

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By **CHAIRMAN DARYL TOEWS**, on February 14, 1997, at 3:06 p.m., in Room 402.

ROLL CALL

Members Present:

Sen. Daryl Toews, Chairman (R)
Sen. C.A. Casey Emerson, Vice Chairman (R)
Sen. Debbie Bowman Shea (D)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Wm. E. "Bill" Glaser (R)
Sen. John R. Hertel (R)
Sen. Loren Jenkins (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Mignon Waterman (D)

Members Excused: None

Members Absent: None

Staff Present: Eddye McClure, Legislative Services Division
Janice Soft, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 313, SB 301; Posted
02/10/97
Executive Action: SB 235, SB 262, SB 285, HB
206, HB 259

HEARING ON SB 313

Sponsor: SEN. VIVIAN BROOKE, SD 33, Missoula

Proponents: Richard Crofts, Commissioner of Higher Education

Opponents: None.

Opening Statement by Sponsor:

SEN. VIVIAN BROOKE, SD 33, Missoula, said SB 313 was an act generally revising the laws in several sections of MCA to conform with current language and practice.

Proponents' Testimony:

Richard Crofts, Commissioner of Higher Education, read his written testimony. (EXHIBIT 1)

Opponents' Testimony: None.

{Tape: 1; Side: A; Approx. Time Count: 3:15 p.m.}

Questions From Committee Members and Responses:

SEN. CASEY EMERSON commented it looked like seven bills and wondered why they were not presented separately, since they would have to be acted upon separately. SEN. VIVIAN BROOKE said it was to save both bills and paper.

SEN. BARRY "SPOOK" STANG asked why the section on the university buildings was not needed. Richard Crofts said the Constitution came after this; however, he was not sure the legislature did not have the power to write other limits but he hoped they would not do that. LeRoy Schramm said the fees charged on most of the campuses exceeded the statutory limits and the legislative auditor kept giving audit exceptions. Mr. Schramm said the auditor suggested those sections in law be removed.

SEN. EMERSON wondered about the Guaranteed Student Loan Revision and the Regents administering the program. He asked who handled the loans before the Regents took over. Richard Crofts said the processing was done out-of-state (United Student Aid Fund, Indianapolis) and the reason it was brought in-state was they thought a better job could be done. SEN. EMERSON said when he went to college he understood all the loans were handled at the business office or college administration office and was surprised it had changed that much. Richard Crofts said loans were initiated on campus and the Regents took over the servicing of the loans. Arlene Hannawalt, Montana Guaranteed State Loan Program, said the financial aid officer determined the amount of loan eligibility of the student and the loan processing; the money actually came from private lenders and was backed by the federal government. Ms. Hannawalt suggested the loan program SEN. EMERSON was thinking about was the Federal Defense Loan Program (now, the Perkins Loan Program). She explained the Federal Defense Loan was handled by the colleges at a 3% interest rate and the schools were responsible for collecting the funds in the program. She said the Program never expanded because it was based on the students repaying the money into a revolving account. She also said at that time most student financial aid was in the form of grants while today it is mostly loans. Ms.

Hannawalt also said the program for student loans became too large for schools to administer; therefore, the Guaranteed Student Loan Program, which serviced about 100,000 borrowers with a staff of about 43. The staff processes loan applications, keep track of students' whereabouts and help prevent loans from going into default.

SEN. MIKE SPRAGUE referred to #6 in **Richard Crofts'** testimony and wondered about the date of deposit. **Richard Crofts** said the University System paid part of the cost of METNET -- the bill was sent to the Commissioner's office who invoiced all campuses for their share; the monies were then sent on to pay the METNET bill. **Mr. Crofts** said no specific date was needed.

SEN. LOREN JENKINS asked **Arlene Hannawalt** if her agency handled the student aid for the University units and was told it did; however, Montana State University - Bozeman was not because MSU-Bozeman's money was drawn directly from the Department of Education and borrowed from taxpayers in the form of T-Bills, which then went into federal debt. **SEN. JENKINS** wondered if "private" loan meant from a banker and was told it did; in fact, the loan was directly between the student and the lender, and **Ms. Hannawalt's** agency acted as the guarantor. **SEN. JENKINS** wondered if her agency collected from the student if he or she defaulted, and was told it did. **SEN. JENKINS** asked where the money came from to buy out the defaulted student loan. **Arlene Hannawalt** said they were reinsured by the federal government who paid 98% of every dollar paid the lender; therefore, all shared in the risk.

SEN. DEBBIE SHEA wondered who set the amount of compensation to a cooperating teacher who supervised a student teacher. **Mr. Crofts** said various campuses set their rate and the sum was more an honorarium or "thank you" note.

SEN. EMERSON asked the sponsor if she wanted the whole bill passed or would it be acceptable to amend parts of it. **SEN. BROOKE** said she did not consider SB 313 a controversial bill, so she hoped each section would be approved; however, if there were areas which were problematic, each issue was important in and of itself.

{Tape: 1; Side: A; Approx. Time Count: 3:31 p.m.}

Closing by Sponsor:

SEN. VIVIAN BROOK said she hoped the Committee would pass SB 313 intact.

HEARING ON SB 301

Sponsor: **SEN. STEVE DOHERTY, SD 24, Great Falls**

Proponents: **Michael Dahlem, Hays-Lodge Pole SD #50**

Opponents: None.

Opening Statement by Sponsor:

SEN. STEVE DOHERTY, SD 24, Great Falls, said SB 301 attempted to give flexibility to school districts who wanted to borrow money; currently, there was no such authority except through the sale of bonds, but some districts were sometimes able to borrow from federal agencies. SEN. DOHERTY asked how the money was repaid and SB 301 would answer that question, i.e. the amount borrowed could not exceed the year-end fund balance in their General Fund and Impact Aid Fund. He explained that provision ensured there would be adequate funds to repay the loan.

Proponents' Testimony:

Michael Dahlem, Hays-Lodge Pole School District #50, read his written testimony. (EXHIBIT 2)

Opponents' Testimony: None.

{Tape: 1; Side: A; Approx. Time Count: 3:39 p.m.}

Questions From Committee Members and Responses:

SEN. MIKE SPRAGUE asked why it was more frugal to borrow money when you already have money. Mike Dahlem said what he was talking about was arbitraging, explaining the federal government was willing to loan money to school districts at a rate substantially below market rate. SEN. SPRAGUE wondered if the interest on the money in the bank was fixed or variable. Mr. Dahlem said he was not sure; however, he suspected the investments were short term. Also, he could not guarantee the rates would stay fixed for, say, over a 20-year term, but he could guarantee USDA's loans were below market and below what the school was receiving through its investments. SEN. SPRAGUE commented a debt was an abstract while assets in the bank were real. Mr. Dahlem said he agreed; however, not every school district in every instance would be using money for arbitrage purposes. He said the plan was for schools to be self-supporting; revenues generated by the students in this vo-ag program would repay the principal and interest on the loan, i.e. an investment to start a business.

SEN. LOREN JENKINS wondered why in 1989, Hays-Lodge Pole was in dire straits and now had \$1 million. Michael Dahlem said the district in the past had problems, both legal and bad financial management; however, the problems seem to have been corrected. SEN. JENKINS wondered if the Impact Aid money was formerly known as P.L. 874 money and if it was counted outside the General Fund. Mr. Dahlem gave positive answers to both questions. SEN. EMERSON wondered about the ranch and Mr. Dahlem told him it was owned by a tribal member but not the tribe itself; therefore, it could be sold to the district.

Closing by Sponsor:

SEN. STEVE DOHERTY said in this time of local control, if a Board of Trustees was within the sideboards stated in SB 301, they should be granted the flexibility to make shrewd investments. He reminded the Committee SB 301 provided protection to the taxpayers. He urged the Committee's DO PASS for SB 301.

{Tape: 1; Side: A; Approx. Time Count: 3:46 p.m.}

EXECUTIVE ACTION ON SB 235

Motion/Vote: SEN. DELWYN GAGE MOVED DO PASS ON AMENDMENTS SB023501.AEM (EXHIBIT 3). Motion PASSED UNANIMOUSLY 10-0.

Motion: SEN. MIGNON WATERMAN MOVED DO PASS ON SB 235 AS AMENDED.

Discussion: SEN. DARYL TOEWS asked if the Final Budget got to the County Superintendent. Kathy Fabiano, Office of Public Instruction, said district clerks gave to the County Superintendent who in turn sent it to OPI. She said the County Treasurer did not receive the Final Budget, either according to SB 235 or presently.

SEN. BILL GLASER reminded the Committee DO PASS on SB 235 would remove the opportunity for taxpayers to see the Preliminary Budget at the County Superintendent's office; however, it could be reviewed at the district clerk's office.

Vote: Motion DO PASS ON SB 235 AS AMENDED CARRIED 8-2, WITH SEN. BARRY "SPOOK" STANG AND SEN. BILL GLASER VOTING NO.

EXECUTIVE ACTION ON SB 262

Motion: SEN. CASEY EMERSON MOVED DO PASS ON SB 262.

Motion: SEN. BILL GLASER MOVED DO PASS ON CONCEPTUAL AMENDMENT TO CHANGE \$.30/1,000 TO \$.20/1,000 OF THE UNIVERSITY PORTION.

{Tape: 1; Side: B; Approx. Time Count: 3:53 p.m.}

Discussion: SEN. CASEY EMERSON asked for the advantages of the amendment. SEN. GLASER said the good faith and credit of Montana; also, the auditor was highly respected who got good value from auditing uniformly with the rest of the state. SEN. GLASER was of the opinion they were not getting their full \$.30 worth. SEN. EMERSON said the University System was already paying their share of the audit another way.

SEN. DARYL TOEWS said according to the auditor's office, all agencies shared in the cost but the University System was getting some associated benefit from the audit, though nobody knew how much. SEN. GLASER said the value could be about \$.15; however, some mechanism needed to be developed where they got their value.

SEN. BARRY "SPOOK" STANG said he missed the hearing and wondered if the questions regarding the \$.30 were addressed there. SEN. DARYL TOEWS said he had talked to the sponsor and he seemed to understand. SEN. EMERSON said he remembered discussion saying they were paying more than their fair share. SEN. STANG commented if SB 262 passed in its current form, the University System would be paying \$.00 and SEN. GLASER agreed, adding his amendments would have them pay \$.20.

SEN. DARYL TOEWS commented there was no opposition to SB 262 so it was hard to get another side, and the auditors did not want to get into it.

SEN. MIGNON WATERMAN suggested if the University System should pay for its share of the audit, the amount should be left at \$.30 -- figure out later what the appropriate amount might be. SEN. TOEWS said the \$.30 was a generic amount across the whole thing. SEN. WATERMAN wondered why an exception should be made for the University System -- was it too high for everyone else? SEN. TOEWS said it was too high for about five agencies. SEN. WATERMAN wondered why the bill was to revise the audit fee schedule. SEN. GLASER said if the University System was given relief on this, there would be others coming later; therefore, he didn't want to zero out the University System. Yet, he was not sure it was fair to require the U System to pay around \$.30.

SEN. MIKE SPRAGUE commented he thought SB 262 was to save money so the bill should be voted on.

SEN. EMERSON said the bill reduced the rate from \$.30 to \$.00; therefore, going part way would be reasonable and that was how he interpreted SEN. GLASER'S amendments.

SEN. DELWYN GAGE said the rate was set so everyone would pay a portion of the cost of the annual financial report audit; therefore, if the University System was reduced, would everyone else's share be increased in order to get the revenue. SEN. TOEWS said he had asked about that and was told the revenue would not have to be increased; he was also told the University System was not getting its proportionate benefit from the audit.

SEN. SPRAGUE asked how \$.20 was derived. SEN. GLASER said he had been told \$.15 was probably about the value they were getting; therefore, he suggested \$.20.

SEN. GAGE said he felt SB 262 was about financing an annual report, not about getting benefit from the report.

Vote: Motion DO PASS ON GLASER'S CONCEPTUAL AMENDMENT FAILED 6-4 ON ROLL CALL VOTE, NUMBER 1.

Vote: Motion DO PASS SB 262 FAILED 6-5 ON ROLL CALL VOTE, NUMBER 2.

EXECUTIVE ACTION ON SB 285

Motion/Vote: SEN. DELWYN GAGE MOVED DO PASS ON AMENDMENTS SB028501.ACE (EXHIBIT 4). Motion CARRIED UNANIMOUSLY 10-0.

Motion/Vote: SEN. DELWYN GAGE MOVED DO PASS ON SB 285 AS AMENDED. Motion CARRIED UNANIMOUSLY 10-0.

EXECUTIVE ACTION ON HB 206

Motion/Vote: SEN. DELWYN GAGE MOVED HB 206 BE CONCURRED IN. Motion CARRIED UNANIMOUSLY 10-0.

SEN. DARYL TOEWS will carry HB 206.

EXECUTIVE ACTION ON HB 259

Discussion: SEN. BILL GLASER said the legislature was allowed to micromanage both K-12 and vo-tech; however, they were allowed to macromanage the University System. He wondered how the two could be put together into a unified budget.

SEN. CASEY EMERSON said HB 259 was Constitutional, so it better be done.

SEN. MIKE SPRAGUE said at the time of the hearing, it made sense to unify the budget and he felt the Committee was getting a bit off track.

SEN. DARYL TOEWS said it would cost money to put the two budgets together and nobody would be able to figure it out. Then more people would have to be hired to pull it apart. He said K-12 and higher ed would not agree on it, which would bring it back to the Governor and legislature to make the final decision.

SEN. GAGE wondered what HB 259 accomplished, other than to meet a Constitutional requirement.

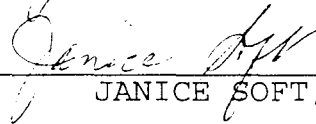
Motion/Vote: SEN. BARRY "SPOOK" STANG MOVED TO TABLE HB 259. Motion CARRIED 7-3, with SEN. MIKE SPRAGUE, SEN. LOREN JENKINS AND SEN. CASEY EMERSON voting NO.

ADJOURNMENT

Adjournment: The meeting adjourned at 4:22 p.m.



SEN. DARYL TOEWS, Chairman



JANICE SOFT, Secretary

DT/JS