

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on March 10, 1989, at 3:00 p.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

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

Discussion:

Madalyn Quinlan provided the Select Committee with two printouts, Exhibit 1 rolls retirement expenditures into the foundation program schedules. Exhibit 2 assumes that retirement would be funded in an equalized manner outside of the foundation program schedules. Exhibit 3 is a summary of what the printouts do.

Rep. Eudaily asked Ms. Quinlan about the 85% equalization in Exhibit 3, Table 1, and why it is actually 84.29% and 15.71% unequalized? Ms. Quinlan stated that the 85% option is slightly less than 85% equalized because some districts will spend more in 1991 under the new schedules than they would have otherwise spent. There will be other districts that will spend more than 15% above their foundation amount.

Rep. Peck asked Ms. Quinlan that when she says increase the schedules by 56% is that current schedules plus 56%? Ms. Quinlan answered yes.

Rep. Peck stated that he noticed special education only shows an expenditure of \$24.5 million. The number consistently appropriated for that is over \$27 million, so you are about \$3 million low.

Ms. Quinlan stated that these are the FY 88 special education allowable costs on the budget reports. There are more special education expenditures that the staff didn't have any means of separating out. Those will continue to show up as general fund expenditures in this FY 88 combined column.

Rep. Peck stated that it would be the local contribution to the special education program that you can't identify.

- Rep. Eudaily asked Ms. Quinlan if the general fund expenditures were \$3 million high because of special education cooperative costs? Ms. Quinlan said yes.
- Rep. Harrington stated that the cooperatives that aren't actually part of a school district can make a difference.
- Ms. Quinlan stated that she put transportation in the FY 88 combined expenditures and in the schedule increases. She stated that it won't effect the totals, but it will effect the individual districts.
- Rep. Kadas stated that the equalized 85% of the FY 88 expenditures doesn't actually equalize 85%. If you want to meet the federal equity test, you have to equalize 90% of the existing expenditures.
- Rep. Kadas asked Ms. Quinlan if she started out at \$539 million and then backed out the special education leaving \$514 million? Ms. Quinlan said that is correct.
- Rep. Kadas asked if Ms. Quinlan did that because that portion is already equalized? Ms. Quinlan stated that she did that because special education is not funded through the schedules. It comes in the "foundation amount" but it is a separate payment so it is calculated separately from the foundation schedules. She computed an amount that each district would get for regular education and then at the bottom added special education appropriations.
- Rep. Kadas asked Ms. Quinlan if PL 874 money shows up in the unequalized side, as by definition it has to? Ms. Quinlan said yes.
- Rep. Kadas stated that he figured out the additional cost for 90% is \$25 million and 95% is \$34 million.
- Rep. Gilbert asked Rep. Kadas why the difference for just a 5% increase? Rep. Kadas stated that it has to do with the number of schools that are currently at that area.
- Ms. Merrill stated that for the Yellowstone Treatment Center, you could create within the foundation program schedules another category just for their special situation and it would be for a school district that has totally self-contained special education classrooms. Funding would be based on an ANB amount, such as the actual 1988 expenditures, since that is what we are using for everyone else. They had 24 children under that situation so it looks like about \$6,000 per ANB to go into the schedules for them. If the committee chooses to do something that funds retirement through the schedules, then they would get 18% more and if retirement reimburses for actual costs of the previous year, they would be funded comfortably that way too. Creating a special

category for that type of school will always keep them in the ANB mode and they will get treated like all other school districts, which they are like for all other purposes.

Rep. Eudaily asked Ms. Merrill are we getting into something that we don't want to be in later on? That would be the only situation that we would be giving special education funding on an ANB basis? Ms. Merrill said yes.

Rep. Eudaily asked Ms. Merrill how much funding you are talking about? Ms. Merrill stated that \$142,000 was the FY 1988 cost.

Rep. Eudaily asked Rep. Glaser how are retirement costs addressed under this proposal? Rep. Glaser stated that retirement hasn't been addressed.

Ms. Merrill stated that we would increase the amount so that would be reflected and they would be getting \$7,800, instead of \$6,000, or if we choose to fund retirement in some other manner, then we would fund their FY 1988 costs.

Rep. Peck stated that the budget you are trying to achieve is \$476,000, and the ANB at \$6,000 per ANB multiplied by 24 is \$142,000. Where are the other sources of revenues? Rep. Glaser stated that there are three other sources of revenue: county equalized retirement; special education money that they now receive, which is \$67,000; and tuition from the school districts.

Rep. Peck asked Rep. Glaser how do you get back to \$476,000? Rep. Glaser stated that the \$476,000 includes high school education costs and the out-of-state student costs. We weren't concerned about that area because that doesn't change under the things we are doing.

Rep. Kadas asked what happens to other special education regarding retirement? Rep. Glaser stated that allowable costs do not include retirement. There is a special education teacher and the retirement money for that teacher comes from the county-wide retirement levy, as for regular teachers.

Rep. Kadas stated that if we don't have tuition or an ANB count for other special education children, then receiving schools are going to get only the state payment for direct costs and nothing for indirect costs or retirement or anything else. Rep. Glaser stated that for Yellowstone Treatment Center it is 100% of the student body, where in other schools, self-contained special education students are a much smaller percentages.

Ms. Merrill stated that in 1974, the indirect costs were covered in a special education funding formula by adding 15% to the allowable cost schedule. That might be one option and then

fund it through the special education appropriation.

Rep. Kadas asked why it doesn't make more sense to go back to using tuition for all special education students?

Ms. Merrill stated that it depends on the level of equalization that you ultimately choose. The closer you get to 100%, the less necessary it is for districts to exchange checks with each other for students.

Rep. Kadas stated that the state is already giving \$33 million in allowable cost schedules and the local districts should cover the indirect costs.

Mr. Groepper stated that the proposal to eliminate tuition would allow people more flexibility in where they send their children. There would be some migration of children to school districts which have better programs. There would be incentives for districts to run a quality educational program because they get the ANB. To generalize, there is less concern on special education costs than concern over problems with tuition, especially if you are funding it at 100%.

Rep. Kadas asked what would happen if we give special education students funding by ANB? Mr. Groepper stated that if you put special education students on an ANB count for self-contained and you pay the district directly for special education costs around the level you are talking about, then that would be a good step toward dealing with the indirect costs on a fair basis.

Rep. Peck asked that if you give them the allowable cost and 1/2 of an ANB that would even be encouraging. Mr. Groepper stated that anything you would give them would be encouraging and would offset their having to go into the general fund and pick up that indirect cost.

Rep. Glaser stated that there are three options for Yellowstone Treatment Center; percentage of ANB; set a special schedule; or funding through appropriations.

Rep. Eudaily asked why, since the Yellowstone Treatment Center is a unique situation, do we want to open this statewide for indirect costs for special education.

Rep. Glaser that his personal choice is to handle funding through appropriations so he agreed with Rep. Eudaily.

Rep. Peck stated that if they went into the direct appropriation process, they would have to justify a budget to the appropriations subcommittee, then they would indicate what revenues they would have available.

Motion:

Rep. Gilbert moved that the Yellowstone Education Center be put on direct appropriations for the purposes of the district budget.

Discussion:

Rep. Schye stated that you are making one school district almost a state institution.

Rep. Gilbert stated that the way we are treating them, they are almost a state institution.

Vote:

Motion was carried unanimously with all members voting aye.

ADJOURNMENT

Adjournment At: 4:30 p.m.

A handwritten signature in cursive script that reads "Ray Peck". The signature is written in black ink and is positioned above a horizontal line.

REP. Ray Peck, Chairman

RP/jf

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JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

March 10, 1989

TO: House Select Committee on Education

FROM: Madalyn Quinlan *MQA*  
Associate Fiscal Analyst

SUBJECT: Funding Foundation Schedules to Cover Fiscal 1988 School  
District Current Expenditures

At the request of the House Select Committee on Education, I have prepared two printouts. These printouts show the impact on individual school districts if the foundation program schedules are funded at 85, 90, 95, and 100 percent of fiscal 1988 current year expenditures. The first printout (1) rolls retirement expenditures into the foundation program schedules. The second printout (2) assumes that retirement would be funded in an equalized manner outside of the foundation program schedules.

Current expenditures include general fund expenditures, retirement, comprehensive insurance, transportation, bus reserve, and non-operating fund expenditures. (Tuition fund expenditures totaling \$1.11 million are excluded because they are basically transfer payments which fund general fund expenditures.) Table 1 shows school district current expenditures for operation and maintenance for fiscal 1988. These expenditures are totaled from school district trustee reports submitted to the Office of Public Instruction.

Table 1  
 School District Current Expenditures for Operation and Maintenance  
 Fiscal 1988 Trustee Reports  
 (Millions)

<u>Budgeted Fund</u>	<u>Expenditures</u>
General Fund	\$445.851
Retirement	52.724
Comprehensive Insurance	10.620
Transportation	28.436
Bus Reserve (Depreciation)	1.860
Non-operating Fund	<u>.029</u>
<b>Total Budgeted Expenditures</b>	<b><u><u>\$539.520</u></u></b>
Regular Education	\$514.951
Special Education	<u>24.569</u>
<b>Total Budgeted Expenditures</b>	<b><u><u>\$539.520</u></u></b>

Special education is funded through the foundation payment, but not through the foundation program schedules. Therefore, the schedules are inflated for current expenditures other than special education.

In the attached printouts, "combined expenditures" are general fund, comprehensive insurance, transportation, bus reserve, and non-operating fund expenditures. Scenario 1 includes retirement in "combined expenditures" and rolls retirement into the foundation program schedules. Scenario 2 leaves retirement out of the "combined expenditures" column and out of the schedules, but assumes that retirement will be funded by the state at the same percentage that other current expenditures are funded. For example, if 85 percent of fiscal 1988 expenditures are covered through the schedules then 85 percent of retirement costs will be equalized as well.

Table 2 shows the increases in the foundation program schedules necessary to cover 85, 90, 95, and 100 percent of fiscal 1988 expenditures with and without retirement cost incorporated in the schedules.

Table 2  
Increases in the Foundation Schedules to Cover  
Fiscal 1988 Current Expenditures  
Fiscal 1991  
(Millions)

Fiscal 1988 Expenditure Base	Percent of FY88 Base to be Equalized	- - Foundation Schedule Increase - w/Retirement                      w/o Retirement	
\$514.951	100	84.25%	65.39%
514.951	95	75.04%	57.12%
514.951	90	65.83%	48.85%
514.951	85	56.61%	40.58%

The printouts show the percentage of equalization that would be achieved if the state provides equalized funding for 85, 90, 95, and 100 percent of fiscal 1988 school district current expenditures. Table 3 summarizes the level of equalization that would be achieved at each level of funding with and without retirement rolled into the foundation schedules. Notice that the total expenditures (foundation plus unequalized) at these various levels of state funding are greater than the fiscal 1988 current expenditures. These increases occur because many districts receive more under the proposed schedule increases than they spent in fiscal 1988.

**Table 3**  
**Degree of Equalization Achieved at 85, 90, 95, and 100 Percent**  
**State Funding of Fiscal 1988 Expenditures**

<u>Percent of FY88 Base to be Equalized</u>	<u>Retirement in Schedules</u>		<u>Retirement not in Schedules</u>	
	<u>Equalized</u>	<u>Unequalized</u>	<u>Equalized</u>	<u>Unequalized</u>
100	93.76%	6.24%	94.26%	5.74%
95	91.23%	8.77%	91.58%	8.42%
90	88.02%	11.98%	88.27%	11.73%
85	84.29%	15.71%	84.47%	15.53%

MQ3:kj:sce3-10

House Select Committee on Education March 10, 1989

CO LE	DIST_NAME	FY 1988 COMBINED EXPENDITURES	FY 1988 SPEC EDUC EXPENDITURES	(a)		(b)		(c)		(d)	
				FOUNDATION	UNEQUALIZED	FOUNDATION	UNEQUALIZED	FOUNDATION	UNEQUALIZED	FOUNDATION	UNEQUALIZED
01 0003	E GRANT ELEM	\$82,386	\$5,954	\$78,452	\$83,070	\$0	\$0	\$87,684	\$0	\$92,297	\$0
01 0005	E DILLON ELEM	\$2,504,084	\$67,216	\$2,436,870	\$2,580,335	\$0	\$0	\$2,723,643	\$0	\$2,866,952	\$0
01 0006	H BEAVERHEAD CO HS	\$1,873,430	\$536,791	\$1,336,639	\$458,100	\$458,100	\$458,100	\$1,493,936	\$379,494	\$1,572,542	\$300,888
01 0007	E WISE RIVER ELEM	\$76,325	\$0	\$81,757	\$86,570	\$0	\$0	\$91,378	\$0	\$96,186	\$0
01 0008	E MIRA ELEM	\$257,123	\$0	\$276,644	\$290,813	\$0	\$0	\$306,944	\$0	\$323,116	\$0
01 0009	H LIHA H S	\$227,430	\$0	\$279,430	\$291,430	\$0	\$0	\$307,615	\$0	\$323,801	\$0
01 0010	E MIDSOOD ELEM	\$106,563	\$19,849	\$86,714	\$91,819	\$14,744	\$14,744	\$96,919	\$9,644	\$102,018	\$4,545
01 0012	E POLARIS ELEM	\$24,732	\$8,947	\$15,785	\$17,642	\$8,018	\$8,018	\$17,642	\$7,090	\$18,571	\$6,161
01 0014	E JACKSON ELEM	\$61,556	\$0	\$71,015	\$75,196	\$0	\$0	\$79,372	\$0	\$83,549	\$0
01 0015	E RETCHLE ELEM	\$63,216	\$0	\$71,015	\$75,196	\$0	\$0	\$79,372	\$0	\$83,549	\$0
02 0020	E SQUIRREL CRK ELEM	\$47,551	\$14,662	\$32,889	\$36,825	\$12,726	\$12,726	\$36,759	\$10,792	\$38,693	\$8,858
02 0021	E PRYOR ELEM	\$687,642	\$24,973	\$266,700	\$440,942	\$440,942	\$440,942	\$426,618	\$411,910	\$290,240	\$397,402
02 0022	E COMMUNITY ELEM	\$76,499	\$3,005	\$73,494	\$77,821	\$0	\$0	\$82,163	\$0	\$86,465	\$0
02 0023	E HARDIN ELEM	\$4,015,902	\$1,282,626	\$2,735,276	\$1,100,534	\$1,100,534	\$1,100,534	\$3,077,284	\$938,618	\$3,239,200	\$776,702
02 0024	E BIG BEND ELEM	\$25,252	\$0	\$31,569	\$33,428	\$0	\$0	\$35,285	\$0	\$37,141	\$0
02 0025	E LODGE GRASS ELEM	\$1,871,082	\$53,163	\$920,649	\$950,833	\$920,649	\$920,649	\$1,062,280	\$808,802	\$1,118,174	\$752,908
02 0026	E MYOLA ELEM	\$756,437	\$13,054	\$267,841	\$508,596	\$494,005	\$494,005	\$277,007	\$479,430	\$291,582	\$464,855
02 1189	H HARDIN H S	\$2,075,276	\$67,022	\$1,422,159	\$653,117	\$1,505,885	\$1,505,885	\$1,589,520	\$485,756	\$1,673,155	\$402,121
02 1190	H LODGE GRASS H S	\$1,298,824	\$23,815	\$958,789	\$700,037	\$664,785	\$664,785	\$629,255	\$629,571	\$704,449	\$594,357
02 1214	H PLENTY COLPS HS	\$957,604	\$33,750	\$363,846	\$593,758	\$385,266	\$385,266	\$406,663	\$550,941	\$428,061	\$529,543
03 0028	E CHINOOK ELEM	\$1,011,033	\$33,750	\$836,285	\$174,748	\$885,519	\$885,519	\$934,700	\$76,333	\$983,881	\$27,152
03 0029	H CHINOOK N S	\$847,691	\$21,985	\$713,046	\$124,645	\$92,667	\$92,667	\$796,958	\$50,733	\$838,891	\$8,800
03 0030	E HARLEM ELEM	\$1,790,759	\$40,059	\$1,037,047	\$753,712	\$1,098,101	\$1,098,101	\$692,658	\$631,671	\$1,220,075	\$8,684
03 0031	H HARLEM H S	\$981,110	\$16,877	\$583,281	\$397,829	\$617,620	\$617,620	\$651,922	\$329,188	\$686,224	\$294,886
03 0032	E CLEVELAND ELEM	\$72,902	\$0	\$85,778	\$7,124	\$0	\$0	\$73,519	\$0	\$77,387	\$0
03 0034	E ZURICH ELEM	\$140,086	\$10,372	\$191,771	\$0	\$0	\$0	\$203,319	\$0	\$225,616	\$0
03 0036	E LLOYD ELEM	\$23,263	\$0	\$32,689	\$34,825	\$0	\$0	\$36,759	\$0	\$38,693	\$0
03 0043	E COM ISLAND TRAIL E	\$20,905	\$0	\$31,569	\$0	\$0	\$0	\$35,285	\$0	\$37,141	\$0
03 0044	E TURNER ELEM	\$389,427	\$8,709	\$268,649	\$120,978	\$284,253	\$284,253	\$300,040	\$89,387	\$315,827	\$73,600
03 0045	H TURNER H S	\$335,217	\$9,060	\$236,504	\$98,713	\$250,428	\$250,428	\$264,336	\$70,881	\$278,244	\$56,973
03 0046	E HAYS-LODGE POLE EL	\$1,070,454	\$37,029	\$487,021	\$583,435	\$515,694	\$515,694	\$544,335	\$526,119	\$572,976	\$497,478
03 0048	E BEAR PAM ELEM	\$69,028	\$0	\$98,667	\$0	\$0	\$0	\$110,278	\$0	\$116,080	\$0
03 1213	H HAYS-LODGE POLE H	\$801,934	\$16,519	\$374,313	\$427,621	\$396,349	\$396,349	\$418,362	\$383,572	\$440,375	\$361,559
03 1216	N HARLEM COLONY EL	\$25,059	\$11,547	\$31,569	\$33,428	\$0	\$0	\$35,285	\$0	\$37,141	\$0
04 0050	E TOWNSEND ELEM	\$1,058,379	\$43,939	\$1,232,643	\$0	\$0	\$0	\$1,377,702	\$0	\$1,450,192	\$0
04 0052	E CROM CREEK EL	\$5,550	\$0	\$5,550	\$0	\$0	\$0	\$5,550	\$0	\$5,550	\$0
04 0053	E TOSTON ELEM	\$43,970	\$0	\$54,208	\$9,762	\$0	\$0	\$36,234	\$5,736	\$40,244	\$3,724
04 0055	H BROADWATER CO HS	\$811,152	\$22,771	\$859,033	\$909,606	\$0	\$0	\$960,125	\$0	\$1,010,643	\$0
05 0056	E RED LODGE ELEM	\$973,955	\$33,075	\$943,637	\$30,318	\$0	\$0	\$1,034,685	\$0	\$1,110,179	\$0
05 0057	H RED LODGE H S	\$723,638	\$24,641	\$586,610	\$137,228	\$620,933	\$620,933	\$655,419	\$68,219	\$689,905	\$33,733
05 0058	E BRIDGER ELEM	\$608,629	\$33,436	\$483,857	\$124,772	\$96,286	\$96,286	\$469,121	\$95,993	\$493,805	\$71,309
05 0059	H BRIDGER H S	\$565,114	\$19,024	\$419,727	\$145,397	\$444,438	\$444,438	\$469,121	\$95,993	\$493,805	\$71,309
05 0060	E JOLIET ELEM	\$650,836	\$21,871	\$645,997	\$0	\$0	\$0	\$766,615	\$0	\$806,951	\$0
05 0061	H JOLIET H S	\$535,034	\$0	\$434,206	\$100,828	\$459,768	\$459,768	\$485,303	\$49,731	\$510,838	\$24,196
05 0063	E JACKSON ELEM	\$64,803	\$0	\$70,189	\$0	\$0	\$0	\$78,449	\$0	\$82,576	\$0
05 0064	E LUTHER ELEM	\$483,379	\$7,973	\$71,015	\$0	\$0	\$0	\$79,372	\$0	\$83,549	\$0
05 0068	H ROBERTS H S	\$283,461	\$0	\$289,876	\$0	\$0	\$0	\$323,989	\$0	\$341,036	\$0
05 0069	H ROBERTS H S	\$287,124	\$0	\$323,642	\$0	\$0	\$0	\$361,729	\$0	\$380,762	\$0
05 0070	E BOYD ELEM	\$83,566	\$0	\$99,363	\$0	\$0	\$0	\$107,525	\$0	\$111,604	\$0
05 0071	E FROMBERG ELEM	\$340,966	\$15,311	\$387,607	\$0	\$0	\$0	\$433,221	\$0	\$456,015	\$0
05 0072	H FROMBERG H S	\$368,901	\$0	\$377,638	\$0	\$0	\$0	\$422,079	\$0	\$444,287	\$0
05 0073	E EDGAR ELEM	\$97,747	\$0	\$72,668	\$25,079	\$0	\$0	\$81,219	\$16,528	\$85,493	\$12,254
05 0075	E BELFRY ELEM	\$479,668	\$20,973	\$358,742	\$120,726	\$0	\$0	\$400,959	\$78,509	\$422,057	\$57,411