

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION ONE CONTINGENCY START-UP JOINT SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES**

**Call to Order:** By Chairman Royal Johnson, on July 23, 1993, at 9 a.m.

#### **ROLL CALL**

**Members Present:**

Rep. Royal Johnson, Chairman (R)  
Sen. Don Bianchi, Vice Chairman (D)  
Sen. Judy Jacobson (D)  
Rep. Mike Kadas (D)  
Rep. Ray Peck (D)  
Sen. Chuck Swysgood (R)

**Members Excused:** none

**Members Absent:** none

**Staff Present:** Taryn Purdy, Legislative Fiscal Analyst  
Skip Culver, Legislative Fiscal Analyst  
Curt Nichols, Office of Budget & Program Planning  
Amy Carlson, Office of Budget & Program Planning  
Jacqueline Brehe, Committee Secretary

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

**Committee Business Summary:**

Hearing: Discussion of possible areas for future budget reductions in OPI, the university system and MSDB.

**CHAIRMAN ROYAL JOHNSON** opened the meeting by reading an excerpt of a letter dated July, 7, 1993 from the leadership of the House and Senate, and the Chairmen of the House Appropriations Committee and the Senate Finance and Claims Committee. The excerpt outlined the purpose of the meeting which was to discuss potential areas of increased efficiencies and reductions in state agency budgets in anticipation of a special session to be held later in the year. **CHAIRMAN JOHNSON** noted that the committee may be addressing a problem that will not occur. The state will only be in financial difficulty if the referendum petition drive manages to obtain the necessary number of signatures.

**REP. RAY PECK** expressed concern that the Senate was not represented on the committee under an agreement in which two minority members from the House served in exchange for two

minority members from the Senate.

**CHAIRMAN JOHNSON** mentioned that the committee had saved a place for **SEN. JUDY JACOBSON** at the table and he invited her to join the committee there. Before hearing ideas from the representatives of the state agencies in attendance, **CHAIRMAN JOHNSON** asked members of the committee for their suggestions or comments.

**SEN. JACOBSON** stated that it was essential to be prepared for a special session, but before moving forward the legislature needed to know the position of the Governor. It was difficult to decide on the level of reductions without the Governor's input. She added that she had put herself on the subcommittee because of the sudden and untimely death of **SEN. DENNIS NATHE** at the last committee meeting during the regular session. She stated that because this committee would be such a key committee in any special session, she had chosen to wait until the meeting of the Committee on Committees and Leadership during the second week of August, to make the assignment. She anticipated that **SEN. DARYL TOEWS (R)** would be assigned to take **SEN. NATHE'S** place at that time.

**REP. PECK** again expressed his concern that the committee was not balanced according to an agreement in which two minority members from the house would sit on the committee in exchange for two minority members from the senate. **SEN. JACOBSON** responded that it was not her intention to make the committee unbalanced. Because the committee was such a key committee, she did not want to make the assignment unilaterally. She said a Republican would be placed on the committee.

**SEN. DON BIANCHI** said that he would like to reserve the right to make suggestions for budget reductions to the agencies who were to speak to the committee.

**CHAIRMAN JOHNSON** noted that Montana was in a unique situation. He believed that it was the Governor's intent to obtain input from the legislature before he presented his revised budget. He invited the agencies present for their suggestions and comments.

**Jeff Baker, Commissioner of Higher Education**, pointed out that the long term problems facing the educational system in Montana were not unique to the state, but were present nation-wide. Public funding was drying up and creative ways were being sought to alleviate the shortage. The present financial difficulty was just speeding up the process of examination in this state. The position higher education was taking was to decide where the system wanted to be in five or ten years and then to decide on the processes to work toward those goals. **Dr. Baker** said that OBPP had indicated that higher education should expect a \$25 million reduction in its present budget.

**Dr. Baker** continued that higher education had to look at both the

revenue side and the expenditure side of the budget. On the revenue side target enrollments for the various state institutions would be examined as well as "pricing policies" and questions of access. On the expenditure side long term and short term options were both being considered. Consolidations and affiliations as well as the elimination of programs were all being examined. He stressed that there were no "sacred cows".

**Dr. Baker** explained that the process had already begun and that it also involved looking at the role and scope of the institutions in terms of what are the obligations of the state in reference to entry requirements, access and costly remedial programs. In the short term, money might be saved, but more importantly, the university system in the long term would end up being better positioned to face the challenges of the future. He added that these discussions would be going forth whether or not the petition drive was successful.

**SEN. CHUCK SWYSGOOD** asked for the time line under which these discussions would occur.

**Dr. Baker** said that on August 13 he would be meeting with the presidents of the various units to begin fleshing out the details of the discussions which had been ongoing. He reminded the committee of the sensitivity of many of the issues which were being addressed. He assured the committee that substantive changes in higher education were forthcoming.

**SEN. BIANCHI** commented that in the past the committee had recommended equal, across-the-board reductions for the various university units. With an anticipated \$25 million reduction, that process could not continue. Units had to be examined as to their academic quality. In addition, a serious look at accessibility for Montana students needed to be examined. Consolidation of administration had to be seriously considered.

**SEN. BIANCHI** said he was not certain that all six university presidents and a commissioner's office were necessary. Athletics was another area where reductions could be made. He noted that one reason the state was in such difficulty was that it did not have the economic development that it should. When examining the higher educational system, support should be given to the units that promote that economic development.

**Dr. Baker** responded that all of **SEN. BIANCHI'S** ideas were among those being considered during this time. He added that it was being done in a systematic way so that present strengths could be built upon in the future. Long term goals had to be kept in mind during the process. He reiterated that long term system-wide changes were being considered whether or not the petition drive was successful.

**Tape 1 B:000**

**Dr. Baker** continued that if the capacity of the university system were fixed and if public funding for the university system were

reduced, the only revenue left for the system would be tuition and fees. Tuition and fees just would not be sufficient to meet the financial needs of the system in the future under such a scenario. The challenge was to find better ways to provide for higher education in the state. This would take the cooperation of the Administration, the Legislature and the OCHE.

**REP. PECK** stated that the \$25 million figure was premature because the university system had taken as many reductions as it could considering the number of students it has enrolled. Further reductions would seriously impact quality. He asked what the Board of Regents would attempt to recover in tuition and fees if the additional reduction were \$25 million.

**Dr. Baker** replied that the Board would pursue all possible short-term savings and try to minimize any necessary tuition increases. He stated the entire \$25 million cut could not be replaced through tuition increases.

**REP. PECK** asked what the pre-enrollment figures were in relation to the caps that exist.

**Dr. Baker** said that he did not have the figures and explained that it was difficult to estimate how many students would actually be in attendance until they were actually matriculating. The number of variables involved made it difficult to predict final student enrollment based on preregistration figures. He expressed concern over the WUI program in which there were too many students compared to out-of-state students who paid full tuition. He agreed to have preliminary estimates of the enrollment figures for the next committee meeting.

**REP. PECK** asked if there was a Regent's policy regarding accepting out-of-state students while rejecting Montana students.

**Dr. Baker** explained that the present mix was not clearly defined and said that he would bring to the committee a definite target as part of a larger plan. It may mean a change in accessibility for students. He explained that there was a need to match the talent of the students with a certain type of institution. He hoped the plan would result in state funds being used to educate only resident students. Out-of-state tuition would be used as a supplemental source of revenue to offset the reduction in public funding.

**REP. PECK** asked if **Dr. Baker** had looked at the preliminary plan that Trustee Harding of Flathead Community College had developed.

**Dr. Baker** said he had seen it and that it had many suggestions that were worthwhile.

**REP. MIKE KADAS** noted that Professor Natelson had been advocating a voucher system for education and that he had suggested that the vo-tech system and major parts of the university system could

also be on a voucher system. He asked **Dr. Baker** if he believed the proposal was a viable and cost effective suggestion. **Dr. Baker** answered that it was an option to be explored in a long term context. It was not a solution for the short term because it needed to be thoroughly thought out and discussed. Vouchers had worked in other states in areas such as student services.

**REP. KADAS** asked **Dr. Baker** if he had examined the proportions of expenditure reductions compared to tuition and fee increases that would be instituted to meet any further General Fund reductions. **Dr. Baker** replied that he could not estimate the revenue side before he had information on the type of savings that could be had on the expenditure side.

**REP. KADAS** voiced concern that the replacement of the athletic program expenditure with a mandatory fee did not truly represent a reduction.

**SEN. BIANCHI** noted that MSU was turning Montana students away while at the same time Montana Tech was advertising for students. He asked if academic quality was being maintained if students were turned down at one institution while another institution cannot reach its desirable enrollment numbers.

**Dr. Baker** explained that this was one reason a system's approach was needed. A coordinated effort needed to be made to match students to the various units. He noted that at present there was no system-wide application.

**SEN. BIANCHI** asked if any units other than Montana Tech were advertising.

**REP. PECK** said that Northern Montana College was advertising for students. **Jim Todd, Administrator, U of M**, stated that his institution had closed admissions and was not advertising. **Sheila Stearns, Acting Provost, Western Montana College**, said her institution was not advertising.

**Wayne Buchanan, Executive Secretary, State Board of Education**, informed the committee that the Board was aware of the financial difficulties in the state and was pursuing actions to reduce expenditures. He said the Board had received a \$40,000 supplemental in the regular session for legal fees. The Board had now decided to dismiss the outside counsel and will allow the Justice Department to handle the defense. In addition, the Board was reviewing its accreditation standards to see if there were changes which could be made that would result in savings for school districts.

**Bill Davis, Principal, Montana School for the Deaf and Blind (MSDB)** explained that the school was in transition because of the departure of the present superintendent and his replacement by the Chairman of the Board of Education, John Kinna.

2:A:000

**Mr. Davis** stated that if a special session directed further reductions in the MSDB budget, there were three possible areas to look at: 1. instruction and child care, 2. restructuring of the school (teacher evaluation, curriculum review), 3. elimination of programs. The third area would require the cooperation of local school districts and parents. However, it also would have some legal consequences. He said he could provide a more detailed assessment at a later date.

**REP. PECK** asked if MSDB had been asked by OBPP to respond to a possible 10 percent reduction in its budget. **Mr. Davis** responded that 10 percent was a figure he had heard from more than one source.

**REP. PECK** asked OBPP if a memo had gone out instructing agencies to expect a 10 percent reduction in budget.

**Curt Nichols, OBPP**, replied that OBPP had suggested 10 percent as an appropriate preliminary figure to begin the budget review process by each agency. He said that the memo went to all agencies but did not mention the figure. He had verbally informed the various agencies.

**Dave Lewis, State Budget Director**, explained that all agencies were asked to set priorities within their program structures in order to deal with the anticipated deficit of \$70-90 million. He had suggested to his staff to begin at 10 percent as a preliminary figure when working with the agencies. OBPP was in the process of assembling for the Governor a list of options and their impact based on a 10 percent reduction figure.

**REP. PECK** stated that he felt it was an absolute conflict of interest to have a member of the Board of Education serving as an administrator of the MSDB. He said it was a mistake and a legal error and the board should reexamine its position.

**Dr. Buchanan** responded that the board requested legal advice on the issue and was told that it was totally illegal and improper. However, Mr. Kinna was serving in the position without salary in order to help MSDB financially. Any other interim superintendent would need to be paid. Mr. Kinna received reimbursement for his mileage and his normal \$50 per diem which board members receive when they meet. He said the arrangement was strictly a cost saving measure. **Dr. Buchanan** stated that Mr. Kinna was not really the superintendent, but was going to coordinate in his role as Chairman of the Board of Education.

**REP. PECK** reiterated that there were too many conflicts involved and that the situation was fraught with mistakes.

**REP. KADAS** made the point that if the present process were to be effective, the committee needed to request agencies to appear at

the next meeting with firm recommendations for ways to reduce their individual budgets. **SEN. JACOBSON** added that the normal manner in which budgetary decisions were made was for the Governor to submit a budget which the LFA then analyzed for the legislature. She stated that before the committee meets again, a budget was needed. **SEN. SWYSGOOD** asked **Mr. Lewis** if it was the Administration's intent to submit budgetary targets to the subcommittee before its next meeting so that meaningful discussions could occur.

**Mr. Lewis** responded that the Governor had directed the OBPP to prepare a list of options that could be adopted to meet a budgetary reduction of \$70-90 million. The objective of the legislative leadership was to shorten any potential special session by providing an opportunity for agencies to discuss with the subcommittees possible means of reducing their budgets. The objective of the next meeting would be for the OBPP to present its recommendations for reductions to the subcommittees for their perusal prior to the special session.

**SEN. JACOBSON** asked **Mr. Lewis** if the list of recommendations would be made available to the LFA so the staff could have time to analyze it and respond. **Mr. Lewis** replied that it was not the intention of the OBPP to withhold information from the LFA, but it might be difficult to have it done by mid-August.

**REP. KADAS** asked **Mr. Lewis** to give an overview of how the OBPP will develop the budget and the anticipated time frame. **Mr. Lewis** explained that one month ago the Governor had instructed OBPP to prepare a budget that would incorporate a \$70-90 million reduction from the present one. OBPP then sent a memo to the state agencies asking them to prepare a list of priorities as a first step in the process. He directed his staff in working with the agencies to think in terms of a 10 percent reduction as a preliminary target. The Governor will review the list of options developed from discussions with agencies in deciding the final budget. The OBPP will make the preliminary recommendations available to the subcommittee and staff so that it can be discussed at the next meeting. **Mr. Lewis** emphasized that the Administration desires feedback from the legislature so that the best possible budget proposal could be submitted to the special session. In response to a question from **REP. KADAS**, he stated it was his intent to have the preliminary recommendations finished by mid-August and explained that the information would be given to the LFA on a subcommittee basis as it is prepared.

**SEN. JACOBSON** stressed that to make the next meeting as productive as possible, it was necessary to have the LFA receive the budgetary recommendations in time to analyze them and formulate a response. She did not want a second subcommittee meeting scheduled before there were some concrete suggestions to discuss. She added that it was not unusual during a regular session to have the budget ahead of time, although it was unusual to do so for a special session. **Mr. Lewis** replied that it was

unusual for OBPP to develop a budget in two months when it normally took one year. He reiterated his intent to be ready by mid-August, but cautioned the committee that the time line might vary.

2:B:000

**REP. PECK** asked **Mr. Lewis** if the Administration wanted the special session whether or not the petition drive was successful. **Mr. Lewis** responded that the only discussions his office had with the Governor's office were centered on developing a budget for the special session in anticipation of the success of the petition drive.

**SEN. BIANCHI** voiced concern over the possibility of making major restructuring changes on the University System during the short time of the special session. He asked **Mr. Lewis** if he anticipated the legislature making those types of decisions. **Mr. Lewis** said that contracts were in place for the present fiscal year. He said that the Administration was enthusiastic about the response of the university system to the present financial crises, but many of the major changes might be on a long term time line.

**CHAIRMAN JOHNSON** asked **SEN. JACOBSON** if it would be advisable to consider having the Joint Appropriations Committee and the Senate Finance and Claims Committee meet together. **SEN. JACOBSON** replied that normally a joint meeting was held during special sessions in order to hear the Governor's budget. Whether or not it can occur depends on the OBPP. **CHAIRMAN JOHNSON** asked what type of reaction the leadership would have if the OBPP suggested such a meeting. **SEN. JACOBSON** replied that the reaction would be favorable. She asked **Mr. Lewis** if it were possible to have the budget done in time to have such a meeting. **Mr. Lewis** said that a joint meeting might be possible by early September.

**REP. KADAS** stated that the proponents of the petition drive had talked about presenting their own budget. He asked **Mr. Lewis** if he had been working with them and if they were going to present any recommendations to the legislature. **Mr. Lewis** stated that no one from the petition drive had made any suggestions to him concerning an alternative budget. He said he had read articles in the newspaper indicating areas they wanted examined. He said about 600-700 suggestions have come in from the public, but no formal proposal had come from the petition drive organization. In reply to a question from **REP. KADAS** as to whether the petition drive organizers were still occupying office space in the OBPP, **Mr. Lewis** said that the OBPP had made office space available to the public for anyone who wanted to examine the budget or review documents. About six individuals had taken advantage of the offer, however there was no organized or long term effort on the part of any individual.

**REP. KADAS** voiced concern about the group behind the petition drive who are making decisions based only on taxes without any



knowledge about where the money is being spent. **Mr. Lewis** mentioned that OBPP had received approximately 200 requests for appropriation reports.

**REP. KADAS** asked how the figure of \$25 million was obtained as a target for the University System when the overall budget reduction was anticipated to be \$70-90 million. **Mr. Lewis** explained it was similar to the size of the reduction which was the target in the last session and was being used as a preliminary figure for discussion purposes. **REP. KADAS** said that it concerned him that the University System which took up 12 per cent of the General Fund and SEA was being asked to take a 25 percent budget reduction. **Mr. Lewis** explained that his office was asking the University System for the impact of such a cut for planning purposes.

**REP. KADAS** stated that the petition drive affects both the General Fund and SEA. K-12 received nearly half of those funds. He asked how OBPP was looking at Foundation funds and other related funds. **Mr. Nichols** said that several ideas were being discussed. Adjustments to the state-wide guarantee factor were being examined as were changes in ANB counting. Other programs under scrutiny were secondary vocational education and driver's training.

**REP. KADAS** asked if K-12 was going to be asked to contribute to the \$70-90 million reduction in the same proportion as other agencies. **Mr. Lewis** replied that a group of options would be given to the Governor, including options for K-12. There would, however, be no across-the-board cuts.

**REP. KADAS** noted that the Foundation Program was not covered by any subcommittee in the current organization. He asked **Mr. Lewis** if he had any recommendation regarding this issue. **Mr. Lewis** said it was a legislative issue and that OBPP would work with any committee to which the legislature assigned the Foundation Program. **SEN. JACOBSON** stated that the Foundation Program had not been considered when preliminary discussions occurred on the subcommittee assignments. If the Education Standing Committee will not be meeting, then the discussion of the Foundation Program would appropriately be under the Education Subcommittee's jurisdiction. She added that if the University System was being asked to take such a large reduction, then K-12 also needed to review its priorities.

**SEN. JACOBSON** noted that there was a desire by the public to have the legislature look at all funds including those other than the General Fund. She said that there was a public perception that the Highway Department was contributing to the excess spending in the state, but by law those funds could not be touched. She noted that it made no sense to cut state highway funds because it would result in a decrease in federal highway funding to the state. She asked OBPP if it intended to make recommendations concerning the laws governing the highway funding and if it had

any response to the constituency who desired that the state cut areas other than General Fund even though it would not help the present \$70-90 million potential deficit. **Mr. Lewis** stated that the director of the Highway Department was addressing public concerns and a restructuring of the department was occurring in which there would be fewer administrators. He stressed that the object of the special session of the legislature would be to reduce the General Fund budget.

**SEN. JACOBSON** stated that it was frustrating trying to explain to people like Professor Natelson that cutting funds in areas outside the General Fund did not solve the problem. She asked if OBPP could help explain the issue to the public. **Mr. Lewis** responded that although the regular session of the legislature had held spending even as far as the general fund and the school funding was concerned, the total budget had increased from \$3.2 to 3.7 billion. His office had sent out numerous letters in response to public inquiries on the matter, but the general public was confused and the challenge was to explain the reason for the apparent discrepancy.

**SEN. SWYSGOOD** stated that there was a perception in his constituency that during periods of crisis the burden of any reductions seems to be borne by the public served by the state agencies rather than by the agencies themselves. He referred to the practice of agencies increasing fees rather than reducing expenditures when budgets were cut. **Mr. Lewis** answered that many agencies had begun to utilize fees as a means of support. He noted that the time had come to ask whether the state should be involved in certain regulatory activity or whether it should be given to the profession that is to be regulated.

**REP. PECK** stated that Professor Natelson had said that during the regular session he had never been invited to participate or offer suggestions on the budget. He asked if the OBPP had offered him the opportunity to participate in the current process. **Mr. Lewis** answered that the OBPP had met with Professor Natelson and some of his supporters about a month ago specifically concerning the employee suggestion system. **REP. PECK** asked if members of the group were represented at the present publicly announced meeting. There was no response from the audience.

**SEN. BIANCHI** asked if the OBPP was considering recommending that the state turn over regulatory activities in areas of environmental control to the federal government. **Mr. Lewis** said it probably would not be possible to consider it in the special session, but it definitely would be a consideration for the next regular session.

**CHAIRMAN JOHNSON** invited OPI to make any comments or suggestions regarding the present budgetary situation.

**Gregg Groepper, OPI**, began his comments by stating that he had not heard any mention of a 10 percent target reduction figure

prior to this meeting. He suggested that to save money the subcommittee could reconsider **REP. PECK'S** bill which directed that teacher certification costs be covered by teachers' fees. The bill did not pass in the regular session. He mentioned that every agency including OPI paid fees to be part of a local area computer network. If given up, this would save the state about \$2.6 million.

**Mr. Groepper** cautioned the committee that by the time the special session meets, school budgets would have been set, contracts signed and mill levies set. Any reduction in budgets would probably be effective for the second half of the biennium. He said that public education took a large reduction in the last session and if a \$25 million additional reduction is being targeted, entire programs would have to be eliminated such as school transportation. Even with elimination of programs, because of contracts being signed, such changes would only affect the second half of the biennium. He noted that some cost-cutting measures were discussed before the committee last session, but were not approved.

**CHAIRMAN JOHNSON** asked how much the entire transportation program cost. **Mr. Groepper** answered that the state's share was \$10-11 million. In addition, there was a county levy equal to that.

**SEN. BIANCHI** asked if there were any legal problems if that program were cut. **Mr. Groepper** said there were federal requirements for supplying transportation for special education students. He said he believed there would be lawsuits if the program were cut.

**REP. KADAS** noted that if K-12 were treated in the same way the University System was being treated, the reduction K-12 would need to take would be \$100 million. If \$90 million were the total figure to be reduced, then the share for K-12 would be \$40 million. To meet that amount without touching the Foundation Program, Special Education and Transportation would have to be cut. **Mr. Groepper** said OPI would examine any areas the committee suggested and would return with the ramifications of those cuts. He added that the difficulty in making cuts to the Foundation Program was that it would shift the tax burden to the local level. He noted that **Mr. Natelson** and those that support the petition drive have not made any suggestions as to how or what to cut out of the K-12 program. He said it would be impossible for private schools to be created quick enough to deal with the cuts to public education. Even if they could be created, he doubted if they could supply the same quality education for less cost.

**REP. KADAS** asked if OPI had done any analysis on **Mr. Natelson's** voucher system proposal for K-12. **Mr. Groepper** said he had not received any proposal from **Mr. Natelson**. If **Mr. Natelson** has ideas, it is his responsibility to communicate the details of the plans. **REP. KADAS** said **Mr. Natelson** was not being responsible about the process and it would be appropriate for

someone to ask him how \$60 million would be saved in K-12 with a voucher system.

**SEN. JACOBSON** informed the committee that she had sent a letter to Mr. Natelson inviting him to the Legislative Finance Committee meeting concerning the budget. He did attend but declined an invitation to address the meeting. She added that according to Mr. Natelson's voucher system, if it costs \$5,000 to educate a child in public school, a \$1,000 voucher would be given to those who wish to send their children to private schools. She asked if legally the state would be required to give those vouchers to those parents with children already in private school. If so, it would cost the state considerably more money than envisioned by Mr. Natelson. **Mr. Groepper** answered that in his experience it was impossible to get the same level of quality of education cheaper in a private institution. He agreed with **SEN. JACOBSON** that legally if vouchers were given out they would probably also have to be given to those presently in private schools and those who home school and it would probably cost the state more money initially. He added that there was an additional cost for accreditation of the private schools.

**REP. PECK** asked how many school-age children were not in attendance in public schools last year. **Mr. Groepper** said he did not have those figures, but could obtain the number of children who were being schooled at home. **REP. PECK** agreed with **SEN. JACOBSON** that Mr. Natelson had not correctly figured the initial cost of instituting a voucher system. He then presented a new issue noting that the federal government has many requirements dealing with the education of handicapped children. If the state cut special education, local districts would be forced to make up the difference. In effect, the federal mandates have caused money to be taken away from the education of non-special education children.

3:B:000

**Mr. Groepper** agreed with **REP. PECK** and noted the possibility that litigation could occur. **REP. PECK** asked the size of the increases occurring in mill levies in the bigger school districts as a result of HB 667. **Mr. Groepper** said he did not have that information, but he would return with figures at the next meeting.

**REP. KADAS** pointed out that if the gifted and talented program were eliminated along with the programs for school food, adult basic education, secondary vo-ed, SIMMS, and METNET, only \$23.5 million in savings could be realized which is just slightly more than half of an anticipated \$40 million target. The Foundation Program or Special Education funding will have to be reduced in order to reduce the OPI budget by \$40 million. **Mr. Groepper** noted that with the increases in property reappraisals, some additional revenue for schools might be forthcoming which could help the budgetary difficulties.

**REP. KADAS** stated that education received 61 percent of the general fund. If it took the same proportion in its share of the budgetary cut which had to be made, that amounted to \$45 million. Most of the remaining 39 percent was tied up in federal matching funds or statutory appropriations such as bond payments. He stressed the magnitude of the budgetary problem, saying that one could not cut government without affecting education dramatically.

**SEN. JACOBSON** reminded the committee that much of the education budget had already been committed through contractual agreements for the first year of the biennium. **REP. KADAS** asked if it were possible for the school districts to break contracts, including teachers' contracts, given the magnitude of the fiscal crisis. **Mr. Groepper** said he would supply the information to the committee at the next meeting.

**SEN. BIANCHI** agreed with **REP. KADAS** that education would have to absorb deep cuts in its budget, if the petition drive was successful.

**SEN. DARYL TOEWS (R)** asked if the OPI administrative budget were being looked as a source of possible savings. **Mr. Groepper** responded that OPI was already holding positions vacant and was currently examining early retirements as cost saving measures.

**REP. PECK** noted that handicapped children were a protected class under federal mandate. He asked if that group continued to take a larger and larger share of the education budget, was there a point when non-handicapped children could say they were being discriminated against. **Mr. Groepper** said he would return at the next meeting with a legal opinion on the issue.

**Donald Waldron, Montana Rural Education Association**, expressed concern that the public, upon hearing media reports of today's meeting to discuss budgetary reductions, will believe those cuts can be made without drastic effects on their lives and will be prone to sign the petitions. He stated that as a result of the last regular session, increases in local school taxes had occurred with the average being between 12 and 25 percent. Some of the smaller districts had actually experienced a 60 percent increase in local school taxes. He agreed with previous testimony that changes could not easily be effected in the 1993-94 school year. He cautioned that if state funding for transportation were eliminated, laws requiring the state to supply those funds would have to be changed. In addition, in many small, rural districts everyone was transported to school by bus. If transportation funding was eliminated, proportionately, it would hurt the small rural school districts the most, and these were the ones which could least afford to make up the cost.

**REP. PECK** disagreed with **Mr. Waldron** concerning the effect the meeting would have on the public. He said the committee was

trying to clarify and communicate how deep the budget reductions would be if the petition drive was successful. No press person could possibly interpret the proceedings as being supportive of the petition drive. **Mr. Waldron** replied that by having the meeting, it implied that reductions could be easily made. The press had the responsibility of reporting the extent of the consequences of the type of reductions discussed here.

**SEN. BIANCHI** asked if money could be saved by consolidating some of the 536 school districts in the state. **Mr. Waldron** responded that he did not think much money could be saved. Even if consolidation were begun now, savings would not be realized for three years.

**SEN. BIANCHI** asked if consolidation could be examined as a source of savings. **Mr. Groepper** said that the School Board Association could ask Governor Schwinden and his committee to revisit the issue. He added that it might be advantageous to encourage school consolidation rather than forcing it.

4:B:000

**SEN. TOEWS** told the committee that Governor Schwinden's report from last year studied about eight districts which had merged and not one had shown any savings.

**Mr. Waldron** said he was pleased to hear that the Board of Education was considering changing accreditation standards. Such action would produce savings for rural school districts.

**REP. PECK** said he had also read Governor Schwinden's report and interpreted it as saying mergers would produce greater efficiency but no net savings.

**CHAIRMAN JOHNSON** said it was possible for the legislature, if it did not agree with what was going on in the state currently, to meet in special session and pass the same bill again and add an appropriation to it. He asked for the response of the leadership to such a suggestion. **REP. TED SCHYE (D)** said he had heard the proposal before but he did not think it was a realistic possibility. **SEN. JACOBSON** said another possibility she had heard was to put the measure on the ballot this November, rather than waiting to see if the petition drive succeeds.

**CHAIRMAN JOHNSON** noted that the public was not likely to levy a tax on themselves and if there was to be an additional tax, it had to come from the legislature. He said there were people willing to pay more taxes in Montana, but they wanted to be assured that the taxes were utilized properly. **SEN. JACOBSON** noted that this particular tax legislation was not going to raise everyone's taxes. Most would see no change or see a reduction.

**SEN. SWYSGOOD** noted that the present income tax law was passed by the legislature and the petition drive resulted because there was

public dissatisfaction with it. He said he was not comfortable with the legislature passing a tax bill and adding an appropriation to it causing it not to be subject to a referendum.

**CHAIRMAN JOHNSON** said the idea was still a viable option. **REP. KADAS** commented that there could be a number of legal and constitutional questions if that route were taken by the legislature. **REP. PECK** pointed out that if the petition drive was successful and the issue goes to a vote in 1994, the Revenue Department would probably need to add more staff to just determine each taxpayer's income tax obligation. **CHAIRMAN JOHNSON** noted that there was a substantial difference between the number of people who voted against the sales tax and the number needed to sign the petition to put the issue on the ballot. **REP. SCHYE** stated that many people who voted against the sales tax would not support the petition drive. He agreed with **REP. KADAS** concerning the legal battles that would arise if the income tax bill were passed again with an appropriation added.

**REP. KADAS** said that all the petition drive needed to be successful was 15 percent of the people in 51 districts. This clear minority could trigger significant cuts. Then a majority of the people will vote in November of 1994 and may vote to keep the new income tax law in which the potential for confusion regarding collection of the taxes will be enormous. Even though the law may be passed in 1994, the cuts will still have to be made if the petition drive succeeds. He stressed the need to inform the public of the consequences of signing the petition.


**REP. PECK** said there was a mind set among legislators that if the petition drive is successful, it precluded the legislature from looking at any other sources of revenue. Other sources of revenue could still be examined.

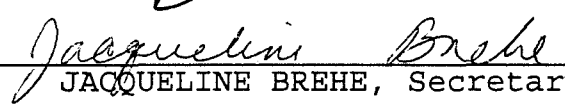
**CHAIRMAN JOHNSON** said that **REP. KADAS'** remarks supported his suggestion of passing the income tax law again with an appropriation on it. It would avoid all the confusion following the vote in 1994. **REP. KADAS** stated that from a psychological point of view, when people pass an initiative in Montana, they mean it.

**SEN. BIANCHI** asked whether it was an option to hold a vote on the income tax this November. **REP. KADAS** responded that a special election could be called for statutory changes at any time. **REP. SCHYE** noted that the special session would have to be called soon to get the issue on the ballot in November.

ADJOURNMENT

Adjournment: 12:30 p.m.

  
\_\_\_\_\_  
ROYAL JOHNSON, Chairman

  
\_\_\_\_\_  
JACQUELINE BREHE, Secretary

jb/



OFFICE OF PUBLIC INSTRUCTION  
GENERAL FUND & SCHOOL EQUALIZATION FUNDS

EXHIBIT 1  
DATE 7-23-93  
HB EDUCATION  
SUBCOMMITTEE

	FISCAL 1990	FISCAL 1991	FISCAL 1992	FISCAL 1993	FISCAL 1994	FISCAL 1995	BIENNIUM 1991	BIENNIUM 1993	BIENNIUM 1995
<b>GENERAL FUND:</b>									
ADMINISTRATION	2,957,508	2,989,722	3,584,428	3,528,046	3,704,079	3,726,247	5,947,230	7,112,474	7,430,326
DISTRIBUTION TO SCHOOLS									
SPECIAL EDUCATION	33,837,437	33,877,258	33,842,221	33,880,536	33,861,379	33,861,379	67,714,695	67,722,757	67,722,757
TRANSPORTATION	6,458,483	6,244,386	6,392,006	5,693,558	5,693,558	5,693,558	12,702,869	12,085,564	11,387,116
SCHOOL FOODS	599,397	599,397	599,397	599,397	629,337	645,707	1,198,794	1,198,794	1,275,044
GIFTED AND TALENTED	99,867	99,999	225,247	276,000	150,000	150,000	199,866	501,247	300,000
SECONDARY VO-ED	899,730	900,000	826,840	829,160	650,000	650,000	1,799,730	1,656,000	1,300,000
ADULT BASIC EDUCATION	200,000	249,640	250,000	250,000	250,000	250,000	449,640	500,000	500,000
IMPACT AID	3,908	4,850	3,900	4,050	0	0	8,758	7,950	0
IN-STATE RESIDENTIAL TREATMENT	0	0	1,176,110	1,553,124	1,324,896	1,324,895	0	2,729,234	2,649,791
SUB TOTAL	42,098,822	41,975,530	43,315,721	43,085,825	42,559,169	42,575,539	84,074,352	86,401,546	85,134,708
<b>TOTAL OPI GENERAL FUND</b>	<b>45,056,330</b>	<b>44,965,252</b>	<b>46,900,149</b>	<b>46,613,871</b>	<b>46,263,248</b>	<b>46,301,786</b>	<b>90,021,582</b>	<b>93,514,020</b>	<b>92,565,034</b>
<b>SCHOOL EQUALIZATION ACCOUNT</b>									
HB652 - SIMMS					250,000	250,000	0	0	500,000
HB667 - SEA ADMINISTRATION					200,000	200,000	0	0	400,000
METNET			147,466	152,850	200,000	200,000	0	300,316	400,000
TRANSPORTATION			3,908,166	3,914,457	3,908,186	3,914,457	0	7,822,623	7,822,643
SCHOOL EQUALIZATION	259,195,971	367,029,714	374,064,755	404,752,113	396,347,000	415,677,000	626,225,685	778,816,868	812,024,000

\* 95 BIENNIAL APPROPRIATIONS ARE EVENLY DIVIDED BETWEEN FISCAL YEARS

MONTANA SCHOOL FOR THE DEAF AND BLIND  
GENERAL FUND EXPENDITURES

DATE 7-23-93

HIB EDUCATION  
SUBCOMMITTEE

	FISCAL 1990	FISCAL 1991	FISCAL 1992	FISCAL 1993	FISCAL 1994	FISCAL 1995	BIENNIUM 1991	BIENNIUM 1993	BIENNIUM 1995
ADMINISTRATION									
GENERAL SERVICES	213,206	238,746	219,981	231,193	248,990	223,057	451,952	451,174	472,047
STUDENT SERVICES	242,659	250,590	259,182	261,685	293,902	307,844	493,249	520,867	601,746
EDUCATION	714,349	704,628	803,216	833,607	875,115	875,847	1,418,977	1,636,823	1,750,962
	1,197,116	1,235,197	1,398,076	1,466,110	1,099,737	1,097,601	2,432,313	2,864,186	2,197,338
AGENCY TOTAL	2,367,330	2,429,161	2,680,455	2,792,595	2,517,744	2,504,349	4,796,491	5,473,050	5,022,093