

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on March 2, 1989, at 2:30 p.m.

#### ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

Staff Present: Madalyn Quinlan, Andrea Merrill, Dave Cogley, Jeanne Flynn

#### HEARING ON HB 575

#### Presentation and Opening Statement by Sponsor:

Rep. Kadas stated that the bill is the Governor's Public School Finance Advisory Council's bill and he felt he had an obligation to introduce the bill in the form that they had requested. (See Exhibit 1.) This bill requires 120 mandatory mills, 24 permissive mills, and then however many local voted mills it takes to generate enough dollars locally to get to the 117% cap that is the total distance you could go. Under this proposal if you use the measure of trying to get the same number of dollars that you are getting now, about 64% of the population are winners, 36% are losers. 36% have to pay more in terms of total millage and 64% pay less.

Rep. Kadas explained his funding proposal, based on the numbers generated by the revenue estimating committee for FY 91.

#### Questions From Committee Members:

Rep. Glaser asked Rep. Kadas if he realized the impact 121 mills would have on some of the basic industries in the state? Rep. Kadas stated that it is inherent in dealing with the problem, if you are going to use property taxes at all, that you are going to impact coal, oil and forest products industry and most of the refining industry would stay about even. I think there are winners and losers as we have described, and it isn't all bad for industries in Montana. There will be several businesses in the State that have

lower taxes because of this. You have to recognize that a major part of this problem that we face is because some of those areas have a tremendous tax base, because of the oil or coal in the ground. I don't know if you can get away from impacting those industries and I am not sure if you want to get away from it entirely either.

Discussion on the following House Bills 575, 623, 637 and Senate Bill 203 using questions prepared by Staff. See Exhibit 2.

Questions and Comments From Committee Members, General Discussion on No. 1.

Rep. Glaser stated we should say that we are going to have another year of business as usual before we start solving the problem. We might not be able to implement in the first year, but I don't know if it is wise for us to continue to allow business as usual for the next year.

Rep. Harrington asked Rep. Glaser how school districts are going to be able to set their budgets if we try to bring this into effect this year? Rep. Glaser said that it is not going to be possible to implement major items so soon.

Rep. Peck asked Rep. Glaser allowing I-105 with very little increase how that would influence any program you are going to put in place the second year. Rep. Glaser stated that in many cases, the budget has very little to do with expenditures.

Rep. Kadas asked Rep. Glaser since I-105 is in place, no matter how the districts shuffle their money around within their budgets, it can still limit the amount spent and the only way to levy more is if we increase the foundation program. Do you think we ought to be putting caps on for this year? Rep. Glaser stated that we should be looking at the reaction to what we will do in the second year and try to prevent us from having a run away problem the first year.

Questions and Comments From Committee Members, General Discussion on No. 2.

Rep. Kadas stated that the most obvious reference to any level of equalization that I find in the Loble decision is in the Supreme Court's upholding of the Loble decision where it is noted that the standard for equalization of PL 874 says that districts must be within 15% of each other which means 85% equalization.

Madalyn Quinlan stated the federal definition of equalized revenues is that each school district receives the same number of dollars per pupil for the same tax effort and is allowed to spend as much per pupil as any other district in the state. When you are looking at equalization you are

looking at the percent that is available to every district in the state compared to the total spending on education. Rep. Glaser stated that it is a question of what state can really afford and how much you want to leave with local control.

Rep. Kadas stated that it depends on how much we can afford. That gets into the issues that we ought to consider the revenue side of this equation as we consider the equalization side.

Rep. Glaser stated that the Supreme Court is lowering their interpretation to leave us more latitude to do what we need to do to make this thing work.

Rep. Peck asked Mr. Nordtvedt if the 85% funding level in the Governor's plan was 85% of the total 1988 expenditures? Mr. Nordtvedt stated that our plan is aiming at 85% equalization. We are seeking the goal of 85% of those total expenditures to be provided by the state by increases in the foundation schedules.

Rep. Peck asked Mr. Nordtvedt if that would apply to a high spending district in the same manner? Mr. Nordtvedt stated that providing money by the schedules means that the money goes to a school based on its size and number of students and it has no relationship to what they are spending. If they were a very high spending school we would not provide 85% of their expenditures. We will bring schedules to a level where they are 85% of the average state expenditures.

Rep. Peck stated that it is very easy to look at it on the total statewide basis and say you are going to equalize to 90% of that, or 85% of that. There are some problems when you start trying to bring those districts together. I don't think that it is functioning in SB 203 for example.

Rep. Kadas stated that full equalization is not a part of SB 203 now, but it is part of the Loble decision.

Questions and Comments From Committee Members, General Discussion on No. 3.

Rep. Glaser stated that each district is unique and has to be able to develop its own plan.

Rep. Harrington stated that you would have to look at what bill you are talking about. How can you agree to question 3 when you don't know at what level you are funding. It is hard to say how many years you are going to take.

Rep. Gilbert stated that he doesn't think that the Court required total equalization by a certain time. They said we had to institute a plan by July 1. We have to find out realistically how long the mechanics are going to take in

order to ease the burdens on most schools. The big spenders are going to have to figure out a way to freeze their budgets. They can't do it in one or two years. There are low spending schools who are in high-income districts. My district didn't spend a lot of money so we are going to pay for that. I think it will take at least four years.

Rep. Eudaily stated that he feels we have to do something. The longer we put it off the worse it will get because we will find more reasons for not doing it. We should institute this program, within the next two years, so that people actually know where they stand at the end of that time.

Rep. Peck stated that the question is not instituting the program, it is how long we are going to allow to achieve equalization. Do you think we could do that in two years? Rep. Eudaily stated yes.

Rep. Kadas stated that he thinks five years is plenty of time, it gives the legislature two more chances. It ought to be phased-in over the five years with steps each year.

Rep. Peck stated that everyone has been talking four or five years, but these issues are going to have to be put in the form of motions and we are going to have to vote them up or down in terms of establishing some guidelines.

#### Question and Comments From Committee Members, General Discussion on No. 4.

Rep. Peck stated that without caps we aren't going to achieve equalization within any reasonable length of time.

Rep. Eudaily stated that he agreed that caps are necessary. He doesn't see there are any other ways to achieve equalization without some form of caps.

Rep. Schye asked Rep. Eudaily what he meant by non permanent caps? Rep. Eudaily stated that the legislature is always able to do whatever they want to do. At one time they had caps in Montana that lasted until the next legislature and then they took them off. They can be taken off the same way the can be put on.

Rep. Peck stated that the caps that they had on said that if they were going to exceed 7% you had to notify OPI and give them your reasons for doing so.

Rep. Kadas stated that there is an alternative to caps that allows a fair amount of local flexibility. Second if caps are not tied to the foundation amount, than you will slowly, perhaps quickly, find yourself unequalized. If you tied this to average spending, the foundation scheduled amount will stay in one place and the legislature won't have the

pressures to put the money in and schools would continue to use their property tax base and push the caps up and up. Then you would be right back where you were.

Rep. Peck asked Rep. Kadas if his first alternative is the power equalizing concept? Rep. Kadas stated that it allows certainly more flexibility. It will cost them money and the effect will be capping in a narrow band, but will give some flexibility.

Questions and Comments From Committee Members, Existing Funding Structure Topic No. 1.

Rep. Eudaily stated that they want to stay with the existing system. The restructuring shouldn't be done at this time, but it does need to be discussed.

Rep. Peck agreed with Rep. Eudaily.

Question and Comments From Committee Members, Existing Funding Structure Topic No. 2.

Rep. Kadas stated that allowing some kind of equalized permissive in the equation allows for flexibilities, particularly flexibility as to what percentage is the right level to equalize at. If you use equalized permissives to try to reduce that gap, that may be a compromise. That will lower the mandatory millage because it also lowers the foundation program schedule amounts but it gives schools the opportunity to get the rest in equalized funding. The opportunity is not based on their wealth.

Question and Comments From Committee Members, Existing Funding Structure, Topic No. 3.

Rep. Peck stated that everyone is in agreement of this. It is a major factor in the nonequalized situation.

Question and Comments From Committee Members, Existing Funding Structure, Topic No. 4.

Rep. Peck stated that equalization of insurance costs is accepted. Are you going to be writing the insurance package that dictates the comprehensive insurance program for the schools in Montana?

Rep. Glaser stated that if we were to simply say we will put it all in the schedules right now, or a year from now without giving some study and thought to it, it may be premature. The Governor's proposal does, in the second year, put part of that in the schedules. The amount of money that is spent

from district to district is radically different.

Rep. Peck stated that some districts don't even use a comprehensive insurance account, but undoubtedly take it out of the general fund budget. In some cases the district superintendent is not aware that the comprehensive insurance fund is there to use.

Rep. Glaser stated that the Governor's proposal has recognized that we need to go in that direction, but he is only doing half of that and is still leaving the mandatory levy there for the second half.

Rep. Peck asked Rep. Glaser was this part of the study required in the bill? Rep. Glaser stated yes, along with study of transportation, caps and comprehensive insurance.

#### Questions and Comments From Committee Members, Existing Funding Structure, Topic No. 5.

Rep. Peck asked if anyone believes that the Committee could institute a plan for the next biennium? Transportation is the most individualized of any program out there.

Rep. Glaser asked Rep. Kadas if his bill equalized the total \$29 million for transportation? Rep. Kadas said yes.

Rep. Glaser asked Rep. Kadas whether there should be equalization of building reserves? Rep. Kadas stated no, that is one that we will have to study.

Rep. Ramirez stated that in every bill you will have these issues and the Committee will have to debate them again when a bill has been put in front of your Committee. It seems that it would save a tremendous amount of time if you took as a first issue which bill you want to use as a vehicle. Any one of these bills whether you put revenue in or out, are as broad as can be. Any one of them serves in making that decision. There are a couple of things that come into play. One is pride of authorship. The second issue is timing. If it is a House Bill, it will have to be heard by the Senate who may feel that is a good idea rather than a poor one. If it is SB 203, it will at least speed the process up somewhat. Those are decisions that can be made. Once you resolve those issues then you can move the bill and start on this check list and make those amendments accordingly.

Rep. Peck stated that the reason the chair did not take the action you recommended is because Rep. Kadas was considering amendments to his bill. Rep. Kadas' bill is entitled to be considered for the things that you are suggesting. That is the basic reason why we did not follow that procedure.

Speaker Vincent stated that we are moving in that direction and

it is obvious that we are going to have to identify a vehicle here. Rep. Kadas has a little more work to do on his bill and the Committee will have to make a decision on it. At this time I don't have individual preference relative to what vehicle is used. There are a couple of key questions beyond what bill like whether you want to have a general discussion if that bill should have revenue in it or not. You should have some type of communication with the Governor relative to the overall situation and the time frame.

Questions and Comments From the Committee Members, Public School Funding, Topic No. 1.

- Rep. Gilbert stated that we should address only the equalization plan and how we are going to do it. We have revenue bills that are coming in that can be used as vehicles; however they haven't been heard yet.
- Rep. Harrington stated that he disagrees. He doesn't think any bill should go out of the committee that does not have funding. Whatever happens, once that bill passes, if it doesn't have any funding in it then we will lose control of that bill.
- Rep. Peck stated that the education community is greatly concerned if you separate these two issues. They feel there is some security in holding those two items in a bill. They will feel comfortable supporting or resisting a bill based on the two items, but they won't feel comfortable doing it the other way.
- Rep. Eudaily stated that he agrees with Rep. Gilbert. The education community is interested in equalization, that is what the whole thing is about. It is our responsibility to fund it, and it is our responsibility to address equalization. That is where our first priority ought to be. Once we get what we think is the right vehicle, then it is up to us to handle the funding.
- Rep. Peck stated that you could significantly reduce the overall appropriation and still maintain equalization. The education community would be very concerned about that.
- Rep. Harrington stated that legislature had a lot to do with unequalization problem. We have been saying for years that this has been coming and now it has come and this is it.
- Rep. Kadas stated that how do we know if we can or can't afford that unless we know what kind of funding we would fund this with? We can create a package and send it out of here that requires a lot of money, with only one place to get it. This would force a sales tax.

- Rep. Ramirez stated that this is not some kind of ploy to force the sales tax. Every option will still be available if you do not include it in this bill. There is a property tax option if you do not put this in this bill. Income tax options will still be available to you. You can't get income tax options into this bill.
- Rep. Peck asked Rep. Ramirez what the reason for the haste is considering the legislature has been facing this problem for a long time, it seems this legislature can take a little time to get out of trouble.
- Rep. Ramirez stated the reason for the haste is that it is getting late in the session. Also the revenue fight is going to make this look like a child's game. If we mix the two together, the revenue fight is going to absolutely overwhelm the equalization issue.

ADJOURNMENT

Adjournment At: 5:30 p.m.

  
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REP. Ray Peck, Chairman

RP/jf

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DAILY ROLL CALL  
 SELECT COMMITTEE ON EDUCATION FUNDING

DATE 3-2-89

NAME	PRESENT	ABSENT	EXCUSED
Chairman Peck	X		
Vice Chairman Eudaily	X		
Rep. Gilbert	X		
Rep. Glaser	X		
Rep. Grinde	X		
Rep. Harrington	X		
Rep. Kadas	X		
Rep. Schye	X		

Office of Budget and Program Planning  
Public School Financing Proposal  
Prepared for Representative Kadis

02-Mar-89

District Name	ANB	Total Current Funds	Total Payment	Amount Raised Through Permissive Levy	State Contribution (Recapture)	Maximum Allowable General Budget	Current Expenditures Are Over (Under) Max.	PL-874 Available Funds	Current Mills Levied	Capital Expend. Mills Levied	Mandatory Mills Levied	Permissive Mills Levied	Local Voted Mills Levied Current Exp.	Total Mills Levied	Difference Between Proposed & Actual Mills	District Hill Valuation Per ANB
BEAVERHEAD COUNTY																
GRANT ELEM	28	79,942	85,066	0	0	99,551	(19,709)	0	75.53	7.25	75.00	0.00	0.00	82.25	6.72	\$25
DILLON ELEM	691	2,491,348	2,208,476	240,570	126,276	2,865,384	(374,035)	0	126.12	0.00	75.00	15.00	3.55	93.55	(30.57)	\$9
BEAVERHEAD CO HS	405	1,783,552	1,874,644	145,800	49,575	1,895,320	(107,348)	0	71.38	2.30	46.00	9.00	15.72	73.02	1.64	\$28
WISE RIVER ELEM	31	71,717	79,412	0	0	99,913	(21,155)	0	129.78	56.58	75.00	5.30	0.00	136.88	7.10	\$19
LITRA ELEM	82	275,324	267,356	7,818	(233)	325,199	(64,815)	0	51.78	2.48	46.00	0.00	0.00	136.88	7.10	\$31
LITRA H S	49	250,786	311,618	0	0	389,593	(113,807)	0	78.76	9.66	46.00	0.00	0.00	84.46	(3.30)	\$18
WISDOM ELEM	48	107,581	145,109	0	0	167,778	(62,177)	1,282	57.28	0.00	75.00	0.00	0.00	75.00	17.72	\$31
POLARIS ELEM	9	25,191	133,917	0	0	156,682	(131,492)	0	68.95	3.68	75.00	0.00	0.00	80.86	11.76	\$25
JACKSON ELEM	21	59,450	68,748	0	0	82,435	(20,775)	0	98.14	15.47	75.00	15.00	1.81	107.28	9.14	\$27
REICHEL ELEM	15	63,711	67,920	4,050	(2,106)	72,505	(9,794)	0	34.05	0.00	75.00	0.00	0.00	75.00	40.95	\$13,051
BIG HORN COUNTY																
SQUIRREL CRK ELEM	6	59,499	184,718	0	0	216,121	(155,621)	0	59.77	0.00	75.00	0.00	0.00	75.00	15.23	\$9
PRYOR ELEM	61	270,203	202,614	0	0	237,058	33,155	266,852	59.13	0.00	75.00	15.00	3.14	93.14	34.01	\$81
COMMUNITY ELEM	15	87,603	59,216	4,320	(15,116)	79,337	(6,734)	0	61.98	8.51	75.00	0.00	0.00	83.51	21.53	\$18
HARDIN ELEM	1,122	3,299,567	2,991,582	0	0	3,500,150	(200,588)	1,327,047	42.34	0.00	75.00	0.00	0.00	75.00	32.66	\$42
BIG BEND ELEM	6	24,137	179,357	0	0	209,847	(185,660)	0	103.99	13.68	75.00	0.00	0.00	88.58	(15.31)	\$5
LONG GRASS ELEM	377	757,009	1,004,932	0	0	1,175,771	(408,762)	1,031,937	73.28	22.77	75.00	0.00	0.00	97.77	24.79	\$11
HYOLA ELEM	79	433,892	425,057	79	0	279,247	(142,244)	279,414	63.19	6.45	46.00	0.00	0.00	32.45	(10.74)	\$49
HARDIN H S	449	1,520,819	1,565,917	0	0	1,808,781	(179,162)	582,853	68.51	1.99	46.00	0.00	0.00	47.99	16.20	\$600
LONG GRASS H S	135	1,036,315	870,335	0	0	252,224	(69,400)	609,400	68.51	0.00	46.00	0.00	0.00	46.00	(22.51)	\$11
PLENTY COUPS HS	52	342,744	328,217	0	0	389,014	(158,730)	419,920	82.41	0.00	75.00	15.00	18.72	108.72	25.31	\$45
BLAINE COUNTY																
CHINOOK ELEM	323	1,161,739	804,065	87,210	(129,548)	1,042,791	(118,948)	0	50.55	1.67	46.00	9.00	9.30	65.97	15.42	\$45
CHINOOK H S	199	1,112,197	772,300	71,640	(188,046)	988,410	(221,269)	573,519	82.99	14.44	75.00	0.00	0.00	89.44	6.45	\$6
HARLEM ELEM	426	1,067,462	1,011,479	0	0	1,286,731	(275,252)	234,789	43.62	10.49	46.00	0.00	0.00	56.49	12.07	\$37
HARLEM H S	147	588,973	426,583	0	0	733,102	(144,129)	234,789	48.52	0.00	75.00	15.00	1.68	64.99	16.49	\$219
CLEVELAND ELEM	13	149,132	60,858	3,510	(39,108)	75,310	(6,179)	0	49.86	0.00	75.00	0.00	0.00	91.68	43.16	\$118
ZURICH ELEM	48	149,576	171,908	0	0	201,132	(52,456)	0	44.28	0.00	75.00	0.00	0.00	75.00	30.72	\$111
LLOYD ELEM	14	27,308	37,933	0	0	44,384	(17,076)	0	44.28	0.00	75.00	0.00	0.00	75.00	30.72	\$111
CDM ISLAND TRAIL	9	26,892	266,863	0	0	312,230	(285,338)	0	46.33	0.00	75.00	0.00	0.00	75.00	28.67	\$119
TURNER ELEM	84	399,975	321,905	22,680	(987)	293,165	(20,577)	0	131.69	0.00	75.00	15.00	35.10	125.10	(6.58)	\$51
TURNER H S	30	313,572	330,540	10,800	(5,791)	293,015	(20,577)	725,411	105.07	0.00	46.00	0.00	0.00	75.00	30.57	\$40
HAYS-LOGGE FOLE E	177	391,673	560,556	0	0	655,950	(254,177)	0	44.75	0.00	75.00	0.00	0.00	75.00	30.57	\$339
BEAR PAW ELEM	18	66,932	68,928	0	0	80,545	(13,653)	0	44.75	0.00	46.00	0.00	0.00	46.00	17.80	\$1
HAYS-LOGGE FOLE H	72	432,932	478,328	0	0	559,644	(126,650)	428,244	85.02	4.80	75.00	0.00	0.00	79.80	(3.22)	\$10
N HARLEN COLONY E	7	34,839	219,254	0	0	258,559	(221,700)	0	76.26	15.08	75.00	0.00	0.00	90.08	13.62	\$16
BROOKHURST COUNTY																
TORNABEND ELEM	466	1,035,437	1,138,928	0	0	1,332,546	(297,109)	0	76.26	0.00	75.00	0.00	0.00	75.00	36.44	\$123
CROW CREEK EL	6	27,021	177,704	0	0	207,914	(80,873)	0	59.26	0.00	75.00	0.00	0.00	49.72	(5.33)	\$42
TOSTON ELEM	24	54,720	59,755	0	0	81,578	(26,858)	0	55.03	3.72	46.00	0.00	0.00	49.72	(5.33)	\$42
BROADWATER CO HS	216	774,969	792,217	0	0	928,854	(151,924)	0	95.67	2.00	75.00	15.00	5.81	97.81	2.14	\$13
CARRON COUNTY																
RED LODGE ELEM	331	939,368	825,463	89,370	26,033	1,070,355	(130,987)	0	66.39	4.45	46.00	9.00	14.35	73.80	7.41	\$38
RED LODGE H S	199	750,003	493,613	50,040	2,158	788,174	(233,170)	0	66.39	9.18	75.00	15.00	18.05	117.23	17.67	\$29
BRUGER ELEM	173	642,338	504,462	46,710	(29,236)	640,872	(23,345)	0	73.45	1.28	46.00	0.00	17.07	73.35	(0.10)	\$48
BRUGER H S	106	618,743	492,172	38,160	(7,408)	620,688	(113,681)	0	151.61	54.81	75.00	0.00	0.00	189.51	(22.10)	\$7
JOLIET ELEM	237	617,392	624,848	22,000	10,127	741,072	(113,681)	0	67.07	0.00	46.00	0.00	0.00	46.00	(22.10)	\$7
THE TFF H S	80	476,006	451,015	22,000	10,127	583,142	(113,681)	0	67.07	0.00	46.00	0.00	0.00	46.00	(22.10)	\$7

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no 874

87 School Through 87

PROPOSED AMENDMENTS TO HB 575

Submitted by Rep. Mike Kadas

To the House Select Committee on Education

March 2, 1989

The school funding equalization plan proposed in HB 575, introduced copy, is based on the following concepts:

- The 216% increase in the schedules for FY 91 was based on the average 1987 expenditures for school districts statewide for the various sizes of district for all budgeted funds (general fund, retirement, insurance, adult education, tuition)
- The statewide cost of transportation was not added into the schedules, but was to be funded by a state appropriation to OPI to be studied and distributed in an equalized manner to FY91
- The foundation program amount per district to be funded by equalized sources was, therefore, 100% of that calculated average cost of funding the aforementioned funds, now combined into the general fund
- The increased mandatory mills to help fund this concept were 103 mills for elementary districts and 63 mills for high schools. These amounts substitute for current millage for these areas, resulting in some districts paying more and some paying less in total mills
- A district could budget and seek funding for 117% above the schedule amount, through millage and nontax sources, excluding PL 874 money

The proposed amendments to HB 575 would accomplish the following:

- Again, using statewide average expenditures for the funds to be included in the new general fund, the schedules would reflect and fund 90% of the average costs for the districts
  
- The 10% above that amount would be funded in a manner similar to the current permissive area, but would be funded by a guaranteed dollar amount per mill per ANB for any portion of the "equalized over-schedule amount"
  
- An elementary district could raise up to 16 equalized mills and a high school could raise up to 10 mills
  
- The \$/mill/ANB used for each type of district is based on statewide taxable valuation per ANB. Equalized mills will raise \$18/per mill/per ANB for elementary districts and, for high school districts, \$40/mill/ANB for any portion of the 10% amount desired
  
- If a district's taxable valuation raises less than \$18/mill/ANB, then the state will make up the difference
  
- If a district's taxable valuation raises more than the \$18 or \$40 with the required millage, the excess must be remitted to the state to help fund the districts that are under the average statewide taxable valuation per ANB
  
- The excess millage would flow into the state equalization account to be distributed by OPI
  
- This plan could reduce the need for 160 mandatory mills by 24 mills

which would become permissive and equalized by the guarantee and recapture provisions

-- This plan could be phased-in in equal portions over a three-year period until the entire 10% over-schedule amount was funded in the proposed manner

-- The districts could budget and seek additional funding or nontax revenue for up to 117% above the schedules and this new level

-- To compliment the above plan, the average statewide costs for purposes of increasing the schedules would be recalculated whenever 10% of the total ANB in the state are in districts that reach the 117% cap. This would create a rolling expansion of equalization based on the willingness of the districts to use the 10% over-schedule funding level and other funding to reach the 117% cap. Whenever the statewide costs were recalculated, the \$/mill/ANB guarantee and required millage would be recalculated also, based on the statewide taxable valuation per ANB

A SUMMARY OF  
SCHOOL FUNDING EQUALIZATION  
PROPOSALS

Prepared for the  
Select Committees on Education  
House Education and Cultural Resources Committee  
Senate Education and Cultural Resources Committee

by

Andrea Merrill, Staff Researcher, Legislative Council  
Dave Cogley, Staff Attorney, Legislative Council  
Madalyn Quinlan, Associate Fiscal Analyst,  
Office of Legislative Fiscal Analyst

February 6, 1989  
Revised February 27, 1989



JUDY RIPPINGALE  
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EXHIBIT 4  
DATE 3-2-89  
HB \_\_\_\_\_

March 2, 1989

TO: House Select Committee on Education  
FROM: Madalyn Quinlan *MQ*  
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SUBJECT: Executive Action on Public School Equalization Bills

The following is a list of questions that the committee should consider as it takes executive action on House Bills 575, 623, 637 and Senate Bill 203.

General Discussion

1. This committee has already stated that major changes in the school funding structure would not go into effect until the second year of the 1991 biennium. Does this position still hold?
2. What level of equalization does the committee think is necessary to meet the constitutional mandate of "equality of educational opportunity?"
3. What is the maximum acceptable time frame for achieving the desired level of equalization? How long a phase-in is needed to minimize disruptions to the existing school system, contracts, and long-term commitments?
4. Is equalization to be achieved with caps? If so, should the caps be tied to a percentage of the foundation amount or to average expenditures?

Existing Funding Structure

1. Does the committee want to use the existing foundation program schedules and inflate them as opposed to restructuring the schedules and the category groupings (as is done in House Bill 637)?
2. Is it generally accepted that the permissive program will be eliminated and that the new foundation amount will become the maximum general fund budget without a vote? All of the bills before the committee eliminate the permissive program.
3. Is it generally accepted that the county retirement levy will be eliminated and that retirement should be part of the total equalization package whether in the general fund or a separate fund?

4. Is it generally accepted that the separate levy for comprehensive insurance will be eliminated and that comprehensive insurance will be part of the total equalization package?

5. Should the state's mechanism for equalizing transportation be changed for the 1991 biennium? If so, how? If further study is needed, who should conduct the study and how soon could a new transportation funding system be put into effect?

6. How long should the school term be? Does the committee want to compensate districts for having school terms longer than 180 days?

### Retirement

1. What educationally relevant factors are associated with variations in retirement expenditures? For which of these factors does the committee wish to compensate school districts? Does the committee want to consider a formula for funding retirement that would account for teacher experience?

2. The interim study conducted by the K-12 subcommittee of the Legislative Finance Committee found that the greatest variations in per pupil expenditures among districts were associated with variations in the student/teacher ratios. In other words, higher spending districts tend to be higher spending because they have more teachers per pupil than lower spending districts. These variations in student/teacher ratios lead to inequities in spending per pupil. Does the committee want to fund district retirement costs for each teacher in the district?

3. Should retirement expenditures be included in the general fund of the district?

4. Should the equalization of retirement funding be phased in to minimize disruptions to existing contracts and buy out practices?

### Public School Funding

1. Should the committee recommend a revenue source to finance the increased state share of school funding? How specific should that recommendation be?

### Further Studies

1. Does the committee wish to propose areas of further study to the legislature? If so, should these proposals be in the school equalization bill or a separate resolution?

2. Does the committee wish to request that data be collected by the Office of Public Instruction on teacher salaries statewide in anticipation of legislative action in 1991? Other data requests?

I would suggest that the House Select Committee use the "Summary of School Funding Equalization Proposals" prepared by the committee staff in evaluating the specifics of the various bills.

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