



LEGISLATIVE FINANCE COMMITTEE

62nd Montana Legislature

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

SENATE MEMBERS

KEITH BALES
STEVE GALLUS
DAVE LEWIS
RICK RIPLEY
DAVID WANZENRIED
CAROL WILLIAMS

HOUSE MEMBERS

LLEW JONES--Chair
WILLIAM GLASER
CYNTHIA HINER
GALEN HOLLENBAUGH
JON SESSO
JANNA TAYLOR

DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

MINUTES

EDUCATION AND LOCAL GOVERNMENT REFERENCE BOOK SUBCOMMITTEE SEPTEMBER 17, 2010

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

SUBCOMMITTEE MEMBERS PRESENT

REP. LLEW JONES, Chair
SEN. CAROL WILLIAMS
REP. GALEN HOLLENBAUGH

LEGISLATIVE MEMBERS FROM THE EDUCATION AND LOCAL GOVERNMENT INTERIM COMMITTEE

REP ARNTZEN
SEN BRANAE
REP FLEMING
SEN. KELLY GEBHARDT

**LEGISLATIVE MEMBER FROM THE
REVENUE AND TRANSPORTATION INTERIM COMMITTEE**

REP. HOLLANDSWORTH

LEGISLATIVE MEMBER FROM LEGISLATIVE COUNCIL

REP O'HARA

STAFF PRESENT

BARBARA SMITH, Lead Staff
JIM STANDAERT, Senior Fiscal Analyst
PAM JOEHLER, Senior Fiscal Analyst
ROGER LLOYD, Senior Fiscal Analyst
JON MOE, Fiscal Specialist
SUSIE LINDSAY, Secretary

Visitors

Visitors list, Attachment #1.

- 00:00:01 REP JONES began the meeting. The secretary noted the roll. The minutes were accepted as written. Rep. Jones reviewed the need for the reference book. He reported on the economic forecast provided by Global Impacts and Moody's to the Revenue and Transportation Interim Committee the previous day. The LFC has taken this forecast into consideration.
- 00:08:08 SEN WILLIAMS reiterated the reasons for the reference book. She explained that it was produced with the best intentions. She hopes the revenues will be better, however the LFC wants to be prepared. She is disappointed that the individuals attached to education issues are not present. She stated that she hopes those groups will come forward with ideas, even revenue ideas.
- 00:11:33 MS SMITH explained the format of the committee.
- 00:12:55 MS JOEHLER explained the table she provided that showed one-time-only appropriations for higher education.(EXHIBIT 1)
- 00:14:16 REP ARNTZEN wanted to know the percentage of American Recovery and Reinvestment Act (ARRA) funding as part of the one-time-only appropriations for higher education.
- 00:14:40 MS JOEHLER stated that she could get that information for Rep Arntzen.
- 00:15:53 MICK ROBINSON, Deputy Commissioner of Higher Education, stated that he

does not have specific comments, but would be happy to answer any questions. He explained that his office has done some planning for reductions. The 5 percent reduction below the BASE begins to become a significant amount.

- 00:18:57 REP HOLLANDSWORTH asked if the account category could be left open as a one-time-only line item and then funded at a later date, if revenues returned.
- 00:19:45 MR ROBINSON stated that they may be willing to agree to change some funding to one-time-only, but they would need to discuss it.
- 00:22:04 SEN WILLIAMS asked if ARRA money was included on the one-time-only list.
- 00:22:22 MR ROBINSON agreed.
- 00:22:31 REP JONES asked how much of the one-time-only funding will be included in the upcoming budget request.
- 00:22:53 MR ROBINSON stated that all the one-time-only was removed from the BASE computation. However, portions of the one-time-only have been requested like the tribal college assistance program, as well as, the virtual academy program funding.
- 00:26:06 REP JONES asked if university system applications increased this year.
- 00:26:33 MR ROBINSON agreed.
- 00:27:26 REP JONES asked if the additional tuition dollars those students are bring in are going into a reserve.
- 00:28:55 MR ROBINSON agreed.
- 00:29:02 SEN GEBHARDT asked if the one-time-only appropriations includes funding for tuition mitigation.
- 00:29:26 MR ROBINSON stated that the Board of Regents (BOR) will not get into that discussion until May 2011. A 1 percent tuition increase for non-resident students may be required. This would amount to about \$5 million.
- 00:33:19 REP ARNTEN stated that she looked at the list of fees. She wanted to know if fees have increased significantly.
- 00:33:55 MR ROBINSON stated that any new fee request has a tremendous amount of scrutiny and he pushes the individual campuses not to increase.
- 00:36:44 JIM STANDAERT, Senior Fiscal Analyst, explained the new colored chart he provided to the committee that shows the one-time-only funding in K-12, specifically actual spending in 2009, estimated 2010 spending, appropriated 2011 spending and looking forward into the 2012 and 2013 spending estimates. He explained the \$81 million in Otter Creek funding and the Education Jobs Bill of federal funding for \$30.7 million and

the affect of those amounts on the general fund in the 2013 biennium. (EXHIBIT 2)

00:48:40 SEN BRANAE asked for the projection of enrollments in K-12 and what affect those enrollments will that have on the general fund.

00:49:02 MR STANDAERT explained.

00:50:24 REP HOLLANDSWORTH wanted to know how much of a shortfall Mr. Standaert is predicting for the 2013 biennium.

00:51:52 MR STANDAERT stated that the Fiscal Division will produce a Big Picture report in October that will explain those numbers.

00:53:32 REP JONES stated that the Big Picture report from February is available for committee members to look at.

00:54:25 REP JONES asked how the \$30.7 million federal award will be distributed and what are the maintenance of effort requirements during that period.

00:55:32 MR STANDAERT stated that the Department of Education gave verbal approval that the state met the criteria for maintenance of effort. The funding will be distributed most likely through BASE Aid.

00:59:43 REP JONES stated that some additional option items have been added to the reference book from public sources.

01:00:15 MS SMITH explained the new options received. (EXHIBIT 3)

01:04:58 REP HOLLANBAUGH mentioned that companion bill HB 676 is being challenged by the Governor. He would like the legal staff to give us a report.

01:06:59 SEN WILLIAMS stated that the legislative legal staff will obtain direction from the Legislative Council when they meet on September 20, 2010.

01:07:44 REP HOLLANBAUGH would like a copy of the complaint.

01:10:54 MS SMITH agreed to provide copies to the committee members.

01:11:18 JON MOE, Fiscal Specialist, presented a report on local county government expenditures and revenue. (EXHIBIT 4)

01:22:20 SEN GEBHARDT commented on the historical revenue of local governments.

01:25:32 REP JONES asked if nothing changes what will be the estimated formula changes for the entitlements.

01:25:56 ALEC HANSEN, representing the League of Cities and Counties, responded.

- 01:34:39 MR MOE explained the intergovernmental and state entitlement numbers.
- 01:37:24 REP JONES asked for the amount of annual total revenues for city governments.
- 01:37:56 MR MOE explained for 2009 the total revenue is \$681.8 million, excluding 8 municipalities that are not major cities. He further explained that proprietary fund such as waste services, and fiduciary accounts are not included.
- 01:41:54 REP JONES asked if further individuals representing the Montana Association of Counties (MACO) and the League of Cities and Towns would like to comment.
- 01:42:29 HAROLD BLATTIE, MACO, thanked the Department of Administration for access to data and he praised Mr Moe's work. He stated that on Mr Moe's spreadsheet the summary information is more helpful than the general fund category. He explained the floating mill calculations. He recommended the committee read two books that are published by the Montana Taxpayers Association.
- 01:50:54 MR HANSEN stated that how much cities put into the entitlement programs and how much is taken out is fairly straightforward with a few exceptions.
- 01:54:23 REP JONES commented on FTE increases.

LUNCH BREAK

- 03:03:31 REP JONES called the meeting back to order.
- 03:03:43 MS SMITH explained that the Office of Public Instruction (OPI) provided a letter with their suggestions for the committee to consider. She then explained the 5 percent reduction plans that were provided by the agencies. (EXHIBIT 5 & 6)
- 03:07:55 REP JONES asked to have each agency's 5 percent reduction plans explained to the committee.
- 03:08:09 MS JOEHLER explained the Historical Society's 5 percent reduction plans. (EXHIBIT 7)
- 03:09:55 DENISE KING, Centralized Services Administrator with the Historical Society, commented on the reduction plan.
- 03:10:20 SEN WILLIAMS stated that in her opinion a 5 percent cut is a huge cut to a small agency.
- 03:11:12 MS JOEHLER explained the 5 percent reduction report for the Montana State Library. (EXHIBIT 8)
- 03:12:04 DARLENE STAFFELDT, State Librarian, commented on the reduction plan.
- 03:13:05 REP JONES asked if the FTE reductions were really people or just a vacancy savings.

03:14:11 MS STAFFELDT stated that the reduction plan would reduce one current FTE and the other would be a vacancy savings.

03:14:53 MS KING stated that the Historical Society positions are vacant.

03:15:27 MS JOEHLER explained the 5 percent reductions to the budget of the Office of Higher Education. (EXHIBIT 9)

03:17:51 SEN GEBHARDT asked if any reductions would affect the Washington, Wyoming, Alaska, Montana and Idaho (WWAMI) program.

03:18:10 MS JOEHLER stated that reductions could affect that program.

03:18:30 MS SMITH explained the 5 percent reductions to the Montana School for the Deaf and Blind and she stated that some FTEs could be affected. (EXHIBIT 10)

03:19:38 STEVE GETTEL, Administrator for the Montana School for the Deaf and Blind, stated that the \$160,000 reduction is out of the education program. One half time teaching position is not filled and the other positions are vacancy savings. He anticipates 8-10 new students for next year.

03:21:26 SEN WILLIAMS asked if the reductions would affect rural area services.

03:22:07 MR GETTEL stated that the reductions could affect outreach programs.

03:23:06 MS SMITH discussed the Office of Public Instruction's 5 percent reductions.

03:24:31 SEN WILLIAMS stated that she read the letter from the OPI's Superintendent's office and saw a list of organizations' names that supported the Superintendent's statements. Sen Williams wanted to know how much dues are paid to those individual organizations that signed the letter.

03:26:08 SEN GEBHARDT asked for an explanation of the local education activities for \$27 million.

03:26:34 MR STANDAERT explained.

03:27:56 MS SMITH stated that the agency budget submissions are in to the Governor's Office.

03:29:08 REP JONES wanted an explanation of the four funds that make up the school formula.

03:29:49 MR STANDAERT explained.

03:32:24 REP JONES asked about oil and gas revenues in relation to the K-12 budget.

03:32:50 MR STANDAERT explained.

03:34:45 MS SMITH asked for direction to staff.

03:35:22 REP HOLLANDSWORTH asked for revenue enhancements.

03:36:13 SEN GEBHARDT asked about the redistribution of the oil and gas funds to be expanded to all mineral extractions (non-levied revenue).

03:40:38 REP HOLLENBAUGH stated that the letter from OPI asks the LFC to develop a revenue reference book.

03:41:36 REP JONES stated that any revenue options will be included in the reference book.

03:42:10 REP HOLLENBAUGH asked about a separate book one for revenue and one for cuts.

03:42:40 REP JONES stated that the reference book will have two separate sections, one for expenditures and one for revenue.

03:43:14 SEN WILLIAMS asked that staff include all the revenue options that were presented at the Revenue and Transportation Interim Committee and she asked about other funding accounts in the K-12 budget that still contain a large amount of money.

03:45:38 MS SMITH stated that she has a spreadsheet almost ready to that explains the other funds and includes statutory requirements. She will provide it to the committee when it is finished. (EXHIBIT 11)

03:49:14 REP JONES stated that the reference book options will be referred back to the full LFC.

03:50:58 ROGER LLOYD, Senior Fiscal Analyst, explained the entitlement growth figures.

03:54:32 REP FLEMING asked for information on school consolidation from the staff.

03:55:19 MR STANDAERT stated that he would provide that information to the LFC.

03:55:41 REP HOLLANDSWORTH updated the committee on the presentation provided by Global Impact and Moody's at the Revenue and Transportation Interim Committee.

04:00:28 MR BLATTIE, MACO, encouraged the Legislative Fiscal Division staff to contact him.

04:03:53 REP JONES adjourned the meeting at 2:10 p.m.