

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on April 2, 1997, at 5:09 p.m., in Room 108.

ROLL CALL

Members Present:

Sen. Charles "Chuck" Swysgood, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. James H. "Jim" Burnett (R)
Sen. B.F. "Chris" Christiaens (D)
Sen. Eve Franklin (D)
Sen. Loren Jenkins (R)
Sen. Greg Jergeson (D)
Sen. John "J.D." Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Miller (R)
Sen. Arnie A. Mohl (R)
Sen. Linda J. Nelson (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Larry Baer (R)

Members Absent: None

Staff Present: Taryn Purdy, Legislative Fiscal Division
Sharon Cummings, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 47, 3/26/97; HB 580,
3/26/97

Executive Action: None

HEARING ON HB 47

Sponsor: REP. ALVIN ELLIS, HD 23, RED LODGE

Proponents: Don Waldron, Montana Rural Education Association
Lance Melton, Montana School Boards Association
Eric Hanson, Governor's Office

Larry Fosbender, Great Falls Schools
Craig Brewington, Montana Association of School
Superintendents
Loren Frazier, School Administrators
Cliff Roessner, Helena Public Schools and Montana
Association of School Business Officials

Opponents: Madalyn Quinlan, Office of Public Instruction
Eric Feaver, Montana Education Association and
Montana Federal of Teachers

Opening Statement by Sponsor:

REP. ALVIN ELLIS, HD 23, RED LODGE Information handed out and explained. (EXHIBIT #1) HB 47 increases the base 1% both years of the biennium. It backfills the GTB, puts \$12.5 million in the tuition fund and makes whole the capitalization fund that was lost with the Governor's T & T program.

{Tape: 1; Side: A; Approx. Time Count: 5:14; Comments: None.}

Proponents' Testimony:

Don Waldron, Montana Rural Education Association Testimony handed in. (EXHIBIT #2)

Lance Melton, Montana School Boards Association Testimony handed in. (EXHIBIT #3)

Eric Hanson, Governor's Office The Governor supports HB 47 but has some concerns and suggestions for minor changes in the bill. The Governor believes the amount of money appropriated in HB 47 is the right amount for public schools in Montana. Schools have not had an increase since HB 667 was passed and now is the time to address their growing needs. The \$12.5 million for technology, building maintenance, equipment and textbooks is a good and generous measure to address the real needs and problems of schools. All schools throughout the state will be able to use this appropriation. All schools invest thousands of dollars in these items already and we will be helping their efforts to update and upgrade during the first year of the biennium. Governor Racicot supports raising the base schedules for public schools. Schools are struggling to keep up with rising costs associated with inflation, serving additional special needs students, trying to institute new curriculums, new standards and new assessments. Without resources it is difficult for schools to invest in new programs and new services they feel are important to improve schools in Montana. The Governor feels that the state has an obligation to help schools as they need to invest in their improvements. He supports investing more in the base schedules and makes a recommendation that the legislature, instead of a 1:1% increase, switch to a 0:3% so that schools will have the same amount of money appropriated but be able to build

their base a little higher over the long term. I appreciate your time.

Larry Fosbender, Great Falls Schools The legislation is definitely helpful as far as schools are concerned. Obviously, it is not optimal and you've had a few suggestions on how it can be improved. We support those improvements if they can be made. We hope you will at least keep the amount of money that is in HB 47 now. We are increasing the budgets in Great Falls by 1.7% so the 1% will not even keep up with that. Anything that can raise that bar is helpful to all the schools, especially those that have a declining enrollment.

Craig Brewington, Montana Association of School Superintendents The effect of this bill is different on every school district in the state, it is better for some and not quite as good for others. By and large we are firmly convinced the money is badly needed and all schools can use it. We appreciate your efforts to provide the schools with whatever money you can.

Loren Frazier, School Administrators We are in support of HB 47 for the same reasons many have talked about. Like any funding for schools, there are those that benefit from it and those that don't. Those at the top of the cap would probably like to see a different formula than those who are down below. We appreciate the money that is in this. We started with HB 119 and still think that the legislature should look at doing something with entitlements. Entitlements give local trustees a chance to better manage and do things for their district. HB 47 doesn't give the total flexibility that funding entitlements would. We urge your support of HB 47.

Cliff Roessner, Helena Public Schools and Montana Association of School Business Officials We support the current version of HB 47. I'd like to give you an overview of the situation Helena High School District finds itself in. We've cut approximately \$500,000 out of the high school budget because we are exceeding our cap. We have a 76 student drop from this year to next, since 1994 we've had 450 additional students in our district. That is approximately a 15% increase in student load and our budget during that time has increased by 10%. That 10% increase is only a reflection of captured state revenue as a result of increased enrollment over that period of time. We did not go to the local taxpayers at the high school district and ask for increased funding. With inflation we are down about 13.7%. The 1% will help our high school district next year and we support the 1:1 concept.

{Tape: 1; Side: A; Approx. Time Count: 5:27; Comments: None.}

Opponents' Testimony:

Madalyn Quinlan, Office of Public Instruction Testimony handed in. (EXHIBIT #4)

Eric Feaver, Montana Education Association and Montana Federal of Teachers Handout given to committee members. (EXHIBIT #5) We believe it is our responsibility to stand before this committee and tell you what HB 47 is not.

- HB 47 is not HB 119.
- HB 47 does not make school districts whole for the 4.5% loss of budget authority they suffered in the special session of December 1993.
- HB 47 is \$25 million less than what we sought in HB 119 when it comes to making school districts whole and bringing them back to the level of funding the legislature authorized for them in the regular session of 1993.
- HB 47 is not base budget building.
- HB 47 is not property tax relief.
- HB 47 is not equalization.
- HB 47 is not local control and is not even what the sponsor proposed on the floor of the House when he offered an amendment to take the \$12.5 million, cut \$6 million out of that and place that into a 1.5:1.5% base increase for each year of the biennium.
- HB 47 is not what the proponents today said they want by their own testimony.

This is not the bill we hope this legislature will bring to the people of Montana. We join with OPI and urge you to consider rolling the \$12.5 million in one time money into base budget building, allow the state to increase its contribution and allow school districts to decide how their budgets will grow. Give us that 2:2.4% increase. We would join with OPI and the Governor's office request, that you retain the \$12.5 million in one time money and restructure the 1:1% into a 0:3.5% increase in the state contribution over the biennium. Going 0:3.5% over the biennium would give every school district in this state \$50 more per elementary child and \$70 more per high school student in the second year of the biennium. It wouldn't cost the state a penny more in this biennium but would increase the base. We believe HB 47 needs to be amended and encourage you to concur.

Questions From Committee Members and Responses: None

{Tape: 1; Side: A; Approx. Time Count: 5:38; Comments: None.}

Closing by Sponsor:

REP. ELLIS I don't have any problem with the MREA suggestion to change the way the \$12.5 million is distributed. Either way can

be justified as being fair. I would like to point out that while we haven't increased the schedules since HB 667 was enacted, it was ahead of the curve when it was put in place. The mean funding level now is just reaching 90% or the middle of the window. While we didn't put any more state funding level in we had to increase the state funding to those schools we were forced up into the window. Over four years that has cost \$30.8 million, so we actually are spending \$8 million more than we expected to spend before the \$30 million was cut out in HB 22 in the special session after the people rejected the flat income tax proposal. I trust your judgement on this.

{Tape: 1; Side: A; Approx. Time Count: 5:40; Comments: None.}

HEARING ON HB 580

Sponsor: REP. MATT MCCANN, HD 92, HARLEM

Proponents: Riley Johnson, National Federation of Independent Business

Opponents: None

Opening Statement by Sponsor:

REP. MATT MCCANN, HD 92, HARLEM This bill comes from the Finance Committee and requires agencies to submit a plan for reducing base budgets each biennium when they submit their budgets. The process focuses on increases over the base with very little attention given to base level expenditures. This bill establishes a method for looking at budget priorities within the base that are developed by the agency at the same time they develop their budget. Those priorities are submitted along with their budget prior to session. It requires all agencies to submit a prioritized list of functions they would eliminate to get to 85% of base budget. They must also identify total savings for each function and the consequences of each reduction. This would provide the legislature with some specific quantifiable reductions in setting budget priorities. This is a tool the legislature would use when looking at the budgets, especially when there was a need to reduce budgets.

{Tape: 1; Side: A; Approx. Time Count: 5:43; Comments: None.}

Proponents' Testimony:

Riley Johnson, National Federation of Independent Business We rise in support of HB 580. As we can see, growing state spending and budgets and the needs of the State of Montana are on an increase. It is the same people paying this bill as our population is not growing. We feel this is a way to review these programs, cut or eliminate them or increase them and give up other programs. We bring one word of caution to this bill. To

arbitrarily go in and cut every base budget 15% would not be good policy.

Opponents' Testimony: None

{Tape: 1; Side: A; Approx. Time Count: 5:45; Comments: None.}

Questions From Committee Members and Responses:

SEN. J.D. LYNCH We went to the concept of zero based budgeting, now this bill goes further than that and they want to plan to reduce it by 15%, am I understanding the bill? **REP. MCCANN** The idea is to reach into the budget and prioritize 15%.

SEN. LYNCH Why did you pick 15%? **REP. MCCANN** This concept came out of the Nebraska legislature, 15% seems like a reasonable number to me. I would not like to commit the legislature to looking further than 15% into a budget and anything less than that amount may not be enough to identify a quantifiable reduction.

SEN. LYNCH What would the difference be if we made this 100% instead of 15%, zero based budgeting? **Clayton Schenck, LFD** Zero based budgeting means zeroing out the base and working your way up. That concept was attempted at the federal government level and was found too cumbersome to deal with. This has agencies develop this as a part of their budget, it doesn't mean the legislature will cut 15%. It will give you an opportunity to see what their lowest priorities are. It will be another tool for subcommittees to use when working on the budget. On an average, Nebraska has used 15% and it has worked well for them.

SEN. MIGNON WATERMAN Does this apply to all agencies? Would it be 15% at the agency level or division level? Does this apply to agencies that are dependent on state special revenues or federal funds? **Mr. Schenck** The bill doesn't specify that you have to go to the program level, it is intended to give the agency the opportunity to prioritize everything they do. The Governor has to implement this, so the budget director will specify how he wants the agencies to do this. The bill is not specific about funding and is intended to cover all funding. If you wanted to make it have a prorated share of General Fund it might be worthwhile to amend that in.

SEN. TOM BECK You want to put this in law and it will be required of the department from now on. Theoretically, if we took advantage of the 15% we could zero base these budgets ourselves in about 7-8 years. There is more work involved in preparing this list and I don't see a fiscal indicating the extra FTE's or what is required. **REP. MCCANN** There is a fiscal note.

{Tape: 1; Side: B; Approx. Time Count: 5:52; Comments: None.}

SEN. ARNIE MOHL Is this over and above vacancy savings? **Mr. Schenck** The agencies are simply asked to prioritize 15% of what reductions they could take. I wouldn't consider vacancy savings to be a valid issue because it isn't a permanent deduction. The fiscal division and finance committee would want to make recommendations to the budget director as to criteria for the 15%.

SEN. GREG JERGESON How will legislators deal with this in subsequent sessions? Will there be a column in our book that we will have to vote yes or no on? **REP. MCCANN** No, I don't envision that at all. In House Appropriations we don't reach very far into these budgets. In the event that we have to make a reduction this prioritization would enable us to do so intelligently.

SEN. CHRIS CHRISTIAENS Give me an example of how we would deal with the Department of Labor which doesn't have 15% General Fund in any part of their budget. What would we see? **Mr. Schenck** The bill doesn't say it has to be General Fund. The Department of Labor would have to identify their lowest 15% in priorities. Again, this will be left to the budget director to decide. This will simply provide you with an additional tool and not something you have to vote on. I envision our staff will change the way we do our analysis, probably less time on present law and spending some time on these issues.

SEN. LYNCH What happens if the same things occurs as when we asked a similar thing of the university system? We asked them to find an area they could cut 10%, they came up with the most popular program they could come up with and we had letters from all across the state. What if one department head picks the program that no one wants to cut and the other one does a legitimate job of prioritizing? **REP. MCCANN** It will take a little time to sort this out.

SEN. LOREN JENKINS This is just for the agencies to prioritize programs up to 15% of their current base, is that correct? This isn't to remove 15%, is it? If we cut out whatever they prioritized, they'd be a lot more serious about what they suggested the next time. **REP. MCCANN** They should prioritize the least important of 15% of their budget.

SEN. BECK We've had trouble with across the board cuts on smaller agencies. Do you plan to try to do the same with them? **REP. MCCANN** This doesn't amount to any cuts at all, it is just information available to you stating what they consider the least important items.

SEN. BECK If those budgets come in prioritized I'm going to take a serious look at taking those cuts. **SEN. JENKINS** Isn't it about time? **REP. MCCANN** I think it is our job to know what is in those budgets. This is something that will enable us to look a little further.

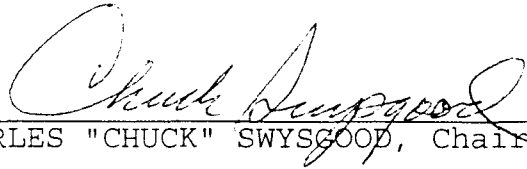
{Tape: 1; Side: B; Approx. Time Count: 6:02; Comments: None.}

Closing by Sponsor:

REP. MCCANN closes.

ADJOURNMENT

Adjournment: 6:04 p.m.

A handwritten signature in cursive script, reading "Chuck Swysgoor", written over a horizontal line.

SEN. CHARLES "CHUCK" SWYSGOOR, Chairman

A handwritten signature in cursive script, reading "Sharon Cummings", written over a horizontal line.

SHARON CUMMINGS, Secretary

CS/SC