

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION

JOINT SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By **CHAIRMAN ROYAL JOHNSON**, on November 19, 1993,
at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Royal Johnson, Chairman (R)
Sen. Don Bianchi, Vice Chairman (D)
Sen. Tom Beck (R)
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
Claudia Johnson, Committee Secretary

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

Committee Business Summary:

Hearing: None
Executive Action: Office of Public Instruction, School
Foundation Program, Montana University
System.

OFFICE OF PUBLIC INSTRUCTION (OPI)

CHAIRMAN ROYAL JOHNSON informed the committee that the agenda
will be to make suggestions to present to the Appropriations
committee for OPI, the Foundation Program, and the University
System.

Skip Culver, Legislative Fiscal Analyst (LFA), distributed
executive budget proposals for the committee to follow for OPI.
Mr. Culver said the proposal doesn't include anything for the
distributions of the programs because OPI nor the executive
office were prepared to present the information at this time.

EXHIBIT 1

Curt Nichols, Office of Budget and Program Planning (OBPP), said item #3 of the executive budget proposal distributed by **Mr. Culver** is not a proposal by the executive branch. **Mr. Nichols** said there is still money in the motorcycle account if legislation eliminates state support for drivers education.

Greg Groepper, OPI, said the executive recommendation is to keep the motorcycle registration fees. The motorcycle riders negotiated with the legislature in 1991 in lieu of a helmet bill. He said OBPP wants to leave that revenue in the traffic education account. Other revenue in the traffic education account will revert to the general fund. He said that OPI would like to leave the traffic education whole, and instead take general fund money of a like amount so the revenue that was intended for traffic education could stay in the account for the staff that handle driver certifications, certification of the teachers, and approval of the courses. **Mr. Groepper** said the balance of the traffic safety can be reverted into the general fund. **Mr. Groepper** said OPI is in agreement with the dollar figures from OBPP in the amount of \$258,000. **Mr. Groepper** proposed that the committee take money from the local area network fees, and OPI can operate the program with the motorcycle registration fees on a diminished level with a reduction of one staff person from the program. He asked the committee go along with the Governor's recommendation on the traffic education account, but leave enough for OPI and take their general fund money.

Curt Nichols, OBPP, said his office does not agree with OPI's proposal on how the money should be distributed. This is a long term change for the monies in the traffic education account, i.e., money from driver's license, and fines will now be earmarked for the general fund. **Mr. Nichols** said that **Mr. Groepper's** approach is to keep the funds flowing into OPI and then not spend them.

REP. MIKE KADAS asked **Curt Nichols** to explain item #1 of exhibit 1? **Mr. Nichols** said this is approximately \$400,000 of traffic education money which is budgeted for administrative purposes in OPI. He said there is approximately \$3 million that is distributed to the school districts. **Mr. Nichols** said OBPP eliminated the portion of traffic education revenue received from driver licenses and fines, and retains the motorcycle registrations and motorcycle workshop fees. This leaves about \$70,000 in the account which is part of the \$400,000 in OPI's budget. **Mr. Nichols** said they agreed with OPI to leave in a certain amount so OPI could find general fund savings to allow them to retain some of the drivers education central staff. OPI has found \$99,000 of general fund savings they can use to retain the administrative staff relating to the drivers education program. He said the office still needs money to certify instructors and courses. The program has not been eliminated entirely because the school districts still have the authority to offer the programs. **REP. KADAS** wanted to know why OBPP doesn't leave OPI with enough money to operate the program. **Mr. Nichols**

said out of the \$400,000 about \$110,000 relates to the drivers education program. Through changes and laws the OPI is still able to operate the bicycle safety program, pedestrian safety and other programs that are not a part of the driver ed programs.

REP. KADAS asked **Mr. Nichols** if he is suggesting that the committee eliminate all of the earmarking except for the motorcycles and the certification be covered with general fund dollars? **Mr. Nichols** said that is correct. He said OPI will be allowed to keep \$100,000 for the drivers education program and the earmarked money of \$70,000 for the motorcycle program will be retained. **REP. KADAS** wanted to know where the revenue of \$100,000 will come from? **Mr. Nichols** said in the current biennium with \$100,000, the general fund savings that the department realized should allow the continuation of the drivers education programs. He said all of the fees from registration, forfeitures and fines will go into the general fund with the exception of the motorcycle money.

Greg Groepper informed the committee when OPI reorganized their office they cut 2.5 FTE positions and said they are trying to cut 4 FTE federally funded positions. The office wanted to take a 6.5 FTE reduction, but in different places of what OBPP wanted. **Mr. Groepper** said their agreement with OBPP was if the office could come up with general fund money to replace the traffic education reductions when OBPP eliminated the traffic education account. He said that OBPP gave OPI credit for 2.5 FTE general fund people and \$100,000 in salaries and operating expenses. He said that OPI had asked for \$156,000 of consideration for the local network fees. He felt that was where OBPP and OPI are different. **Mr. Groepper** said it is the feeling of OPI to give up \$260,000 in general fund and leave some money in the traffic education account for drivers' certification, and motorcycle certification. Then the money will be earmarked and the Legislature can eliminate the program and the staff that is funding it if they need to. He said they have an agreement that will save the state money by allowing the schools to certify the drivers test and the road test instead of the highway patrol testing.

EXECUTIVE ACTION

Motion/Vote: **REP. MIKE KADAS** MOVED TO: 1). TAKE ALL OF THE DRIVERS EDUCATION MONEY AND PLACE IT INTO THE GENERAL FUND EXCEPT FOR THE MOTORCYCLE PROGRAM OF \$70,000; 2). THE CUT WILL BE CONTINGENT ON PASSAGE OF LEGISLATION; AND 3). THE FLEXIBILITY TO REPLACE THOSE POSITIONS THAT ARE REDUCED WITH OTHER GENERAL FUND DOLLARS.

REP. RAY PECK explained the motion stating it will withdraw basic support for local driver ed programs.

REP. KADAS said the intention of his motion is to take the \$1.3 million that is used for distribution, and the \$400,000 that is used for administration except the \$71,000 for the motorcycle

program for a total of \$1.6 million to be placed back into the general fund.

Motion: Motion carried unanimously.

Greg Groepper said this action has eliminated 5 of the 6 FTEs that work in traffic education program and leaves the funding for the one FTE in the motorcycle program. He said the \$99,000 will not provide for bus safety, certification of the drivers education instructors and review of the courses. He asked the committee to allow OPI to receive \$99,000 in general fund plus the local area network money which will give them 3 to 3.5 FTE and enough money to run the necessary programs.

Greg Groepper said the executive action also cut \$330,000 out of OPI's operating budget. He asked the committee if they could give back enough money so they will have the same level of cuts that was originally intended. Mr. Groepper said the office would like to have the committee's authority to use their local area network money of \$156,000 to help fund the motorcycle program instead of paying it to the Department of Administration, and not cut anymore staff.

CHAIRMAN JOHNSON asked Mr. Groepper if no action is taken on his proposal will the cuts be made or will the personnel be supplied by some other source? Mr. Groepper said if action isn't taken the office will have to lay off staff in the traffic education program.

Motion: REP. MIKE KADAS MOVED TO INCREASE THE APPROPRIATION FOR OPI IN THE TRAFFIC SAFETY PROGRAMS FOR A TOTAL OF \$150,000 FOR FY 1995.

Motion: REP. KADAS WITHDREW HIS MOTION.

Mr. Groepper said the committee should make a motion to move \$65,000 of OPI's general fund from this year to next year so the office can fund the traffic education staff through July 1 from this account. He said in order for the office to receive the \$99,000 out of the general fund available for next year they need to move the \$65,000 which is currently in there now.

Motion/Vote: REP. RAY PECK MOVED TO TRANSFER \$65,000 FROM FY 1994 TO FY 1995. Motion carried unanimously.

CHAIRMAN JOHNSON asked the committee for comments on item #5 of the letter written to Dave Lewis, Budget Director, from Nancy Keenan, OPI. EXHIBIT 4.

REP. PECK said it is the teachers certification which he has requested to be drafted as a bill. He said this bill died in the Education committee during the regular session, and wanted to wait on this issue to see if it will survive.

REP. KADAS wanted the committee to make a motion on this issue, because he felt it will help the bill when it is presented to the committee.

REP. PECK asked **Greg Groepper** if the \$150,000 is the correct figure. **Mr. Groepper** said it depends on when the bill is effective. He said if the bill were effective for registration, and certification fees on January 1 they would be able to capture an additional one-half year of revenue, which would make the figure change to \$225,000. He said this will replace the general fund appropriation for certification. If the structure is changed due to the fee schedule it will generate more than the \$150,000. If the bill is effective January 1 there will be \$225,000, and if it is effective July 1 it will be \$150,000.

Motion: **REP. PECK MOVED TO REPLACE THE \$150,000 GENERAL FUND WITH STATE SPECIAL REVENUE MONEY BASED ON THE INCREASED CERTIFICATION FEE.**

CHAIRMAN JOHNSON said without the LC# and the effective date the committee could substitute the \$150,000 with whatever is raised from this motion.

Skip Culver, LFA, said the joint committee made a motion on Wednesday that the budget cannot be reduced contingent upon other bills, only on passage of other bills.

Greg Groepper said more money well be gained by making the effective date on January 1. He said if the people knew they have until July 1, and the rates go up the office will have the registrations shifted to May and the revenue will not be what is expected.

CHAIRMAN JOHNSON asked **Mr. Groepper** if the dollar number will be \$225,000 instead of the \$150,000 if they start in January 1, 1994? **Mr. Groepper** said without knowing what will happen with the certification advisory practices board and how they are funded, and OPI's concern with what they will be appropriated in general fund to pay for teachers certification which is \$150,000 a year. If this bill is effective January 1, they will receive revenue to make up for one-half year of general fund appropriation for the certification division, and for FY 1995 the general fund appropriation par certification.

Skip Culver, LFA, said the \$225,000 will be divided. There will be \$75,000 in FY 1994 and \$150,000 for FY 1995.

THE MOTION IS TO LEAVE THE \$150,000 IN PLACE WITH THE JANUARY 1, 1994 DATE.

Vote: Motion carried unanimously.

Motion/Vote: **REP. KADAS MOVED TO ELIMINATE THE FUNDS FOR FY 1995 APPROPRIATION FOR THE GIFTED AND TALENTED of VO-ED.**

REP. KADAS said by cutting dollars in any amount will give the districts more flexibility to fund the programs through their school equalization money rather than at the state level where they are told what to fund.

SEN. SWYSGOOD asked REP. KADAS if the motions could be separated between the two programs? REP. KADAS said no.

SEN. SWYSGOOD asked Skip Culver if the \$1.3 million for vocational educational was a bi-annual appropriation or annual? Mr. Culver said it is biannual. SEN. SWYSGOOD asked if this money is taken out in FY 1995 how will they know what the amount will be? Mr. Culver said it will be about half. Mr. Groepper replied that half of the biennial appropriations are committed for this year and half is left for FY 1995.

SEN. SWYSGOOD informed the committee there is \$750,000 in REP. KADAS motion.

Vote: Motion failed 3 - 3 with REPS. KADAS, PECK AND SEN. BIANCHI voting yes.

SCHOOL FOUNDATION PROGRAM

Motion: REP. KADAS MADE THE MOTION FOR THE COMMITTEE TO REQUEST A BILL DRAFT TO REQUIRE THAT STATE AND LOCAL DOLLARS CANNOT BE USED FOR EXTRA CURRICULAR ACTIVITIES. AND CONTINGENT ON PASSAGE OF THE BILL TO REMOVE FROM THE FOUNDATION PROGRAM THE AMOUNT IN THE SBAS ACCOUNTING CODES TO REDUCE THE BUDGET BY SCHOOL DISTRICT FOR THE PREVIOUS YEAR BUDGET AUTHORITY BY THAT AMOUNT. HE SAID BY TAKING THE DOLLAR AMOUNT OUT OF THE FOUNDATION PROGRAM WILL BE APPROXIMATELY \$17 MILLION IN SAVINGS TO THE STATE.

REP. KADAS said this motion will affect athletics, speech, etc., that go on at the end of the school day.

Greg Groepper said the school accounting function codes are recorded for FY 1993 for activities, i.e., speech and band versus athletics. He said the office will have to go through the 1993 expenditure report and look at the obligation of what the 494 schools spent for the two programs and reduce their actual budget for 1993, and what their revised budget will be for 1995 as a result of this committee bill.

SEN. BECK asked REP. KADAS about his comments regarding community events to raise the funds for extra curricular activities and asked him if he is for or against a voted levy for extra curricular funds raised locally? REP. KADAS said no and referred to the supreme courts rejection of the Sherlock decision in January or February of 1992 regarding the equalization suit clearly indicated if it is allowed for tax revenues to be spent for a particular activity than the funding for that activity has to be equalized. REP. KADAS said if local millage is used to

support extra curricular activities than the state will have to ensure that those expenditures are equalized.

Motion: REP. KADAS MOVED TO AMEND HIS MOTION TO ELIMINATE STATE SUPPORT FOR EXTRA CURRICULAR ACTIVITIES; AND THE LOCAL DISTRICTS WITH VOTER APPROVAL MAY VOTE.

SEN. BIANCHI asked Greg Groepper to explain why there is a difference between Nancy Keenan's letter to Dave Lewis, exhibit 4, of \$7.5 million and REP. KADAS reference of \$17 million? Mr. Groepper said the office operated on the assumption that the expenditure on, i.e., athletics for \$14.6 million of tax dollars with 40% of that are the actual expenditures. He said REP. KADAS'S approach is to withhold from the school districts the allocation of all the expenditures the schools made and shift it outside of the general fund. He said the difference is what is spent on athletics would be the same financial makeup of the state's funding of HB 667 base and over base budget which is 40% state, and 60% coming from local and guaranteed tax base support or if the committee thinks that all of the expenditures should be disallowed and taken out of the budget.

REP. KADAS said if the committee adopts the position that no state dollars will be used than the state will save 40%. The local jurisdiction will have property taxes reduced by that amount unless there is a vote to reinstate the local effort to support extra curricular activities.

REP. KADAS explained his motion. There will be a total reduction in extra curricular activities if none of the districts vote additional mills for the \$17 million which is currently spent. The state pays approximately \$7.5 million which will be a savings to the state and \$9.5 million savings to the local tax payers which they can offset by having voted mills. He said there will not be a reduction in local mills because of this bill. The community will have the opportunity to go back and vote the mills on themselves to fund extra curricular activities if they want it. REP. KADAS corrected himself stating the real figure is \$7.6 million because it is a combination of athletics and extra curricular activities.

Motion: Motion carried 4 - 2 with REP. ROYAL JOHNSON AND SEN. CHUCK SWYSGOOD voting no.

HEARING ON OPI TRANSPORTATION

SEN. CHET BLAYLOCK explained to the committee what his bill will do. He said they are currently contracted for this school year so the state support will stop the beginning of the school year in September 1994. If his bill is passed there will be a savings to the state of \$10 million to \$11 million per year.

REP. KADAS asked SEN. BLAYLOCK how his bill will work? SEN. BLAYLOCK said it will eliminate the state contribution. If the bill passes it will stop all activity at the local level.

SEN. SWYSGOOD asked SEN. BLAYLOCK if his bill had a radius limit on it? SEN. BLAYLOCK said the limit has been removed.

EXECUTIVE ACTION:

Motion/Vote: REP. KADAS MOVED TO RECOMMEND THAT THE TRANSPORTATION PROGRAM BE REDUCED BY \$5,693,558 FROM THE GENERAL FUND FOR FY 1995, AND FROM THE STATE'S SPECIAL REVENUE FUND OF \$3,914,457.

Greg Groepper said OPI has the transportation obligation and have to come before the Legislature for supplemental. He said if this program is eliminated the liability for FY 1995 will be approximately \$10.9 million of which \$800,000 is special ed. As a result of this motion there will be a cost savings to the state of \$10.1 million, and the special ed is not included in this figure.

REP. KADAS said the motion is made to eliminate all of the general fund obligation except for special ed.

Skip Culver, LFA, said if OPI's obligation exceeded HB 2 they will be saving the supplemental. But for the purpose of this motion HB 2 will be reduced by \$10.9 million, less \$800,000.

Greg Groepper said the committee should take the appropriate amount of \$800,000 for special ed and add it to the special ed appropriation. The figure would be considered general fund and increase the special ed appropriation by \$800,000 which would make sure it is intended for the special ed program instead of leaving the transportation program with \$800,000.

Motion: REP. KADAS AMENDED HIS MOTION TO ZERO OUT BOTH THE GENERAL FUND APPROPRIATION FOR TRANSPORTATION AND THE OPI APPROPRIATION FOR TRANSPORTATION AND TRANSFER AS WELL AS INCREASE THE SPECIAL ED PROGRAM BY \$800,000, AND IS CONTINGENT UPON PASSAGE OF SEN. BLAYLOCK'S BILL.

REP. KADAS said if this bill passes the committee will have made between \$18 million to \$20 million worth of cuts which will place the figures above what was originally assigned to the committee, and help the \$18 million figure that Nancy Keenan informed the committee they were short of.

SEN. BECK asked REP. KADAS if his next motion is to go through with the forced consolidation of schools? REP. KADAS replied no, his intention is to stop at this point if this motion passes.

REP. KADAS said his motion will take the dollars spent from the general fund in the equalization account for transportation be

eliminated for FY 1995 and that \$800,000 be added to the special ed account and be contingent upon passage of SEN. BLAYLOCK'S bill.

Vote: Motion failed 3 - 3 with REP. CHAIRMAN JOHNSON, AND SENS. BECK AND SWYSGOOD voting no.

MONTANA UNIVERSITY SYSTEM

Taryn Purdy, LFA, distributed a summary on the issues of the University System for executive action. Ms. Purdy said the summary does not include the Governor's proposals for reduction and funding, but identifies the total methodology, funding, and how to reach that level of reduction. There are additional issues within the six mill levy and tuition increases. This does not include faculty course workloads. **EXHIBIT 2**

SEN. BIANCHI chaired so CHAIRMAN JOHNSON could make a motion.

CHAIRMAN JOHNSON said the committee should follow the \$12 million suggestion of the budget office, with the addition of the mill levy of \$6 million identified by the budget office or \$4.5 million for FY 1994 and \$1.5 million for FY 1995. Additional tuition can be any number the committee chooses, but it can be increased. There were 3 units in 1993 that had tuition changes on non-resident students of \$5,450, and it is now \$5,900 for 1994. It has been suggested that the total will be raised to \$7,000.

Motion/Vote: CHAIRMAN JOHNSON MOVED TO: 1) ACCEPT THE \$12 MILLION IN CUTS FOR THE UNIVERSITY SYSTEM AND THAT THE UNIVERSITY SYSTEM BE ALLOWED TO MAKE UP THE MILLAGE IN THE \$6 MILLION. IF THE MILLAGE DOESN'T REACH \$6 MILLION AS PROJECTED BY THE GOVERNOR'S OFFICE, THEN THE UNIVERSITY SYSTEM WOULD BE ALLOWED TO COME IN FOR A SUPPLEMENTAL TO MAKE UP THE DIFFERENCE, i.e., IF THE MILLAGE IS \$5.5 MILLION THE UNIVERSITY SYSTEM WOULD BE ALLOWED TO ASK FOR A SUPPLEMENTAL OF \$500,000 TO MAKE UP THE DIFFERENCE TO \$6 MILLION; AND 2) STATE THE COMMITTEE'S INTENT THAT TUITION NOT BE INCREASED FOR IN-STATE RESIDENTS.

REP. KADAS asked CHAIRMAN JOHNSON if it is his intent to re-adopt the old language (prior to the 1993 biennium) that was used for 6 mill levy? CHAIRMAN JOHNSON said he is addressing what needs to be done in this session, and if it is the old language it will need to be done in the 1995 Legislature.

Motion/Vote: SEN. BIANCHI MADE A SUBSTITUTE MOTION TO REDUCE GENERAL FUND BY \$6.67 MILLION AND ALLOW THE UNIVERSITY SYSTEM TO DISTRIBUTE THE \$6.67 MILLION ALLOCATION WHERE THE BOARD OF REGENTS FEEL IT IS NEEDED. Motion failed 2 - 4 with REP. PECK AND SEN. BIANCHI voting yes.

Vote: CHAIRMAN JOHNSON'S motion to accept the Governor's request failed 3 - 3 with REPS. JOHNSON, KADAS, AND SEN. BECK voting yes.

Motion/Vote: SEN. SWYSGOOD MOVED TO ACCEPT ITEM #1 OF THE EXECUTIVE RECOMMENDATION TO CAPTURE ADDITIONAL 6-MILL LEVY REVENUES AND FUND BALANCE FOR FY 1994 OF \$4.562 MILLION, AND \$1.513 MILLION FOR FY 1995.

Curt Nichols said OBPP did not recommend that the total reduction of \$12 million be done as a lump sum, but at the same time recommended a way to reach the \$12 million by recognizing the regents' authority to detail how the reductions would actually be made. He said that the OBPP did not have that authority.

REP. KADAS asked Mr. Nichols if OBPP took the \$12 million from the total general fund allocated to the university system? Mr. Nichols said in HB 2 the unit budgets were amended by the replacement revenues, which are the 6 mill revenue and the additional tuition. OBPP took the real reduction of \$2.3 million and placed it in the commissioner's office.

REP. KADAS asked Mr. Nichols how OBPP allocated the additional 6 mill levy revenues? Mr. Nichols said it is based on the way the current 6 mill levy is allocated. REP. KADAS asked what the recommendation is if the 6 mill levy revenue is higher or lower? Mr. Nichols said the only recommendation was if it is higher it can be spent and if it is lower they would be short. He said this is current language the subcommittee submitted during the regular session.

SEN. BIANCHI asked Mr. Nichols how the OBPP allocated the additional tuition, and if the money came out of the individual units that collected the tuition? Mr. Nichols said it is based on where the tuition was collected. If there is an excess from non-residential tuition will be reduced.

Taryn Purdy, LFA, reviewed for the committee the process that was used to distribute the 6 mill levy monies to the units during the regular session. She said the funds are distributed based upon the prior years FTE; i.e., for FY 1994 it would be actual FY 1992 FTE as reported by the campuses, including resident and non-resident.

CHAIRMAN JOHNSON said the overages of the 6 mill levies are given to the Board of Regents, who re-allocate the money to the units that need it the most as a fairness issue.

REP. KADAS said this motion will eliminate the distribution of the 6 mill levies, and establish dollar amounts by unit budgets.

Taryn Purdy informed the committee they are dealing with two issues: the six mill levy to offset the general fund within each of the units; and the allocation of the reduction and the

methodology used by the committee or the Governor's proposal. She said when the committee deals with other specific issues within the Governor's recommendation, the committee is looking at issues in which the Governor has not made any allocation on. She said the committee can look at all of the issues and decide if they will adopt them and how they will or will not allocate each of the issues.

REP. KADAS said the Board of Regents have available \$1.8 million in equities that resulted from the committees' appropriation levels by campus from the regular session. He felt the regents used the knowledge to resolve inequities that were a result of the appropriation levels by campus from the regular session. He said these motions change that and now the question is will the committee give the regents the same flexibility they had before. There won't be any money next year because the committee will be appropriating where it should go with these motions by line itemizing. He felt that **CHAIRMAN JOHNSON'S** motion will leave the flexibility in for the regents to distribute after these motions are taken.

Taryn Purdy said the committee can take what the intent of the Governor's budget is, which states that regardless of where the 6 mill levy goes it will offset general fund; i.e., if one dollar of six mill levy is sent it will offset one dollar of general fund, and no one's budget will change except there will be a funding switch.

REP. KADAS said the one alternative is the regents are required to reduce campus budgets by \$6 million at their discretion and dollar for dollar replace that \$6 million with 6 mill levy money. **Taryn Purdy** said that is an option if the committee wishes to give the regents that authority.

Motion: **REP. KADAS MADE A SUBSTITUTE MOTION THAT THE \$6 MILLION OF THE GENERAL FUND FOR THE SIX UNITS SHALL BE REDUCED BY \$6 MILLION AND REPLACED DOLLAR FOR DOLLAR WITH 6 MILL LEVY REVENUE AT THE DISCRETION OF THE REGENTS.**

REP. KADAS said before the committee met the regents had \$1.8 million to distribute where they saw fit. This motion will change the circumstances that created the allocation, and the \$1.8 million will be increased to \$6 million. He said the additional \$4.2 million will not be distributed in the same proportion that the \$1.8 million would have been.

Taryn Purdy said there is a difference between the \$4.2 million and the \$1.8 million. The \$1.8 million is over and above the current regents appropriation. She said the \$1.8 million goes out the window with this motion because it is part of the \$6 million. She said the entire \$6 million will offset the \$6 million in general fund. There won't be additional funds for any of the units. She asked if it is the wish of the committee that each campus be held harmless on the impact of this motion and the

bottom line appropriation not change, or that the Board of Regents be given the flexibility to tell the units what general fund reduction they will receive, but also give them the total \$6 million in 6 mill levy to re-distribute. The end result of this would be that the regents would have the option to provide some equity by providing more six mill levy increases than general fund reductions to particular lump uses.

SEN. SWYSGOOD said it is the intent of his motion to hold the campuses harmless.

SEN. BIANCHI said there are two motions, **SEN. SWYSGOOD'S** motion to hold the units harmless, and **REP. KADAS'** motion to leave it up to the discretion of the regents to distribute.

Motion: **REP. KADAS WITHDREW HIS MOTION.**

Vote: **SEN. SWYSGOOD'S MOTION** carried 6 - 0.

Motion: **SEN. SWYSGOOD MOVED TO ACCEPT ITEM #2 TO ELIMINATE STATE FUNDING FOR CREDITS TAKEN IN EXCESS OF THOSE NECESSARY TO GRADUATE.**

Motion/Vote: **REP. PECK MADE A SUBSTITUTE MOTION TO TABLE ITEM #2. Motion** carried 4 - 2 with **SENS. SWYSGOOD AND BECK** voting no.

Motion/Vote: **SEN. BECK MOVED TO TAKE AN ADDITIONAL \$6 MILLION GENERAL FUND REDUCTION OUT OF THE UNIVERSITY SYSTEM AND ALLOW THE BOARD OF REGENTS TO DELEGATE WHERE THE ALLOCATION WILL GO. Motion** carried 4 - 2 with **REP. PECK AND SEN. BIANCHI** voting no.

RECONSIDERATION ON THE TRANSPORTATION ISSUE FOR OPI

Gail Gray, OPI, said the consequence of not adding the additional funding back into OPI for drivers education other than the money that was received by OBPP for the program will cut 3.5 FTE and leave .5 FTE motorcycle safety specialist, 1 FTE for the drivers education specialist, and 1 FTE support person. She said the OPI's mission will be to ensure the continuation of the drivers education program at the high school level with certified instructors, etc. She said they have to keep these programs to continue the insurance benefits for the students.

REP. KADAS wanted to know what services will be eliminated if the committee doesn't act on this issue? **Ms. Gray** said all of the bus safety; the training of bus drivers; and all of the publication and training programs.

REP. KADAS asked **Gail Gray** what would happen if the committee only allowed OPI \$100,000 for the programs instead of the \$150,000 they asked for? **Ms. Gray** said they would lose two FTE's, but would be able to continue the bus safety and drivers training program, and the high school drivers education program.

Motion/Vote: REP. KADAS MOVED TO ADD \$100,000 TO COVER THE BUS TRAINING PROGRAM. Motion carried 5 - 1 with CHAIRMAN JOHNSON voting no.

Motion: REP. KADAS MOVED TO ELIMINATE ALL OF THE STATE SUPPORT FOR TRANSPORTATION AND INCREASE THE SPECIAL EDUCATION TO \$800,000 AND DEDICATE IT TO THE SPECIAL ED TRANSPORTATION TO BE CONTINGENT ON SEN. BLAYLOCK'S BILL.

REP. KADAS explained SEN. BLAYLOCK'S bill. It eliminates the state's share of transportation which is approximately \$8 million which the locals match with a mandatory levy and will also be eliminated. He said the combination of the two dollar amounts will fund transportation beyond the three mile limit. SEN. BLAYLOCK'S bill will eliminate the authority of the trustees to levy those mills and will require the mills be voted. If an urban district wants to carry on transportation within the three mile limit it will require a vote, and the same outside of the three mile limit. He said there is loss in this for everyone it doesn't favor any jurisdiction over another jurisdiction. He said looking at the priorities the committee is faced with setting it is better to preserve the integrity of the academic instruction/program, and turn transportation back over to the local jurisdiction and give them 100% authority to find a way to fund it.

REP. PECK said if there is one transportation program that is abandoned, i.e., if a local trustee or a district votes down for transportation it will save money from the taxpayer's pocket. He said currently that the citizens are obligated to pay 50% of the schedule and it comes from the same pocket. He said the motion will save money and will take a \$10 million obligation off of the state's back and will be a step forward to take care of the \$18 million problem that was presented to the committee yesterday.

Vote: Motion failed 3 - 3 for the committee to reconsider their action from this morning with CHAIRMAN JOHNSON, SENS. BECK AND SWYSGOOD voting yes.

UNIVERSITY SYSTEM

REP. KADAS informed the committee that there is a question about what level of the 6 mill revenue did the committee adopt, and what are the consequences if the money doesn't come in at the level it is adopted? He said there is a reversion when the money comes in higher, but what happens to the system if it comes in lower? Will they have to seek a supplemental. He said there are two numbers, one from the budget office per total reversion and one from the LFA has estimated a number which is \$200,000 lower.

Taryn Purdy said Terry Johnson from her office has estimated on-going revenues in the first year of \$13.74 million compared with the executive proposal of \$13.8 million. In the second year the executive proposal have estimated \$14.080 million and Terry

Johnson has estimated \$13.899 million, which doesn't include any loss from the Governor's proposed personal property tax reimbursement of \$100,000. **CHAIRMAN JOHNSON** asked what the total is of the two numbers? **Ms. Purdy** said on the executive side the estimate is \$27.948 million, and Terry Johnson estimates \$27.643 million, a difference of \$300,000 plus.

REP. KADAS said to clarify the issue he wants to adopt the LFA numbers and include language that if the level is short, the regents be instructed to seek a supplemental (which is the same language as pre-1989), and if it is over that number the funds will revert back to the general fund.

Motion/Vote: **REP. KADAS** MOVED TO ADOPT THE LFA FIGURES AND ENSURE THAT THERE IS A REVERSION IF REVENUES ARE OVER THE LFA FIGURE; AND TO SEEK A SUPPLEMENTAL IF THEY ARE SHORT. Motion carried 5 - 1 with **SEN. SWYSGOOD** voting no.

REP. KADAS asked **Taryn Purdy** if the committee needs to clarify if the overages will revert? **Ms. Purdy** said yes, because without any action from this committee the language currently in the bill will stand.

Motion/Vote: **REP. KADAS** MADE THE MOTION THAT IF REVENUES RECEIVED UNDER THE PROVISIONS ARE LESS THAN THE APPROPRIATED AMOUNT FOR FY 1994 AND 1995, THE OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION MAY REQUEST A SUPPLEMENTAL APPROPRIATION UNDER THE PROCEDURES CONTAINED IN THE STATUTES GOVERNING SUPPLEMENTALS, MAY BE NO MORE THAN THE DIFFERENCE BETWEEN ACTUAL REVENUES AND THE APPROPRIATION FOR EACH FISCAL YEAR. Motion carried 4 - 2 with **REP. PECK** AND **SEN. SWYSGOOD** voting no.

Taryn Purdy distributed information on the six mill language. She said currently the legislative intent is within the Commissioner of Higher Education (CHE) there would be a negative general fund appropriation equal to the millage that is appropriated, and a positive millage with the appropriation within CHE. She informed the committee there are two issues: 1) if they want accompanying language which specifies that the money is for the Board of Regents to allocate among all of the units in the university system, or among the six units of the university system; and 2) this will influence the language. If the six mill levy authority is given to the commissioner's office it will need to be adjusted to state "included within the six university units and the office of the Commissioner of Higher Education". **EXHIBIT 3**

REP. KADAS said the committee should specify that the money be allocated within the six units. He said in the past the commissioner's office has utilized any excess money within their own budget.

Motion/Vote: REP. KADAS MADE THE MOTION THAT THE MONEY BE SPECIFICALLY ALLOCATED WITHIN THE SIX UNITS OF THE UNIVERSITY SYSTEM. Motion carried 6 - 0.

Taryn Purdy said the second part of writing the bill is the \$6 million reduction the committee just voted on. Her understanding is there will be a negative general fund appropriation in CHE. She asked how will other funds be made up for the Board of Regents. If they add in tuition what authority do they have to add it in the process if it isn't included in the bill. She asked if it will be done by a budget amendment? She further stated that when budget amendments go before the finance committee and are reviewed by the fiscal analyst staff, there is a possibility of an issue that it will not meet the budget amendment criteria, because it isn't used for new services and/or that the legislature could have possibly known about the funds before they were added in. She said Bill Baker has been straight forward that the Board of Regents will raise tuition by a certain level, and if that is done the budget amendment law takes precedent whatever is placed into HB 2. Language can be added into HB 2 that the Board of Regents may budget amend these funds. If there is a problem with the budget amendment law than the budget amendment criteria, that law will supersede the committee's language. She asked the committee members if they see a potential problem, or whether or not they wish to specify any particular level of other funds which could be used to offset any part of the \$6 million.

REP. PECK said the regents have not indicated that they will recover the \$6 million, and thought the commissioner felt the same way. His contacts informed him that the regents did not say that. He said the committee doesn't know if those funds will be available and felt that the indication in the budget amendment law isn't there. He said there is a question of additional services in the budget amendment process in terms of the finance committee. He thought the finance committee would go along with the planning of this subcommittee.

Taryn Purdy said the finance committee has the opportunity to review the budget amendments, but the final authority as to whether it is added in is up to the Board of Regents; but the Board must follow law regardless of what the finance committee does. She said it must be a legal budget amendment to certify it.

REP. PECK wanted a gray bill drafted without any figures so that he may talk with the University System to find the best way to handle this. If the University System collects tuition between now and the end of the special session, the committee will have reason to fall under the budget amendment law and will have to deal with the issue during the session.

Taryn Purdy informed the committee they need to decide if they want all of the \$6 million reduction to be taken in 1995 or some

allocation taken in 1994. **REP. KADAS** asked if they could make it biennial? **Mr. Purdy** replied yes.

Motion/Vote: **REP. KADAS MOVED TO MAKE THE \$6 MILLION ALLOCATION BIENNIAL. Motion carried 6 - 0.**

Taryn Purdy asked if the proposal to reduce general fund in the Bureau of Mines \$100,000 is included in the \$6 million? **SEN. SWYSGOOD** said it is not.

Taryn Purdy said that when she writes the language, the \$6 million is potentially applied against all units of the university system, which will include the Bureau of Mines, the six units, the vo-techs, and the Commissioner of Higher Education, and asked if that is the intent of this committee? **SEN. SWYSGOOD** said that is correct.

Taryn Purdy informed the committee when they appropriate the \$3.212 million balance in the six mill levy amount it is appropriated to the Board of Regents to distribute to the units and takes away an equal amount of general fund. The \$1.8 million currently requested by the Montana University System is included in the \$3.212 million. When it is appropriated and takes away the general fund by the same amount it is gone. The budget amendments will be of no value because there won't any money out there to add.

REP. KADAS said it is his understanding that the natural resource subcommittee left the issue of the \$100,000 for the water assessment program in the Bureau of Mines to be acted on by this committee.


Motion/Vote: **SEN. BECK MOVED THAT THE \$100,000 BE LEFT WITH THE MONTANA SCHOOL OF MINES FOR THEIR GROUND WATER ASSESSMENT PROGRAM. Motion carried 6 - 0.**

November 19, 1993

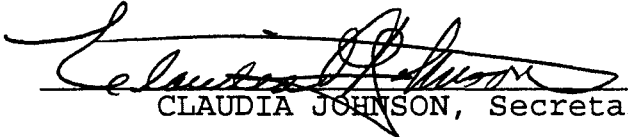
Page 17 of 17

ADJOURNMENT

Adjournment: 2:39 p.m.



ROYAL JOHNSON, Chairman



CLAUDIA JOHNSON, Secretary

RJ/cj

HOUSE OF REPRESENTATIVES

EDUCATION AND CULTURAL RESOURCES SUB-COMMITTEE

ROLL CALL

DATE 11-19-93 BILL NO. _____ NUMBER _____

MOTION: _____

NAME	AYE	NO
REP. ROYAL JOHNSON, CHAIRMAN	✓	
SEN. DON BIANCHI, VICE CHAIRMAN	✓	
REP. MIKE KADAS	✓	
SEN. TOM BECK	✓	
REP. RAY PECK	✓	
SEN. CHUCK SWYSGOOD	✓	

JOINT HOUSE SENATE EDUCATION SUBCOMMITTEE

EXECUTIVE ACTION

OFFICE OF PUBLIC INSTRUCTION

Executive Budget Proposals:

- 1) Transfer \$65,936 in General Fund from Fiscal 1994 to Fiscal 1995. This represents general fund savings from the elimination of 2.50 FTE in Fiscal 1994. These fund would be used in fiscal 1995 to continue the administration and curriculum development of driver's education programs. If legislation transferring the traffic education revenue to the general fund is not enacted then the \$65,936 would be removed from fiscal 1994, but not added to fiscal 1995.

- 2) Reduce \$110,620 in state special revenue from Fiscal 1995. This is the amount appropriated in HB2 for drivers education.

This action should be contingent upon the passage of legislation eliminating state support of drivers education and transferring all revenue to the general fund.

- 3) Remove the following language from Section E of HB2 which pertains to traffic education funds:

"All revenue received in the state traffic education account under the provisions of 20-7-504 is appropriated as provided in Title 20, chapter 7, part 5."

This action should be contingent upon the passage of legislation eliminating state support of drivers education and transferring all revenue to the general fund.

The total impact of the above three items in the budget of OPI is a reduction of \$258,557.

ISSUE SHEET SUMMARY - EXECUTIVE ACTION

Montana University System

- I. Appropriation Methodology
 - A) Committee allocation of reductions
 - B) Board of Regents allocation of reductions
- II. Appropriation Level
 - A) Governor Proposal: \$12 million reduction
 - B) CHE Proposal: \$6.67 million reduction
 - C) Other
- III. Six Mill Levy Amount
 - A) Amount of six mill levy funds available
 - 1) Fund balance
 - a) Governor's proposal: \$3.212 million
 - b) CHE proposal: \$1.36 million
 - 2) On-going revenues
 - a) Governor, CHE: \$1.350 million FY94; \$1.513 million FY95
 - b) LFA update: \$1.226 million FY94; \$1.332 million FY95
 - 3) Impact of Supreme Court decision on property reappraisal:
Unknown.
 - 4) Impact of Governor's property tax relief: reduction of \$100,000 per year beginning in fiscal 1995 (not included in Table 1 - Six Mill Levy Revenues)
- IV. Tuition Increases
 - A) Nonresident, only
 - 1) Executive proposal.
Increase: \$1,100 per year MSU, UM, MCMST. \$50 per year EMC, NMC, WMCUM. Total 28.3 percent increase at MSU, UM, MCMST. Total 2.8 percent increase at EMC, NMC, WMCUM.
Revenues: approximately \$3.9 million per year
 - 2) Uniform increase
Increase: \$950 per year MSU, UM, MCMST. \$868 per year EMC, NMC, WMCUM. Total 24.4 percent increase.
Revenues: approximately \$3.5 million per year.
 - B) Resident and Nonresident
 - 1) Uniform increase
Increase: \$103 per year for all residents. \$296 per year MSU, UM, MCMST. \$270 per year at EMC, NMC, WMCUM. Total 7.6 percent increase.
Revenues: approximately \$3.5 million per year.
- V. Tuition Allocation
 - A) Legislative appropriation
 - B) Allocation to Board of Regents

Potential Language - Six Mill Levy Funds

"Included within state special revenue to the six university units is the sum of \$-- in fiscal 1994 and \$-- in fiscal 1995 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 \$-- in fiscal 1994 and \$-- in fiscal 1995 are appropriated to the office of the commissioner of higher education and must cause a reversion of a like amount of general fund. If revenues received under the provision of 20-25-423 are less than \$-- in fiscal 1994 and \$-- in fiscal 1995, the office of the commissioner of higher education may request a supplemental appropriation under the procedures contained in 17-7-301 for distribution to the university system. The supplemental request may total no more than the difference between actual revenues and the appropriation in each fiscal year.



EXHIBIT 4
DATE 11-19-93
HB EDUCATION
SUBCOMMITTEE

OFFICE OF PUBLIC INSTRUCTION

**STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095**

**Nancy Keenan
Superintendent**

October 19, 1993

TO: Dave Lewis, Budget Director
FROM: Nancy Keenan
SUBJECT: Budget Reduction Options

I appreciated you taking the time to meet with Jack Copps, Gregg Groepper and Kathy Fabiano last Friday to discuss your budget recommendations and consider our alternatives. As a result of that meeting I understand that general fund cuts to state agency budgets will average approximately 4% under the Governor's proposal. I have used that average as a target for our suggestions. If cuts of a greater magnitude are applied to all agencies, I would propose reducing operating expenses and using vacancy savings to meet our fair share of any additional reductions.

I would like to propose the following reductions to our general fund operating budget in lieu of eliminating the entire Traffic Education Division:

First, as a result of reorganization in the Office of Public Instruction, I have eliminated, as a separate department, the Department of Education Technology and consolidated some of my operating divisions. That reorganization will allow me to reduce the FTE of the office by 6.5 FTE or 4.6% of my total FTE. That amounts to 2.5 FTE from the general fund and 4 FTE from other funds. I would propose submitting a B212 form before the session on these reductions.

Second, as my staff recommended at the Appropriations Subcommittee meeting in July, we will surrender \$78,000 in general fund each year of the biennium and not pay the local area network charges billed us by the Department of Administration. That amount is \$156,000 for the biennium or 4.3% of our annual general fund administrative budget of \$3,600,000, not counting the earlier mentioned FTE reductions.

Dave Lewis
Page Two
October 19, 1993

Finally, we would propose reintroduction of HB 106 from the last session. The effect of HB 106 would be to make self-sufficient teacher/administrator certification by increasing license fees to a level that would pay the general fund cost of professional certification of teachers, principals and administrators. Fully implemented, this recommendation would save \$300,000 each biennium. If the implementation were effective January 1, 1994, the savings would be \$225,000.

If all three of the above proposals are adopted, the reduction in the Office of Public Instruction general fund administrative budget would be \$381,000 + personal services for 2.5 FTE general fund. That amount is well in excess of 4% of our annual general fund administrative budget.

We remain opposed to freezing enrollments or delaying implementation of the Special Education funding reform bill as further cuts in K-12 education. However, if it is the intent of the Governor and the Legislature to make additional cuts to public education funding in Montana, it is important that the integrity of the instructional day be maintained and we not add students to already overcrowded classrooms. Any cuts to public education should hold these areas harmless if we are to maintain the quality of our education system in Montana.

As an alternative to freezing enrollments and delaying special education implementation, we would like to explore handling the county retirement levy in a manner similar to the county equalization account. End of FY93 fund balances in the county retirement fund amounted to \$8.5M. Handling these funds in a manner similar to county equalization would generate a one time savings to the state of \$8.5M.

I appreciate the spirit of cooperation on this difficult issue. I hope we can keep up the cooperative relationship throughout the session.

cc: Finance & Claims/Appropriations
Education & Cultural Resources Subcommittee
Robert "Skip" Culver, LFA



EDUCATION
CULTURAL
11-19-93

OFFICE OF PUBLIC INSTRUCTION

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095

Nancy Keenan
Superintendent

October 21, 1993

TO: Curt Nichols
FROM: Gregg Groepper
SUBJECT: Detail Information on Budget Reductions

Attached is a spreadsheet detailing personal services reductions for the positions we proposed eliminating. The spreadsheet assumes that by voluntarily reducing staff in FY94 we would retain 50% of the savings in FY95 and beyond under SB71. I have also included the savings associated with the other reductions we proposed.

Total general fund administrative reductions, if all our recommendations are acceptable, is \$500,930.

In addition to the general fund personal services reductions, there is \$4,000 savings in operating expenses associated with the data processing position. That position had been budgeted for FoxPro training in FY 94. There are no other operating expenses directly associated with the general funded positions being eliminated. The positions did not travel other than for training and did not generally have public contact in their job responsibilities.

Concerning the federally funded positions, it did not make sense to reduce operating expense authority because it did not save any general fund money.

I appreciate your willingness to consider offsetting proposed general fund FTE and dollar reductions against reductions in Traffic Education staff.

OFFICE OF PUBLIC INSTRUCTION

Budget Reduction Options
94-94 Biennium

PERSONAL SERVICES REDUCTION			
Position Description	FTE	Fiscal 1994	Fiscal 1995
<i>General Fund</i>			
Programmer/Analyst	1.00	\$30,000	\$15,000
Accounting Tech	1.00	20,650	10,325
Personnel Tech II	0.50	13,286	6,643
<i>Sub-total G.F.</i>	2.50	\$63,936	\$31,968
<i>Federal Fund</i>			
Education Program Rep	1.00	35,512	17,756
Accountant	1.00	30,702	15,351
Accountant	1.00	30,702	15,351
Education Pgm Mgr	1.00	39,159	19,580
<i>Sub-total Fed. Fund</i>	4.00	\$136,075	\$68,038

OPERATING EXPENSE REDUCTION			
Description		Fiscal 1994	Fiscal 1995
<i>General Fund</i>			
Programmer Expense		\$2,000	\$2,000
Local Area Network Fees		78,240	78,240
Certification (assumes 1/1/94 eff. date)		81,489	162,977
<i>Sub-total G.F.</i>		\$161,729	\$243,217

TOTAL REDUCTIONS			
	FTE	Fiscal 1994	Fiscal 1995
General Fund	2.50	\$225,665	\$275,185
Federal Fund	4.00	136,075	68,038
TOTAL	6.50	\$361,740	\$343,223

2-17-424 through 2-17-430 reserved.

2-17-431. Costs. The department of transportation may charge the individual state agencies using the motor vehicles the actual costs for administration and their maintenance, service, storage, and replacement.

History: En. Sec. 2, Ch. 320, L. 1971; amd. Sec. 174, Ch. 316, L. 1974; amd. Sec. 2, Ch. 355, L. 1974; R.C.M. 1947, 53-515(part); amd. Sec. 3, Ch. 512, L. 1991; amd. Sec. 8, Ch. 535, L. 1991.

2-17-432. Violation a misdemeanor. A state officer or employee violating this part is guilty of a misdemeanor.

History: En. Sec. 8, Ch. 320, L. 1971; amd. Sec. 180, Ch. 316, L. 1974; R.C.M. 1947, 53-521; amd. Sec. 9, Ch. 535, L. 1991.

Cross-References

Misdemeanor, 46-18-212.

Part 5 Data Processing

Part Cross-References

Legislative Branch computer system planning, Title 5, ch. 11, part 4.

Telecommunications and data processing contracts — application of purchasing laws, 18-4-132.

Telecommunications and data processing contracts — terms, extensions, and time limits, 18-4-313.

2-17-501. Responsibilities of director of department of administration for data processing. (1) Except as provided in subsection (2), the director of the department of administration, in cooperation with state agencies, shall:

(a) establish policies and a statewide plan for the operation and development of data processing for state government;

(b) review and approve agency specifications and procurement methods for the acquisition of data processing equipment;

(c) review and approve agency specifications and procurement methods for the acquisition of software to ensure network compatibility and conformity with the statewide data processing plan;

(d) review and approve all contracts for private sector data processing services to ensure conformance with the statewide data processing plan and statewide data network; and

(e) operate and maintain a central computer center and a statewide data network for the use of all state agencies and political subdivisions.

(2) (a) The responsibilities of the director under subsections (1)(b), through (1)(d) do not apply to the Montana university system or to the office of the superintendent of public instruction. The university system and the office of the superintendent of public instruction are exempt from the requirements of subsections (1)(b) through (1)(d) unless a data processing activity proposed by the university system or the office of the superintendent of public instruction affects the operation of the central computer center or the statewide data network. If the university system or the office of the superintendent of public instruction determines that the central computer center or the statewide data network will be affected by the proposed activity, the

Rick V. Weaver, Publisher
Steve Miller, Managing Editor
Boots Gifford, Sports Editor

Tuesday 11/12/93
↓

EDUCATION + CULTURAL
RESOURCES
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Guest opinion

Reinventing the university system

Special session of Legislature affords unique opportunity to address concerns

By Rob Natelson

"It's like they will become like Montgomery Ward's and Sears, offering their products in competition with each other." — MUS administrator summing up fears of University restructuring.

The special session of the Montana Legislature affords an opportunity to address fundamental problems in the Montana University System (MUS) — both the four-year campuses and the five vocational-technical centers. Despite the fear expressed in the quotation above, the key to success is not less competition, but more. And the means of success will be a basic change in state funding, coupled with more decentralized management.

As most Montanans know, MUS is an expensive proposition. In the current biennium, university system appropriations exceed \$400 million, most of which comes from taxes: \$145 million for the general fund and \$31.4 million for property taxes. In other words, MUS tax revenues average about \$833 per Montana household.

Despite this huge investment, even those of us who are proud of the system acknowledge that it is deeply flawed.

There is, for example, a general consensus that despite the huge state contribution, resources often are short. Salaries rank at or near the bottom of the nation in nearly every category, rendering it difficult to recruit and retain top-flight personnel. Many classes are overly large or taught by untrained graduate students. There are numerous unmet capital needs. There is widespread belief that resources are wasted on "professional students" and on others who are not serious about their education. And the system heavily subsidizes non-residents, who comprise over 27 percent of those enrolled on the four-year campuses but whose families have

port.

Other defects in MUS are less widely understood. One such defect, in my opinion, is that the system is plagued by micro-management. MUS employees are constrained by the directives of the Regents, the Commissioner's office, by the administrative hierarchy on each campus, and by the Legislature.

Moreover, in my view, the incentives at MUS tend to favor empire-building and status quo thinking over cost-saving and innovation. The records of Montana's Incentive Awards Advisory Council demonstrate the point. In the 11 years since the council was created, state employees have submitted 701 ideas to save money or to improve service. Of those 701 ideas, only five have originated from employees of our universities — supposedly Montana's brain trust.

Organizations characterized by centralized hierarchies and poor incentives do not use resources well. Such organizations add personnel rather than increase the productivity of existing staff. They shun efficiencies such as competitive contracting. They divert scarce resources toward the "politically correct." And they are slow to respond to consumer needs.

With few exceptions, the fault with MUS rests not in its people but in its organization. It is an organization managed by bureaucrats and funded by politicians. No wonder it seems more responsive to bureaucrats and politicians than to consumers.

Because of its real and perceived defects, MUS has been the subject of endless trench warfare between liberals and conservatives. Liberals argue for more money without fundamental change. Conservatives contend for consolidation and other forms of centralization. Neither side seems to be able to win, but the political battles have taken their

In my opinion, neither side has won because neither side deserves to. Traditional liberals are wrong, because if the system is broken, it makes no sense to pour more money into it. Traditional conservatives are wrong because if centralized bureaucracy is the problem, then it makes no sense to consolidate further.

Montana can spend less tax

In my view the incentives at MUS tend to favor empire-building and status quo thinking over cost-saving and innovation.

-- Rob Natelson

money on higher education if Montana invests that tax money more wisely. Here's how the special session can begin to improve the system:

- The Legislature should change its general fund appropriations so that, beginning July 1, they go to Montana Higher Education Scholarships instead of to the regents. Each resident student would be entitled to a scholarship for a limited period—for example 10 semesters.

- Montana Higher Education Scholarships could be redeemed at any MUS unit (including vo-tech schools) and perhaps at community colleges.

- Scholarships might be available for existing nonresident students at a reduced amount during a three year phase-out period. After the phase-out period, all scholarship aid to nonresidents would cease.

- Individual campuses could keep permanently all scholarship money they redeemed.

- The Legislature should eliminate all line items in the MUS budget and should stop dictating how MUS uses its money.
- The Legislature should amend

cies in general, as well as MUS. Necessary amendments include easing restrictions on competitive contracting and improving the employee incentive awards program.

- The Legislature should refer to the people a constitutional amendment that would (a) send property tax money into scholarships, (b) assure campus-based administration, and enable Montana's privat

and tribal colleges to compete for Montana Higher Education Scholarships. The amendment likely would weaken (or abolish) the regents, the commissioner's office or both.

Virtually all MUS constituencies would win from these changes. Taxpayers would win because competition among campuses would encourage more efficient use of tax dollars. Students would win because they would control the primary source of MUS money. And MUS employees would win because they would have the freedom and incentives they need to do their jobs better.

And all Montana would win with a university system whose future was tied more to consumer choice than to the fortunes of political warfare.

Natelson is professor of law at the University of Montana and chairman, Montanans for Better Government. The opinions expressed are those of the author and not necessarily those of any institution.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Education & Culture SUBCOMMITTEE

DATE 11-19-93

DEPARTMENT(S) _____

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