Hutchinson, it would be a strong, conservative, sensible start and something that could be reviewed after a couple of bienniums to see how it worked.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Aklestad questioned if at this time each individual university system gets grants for research and if those grants are in one pool and worked the same way as the state budget. Mr.

Hutchinson said in many states the campus makes a direct application to possibly a federal agency, the money comes to the campus, and they must report those grants and contracts to the state and let them know they have accepted it. Senator Aklestad asked regarding the powers and duties of the Board of Regents if according to the bill, they are going to report to a State Board of Education, rather than what he thought was K through 12 for the Board of Education; he wondered why they would not report to the executive and legislative branch prior to September 1st so they would know what they are working on with regard to budgeting. Senator Nathe said there is a Board of Regents and a Board of Public Education and when they meet jointly, it is the Board of Education. It is in the statutes that there is a Board of Education comprised of these two boards. Senator Waterman said there is a constitutional mandate that there be a unified budget presented by the Board of Education. She added it was her feeling that the constitution framers intended that there be an articulation between K-12 education and the university system.

Senator Jacobson said when they looked at the law, there were three options available. The first option was the one they recommended and that was because it was the committee's intent that the Board of Regents submit a unified budget request to the Board of Education and ultimately to the Governor. The second option was to amend the provisions in Title 17 to remove any reference of the university system or individual units and draft new sections, Article 10, Section 9 of the constitution and they did not care to go that far. What they are basically trying to do is pull this into compliance, submit a unified budget to the Board of Education that would then be submitted to the budget office; that would then comply with the original intent of the law.

Senator Keating said section 2 says the Board of Public Education and the Board of Regents shall meet together as a State Board of Education.

Senator Bengtson asked Mr. Hutchinson to explain the outcomes assessment approach. Mr. Hutchinson said that approach doesn't really get into how the money is spent; it doesn't have a fiscal dimension to it. In the broadest sense it is an evaluation of how well students are doing at the very purposes for which monies are appropriated, and that is learning; how well we are teaching the students and how well they are learning. He added that is what higher education is all about. He indicated outcomes assessment acts in two ways; students have an evaluation in college on how well they have mastered the general education core, and secondly toward the end of their academic career, how well they have mastered their major, the material in the subject they are majoring in. It is a matter of are we doing a good job of educating the students. Senator Jacobson said when the interim committee looked at this, they looked at what they had been doing over the past few years. In 1975 after the blue ribbon commission recommendations, one recommendation was to

SENATE FINANCE & CLAIMS COMMITTEE

March 14, 1991

Page 4 of 12

implement a formula and the other was to recommend a lump sum appropriation. The Board of Regents and the Commissioner's office put together a formula, which is the basis of the formula used today. The 1979 legislature stated their desire to look at this formula, and in 1981 a lengthy study was done and a new formula implemented but it is based pretty much on what happened in 1975. The arguments through those years never changed; they argued about peer catch-up, salaries to peer level. The committee felt they needed to start looking at broader goals for the university system. With that in mind, the committee was recommending system-wide perspective, needs, assessments and goals assessments. They felt maybe they should head toward lump sum appropriations, looking at post-audit function talked about by the Commissioner. They now have the capacity to take close looks at the university budget and how they are doing. They felt it would be good to have a permanent committee of legislators and regents looking at the long range goals and planning what they would do and come in with that to the next legislative session. She said they didn't recommend any particular type of lump sum appropriation but recommended that as a possibility of a method of the legislature spending more of its time assessing goals and broader needs, the types of things their constituents talk to them about. She indicated she was not suggesting we take the entire bulk of the university money that has been appropriated in the subcommittee and hand it to the Regents, but she suggested we should start looking at a modified version of that and get the permanent committee going and start looking at a broader picture for the university system.

Senator Hockett stated his interest in the long-range goals of the university system in that being the key to supporting lump sum funding. He questioned if we are including the community colleges and vocational technical centers in the plan. Mr. Hutchinson said he will get copies of the long range plans to the committee members. He said they would like to move in the lump sum direction with the vo tech centers. There is a lump sum approach in the community colleges; they are viewed more as a granting agency in that they are granted a certain amount of money. He added they would like to get the university system and vo tech centers on some kind of increased flexibility.

Senator Keating said at the present time the Regents are an appointed board that become autonomous after appointment and the legislators are the representatives of the people. He questioned when the policies of the Board of Regents and the people are on different tangents, the purse strings have been the leverage of the legislature to return the Regents to what the representatives feel is the policy of the people and that under the lump sum proposal it would appear that the legislature is letting go of the purse strings. He asked in what way the legislature influences the policy of the Regents if they feel their long range policies are on a different tangent. Mr. Hutchinson said if they were to move ahead with the development of the Regents legislative committee which is House Bill 142, there would be an

opportunity for the two bodies to come together with input also from the executive and have an influence on the Regents' activities. He said he could not imagine the Regents being so distant from the desires of the people that they are operating in a vacuum. Another area is notice of intent; that is a way that a legislature can indicate to the Board of Regents that it is their intent that a certain amount of money be spent in a particular area.

Senator Bengtson indicated her concern in how the people and the legislature can feel a part of the university system and the idea of the outcomes assessment approach. Senator Jacobson said the committee indicated until they found a better method they would still use the basis of the formula in order to come to the amount of money they are talking about as far as the university units are concerned. She said they have never sat down and told the Regents what their desired goals are or discussed a three year plan or five year plan; they have taken care of two years rather than thinking of the future. It is their desire to plan farther down the road than two years. She added it is a lofty goal that we may want to slowly approach and Representative Swysgood's bill, HB 142, is an integral part in doing this and possibly the first step.

Senator Hockett questioned if in either the modified approach or the Idaho approach, would the number of people in the Commissioner's office be increased; also would the university system require more or fewer people. Commissioner Hutchinson said he did not envision either of the approaches having a significant impact on the number of people.

Senator Bengtson said it was not her impression that this was not meant as a reorganization attempt. Senator Jacobson said nothing will be changed by passing this bill; it simply puts enabling legislation into place to start to move in this direction if the legislature so chooses. She indicated the first step should be to get this permanent committee moving. A recommendation could be made in the future for some lump sum for the university system in this legislative session, but at the present time there is not. We are trying to get people thinking about the possibility of doing this and maybe implementing it in some small way in this session if possible. If the permanent committee works in the way anticipated, hopefully they will come back to the next session with goals laid out and further recommendations to the subcommittee as to their desired direction.

Senator Bengtson questioned if there is flexibility in the budget of the education subcommittee. Senator Jergeson said the only real flexibility in any budget is the lump sum by unit in the vo techs. The budget for the six units does not have a great deal of flexibility, and he stated his feeling that part of the reason is there has not been enough money appropriated to the university system at this time. He stated his desire that in

looking at the rest of the appropriation process, he hopes additional funding can be achieved for the university system and provide some discretionary authority to the Regents for the use of that money. He stated he would characterize the current micro-management of the university budget by the legislature as micro-management by the guess method, in that they have to guess what the legislature wants, and asked if the Regents find any truth in that observation. Commissioner Hutchinson said there is truth to that and they would like additional direction from the legislature. They would want to work that through in the process described by Senator Jacobson in some kind of a joint committee.

Senator Jergeson said without closing the hearing on SB 62, he would like the hearing opened on HB 142 and after the presentation on HB 142, this line of questioning could be continued because the issues are intertwined. Senator Jacobson said she felt that was appropriate.

Senator Weeding asked regarding lump sum funding, at what point do the vo tech centers and community colleges come into the picture under that scenario. Mr. Hutchinson said at this time, coming out of the education subcommittee and going into the House Appropriations, the vo techs are functioning largely with plan B, that is the recommendation of that subcommittee is sort of a lump sum to the vo tech centers and there is a \$200,000 discretionary amount awarded to the Board of Regents to help them. The vo techs are in a phase down period now as a result of enrollment declines over the past couple years. The community colleges are different and he stated he wasn't sure at what point, if ever, they would be brought into this kind of picture because they have to deal with the local state governance of them and therefore they don't have total authority. He said he felt if they could hold the vo techs' lump sum situation as currently configured, do that essentially for the university system, look at it for a biennium and if the legislature liked it, then it could be continued. He concluded by going to a lump sum appropriation approach. He said it doesn't mean the legislature is forever held to that particular approach.

Senator Jergeson said the hearing on HB 142 would be held at this time rather than closing on SB 62 because of their interrelationship.

HEARING ON HOUSE BILL 142

Presentation and Opening Statement by Sponsor:

Representative Swysgood, District 73, Beaverhead County, sponsor, said the bill sets up a permanent interim committee and that the main concerns on the postsecondary education committee were communications and accountability. This committee sets up the conduit between the legislature, the Board of Regents, the Commissioner and the executive to carry on the ongoing dialogue as it relates to the problems concerning higher education in the

state. He said the HB 142 has a \$66,000 appropriation. He noted the House Appropriations Committee deleted \$12,500 which was reinstated on the House floor. He said HB 142 shows the committee makeup, the terms, length of time and the amount of money necessary. He said it is automatically sunsetted.

Proponents' Testimony:

John Hutchinson, Commissioner of Higher Education, stated his support of HB 142. He said the Regents and the education commission for the 90's and beyond called for the establishment of a committee of this sort. He said they have already done that with the committee consisting of four legislators and four Regents. They have had one meeting and have another one scheduled. A number of important issues were raised including appropriations and levels of authority, the province of the committee and long range planning. He said it was his feeling that the committee was very productive. He said HB 142 is somewhat different than the one envisioned by the education commission for the '90's and beyond in that it is richer in a couple of ways; one being it does have input from the executive and has funding mentioned by Representative Swysgood and specifies staff support coming from the LFA. He urged passage of this bill.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Bengtson questioned the staffing of the committee with the broad duties and powers. Commissioner Hutchinson said he doubted the committee would get to the level of minute detail and budget analysis and preparation. He said he envisioned the discussions of the committee being more of a policy level relative to budget. Representative Swysgood said the committee will provide information that is secured from other things that are already in place. They will be concerned with annual budget allocations and outcome assessment program. He concluded he did not see a lot of staff being involved in this process because most of it is already in place either through the Board of Regents or the legislature. Regarding a question from Senator Bengtson as to whether it is a rubber stamp, Rep. Swysgood said he did not expect them to rubber stamp them and that is why the committee is there.

Senator Jacobson said they are saying that the Board of Regents would develop their long range plans. They have already asked the Commissioner to do that and he has come into the session with that sort of approach. They have clearly articulated annual goals that the Board of Regents and Commissioner should develop, and they are already doing some of that. The annual progress reports are being developed by the

SENATE FINANCE & CLAIMS COMMITTEE

March 14, 1991

Page 8 of 12

Board of Regents. They would hope that with regard to the outcome assessment program, the Board of Regents with legislative input would develop and implement the program. The committee would discuss the annual budget allocations to the university system and vo tech centers and any changes that occur during the year. They do not envision this to be a rubber stamp committee at all, but a bridge between the Board of Regents in what they are doing in the interim and legislature and the sort of budget they are going to present to the legislature in the next session. She added it is important that the staff for this be outside the Commissioner's office and for that reason they have suggested that the legislative fiscal analyst be the one staffing it.

Senator Hammond stated this would be a liaison committee to bring about better communication between the Board of Regents and the legislature. He said there was an attempt to have ex officio members on the Board of Regents to begin with but they decided that would not be as productive as having the liaison committee meet and get the philosophy of the Board of Regents.

Senator Keating said regarding setting up a Board of Regents legislative board to talk about the university system and the Board of Public Education for the overall policies and presentations, he wondered if there was a missing link in the system. Rep. Swysgood said all the entities we are addressing on the lump sum and in this bill deal with higher education, and now the vo techs have been moved into the Board of Regent's control and out of the Board of Public Education's control and they really don't have a say in what happens in higher education; it is a Board of Regent's responsibility. He added they did not want to get into the K-12 system as that is a different problem.

Senator Hammond said the Board of Public Education has only been very active for the last ten years.

Senator Beck questioned if this were to pass, would it be put into SB 62 where the Board of Regents' budget would be submitted to the approval of this committee. He asked the correlation between SB 62 and HB 142. Senator Jacobson said they are trying to comply with the law and comply with the constitution and get the unified budget request in there. She added you either comply with the law or change the law or the constitution, and they did not want to go that far. They wanted to make it clear in the law that the unified budget prepared is going to be submitted by the Regents to the Board of Education by September 1. Then the Board of Education will submit it to the Governor's office, which is what should be happening but has not happened. She added it doesn't have much to do with HB 142.

Senator Beck questioned if the legislative liaison between the Board of Regents and the legislature would have input on the budget before going to the Governor's office; Rep. Swysgood said they would have input. Regarding the sunset of the bill, Rep. Swysgood said it automatically sunsets. He said it is

looked at every two years for funding to keep it in place. Senator Beck stated his thought that we should have this committee in place with that scenario. Senator Jacobson said nothing that is being done in SB 62 requires the legislature to lump sum appropriate; therefore if the legislature decided to drop the committee two years from now, there would be no demands made. Senator Waterman stated her feelings that we should be making a longer term commitment than two years to this process. Senator Jacobson said the Commissioner's office has made a strong commitment to the idea of a permanent committee by setting one up prior to the funding beginning. She added she did not know how the House felt about the sunset on the bill, but this committee could look at deleting that in order to indicate to the next legislative session that we did not intend for this to be a committee that was to be in place for two years.

Senator Hammond questioned the appointment of the liaison committee and added there should be some outcome based testing as to what they are doing and if they are making the legislature aware of what the Regents are doing and their intentions.

Senator Jacobson noted maybe we should limit the terms of those serving on the committee. There are four people serving on there right now as a temporary committee that was set up, but there may be some merit in limiting them to two terms. Senator Hammond suggested it could possibly be someone capable of getting information to everyone and not only people extremely interested in that part of education.

Senator Aklestad suggested the committee save their discussion until executive action.

Senator Jacobson indicated in a question regarding the function of the Board of Education that the Board by law is supposed to receive a budget from the Regents and submit that budget to the Governor's budget office; at the present time, that is not happening. SB 62 says the Board of Regents would submit a unified budget on the university system to the Board of Education who would then submit it to the Governor's office.

Senator Nathe stated his feeling that this is a massive step forward in the right direction. He said this is the first time since '81 that we will be doing something that will strengthen the Board of Regents and the Commissioner of Higher Education's office because what does happen is each individual unit makes a run around the Regents and the Commissioner's office and comes to the legislature directly with specific requests, and this would put a stop to that.

Closing by Sponsor:

Senator Jacobson closed on SB 62, and Representative Swysgood closed on HB 142.

HEARING ON HOUSE BILL 551

Presentation and Opening Statement by Sponsor:

Representative Mark O'Keefe, House District 45, sponsor, said the bill is a financial cleanup. He said last session a major piece of legislation was passed which put eight million dollars state dollars up against a forty million dollar federal match and they set up a wastewater revolving loan fund which is about to go to the bonding stage and put money in the communities in Montana to build wastewater treatment plants and finance local projects. Before this is done, they need to make minor technical changes in the law that were recommended by EPA and the state's bond counsel. HB 551 amends the existing law of about 80 pages. The first change pertains to the use of interest earnings generated from bond proceeds used to make up the state match. Previously the earnings went to the debt service account which was used to repay the bond holders. The way it is set up financially, it will have the same consequences to the borrower but it will technically read differently. The second change is to correct the requirement in the original legislation that loan repayments must be credited to the federal allocation account and the state allocation account in the same proportion as which they were lent out. The last change is the requirement that reserve accounts are to be established by local borrowers to secure the loan in accordance with standard practices governing public finance. That was not in the original bill; initially these reserves were to be mandated by administrative rules and that was done, but the EPA came back and said it is much better if that requirement is in the enabling legislation than in the rules.

Proponents' Testimony:

Scott Anderson, Water Quality Bureau, Montana Department of Health and Environmental Sciences, testified in support of HB 551. (See Exhibit 2) He introduced Anna Miller of the Department of Natural Resources and Conservation to further describe the amendments they are requesting today. (See Exhibits 3, 4)

Anna Miller, Department of Natural Resources and Conservation, stated her support for this new program, saying it is a loan program which is a complement to the programs they currently have at the DNRC. The current programs more or less compete for people to come in and get water and sewer loans. By having the EPA grant some money and give this special program, she said her loan programs would focus on water issues and be a lending program for water issues; this program would focus on wastewater treatment and special qualities and techniques that

lend itself to each program. She said she was meeting March 14th with the bond council of the state, the underwriters for this program, people from Department of Health, DNRC, where they will finalize documents. (See Exhibit 5) She said the federal government is running their program differently. The state will draw federal dollars and do bond proceeds from a state g.o. bond and mesh those funds together. Each applicant will come in and make draws upon that money. If their construction period is from May to November, they could come in for as many as ten draws on that money. They submit a billing to the DNRC, tell what they are doing for the money to make sure the money is used for the project in an adequate manner; then DNRC signs off and gives the money. With of the number of draws and the number of projects, DNRC feels they could use a trustee because a complex computer system has to take care of this. Another thing helping them in the mechanism they plan to look into and pursue is with bond issues, sometimes they run into what is called arbitrage calculations and yield restrictions. She concluded the second amendment on Exhibit 5 is a clarification in the bill.

Opponents' Testimony:

None

Questions From Committee Members:

Regarding a question from Senator Bengtson as to whether the trustee position would be an additional charge, Ms. Miller indicated it will be an additional cost but that the EPA has sanctioned this as a cost they will participate in the funding of. The Department of Natural Resources will get \$15,000 to operate the financial end of the program from the EPA. When questioned by Senator Bengtson further regarding using a trustee, Ms. Miller said in order to run this in the DNRC, they would have to upgrade their system and spend considerable time studying IRS regulations, and they questioned that was the most efficient use. The trustee would do this at a nominal cost. When asked as to cost, Ms. Miller said the cost in South Dakota is between \$2,000 and \$3,000 a year. They also have monthly payments in from their people. Montana anticipates they will have these applicants paying twice a year so their costs will be less. Regarding the success in taking advantage of the arbitrage situation where they can do it by computer, Ms. Miller said South Dakota has been in the program for awhile and they believe they can take advantage of the arbitrage situation and also do leveraging because of the information they receive. With the management programs they receive, they feel they can do a good job of managing the program.

With regard to trustee selection, Ms. Miller said they will advertise and allow people to come in and make proposals and they then will be evaluated on the point scale.

Senator Nathe questioned if we will use the interest off the

SENATE FINANCE & CLAIMS COMMITTEE

March 14, 1991

Page 12 of 12

bond proceeds and move it from the debt service account to state allocation accounts so the money can be used for a greater match or to reduce the amount of bonds that have to be issued in order to match the federal government; he asked what happens to the debt service account. Ms. Miller said in the debt service account, they will have payments set up to adequately pay off the debt they want, and as the money comes in, it will earn interest so it will be money on top of what they need to pay their owed debt. Regarding bond payments, Ms. Miller said this should not impact our bond ratings, adding that Montana has an excellent rating that is backed by taxing authorities. The bonds are used by a wastewater treatment system which has user fees associated with them. For the people that are going to be in this program, they are hoping the interest rate will be as low as 4 percent. With regard to what would happen if a city would default, Ms. Miller said they have a contingency called the loan loss reserve for that.


In a question from Senator Hammond regarding the contracting of a trustee, Ms. Miller said it was their plan to contract for that service.


Closing by Sponsor:

Mr. O'Keefe said in 1981 a water development program was set up and a bonding program was established which was very good, and here there is a second generation bonding program with federal money in it. He closed by saying the bill gives better control and more control of the money, and he hoped we would concur in the amendments. He concluded he would like the committee to hold executive action until the bonding committee has met.

ADJOURNMENT

Adjournment At: 10:15 a.m.


JUDY JACOBSON, Chairman


LYNN STALEY, Secretary

JJ/lis

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ROLL CALL

FINANCE & CLAIMS COMMITTEE

DATE 3/14/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON CHAIRMAN	P		
SENATOR JERGESON, VICE CHAIRMAN	P		
SENATOR AKLESTAD	P		
SENATOR BECK	P		
SENATOR BENGTON	P		
SENATOR BIANCHI	P		
SENATOR DEVLIN	P		
SENATOR FRITZ			P
SENATOR HAMMOND	P		
SENATOR HARDING	P		
SENATOR HOCKETT	P		
SENATOR KEATING	P		
SENATOR MANNING			P
SENATOR NATHE	P		
SENATOR STIMATZ	P		

Each day attach to minutes.

ROLL CALL

FINANCE & CLAIMS COMMITTEE, CONTINUED

DATE _____

_____LEGISLATIVE SESSION_____

NAME	PRESENT	ABSENT	EXCUSED
SENATOR TVEIT	P		
SENATOR VAUGHN	P		
SENATOR WATERMAN	P		
SENATOR WEEDING	P		

Each day attach to minutes.

General Fund	Fiscal 1990		Total	General Fund	Fiscal 1991		Total
	Current	Unrestricted			Current	Unrestricted	
6,155,665	2,871,403		9,027,068	6,742,615	2,832,967		9,575,582

Total audit costs are estimated to be \$80,877 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 6.

Fiscal 1990					Fiscal 1991				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
TOTAL SECTION F									
103,140,602	53,750,580	6,981,494	10,346,772	174,519,428	109,960,106	52,060,340	6,752,061	11,778,933	180,541,429
NOTE: The total of state special revenue for section F includes the following amounts of current unrestricted funds:									
Fiscal 1990 — \$53,750,580									
Fiscal 1991 — \$52,060,340									
TOTAL STATE FUNDING									
391,731,577	329,137,257	461,721,406	83,049,337	1,265,639,577	404,804,969	309,127,264	460,102,363	83,896,186	1,257,729,761

Approved April 26, 1989.

HOUSE BILL NO. 301

AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE FISCAL YEAR ENDING JUNE 30, 1989; AMENDING SECTION 17, HOUSE BILL NO. 2, LAWS OF 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

Be it enacted by the Legislature of the State of Montana:

Section 1. **Time limits.** The appropriations contained in this act are intended to provide only necessary and ordinary expenditures for the year for which the appropriations are made. The unspent balance of any appropriation must revert to the fund from which it was appropriated unless the appropriation is continued by this act.

Section 2. **Governor's power to reduce appropriations.** In the event of a shortfall in revenue, the governor may reduce any appropriation in this act by not more than 15%.

Section 3. **Totals not appropriations.** The totals shown in this act are for informational purposes only and are not appropriations.

Section 4. **Appropriations.** The following money is appropriated, subject to the terms and conditions of this act:

Agency and Program

FY Amount Fund

DEPARTMENT OF STATE LANDS

Forestry 1989 \$12,639,542 General Fund

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 3-14-91

BILL NO. SB62

Senate Bill 62
Lump Sum Funding
Testimony before Senate
Finance and Claims
(Outline)
March 14, 1991

stand in support of Senate Bill 62

- A. Product of the work of the interim Post-Secondary Education Committee
- B. On July 13, 1991, Committee endorsed the idea of lump sum funding

Language in Senate Bill 62 speaks largely to the mechanics of budget presentation.

- A. Lump sum refers less to budget presentation than to the method of appropriation of funds by the Legislature.
- B. However, budget presentations are, in part, driven by allocation strategies.

Two fundamental lump sum funding options:

- A. Total lump sum to the Regents
 - 1. In this case, Regents would have full discretion over distribution of funds appropriated to the Montana University System (vo-techs and community colleges are not involved at this point)
 - 2. In this option, the general Legislative appropriation, pay plan distributions, specific campus modifieds, enrollment adjustments, and all other nondiscretionary funds would be allocated to the campuses by the Regents in historical fashion. In short, Regents would follow legislative intent.
 - 3. True discretion would be exercised only for "peer catch up" funds, system-wide budget modifications, or any appropriation specifically earmarked as discretionary by the Legislature.
 - 4. No campus would suffer an attack on its base budget.
 - 5. Review of Idaho boilerplate language.

B. Lump sum to the campuses with discretionary allocation to the Board of Regents:

1. In this option, which is a compromise position, the Legislature would allocate to the campuses an institutional lump sum over which the campus administrators would have wide discretionary authority.
2. "Peer catch up", allocations earmarked by the Legislature as discretionary, or system-wide budget modifications would be distributed as seen fit by the Regents.
3. Security of campus base budgets would be guaranteed by the institutional lump sum appropriation.
3. Review of the South Dakota boilerplate language.
4. Review of the historic Montana boilerplate language.

Advantages of lump sum funding

A. To the Montana University System

1. Greater managerial flexibility.
2. Ability to link planning and budgeting.
3. Ability to repair inequities among campuses.
4. Ability to respond to crises and opportunities in quick fashion.

B. To the Legislature

1. Greater simplicity, more understandable process.
2. Greater efficiency and reduced legislative workload.
3. Greater coherence in the budget presentation of the University System

Accountabilities to assure responsible expenditure of funds

A. Letter of intent (particularly in the case of total lump sum funding).

E. Legislatively mandated post audits.

- C Required long-range plans by the University System.
- D. Required annual system and campus goals.
- E Required annual reports to the Legislature.
- F Development of a program of outcomes assessment.

IN THE SENATE

SENATE BILL NO. 1589

BY FINANCE COMMITTEE

AN ACT

APPROPRIATING MONEYS FOR GENERAL EDUCATION PROGRAMS AT BOISE STATE UNIVERSITY, IDAHO STATE UNIVERSITY, LEWIS-CLARK STATE COLLEGE, THE UNIVERSITY OF IDAHO AND FOR THE OFFICE OF THE STATE BOARD OF EDUCATION FOR FISCAL YEAR 1991; LIMITING THE APPROPRIATION FOR THE OFFICE OF THE STATE BOARD OF EDUCATION; EXPRESSING LEGISLATIVE INTENT WITH REGARD TO \$2,500,000 OF THE GENERAL ACCOUNT APPROPRIATION; MAKING CERTAIN CODE PROVISIONS SPECIFICALLY AVAILABLE TO THE STATE BOARD OF EDUCATION AND THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO; REAPPROPRIATING CERTAIN UNEXPENDED AND UNENCUMBERED BALANCES.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. There is hereby appropriated to the State Board of Education and the Board of Regents of the University of Idaho for Boise State University, Idaho State University, Lewis-Clark State College, the University of Idaho, and the Office of the State Board of Education the following amount, to be expended for the designated program from the listed accounts for the period July 1, 1990, through June 30, 1991:

FOR:	
General Education Programs	\$160,099,200
General Account	\$133,264,300
State Endowment Funds	6,547,100
Emergency Billing and Receipts Account	20,287,800
TOTAL	\$160,099,200

SECTION 2. The appropriation for the Office of the State Board of Education in Section 1 of this act is to be used for system-wide needs and shall not exceed twenty-five hundredths per cent of the General Account for the period July 1, 1990, through June 30, 1991.

SECTION 3. It is legislative intent that \$2,500,000 within the General Account appropriation be limited to specific research funding, matching awards, research centers and infrastructure, with commercial application as a goal.

SECTION 4. The provisions of Sections 67-3608, 67-3609, 67-3610 and 67-3611, Idaho Code, are hereby specifically made available to the State Board of Education and the Board of Regents of the University of Idaho for the period of July 1, 1990, through June 30, 1991, the provisions of Section 67-3516(1), (3) and (4), Idaho Code, notwithstanding.

SECTION 5. There is hereby reappropriated to the State Board of Education and the Board of Regents of the University of Idaho for Boise State University, Idaho State University, Lewis-Clark State College and the University of

1 Idaho, any unexpended and unencumbered balances of the moneys appropriated by
2 Section 1, Chapter 116, Laws of 1989, to be used for nonrecurring expenditures
3 only, for the period July 1, 1990, through June 30, 1991.

State of South Dakota

SIXTY-SIXTH SESSION
LEGISLATIVE ASSEMBLY, 1991

SENATE	S. J. Page	Aye	Nay
Assigned to Committee on:			
Senate			
Committee Report:			
Do Pass Amend Table			
Legislative Action on Amendments:			
Adopted Not Adopted			
Second Reading and Final Passage:			
Pass Fail			
HOUSE	H. J. Page	Aye	Nay
Assigned to Committee on:			
House			
Committee Report:			
Do Pass Amend Table			
Legislative Action on Amendments:			
Adopted Not Adopted			
Second Reading and Final Passage:			
Pass Fail			

520S0528

HOUSE BILL NO. **1417**

Introduced by: Representatives Nicolay, Flatt, Krautschun, McKillop, Putnam and Wishard and Senators Poppen, Haskell, Lyndell Petersen, Stoick and Mary Wagner

1 FOR AN ACT ENTITLED, An Act appropriating money for the expenses of
2 the operations of the legislative, judicial and executive depart-
3 ments of the state, for the expenses of the operations of certain
4 officers, boards and departments, for support and maintenance of
5 the educational, charitable and penal institutions, the South Da-
6 kota veterans' home, for maintenance of the state house and for
7 support and maintenance of the state guard.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

9 Section 1. There is hereby appropriated the following sums of mon-
10 ey, or so much thereof as may be necessary, out of any money in the
11 state treasury not otherwise appropriated, to pay: the expenses to op-
12 erate the legislative, judicial and executive departments of the
13 state; the expenses of certain officers, boards and departments; to
14 support and maintain the educational, charitable and penal institu-
15 tions, the South Dakota veterans' home and the state guard; and to
16 maintain the state house for the fiscal year ending June 30, 1992.

850 copies of this document were printed by the South Dakota
Legislative Research Council at a cost of \$11.50 per page.

Insertions into existing statutes are indicated by underscores.
Deletions from existing statutes are indicated by ~~overstrikes~~.

	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
1 Personal Services	\$4,908,207	\$1,906,776	\$997,944	\$7,812,927
2 Operating Expenses	\$154,009,798	\$60,030,124	\$3,071,957	\$217,111,879
3				
4 TOTAL	\$158,918,005	\$61,936,900	\$4,069,901	\$224,924,806
5 F.T.E.				304.9
6				
7 HIGHER EDUCATION				
8 Regents Central Office				
9 Appropriation	\$6,411,916	\$133,650	\$6,159,430	\$12,704,996
10 F.T.E.				33.0
11				
12 Regents Salary Policy				
13 Appropriation	\$3,585,140	\$774,760	\$882,324	\$5,242,224
14 F.T.E.				0.0
15				
16 University of South Dakota				
17 Appropriation	\$26,065,104	\$7,396,524	\$17,869,760	\$51,331,388
18 F.T.E.				997.7
19				
20 South Dakota State University				
21 Appropriation	\$37,286,801	\$17,016,868	\$27,540,248	\$81,843,917
22 F.T.E.				1,620.1
23				
24 Animal Disease Research and Diagnostic Laboratory				
25 Appropriation	\$742,412	\$0	\$695,790	\$1,438,202
26 F.T.E.				34.2
27				
28 South Dakota School of Mines & Technology				
29 Appropriation	\$8,976,308	\$3,523,228	\$7,106,871	\$19,606,407
30 F.T.E.				350.5
31				
32 Northern State University				
33 Appropriation	\$8,391,037	\$3,583,727	\$5,828,890	\$17,803,654
34 F.T.E.				361.8
35				
36 Black Hills State University				
37 Appropriation	\$6,517,712	\$3,842,138	\$6,768,607	\$17,128,457
38 F.T.E.				303.6
39				
40 Dakota State University				
41 Appropriation	\$4,744,368	\$1,339,884	\$2,738,713	\$8,822,965
42 F.T.E.				195.9
43				
44 South Dakota School for the Visually Handicapped				
45 Appropriation	\$1,148,372	\$51,232	\$126,832	\$1,326,436
46 F.T.E.				50.2
47				
48 South Dakota School for the Deaf				
49 Appropriation	\$1,744,896	\$106,379	\$146,415	\$1,997,690
50 F.T.E.				62.9

	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
1				
2	South Dakota School of Medicine			
3	Appropriation	\$7,625,576	\$1,394,007	\$2,301,523
4	F.T.E.			\$11,321,106
5				225.5
6	BOARD OF REGENTS SUBTOTAL			
7	Appropriation	\$113,239,642	\$39,162,397	\$78,165,403
8	F.T.E.			\$230,567,442
9				4,235.4

- (3) public schools;
- (4) the judiciary; or
- (5) salaries of elected officials, during their term of office.

Section 10. An informational copy of each approved budget amendment shall be filed with the legislature auditor. The director of the budget division shall submit to the succeeding legislature a summary of all approved budget amendments made during the biennium together with the supporting data.

Section 11. If any section, subsection, sentence, clause, or phrase of this act is for any reason held unconstitutional, such decision shall not affect the validity of the remaining portions of this act.

Section 12. The following monies are appropriated for the biennium ending June 30, 1973:

	For the Fiscal Year Ending June 30, 1972	For the Fiscal Year Ending June 30, 1973
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UNIVERSITY OF MONTANA

(1) From the earmarked revenue fund, student fee account, for personal services, operation and capital	\$ 3,450,000	\$ 3,600,000
(2) From the earmarked revenue fund, university millage account, for personal services, operation and capital	1,975,000	2,025,000
(3) From the general fund, for personal services, operation and capital	7,000,000	7,000,000

MONTANA STATE UNIVERSITY

(1) From the earmarked revenue fund, student fee account, for personal services, operation and capital	2,750,000	3,000,000
(2) From the earmarked revenue fund, university millage account, for personal services, operation and capital	2,000,000	2,025,000
(3) From the general fund, for personal services, operation and capital	7,105,000	7,105,000
(4) From the general fund, for personal services, operation and capital	200,000

Fiscal 1990					Fiscal 1991				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
		475,208		475,208			496,968		496,968
6. McKinney Homeless Act									
		140,414		140,414			70,212		70,212
7. Education of the Handicapped		— Architectural							
		32,000		32,000					
-----					-----				
Total		4,131,224		4,131,224			4,132,782		4,132,782
STATE COUNCIL FOR VOCATIONAL EDUCATION									
1. Operations		133,823		133,823			134,182		134,182
2. Audit		3,736		3,736					
-----					-----				
Total		137,559		137,559			134,182		134,182
TOTAL SECTION E									
47,235,199	491,217	7,181,372	908,264	55,786,062	47,236,015	497,010	7,124,538	904,721	55,762,284

F. HIGHER EDUCATION

All funds, other than plant funds and current unrestricted operating funds, may be spent and are appropriated contingent upon approval of the comprehensive program budget by the board of regents by July 1 of each year. The budget must contain detailed revenues and expenditures and anticipated fund balances of current funds, loan funds, and endowment funds. All movement of funds between the current unrestricted subfund and the designated subfund account entities must be clearly identified in the state budgeting and accounting system.

Programs for the university budgets include instruction, organized research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships and fellowships.

The six university units shall account for expenditures consistently within programs and funds across all units and shall use the national center for higher education management systems program classification structure, along with the college and university business administration (CUBA) system, as a minimum standard for achieving consistency.

Each year of the biennium, the portion of indirect cost reimbursements that exceeds the amount set forth in the current unrestricted operating subfund appropriation for each unit is appropriated to the respective unit. All indirect cost reimbursement not expended in the current unrestricted operating subfund account must be clearly identified and separately accounted for during the 1991 biennium.

Included within current unrestricted funds to the six institutions is the sum of \$12,060,000 in fiscal 1990 and \$12,022,000 in fiscal 1991 from revenues generated under the provisions of 20-25-423. The department of revenue shall levy the full 6 mills as authorized in 20-25-423. Revenues received by the university system under the provisions of 20-25-423 that exceed \$12,060,000 in fiscal 1990 and \$12,022,000 in fiscal 1991 must cause a general fund reversion of a like amount each year.

Research grant indirect costs retained at the various units of the university system in funds other than the current unrestricted subfund must be expended for the enhancement of existing research programs, assistance to and encouragement of new research programs, and the general support of research.

There is appropriated for higher education programs general fund of \$465,000 in fiscal 1990 and \$592,000 in fiscal 1991 to replace education trust fund interest earnings. If education trust fund interest earnings become available during the biennium, then one dollar of general fund appropriated for higher education programs will revert for each dollar of education trust interest earnings.

COMMISSIONER OF HIGHER EDUCATION

1. Office Administration				
a. Operations				
804,601	804,601	801,403		801,403
b. Audit				
16,487	16,487			
2. WICHE Dues				
65,100	65,100	68,400		68,400
3. WICHE - Student Assistance				
1,664,400	1,664,400	1,667,667		1,667,667
4. WAMI				
2,067,872	2,067,872	2,152,280		2,152,280
5. Minnesota Rural Dentistry				
93,800	93,800	96,200		96,200
6. State Student Incentive Grants				
220,000	220,000	220,000	220,000	440,000
7. Carl Perkins Loan				
55,000	55,000	55,000		55,000

	Fiscal 1990				Fiscal 1991				Total
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	
8. State College Work Study	391,586				391,587				391,587
9. Supplemental Educational Opportunity Grant	46,921				99,056				99,056
10. Paul Douglas Teacher Grants		82,728				82,728			82,728
11. Education for Economic Security		161,561					161,561		161,561
12. Talent Search									
a. Operations		213,639					184,409		184,409
b. Audit		1,500							1,500
13. Guaranteed Student Loan									
a. Operations		1,567,791					1,375,166		1,375,166
b. Audit		6,088							6,088
14. University System Group Insurance				10,296,000				11,750,000	11,750,000
15. Vocational-Technical Administration	83,689		143,690		80,637		140,637		221,274
16. Vocational Education Grants		4,584,497					4,587,550		4,587,550
17. Board of Regents	32,817				32,868				32,868
18. Vocational-Technical Bond Payments	730,906				717,068				717,068
Total	6,262,978	6,961,494	10,296,000	23,539,472	6,371,108		6,752,061	11,750,000	24,873,217

In each fiscal year, the commissioner of higher education is allowed to transfer appropriation authority between the amounts included in the WICHE appropriation for dentistry, which is \$144,300 in fiscal 1990 and \$134,867 in fiscal 1991, and the Minnesota rural dentistry appropriation.

Item 18 may not be expended unless the board of regents obtains a contract from the school district that ensures that the state of Montana shall receive deed to the vocational-technical center facility for the cost of retiring the outstanding bond.

FIRE SERVICES TRAINING SCHOOL

1. Operations									
217,168		31,772	248,930	207,022			28,933	235,946	
2. Audit									
2,214			2,214						
3. Training Delivery									
20,000		20,000							
Total	219,372	51,772	271,144	207,022			28,933	235,946	

The fire services training school must be provided office, classroom, and storage space in the Great Falls vocational-technical center at no charge.

Item 3 is a biennial appropriation.

	<u>Fiscal 1990</u>			<u>Fiscal 1991</u>		
	<u>General</u>	<u>Current</u>		<u>General</u>	<u>Current</u>	
	<u>Fund</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Fund</u>	<u>Unrestricted</u>	<u>Total</u>
COMMUNITY COLLEGES						
1. Dawson Community College						
a. Operations						
	714,317		714,317	714,317		714,317
b. Audit	8,460		8,460			
2. Flathead Valley Community College						
a. Operations	1,709,586		1,709,586	1,709,586		1,709,586
b. Audit	8,460		8,460			
3. Miles Community College						
a. Operations						

	General Fund	Fiscal 1990 Current Unrestricted	Total	General Fund	Fiscal 1991 Current Unrestricted	Total
b. Audit	758,388		758,388	758,388		758,388
	8,460		8,460			
Total	3,207,671		3,207,671	3,182,291		3,182,291

The above appropriation provides 47% of the total unrestricted budgets for the community colleges, which budgets must be approved by the board of regents.

The general fund appropriation for each community college includes 47% of the total audit cost. The remaining 53% of these costs are to be paid from funds other than those appropriated in items 1 through 3. Audit costs may not exceed \$18,000 for each unit for the biennium.

Dawson, Flathead Valley, and Miles community colleges are prohibited from including in student enrollment, used in calculating the unrestricted budget referred to in 20-15-310, student FTE from out-of-district centers not approved under board of regents Policy 220.1.

BILLINGS VOCATIONAL-TECHNICAL CENTER

1. Instruction	867,314	167,485	1,024,799	882,097	142,702	1,024,799
2. Plant Operation and Maintenance	131,071	146,328	277,399	121,917	155,482	277,399
3. Support						
a. Operations		514,989	514,989		514,989	514,989
b. Audit	22,414		22,414			
Total	1,010,799	828,802	1,839,601	1,004,014	813,173	1,817,187

Total audit costs are estimated to be \$24,904 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 3.

BUTTE VOCATIONAL-TECHNICAL CENTER

1. Instruction	925,747		925,747	925,747		925,747
2. Plant Operation and Maintenance	207,461	2,231	209,692	208,091	1,591	209,682
3. Support						
a. Operations		519,912	519,912		519,912	519,912
b. Audit	22,414		22,414			
Total	1,155,612	522,143	1,677,756	1,133,838	521,503	1,655,341

Total audit costs are estimated to be \$24,904 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 3.

GREAT FALLS VOCATIONAL-TECHNICAL CENTER

1. Instruction	1,167,372	48,771	1,216,143	1,161,826	54,317	1,216,143
2. Plant Operation and Maintenance	128,261	143,192	271,453	119,304	152,149	271,453
3. Support						
a. Operations		465,854	465,854		465,854	465,854
b. Audit	22,414		22,414			
Total	1,318,047	657,817	1,975,864	1,281,130	672,320	1,953,450

Total audit costs are estimated to be \$24,904 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 3.

HELENA VOCATIONAL-TECHNICAL CENTER

1. Instruction	1,440,026		1,440,026	1,440,026		1,440,026
2. Plant Operation and Maintenance	224,262	180,670	404,922	240,523	164,399	404,922
3. Support						
a. Operations						

	General Fund	Fiscal 1990 Current Unrestricted	Total	General Fund	Fiscal 1991 Current Unrestricted	Total
b. Audit		616,112	616,112		616,112	616,112
	22,414		22,414			
Total	1,686,692	796,782	2,483,474	1,690,549	780,511	2,471,060

Total audit costs are estimated to be \$24,904 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 3.

MISSOULA VOCATIONAL-TECHNICAL CENTER

1. Instruction	1,514,445		1,514,445	1,514,445		1,514,445
2. Plant Operation and Maintenance	347,897	5,581	353,478	310,574	42,904	353,478
3. Support						
a. Operations	35,061	721,419	756,479	45,337	711,133	756,479
b. Audit	22,414		22,414			
Total	1,919,807	727,000	2,646,807	1,870,356	754,037	2,624,393

Total audit costs are estimated to be \$24,904 for the biennium. Ten percent of these costs are to be paid from funds other than those appropriated in items 1 through 3.

EMPLOYEE CLASSIFICATION CONVERSION

1. Personal Services	36,782		36,782	36,782		36,782
----------------------	--------	--	--------	--------	--	--------

The amounts in item 1 are for anticipated employee classification costs when the vocational-technical center employees become part of the state pay and classification system beginning July 1, 1989. The amounts in item 1 may be expended in either year of the biennium upon review and approval by the commissioner of higher education.

The commissioner of higher education may transfer county millage collections among centers. Millage received by the centers from the 1.5-mill levy that in the aggregate exceeds \$787,000 in fiscal 1990 and \$796,000 in fiscal 1991 must cause a general fund reversion of a like amount each year. Any voted millage funds available for the vocational-technical centers are appropriated.

BUREAU OF MINES

1. Research	1,254,014	53,000	1,307,014	1,275,109	53,000	1,328,109
2. Poplar River Monitoring	18,000		18,000			
Total	1,272,014	53,000	1,325,014	1,275,109	53,000	1,328,109

Item 2 is a biennial appropriation.

AGRICULTURAL EXPERIMENT STATION

1. Agricultural Experiment Station	6,508,679	2,031,135	8,540,814	6,727,832	2,031,135	8,758,967
2. Spring Wheat Breeding	170,000		170,000			
3. U.S. Range Laboratory		390,104	390,104		389,396	389,396
Total	6,678,679	2,421,239	9,100,918	6,727,832	2,420,530	9,148,362

Item 2 is a biennial appropriation.

COOPERATIVE EXTENSION SERVICE

1. Public Service	2,268,712	1,946,506	4,215,220	2,452,446	1,946,506	4,398,952
2. Ground Water Protection Workshops	14,967	8,000	22,967	14,967	15,000	29,967
Total	2,283,679	1,954,506	4,238,187	2,467,412	1,961,506	4,428,918

The cooperative extension service shall revert \$1 of general fund for each \$1 that federal Smith-Lever funds in item 1 exceeds \$1,946,506 in fiscal 1990 and \$1,946,506 in fiscal 1991.

FOREST AND CONSERVATION EXPERIMENT STATION

	General Fund	Fiscal 1990 Current Unrestricted	Total	General Fund	Fiscal 1991 Current Unrestricted	Total
1. Research	654,455		654,455	667,253		667,253
MONTANA STATE UNIVERSITY						
1. Instruction						
a. Operations	24,735,154	944,535	25,679,691	26,829,594	661,124	27,490,718
b. Architecture/Interior Design		96,150	96,150		96,150	96,150
2. Research		597,759	597,759		597,963	597,963
3. Public Service		10,749	10,749		10,752	10,752
4. Academic Support, Student Services, and Institutional Support		13,171,840	13,171,840	265,328	13,342,208	13,607,536
5. Audit		47,042	47,042			
6. Operation and Maintenance of Physical Plant	4,159,454	1,563,345	5,722,799	5,149,756	801,965	5,951,711
7. New Space	50,000		50,000			
8. Scholarships and Fellowships		1,188,665	1,188,665		1,188,665	1,188,665
Total	28,991,652	17,572,843	46,564,495	32,244,678	16,699,817	48,943,495

Total audit costs are estimated to be \$94,063 for the biennium. Fifty percent of these costs are to be paid from funds other than those appropriated in items 1 through 8.

Item 7 is a biennial appropriation.

UNIVERSITY OF MONTANA

1. Instruction						
a. Operations	18,555,351	1,149,182	19,704,513	19,902,954	1,232,201	21,135,055
b. Law/Pharmacy/Physical Therapy		398,700	398,700		398,700	398,700
2. MBA Program	260,000		260,000			
3. Pharmacy Accreditation	25,000		25,000	25,000		25,000
4. Research		536,137	536,137		536,582	536,582
5. Public Service		183,132	183,132		183,288	183,288
6. Academic Support, Student Services, and Institutional Support		10,684,143	10,684,143	217,252	10,831,563	11,048,815
7. Audit		47,042	47,042			
8. Operation and Maintenance of Physical Plant	3,796,207	1,479,255	5,275,462	4,728,409	758,072	5,486,481
9. New Space	225,000		225,000			
10. Scholarships and Fellowships		1,077,497	1,077,497		1,077,497	1,077,497
Total	22,906,600	15,508,028	38,416,628	24,873,515	15,017,903	39,891,418

Total audit costs are estimated to be \$94,063 for the biennium. Fifty percent of these costs are to be paid from funds other than those appropriated in items 1 through 10.

Items 2 and 9 are biennial appropriations.

Up to \$25,000 per year of current restricted private donations for the pharmacy program accreditation are appropriated.

EASTERN MONTANA COLLEGE

1. Instruction	6,889,638		6,889,638	7,311,399		7,311,399
2. Public Service		246,653	246,653		249,869	249,869
3. Academic Support, Student Services, and Institutional Support	493,758	4,348,068	4,841,824	299,910	4,597,948	4,897,858
4. Audit	45,658		45,658			

	General Fund	Fiscal 1990 Current Unrestricted	Total	General Fund	Fiscal 1991 Current Unrestricted	Total
5. Operation and Maintenance of Physical Plant	1,516,250	591,328	2,107,578	1,896,360	296,521	2,191,881
6. New Space	20,000		20,000			
7. Scholarships and Fellowships		358,606	358,606		358,606	358,606
Total	8,965,302	5,544,655	14,509,957	9,507,669	5,501,944	15,009,613

Total audit costs are estimated to be \$80,577 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 7.

Item 6 is a biennial appropriation.

NORTHERN MONTANA COLLEGE

1. Instruction	3,989,888	200,000	4,189,888	4,216,100		4,216,100
2. Transition Funding	300,000		300,000			
3. Public Service		8,891	8,891		8,891	8,891
4. Academic Support, Student Services, and Institutional Support	426,375	1,963,040	2,389,415	284,738	2,117,724	2,402,462
5. Audit	38,394		38,394			
6. Operation and Maintenance of Physical Plant	802,812	316,609	1,119,421	1,008,311	155,886	1,164,197
7. Scholarships and Fellowships		314,000	314,000		314,000	314,000
Total	5,557,469	2,802,540	8,360,009	5,506,149	2,586,601	8,105,650

Total audit costs are estimated to be \$51,192 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 7.

Item 2 is a biennial appropriation.

WESTERN MONTANA COLLEGE

1. Instruction	2,187,559	50,334	2,237,893	2,298,465		2,298,465
2. Transition Funding	125,000		125,000			
3. Academic Support, Student Services, and Institutional Support	261,228	1,112,154	1,373,382	183,427	1,221,525	1,404,952
4. Audit	38,394		38,394			
5. Operation and Maintenance of Physical Plant	542,176	219,425	761,601	685,853	106,212	792,065
6. Scholarships and Fellowships		107,889	107,889		107,889	107,889
Total	3,154,357	1,489,802	4,644,159	3,167,745	1,435,626	4,603,371

Total audit costs are estimated to be \$51,192 for the biennium. Twenty-five percent of these costs are to be paid from funds other than those appropriated in items 1 through 6.

Item 2 is a biennial appropriation.

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

1. Instruction	4,447,218		4,447,218	4,879,550		4,879,550
2. Research		50,262	50,262		50,351	50,351
3. Academic Support, Student Services, and Institutional Support	599,836	2,119,056	2,718,894	530,170	2,291,294	2,821,464
4. Audit	45,658		45,658			
5. Operation and Maintenance of Physical Plant	1,042,941	416,830	1,479,771	1,332,895	206,067	1,538,962
6. Scholarships and Fellowships		285,255	285,255		285,255	285,255
Total						

Amendments to Wastewater Treatment Revolving Fund Act
House Bill 551
Room 108 8 a.m.
Senate Finance and Claims
Jacobson--Chairman

I would like to testify today in support of the bill to amend the Wastewater Treatment Revolving Fund Act. The Act was passed by the last session of the legislature with the intent of creating a new financial assistance program to help communities build wastewater treatment and collection facilities. The program is capitalized with federal funds provided by a grant to the state and state funds derived through the sale of general obligation bonds. We anticipate receiving approximately 38 million dollars in federal funds which must be matched with a state 20% match contribution of 7.6 million. Assistance is provided to communities in the form of low interest loans to cover the costs of planning, design, and construction of wastewater facilities. All repayments of loans return back to the fund to provide capital for future loans.

The Amendments provided for by this bill can best be described as minor technical "cleanup" changes which came about in the process of development and implementation of this new program. The changes are supported by the EPA, the state's bond counsel (Dorsey and Whitney), the state's financial advisor--Public Resource Advisory Group and lastly from the bond underwriters for the program--DAD and Piper, Jaffrey, & Hopwood.

The first change pertains to the use of interest earnings generated

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 3-14-91
BILL NO. NB551

from bond proceeds used to make up the state match. Previously these earnings went to the debt service account which was used to repay the bondholders. The state's financial advisor, PRAG, suggested that we have the flexibility to use these interest earning to either repay the bondholders or reduce the amount that must be borrowed to make a loan of a specified amount. Financially, the consequences to the borrower are similar.

The second change is to correct the requirement in the original legislation that loan repayments must be credited to the federal allocation account and the state allocation account in the same proportion in which they were lent out. In actuality, loan repayments lose their federal character when paid back into the fund and therefore are credited to the state allocation account only. The funds, when initially lent out, have a number of federal requirements attached to them. When these funds revolve back into the program via loan repayments, most of the federal requirements are dropped.

The third change is the requirement of reserve accounts to be established by local borrowers to secure the loan in accordance with the standard practices governing public finance. While initially these reserves were to be mandated by administrative rules, it was the suggestion of EPA and the state's bond counsel that this requirement should also be provided for in the enabling legislation. Reserves are very common in most methods of public finance to secure the loans and to make the loans more attractive

to bondbuyers. Because this program is backed, in part, by state issued general obligation bonds, we felt it important that loans have limited risk and all typical methods of securing the debt be employed.

The last change we are requesting is not including within the current proposed bill but is being submitted as an amendment to this legislation. The flow of funds into the various accounts established for the State Revolving Fund is very complex considering the number of accounts and tax implications with tax-exempt bonds. It has been suggested to us by our Bond Underwriters that utilizing a trustee to manage these funds in lieu of the DNRC fiscal staff as currently required would be cost-effective means of handling this task. Various Montana firms are available with the expertise to provide this service at a relatively low cost. Anna Miller of the DNRC is here today provide you with additional information concerning the financial aspects of this amendment and other changes proposed.

FACT SHEET

SRF - STATE REVOLVING FUND

Process by which Montana Communities can up grade their Waste Water Treatment facilities. (Sewage Treatment upgraded).

Authorized by 51st Legislature - State
Authorized by Clean Water Act - Federal

PARTICIPANTS:

E.P.A. - Environmental Protection Agency - Federal
DHES - Dept. of Health & Env. Sciences - State
DNRC - Dept. of Natural Resources & Conservation - State

FUNDING PROPOSAL

80% Federal / 20% State of Montana

Potentially \$40 Million - E.P.A. Funds
\$10 Million - State

State Funds - \$10 Million in Bond Proceeds

General Obligation Bonds backed by General Tax Authority
Bonding authority limited to \$10 Million

Anna Miller DNRC

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 3-14-91

BILL NO. HB 551

SRF PROJECTS

1) Missoula Clarifiers

\$646,800

Revenue Bonds - Financing
Construction Bid Mid April

They will want to get this done while school is out.
Should be done by October, 1991.

DHES - Review is complete

2) Missoula Reserve Street

\$2,072,730

Revenue Bonds - Financing
Construction Bid - April or May

Highways has a project that interfaces with this.

*Could 1 and 2 be combined?

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 4
DATE 3-14-91
BILL NO. HB 551

3) Missoula - Wapikiyia/Belview

\$3,758,477

SID Bonds - Financing

The SID has not been formed yet.

Construction Bid - June, 1991

The construction period will be from August, 1991 to December, 1992.

4) Missoula - Broadway

\$3,152,505

SID Financing

The SID has not been formed yet.

Construction Bids _____

The construction period will be from September, 1991 to _____, 1992.

The EPA wants this project done soon. The Department of Health thinks this is an optimistic schedule.

5) Big Fork

\$865,064

RSID Bonds - Financing
Construction Bids _____

Construction period will be from August, 1991 to October, 1991. Department of Health thinks this is optimistic.

This is for a new collection system. The plan is finished but the design is coming.

6) Gardiner

\$338,387

RSID - Bonds - Financing
No RSID has been formed yet.
Construction Bids _____

The construction period should be from May, 1991 to August, 1991.

Rehabilitation of present facility.
National Park Service to fund 70% of the cost.
Plans will be approved by DHES soon.

7) Helena

\$900,428

Revenue Bond - Financing
Construction Bids - April, 1991

The construction should go from April, 1991 to
November, 1991.

Another phase of the City-wide project.

8) Fort Benton

\$1,403,303

Revenue Bonds - Financing
Construction Bids - June, 1991

The construction should take place from July, 1991 to
November, 1991. It should take 6 months to construct.

This is a lagoon reconstruction.
This is under design.

9) Kalispell

\$4,817,000

Revenue Bond Financing
Construction Bids - April, 1991

The construction period should go from April, 1992 to
May, 1993.

This is a new facility.

Amendments to HB 551.

On the State Revolving Fund Loan Program
Deptment of Natural Resources
Department of Health & Environmental Sciences

Anna M. Miller, DNRC

March 14th, 1991

We propose the following two amendments to the pending bill amending Montana Code Annotated, Title 75, Chapter 5, Part 11, as amended. The first amendment would authorize the board of examiners to elect to issue the bonds under a trust indenture with a trustee holding the revolving fund. The second amendment merely clarifies the provisions of Section 75-5-1113(3). We have interpreted this Section this way, but believe that this clarifying amendment would be helpful.

1. Adding the following Subsection to Section 75-5-1121:

(4) In the discretion of the board of examiners, bonds issued under this section may be secured by a trust indenture between the board of examiners and a trustee, which may be any trust company or bank having the powers of a trustee inside or outside the state. If the board of examiners elects to issue bonds pursuant to a trust indenture, the trustee is hereby authorized to hold one or more or all of the funds and accounts created by or pursuant to this part thereunder, as the board of examiners shall in its discretion determine. The trust indenture shall contain provisions, in addition to those provisions that the board of examiners determines to be necessary and appropriate to secure the bonds and provide for the rights of the bondholders and not in violation of law, that govern the custody, safeguarding and disbursement of all money held by the trustee under the trust indenture and that permit the state treasurer to inspect the books and records of the trustee with respect to funds held under the trust indenture at any time upon reasonable notice. Such trust indenture or an executed counterpart thereof shall be filed in the office of the secretary of state of Montana.

2. Amending Section 75-5-1113(3) to read as follows:

"(3) Subject to the limitations of the federal act, the interest rate on a loan must be such that the interest payments thereon and on other loans then outstanding will be sufficient, if paid timely and in full, with other available funds in the revolving fund, including investment income, to enable the state to pay the principal of and interest on the bonds issued pursuant to 75-5-1121."

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 5
DATE 3-14-91
BILL NO. HB 551

DATE March 14, 1991

COMMITTEE ON Finance And Claims

SP 62, NP 142, NR 551

(Please leave prepared statement with Secretary)