

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

JOINT SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By REP. ROYAL C. JOHNSON on January 3, 1995, at
8:00 AM

ROLL CALL

Members Present:

Rep. Royal C. Johnson, Chairman (R)
Sen. Daryl Toews, Vice Chairman (R)
Rep. Don Holland (R)
Sen. Greg Jergeson (D)
Rep. Mike Kadas (D)
Sen. Arnie A. Mohl (R)

Members Excused: None

Members Absent: None

Staff Present: Skip Culver, Legislative Fiscal Analyst
Sandy Whitney, Legislative Fiscal Analyst
Amy Carlson, Office of Budget & Program Planning
Curtis Nichols, Office of Budget & Program
Planning
Paula Clawson, Committee Secretary

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

Committee Business Summary:

Hearing: Orientation, Supplementals
Executive Action: None

Orientation

Tape 1, Side A

CHAIRMAN ROYAL JOHNSON called the meeting to order and welcomed new members. A schedule of the subcommittee meetings was distributed. He instructed committee members to please feel free to question witnesses without going through the chair, although he would invoke the chair's prerogative to stop a questioning session if he felt it was appropriate. **CHAIRMAN JOHNSON** said that witnesses who would probably be involved in long testimony would be invited to have a seat at the table during their testimony rather than stand at the podium. He stated that all meetings would start at 8:00 AM, Monday through Friday, with either himself or Vice-Chairman Toews presiding. During this

first week, **CHAIRMAN JOHNSON** did not anticipate Executive Action unless necessary for supplementals. Monday, Jan. 9, is an open day on the schedule, available for any bills that may come in during the first week.

CHAIRMAN JOHNSON explained that the budget discrepancies between the two authorities are being examined by a working group during the next several days. He asked **Sandy Whitney, Legislative Fiscal Analyst**, to provide an explanation of how the budget is presented in the book. **EXHIBIT 1**

Tape 1:A:216

Ms. Whitney directed the committees' attention to Page E-48 of the budget to use as an example for understanding the layout of the budgets. HB 7 in 1993 changed budgets from a two-tier to a three-tier approach. **Ms. Whitney** explained these **DEFINITION OF TERMS:**

Actual Expenditures: All expenditures for Fiscal 1994 are included.

Base Budget 1994: The total actual expenditures for fiscal 1994, less limited items such as budget amendments, one-time appropriations, and other miscellaneous non-ongoing costs.

Present Law Base Adjustment 1996: Adjustments to Base for increases such as inflation, fixed costs, pay plan, enrollment increases, and building maintenance.

Present Law Budget 1996: This is Base plus Present Law Adjustment.

TOTAL EXECUTIVE BUDGET: This is the Present Law Budget plus New Proposals.

Ms. Whitney talked about how the budget gets increased. The 1994/95 Biennium total compared to the 1996/97 shows a substantial increase. The increase may include items such as: the pay plan which was approved for the last half of Fiscal 95 and annualized; inflation costs in selected categories that the LA and Budget Office have agreed upon; fixed costs including audits. The biggest difference in higher education is for enrollment increases. This budget does not contain the University units, but it does contain the community colleges.

The Executive Budget New Proposal summary (E-49) shows new proposals costs, but the explanation of these proposals are found in individual program descriptions. E-57 is an example of a program budget, which shows the "big ticket" items that were added to the base to reach present law. If there are changes, the narrative makes an issue of it, such as **Funding Method Changes** on E-58. E-59 shows how new proposals are explained by program.

Ms. Whitney pointed out that the various parts of the budget are explained in Volume 1, Page Agency 1.

Ms. Whitney distributed a copy from a page (E-9) of 1993 HB 2. She pointed out that items 13 and 15 look like appropriations,

but are really negatives. Negatives cannot be shown in the bill, so it must appear as a positive even though it is subtracted out of the total. Because the negatives cannot be shown in bills, these items can basically be found by adding the figures and checking the totals. LFA is discouraging putting in negative appropriations, because from an accounting and technical standpoint it is difficult to handle. This is particularly important because the executive budget contains new proposals, particularly for personnel services reductions, that are negatives. The technical aspects of how to handle these negatives have not been worked out yet. ... On an agency wide basis, agency savings and a budget balancing reduction can be done as a negative, but when looking at particular programs within an agency, a negative appropriation is actually a reduction to present law and should be rolled into present law.

Ms. Whitney spoke to the requests for spending authority in conjunction with grants. When the agency has grants in hand (or reasonable acknowledgement of grant award) the spending authority is totally proper. When the agency has applied for a grant, but doesn't know if they're going to get it, the position the Fiscal Analyst has taken is that the extra spending authority should not be included. If the spending authority is included and they don't get the grant, they may move that authority, and it might get used for something that the committee did not intend. The agency does have the ability to do a budget amendment in the interim if they get funds that can not be anticipated at this time, so they do still have a way to access these grants.

Ms. Whitney reported that when the subcommittee is requesting particular language in the bill, Clayton Schenck, the Fiscal Analyst, has asked that he and the editors be allowed to approve the language before the subcommittee takes final action. This insures that this language does not conflict with other statutes or is legally inappropriate.

Tape 1:A:750

Curtis Nichols, Office of Budget & Program Planning, commented that HB 7 from 1993 laid out how the budget should look. He pointed out that in previous sessions the subcommittee saw current levels which included inflation, and fixed costs adjustments such as legislative audit, maintenance, capitol improvements; this year the base figures don't include those routine cost increases and can be found in the adjustments column. S8-11 can be found the total expenditures for 1994. **Mr. Nichols** said that this year they tried to estimate what they believed would be available for appropriations, and there are some increases. He also noted that additional authority can be moved elsewhere within the same fund.

Tape 1:A:1270

REP. KADAS asked **CHAIRMAN JOHNSON** if the subcommittee will be making decisions about global issues, which other subcommittees will also be considering, or will these issues be dealt with at

the committee level? **CHAIRMAN JOHNSON** believes they will be dealt with on a subcommittee level, but will check on that point.

HEARING ON OFFICE OF PUBLIC INSTRUCTION: TRANSPORTATION
SUPPLEMENTAL

Tape 1, Side B

Kathy Fabiano, Office of the Superintendent of Public Instruction, explained that in Fiscal 1994, OPI was short approximately \$800,000.00 for their fixed-by-law obligations to school districts. In order to meet these obligations, OPI moved funds from Fiscal 1995 to Fiscal 1994. OPI is requesting that the 1994 \$800,000.00 shortage be replaced as well as \$900,000.00 for Fiscal 1995.

The payment to school districts is based on a variety of criteria, including the number of bus routes a school district operates, how large the buses are, the ridership figures, and the budget by the school district. It's impossible to tell exactly what the increase is attributed to since these factors will be different in different districts. These variables together determine the state's obligation for payment to school districts.

Tape 1:B:70

VICE-CHAIRMAN DARYL TOEWS questioned if the \$800,000.00 was in addition to a transportation increase that had been originally included in 1993/94. This amount seems to be a long ways off the mark if an increase had been made. **Ms. Fabiano** responded that she believes the 93/94 budget was driven by the actuals for 1991/92 and no increase was requested. **Skip Culver, Legislative Fiscal Analyst**, concurred with Ms. Fabiano's answer. **Ms. Fabiano** said that in the past there have been supplementals for transportation, in 1989 and in 1993. She also pointed out that this supplemental request for \$1,700,000.00 total, is the maximum obligation of the State. In the past OPI has set the estimate at somewhat less than the maximum obligation. Hopefully OPI will be able to revert some portion of the maximum.

REP. MIKE KADAS asked what methodology was used in determining the Fiscal 1996/97 budgets for transportation. **Ms. Fabiano** answered that the estimate is based on what OPI estimates the claims to be. If school districts budget less than they claim, OPI only pays up to budget. Claim have historically increased \$100,000.00 annually and that is again anticipated.

REP. KADAS said, "if this subcommittee wanted to do something really beneficial for the state, we'd go in and overhaul the mechanism for distributing transportation moneys. ... it would be a good thing because it doesn't make any sense the way it is now." **CHAIRMAN JOHNSON** responded that the subcommittee would be glad to hear Rep. Kadas suggestions about this concern.

SEN. ARNIE MOHL asked if the \$100,000.00 year increase is tied to growth? **Ms. Fabiano** answered no, OPI isn't able to track where enrollment increases are.

REP. HOLLAND asked if there is an inflation factor, cost of fuel, etc., built into the annual increase? **Ms. Fabiano** responded that there are no increase for these costs. The increases are based on number of riders. The amount per mile is set in statute and doesn't change.

Mr. Culver pointed out that the budget requests of 1996 and 1997 reflect the \$100,000.00 per year increases. **Ms. Fabiano** said that the 1994 base budget was too low to begin with, which is what has prompted the supplemental request.

CHAIRMAN JOHNSON clarified with **Ms. Fabiano** that \$1.7 million is needed for Fiscal 1995 and then an additional \$100,000.00 per year is needed for 1996 and 1997.

REP. KADAS clarified with **Mr. Culver** the budget figures of \$10.6 million for 1996 and \$10.7 million for 1997 are derived from the general fund plus the special revenue account. **REP. KADAS** commented that transportation used to be paid entirely out of general fund, but about 4 years ago the funds were split between general and foundation sources. He suggests consideration of putting transportation back under one funding source. He sees this as being advisable in light of the finance committee putting in a bill to combine the general fund and school equalization account into one account.

REP. KADAS noted that increases for both 1996 and 1997 are about \$500,000.00 each, whereas the supplemental request for 1994 and 1995 are \$800,000.00 and \$700,000.00. He asked why are the 1994 and 1995 costs higher. **Ms. Fabiano** answered that the costs aren't higher, but OPI is requesting the maximum so they won't fall short. Extra funds revert back to the general fund.

REP. KADAS clarified with **Ms. Fabiano** that the reverted money did not revert to transportation, but rather to the general fund. **Ms. Fabiano** stated that the amount to be paid to school districts for transportation is statutorily set, yet there is not a statutory appropriation to make these payments. So OPI needs to request the maximum amount possible that they may have to pay by law.

REP. KADAS questioned the results if the subcommittee denied the request. **Ms. Fabiano** responded that OPI would then have to prorate payments, but since these payments are set by statutory law, OPI has to make 100% of payments. **REP. KADAS** remarked that the school districts could sue the state if 100% payment was not made.

Mr. Culver stated that the amount of the funds transferred from 1995 is included in the 1994 base budget. **Ms. Fabiano** clarified this to state that the 1994 base showed the actual expenditure,

not the full appropriation.

CHAIRMAN JOHNSON said that no action would be taken on this supplemental at this time. The subcommittee will possibly take action on Monday, January 9, but may wait until after the OPI budget has been heard.


CLOSING COMMENTS

Tape 1:B:444


CHAIRMAN JOHNSON told the subcommittee that he would be careful not to take Executive Action unless all committee members were present or had satisfactory proxy present.

ADJOURNMENT

Adjournment: The meeting adjourned at 9:10 AM.



REP. ROYAL C. JOHNSON, CHAIR



PAULA CLAWSON, SECRETARY

RJ/pc

[THIS SESSION IS RECORDED ON 1 90-MINUTE TAPE]

EDUCATION

Joint Appropriations Subcommittee

ROLL CALL

DATE 1/3/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Royal Johnson, Chairman	✓		
Rep. Mike Kadas	✓		
Rep. Don Holland	✓		
Sen. Daryl Toews	✓		
Sen. Greg Jergeson	✓		
Sen. Arnie Mohl	✓		

	Fiscal 1994			Fiscal 1995		
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
33,521						34,024
10. Board of Regents Bond Payments (14)	216,995					111,483
11. Vocational-Technical Center Administration (15)	100,263					100,517
12. Montana Career Information System (16)			99,949			100,015
a. Additional School Services		50,051				54,985
13. Vacancy Savings	42,990					51,765
14. Personal Services Contingencies (Restricted/Biennial)	4,299		1,776			6,075
15. Budget Balancing Reduction	54,077					52,817
16. General Fund Reduction (Biennial)	6,000,000					6,000,000
17. 6-Mill Levy Offset	4,438,631	4,438,631				1,332,000
Total	40,761,295	9,490,665	18,119,770	38,371,730	40,540,588	19,992,080
	<u>32,559</u>	<u>4,438,631</u>	<u>9,178,483</u>	<u>1,332,000</u>	<u>1,332,000</u>	<u>40,108,853</u>

It is the intent of the 53rd legislature that no funds be transferred in fiscal 1994 or fiscal 1995 from the student assistance program to any other program within the office of the commissioner of higher education.

HOUSE OF REPRESENTATIVES
VISITORS REGISTER

Education

SUB-COMMITTEE

DATE 1-2-94

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Pete Joseph	MFT		

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