

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON EDUCATION

Call to Order: By VICE-CHAIRMAN SENATOR HARRY FRITZ, on April 8, 1991, at 3:30 P. M.,

ROLL CALL

Members Present:

Chet Blaylock, Chairman (D)
Harry Fritz, Vice Chairman (D)
Robert Brown (R)
Bill Farrell (R)
H.W. Hammond (R)
Dennis Nathe (R)
Dick Pinsoneault (D)
Mignon Waterman (D)
Bill Yellowtail (D)

Members Excused: Chairman Senator Chet Blaylock;
Senator Bill Yellowtail

Staff Present: Andrea Merrill (Legislative Council).

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

HEARING ON 940

Presentation and Opening Statement by Sponsor:

REPRESENTATIVE WANZENRIED, House District 7, presented HB 940 which is an act to provide for a reliable cash flow to school districts by allowing state advances for revenue to be raised by county equalization levies.

See Exhibits 1, 2, and 3 presented to committee.

The speaker said this bill is going to "sound too good to be true". The bill will allow the state to continue a policy which

has been in place; using tax and revenue anticipation notes to bond or simply borrow money and to invest that money in short term, make interest on that money and use the proceeds from the bond sales to fund foundation schedules so there is a more reliable cash flow into the school funding system.

The major problem that will be averted is to avoid having delinquent protested taxes affect the amount of money that flows to the districts and the bookkeeping that accompanies that. The advantages of doing this is that the state will be able to borrow money at a lower rate and invest it at a higher rate and gain an amount of money for the state general fund.

There is a fiscal note attached to the bill that the sponsor said he did not sign because of difference of opinion on revenue impact of this. (Difference of opinion is with the Governor's Budget Office). The biggest question would be the interest rates that would be in effect in bonding.

Again, the reason that for this bill is because of the current system. School districts are faced with the prospects of not receiving all the tax revenue that they anticipate in the budgets. There is a very complicated series of transactions to take place between the districts and the state to try to account for the money when it comes in, trying to offset.

The way the program would work is in July of this year, the state would issue these notes and make available up front in the initial gain of 20 percent in the foundation schedule amount that is due any district in the state to the 7 percent installment to follow on monthly basis. This provides a more reliable cash flow to the districts and allows the districts to use those monies to be invest earlier than they currently are able to invest those monies and that is the second advantage of this program. It would allow the districts to actually gain more in interest earnings than they currently are able to under the present funding arrangements by borrowing at a preferred rate and investing it at a more preferable rate.

The sponsor said that he is confident that the state would have a net gain in the state General Fund and also eliminate alot of time consuming paperwork. He said that this is not a new concept but is set up in a way that is different.

Proponents' Testimony:

JIM GILLETTE, Legislative Auditors Office. The Legislative Auditors Office does not take a position on the bill. We have not done an analysis since OPI has and that is available.

The office can provide some background going back to 1980. The biggest items that dealt with were delinquent/protested taxes that fell on local school districts.

There was not enough money in the County Equalization Aid Account to make the distribution. The state did not make up the difference. The school districts just ran short. The Legislative Auditors Office has considered this a serious

situation and has made recommendations on three different occasions. There have previously been three legislative bills dealing with this which did not pass.

The problem was solved to a degree in HB 28. The districts can now apply to the state for additional equalization money if they are short because of delinquent/protasted taxes.

The speaker said they discussed in those reports issues dealing with the amount of communications and reporting required between the counties, districts and the state and found over the years that this was a substantial burden. Statistics were showing that County Treasurers and County Superintendents often didn't agree on what the cash balance was in the districts General Fund; Treasurers' reports were usually late and a big percentage were more than 30 days late. Many of the counties we looked at distributed the county equalization aid fund less often than is required by law. The office has not updated statistics lately but found a pattern over the years that was of concern to them.

The office concluded at the time that no one was being negligent in their duties. The problem was that the system was so complex and required so much communication and so many people relying on so many different pieces of data from different organizations that it just couldn't be done.

The speaker said that having looked at this bill briefly, he thought that there is an opportunity in this bill to help schools, reduce paperwork and simplify procedures so our office can get information when we need it. At this point the office supports this bill and feels it can be a substantial benefit to the system.

GREG GROEPPER, Office of Public Instruction

Mr. Groepper presented graphs giving information on the elementary/high schools in Shelby, Missoula, St. Regis, Superior, Bozeman and Butte. (See Exhibit 1)

The speaker explained the graphs saying that they show how the current law works and how HB 940 would make the cash flow alot more stable for the school districts. He said that a number of school districts were studied in an attempt to show broad representation.

On the graphs, the dark bar chart is how HB 940 would affect the money going out to the schools and the light bar chart is how the present law works.

Starting with the present law, you can see that Shelby High School gets 20% of the previous year's allocation in the first month and then the payments drop down to 7% and in December when the property taxes are collected, they get a big amount of money. The reason being that OPI has to offset the amount of money

expected from the 55 mill levy so it isn't included in the payment to the districts. Then when the 55 mill levy comes in, some of that is delinquent or protested and that is the first bar in December (the top part). Currently, under HB 28, OPI has to get a report from the County Treasurer and in March where one can see the bar "estimated state re-instatement", the state is now required to hold districts harmless from any problems arising from protested taxes but the school district can't get the money until March. We make an estimate of what they need in March and then this whole process goes on again in June when some property taxes are delinquent/protested and the school district is short.

The speaker said that under HB 940, they would know that they have an obligation to a school district for a certain amount of money based on how many kids they had going to school last year. The district could be paid the full 20% in July and the full 7% in each of the months throughout the end of the year. In June they could be paid their total allocation. That way the school districts would not have to worry about how much came in from the 55 mills or how much was protested or delinquent. They won't have to make an application to get their share in March and we won't have to make another adjusting entry in June.

By their having their money up front, they can invest it and, depending on interest rates, make about 3.4 million dollars in revenue for the school districts by having the money earlier at no cost to the state of Montana. School districts would have a more stable cash flow as a result of this bill.

In a survey done last fall 30 County Treasurers reported to us that the 55 mills had over 10 million dollars tied up in delinquent and protested taxes. School districts make application through their County Treasurer to OPI who (under HB 28) is required to reimburse them in March or as soon as they get their reports that there is a deficiency in the 55 mill levy.

The speaker said Jim Gillette made reference to the fact that audits showing reports are not coming back from the County Treasurers' offices and there isn't the needed data and information on what was actually levied and collected in terms of property taxes and the Foundation Program can't be adjusted. Because these delinquent and protested taxes go back ten years, there is ten years worth of school equalization on the books, the County Superintendents and Treasurers have the same problems. If HB 940 passes in subsequent years we won't have to make those adjustments. Over time the work load will decrease.

REPRESENTATIVE WANZENRIED commented on the fact that he did not sign the fiscal note and said it was because of a difference in opinion on the fiscal note with the Governor's budget office. He said that they couldn't agree on the amount of money that this bill would make for school districts. The interest rate in the revenue bill at 7.71%, which they think will make about \$3.4 million dollars for the school districts.

He said the difference of opinion with the budget office is concerning the size of the trans and the interest rates. He said that they had gone back to Terry Johnson in the Legislative Fiscal Analyst's Office. Terry did another spread sheet. He said that they had included the amount of savings that the state would realize from guaranteed tax base by these revenues and Terry Johnson's figure is about \$250,000 a year earnings through the issue of trans as a result of this bill. OPI's figure would be higher than that depending on the interest rates.

The speaker referred to a memo here from Malcolm Jones of the Public Resources Advisory Group to Dave Ashley of the Department of Administration. (See Exhibit 2) which indicates that the state could be making money right now on tax revenue anticipation notes under HB 28 regardless of whether this bill passes. Mr. Jones' estimate on the second page says that the state could earn approximately \$300,000 this year and probably more because this is only 7-8 months of arbitrage in each of the next two years to the general fund. OPI feels that there will be additional earnings to the General Fund if this bill passes. The speaker said that he thinks there could be \$900,000 to \$1,000,000 in General Fund earnings as a result plus a potential of \$250,000 to \$500,000 if this bill passes.

The speaker also has a memo from the Department of Administration to Dave Ashley that will get for the Committee. The memo indicates their office feels that this bill would generate in the neighborhood of \$700,000 a year to the General Fund.)

The speaker said HB 940 is good for schools, saves work for County Superintendents, Treasurers and OPI and in our estimation and the LFA's estimation could generate money to the state General Fund.

The speaker said that the only opposition that this bill had in the House hearing was from the County Superintendents of Schools and he presented a letter from Rachel Vielleux, MACSS Legislative Committee (See Exhibit 3). Ms. Vielleux indicates they have polled the County Superintendents and although some superintendents have some questions and reservations, it is the consensus of the Association that it will not oppose this bill.

JOHN MALEE, Montana Federation of Teachers, in support of HB 940. (He did not sign register. Secretary not certain of last name.)

PHIL CAMPBELL, Montana Education Association, in support.

There were no opponents to the bill.

Questions From Committee Members:

SENATOR PINSONEAULT asked the sponsor of the bill "if this bill is so good, why haven't we been doing this for the last 20 years" to which the sponsor answered, "because I wasn't here all those

sessions of legislature". Senator Pineseault said that surely "such a gold mine should have come to somebody's attention".

GREG GROEPPER said that Jim Gillette mentioned that a bill very similar to this bill came up in 1981, passed the House and failed in the Senate on a tie vote. The concern at that time was that the way the bill worked, they were going to take the 45 mills, count equalization in and make that a state levy. That had a serious negative impact on Native American School Districts because it took away their local effort for PL80-174 so that bill failed as a result.

The way this bill works is that because we are advancing the school districts some money and the county equalization levy stays intact and is used to repay the advance, you don't threaten PL80-174 funds. In fact, there would be a little better local effort for Native American districts.

SENATOR NATHE asked if this bill pulled in all of the county equalization money into the state treasury. Greg Groepper said that is not correct; it does not pull equalization money into the state treasury. He said if it did, it would have to be called a state revenue. Then there would be trouble for the PL80-174 districts.

He said that the way it works is that under present law, the 55 mills is collected and the County Superintendent distributes that against the school district budgets. If there is a deficit, the state makes up the difference. In a county where it is enough to fund the budget, the additional amount above that gets sent in to the state to back up the Foundation Program. The County Superintendent will make the same determination and use the first amount to pay back the advance. If any is left over beyond the advance, it will be credited to the Foundation Program so that the revenue stream is the same--it is just that the money goes to pay back the advance instead of going to the school district because the school district will already have an advance for that amount of money.

SENATOR NATHE asked if school districts would have to borrow money in advance of the money they were going to get? He then asked what the state General Fund would earn. He said that if the General Fund would earn that kind of money, then you must be taking it away from the school districts in one respect because if they were investing this money, they would have it out there.

GREG GROEPPER said that as he understood the way that the school district works in Helena is that they would use the reserves until the state money was given to the budget and then state money would replace the reserves. Under this bill, the school district won't have to draw down its reserves because it will have the money up front so the school district gets full earnings by not having to draw down its reserves.

The way the state makes money on this is that the state sells the bond July 1. The state doesn't have an obligation to make a payment until July 15 under the current law so the state gets the full earning on the 15 days of the entire amount of the bond. After the July 15 payment, they get another 45 days of earning on the balance before they have to make a payment in August.

The speaker said if this whole thing is scheduled out and it is taken into account the school district's ability to earn money which will save money for guaranteed tax base, OPI's analysis says the state General Fund makes \$560,000 in interest rates, 7.71% and a trans of \$53 million. The Budget Office would say that the state loses some money but they use a smaller trans and they have a little bit different approach. It is a very complex analysis and it has some assumptions in there but the LFA and OPI agree that it generates money; the Budget Office doesn't agree and the speaker said that he didn't want to hide that from the Committee. He said that he thought the Budget Office would agree that the state could have made up to \$300,000 in trans this year even when this bill wasn't in place and if that is taken into consideration, the net will be positive.

SENATOR NATHE asked if protested taxes were the major reason for the bill and Mr. Groepper said that there were three reasons: (1) Allow the school districts to be held harmless from protested taxes in the year it happens. (HB 28 is supposed to do this but it take 9-10 months to get their money; (2) It saves a great amount of record keeping and accounting work; (3) When this bill started out in House Appropriations, there was a need for modification to the budget (OPI) and the Committee asked where the money would come from so the study was done. He said that they pulled that modification out of HB 2 on the floor of the House so we could get an open and reasonable hearing on the merits of HB 940. HB 940 passed the House and OPI is going this afternoon to ask the people in Senate Finance and Claims to put the modification back in contingent on passage of this bill.

SENATOR FARRELL asked if law prohibits schools from spending their protested money. Greg Groepper said that a law passed in 1987 enables districts to borrow against the protested tax account after the first year. The money has to sit in protested tax account for the first year and then they could borrow against it and if the conflict is resolved to the satisfaction of the Department of Revenue, no interest is paid. If the conflict is resolved and Revenue loses, the school district would have to pay back the borrowed amount plus interest.

SENATOR FARRELL said suppose it is one of these cases like the Bonneville Power (Deer Lodge and Missoula Counties) and it lasts for 7-8 years, will this put the liability on the state on negotiating a settlement on that. The schools would be held harmless. If there are negotiations and it is a lesser amount after taxes, who is going to eat that?

GREG GROEPPER said that the answer to the first question is that the state already has that first liability in HB 28. Under HB 28 the adjustment process in March, that is a requirement of HB 28. We have to hold school districts harmless from protested and delinquent taxes but the way it works but the way it works because of how the money goes out to districts now requires a whole bunch of extra reporting. What happens now is after the 55 mills (it doesn't affect the local levy because they are still liable for that under this bill or under present law), let us say that \$100,000 of the 55 mills are delinquent for school district, the County Treasurer would file a report to the OPI and say that School District "X" was short \$100,000 in the first half payment for the 55 mills and we are required under HB 28 to catch them up within so many days after we are notified by the County Treasurer so the state is liable for it right now. This bill doesn't change the liability; all it does is stop the paperwork to accomplish holding the school district harmless.

SENATOR FARRELL said that he was thinking of a Burlington Northern Railroad case where we said that they owed a certain amount and it was settled for about a third of that.

GREG GROEPPER said that there is that case and the Bonneville Power case and the bill I presume you are thinking of is SB 17 which allows for those tax settlements in the year that they are received by the district to be spent for deferred expenditures. He said that what he needed to point out to the committee is HB 940 is intended to take effect July 1. It is not a retroactive bill. So any monies that the school districts receive for protested taxes prior to this July would still come under the old law. SB 17 addresses the old law. It will address the future as well if HB 940 does not pass. If HB 940 does pass, any taxes protested after July 1 which will be protest for the tax payment in November would automatically be held in the protest fund and whoever won (if the Department of Revenue won), that money for the 55 mills would revert to the state. If the Department of Revenue lost, that money would revert to the taxpayer. This bill doesn't change the liability. It just makes the accounting a little easier.

SENATOR FARRELL asked if the money goes to the school district and they have already sold those bonds, what will happen? Greg Groepper said that the only entity selling bonds under this bill would be the state of Montana. The collections for the 55 mills are out at the county. The taxpayer would have to pay in full to pay under protest. If they don't pay it all, they are delinquent and you have a lien against their property. So, the school district has never had any more liability for the collection on the 55 mills.

SENATOR FARRELL said if we have given school districts an advance under HB 940 and under SB 17, they get the money and the case is settled, will they get the money at the same time.

GREG GROEPPER said that is correct. It would be two different accounting years.

SENATOR FARRELL said what if the case goes on for seven years and under HB 940 because it is anticipated revenue, they could ask for advances for each of the seven years?

GREG GROEPPER said they could not ask for any advances for any prior years.

SENATOR FARRELL said if HB 940 passes and in the future a protested case goes on for a number of years, then each year that those taxes are uncollected, the school district can get the advance in anticipated revenue under this bill and when that is settled, they will have that money to spend in that year?

GREG GROEPPER said that the first part of the Senator's hypothesis is correct. They would get the advance regardless of what was protested. But under HB 940, when it was finally settled to the Department of Revenue's favor, any money in each one of those years paid out would go to the credit of the 55 mill county equalization levy and because the school districts had already gotten their advance, that money will be deposited to the credit of the Foundation Program.

SENATOR FARRELL asked again what happens if the settlement is not the same as what they have been holding in the account. What happens under SB 17 and this bill?

GREG GROEPPER said if one looks at a protested file next year after this bill is in effect and three years down the road that protest is finally paid but the full amount is not paid, the Department of Revenue negotiates a settlement that pays 50 cents on the dollar. In that instance the state would lose 50 cents of that protest because that was what they were anticipating was going to go to backup the Foundation Program but the state settled it away at 50 cents on the dollar so the state will take the loss not the local schools. That is also the way it is working now under current law but with alot of paperwork.

SENATOR FARRELL said the only difference would be that we wouldn't be selling bonds with that anticipated revenue under the current law.

GREG GROEPPER said under HB 28 as it exists right now the answer is yes, we would still have to sell bonds. Once the County Treasurers make their report to us if we are still short when March comes and a payment is due, we would either have to borrow from some other account like Highways or something (and pay the interest) or have to sell bonds. There are only those two options.

SENATOR NATHE asked what happens if a settlement is greater than anticipated.

GREG GROEPPER said that under HB 940 if the settlement is greater than that additional revenue will go to the state Treasurer and will be deposited to the Foundation Program.

Closing by Sponsor:

REPRESENTATIVE WANZENRIED said that Greg Groepper had mentioned that when the Foundation Program is short, they have to borrow from other accounts and the two obvious ones are the General Fund and the Highway Fuel Tax Fund. In doing that, they forego earnings on those monies that are currently invested by having to make those payments.

He said that he wanted to point out to the Committee that this idea was debated and discussed extensively before the Education Sub-committee on Appropriations and those people who have supported this bill are not people who are going to be throwing the state's money away; they are all very cautious in terms of financing necessary programs. He said that he would recommend the bill to the committee. He thinks it is a very good bill.

HEARING ON HB 746

Presentation and opening statement by sponsor:

REPRESENTATIVE ANGELA RUSSELL, House District 99, presented HB 746, an act to give authority to establish a monument and flag circle honoring Montana Native Americans. The monument would be located in the capital complex and would accommodate tribal flags from seven Montana Indian tribes. The \$6000 appropriation called for in the bill would be used for administrative costs of the advisory committee. It would be the responsibility of the advisory committee to find financial support for the project, determine technicalities involved on the site and select design.

The speaker said that because next year is the 1992 anniversary year of the founding of the nation, she thinks it is fitting and proper at this time to be thinking about a special monument to the Native Americans in this state. She said that two years ago when she went as a delegate to the National conference of State Legislators in Tulsa, Oklahoma, she visited the national monument which that state has erected. (See Exhibit 5.)

She pointed out that the Oklahoma monument was sculptured by an Oklahoma Native American. She said that HB 746 calls for the work to be done by an Indian artist. She said that there are many fine Indian artists in Montana. She said that an amendment had been made that the work be open to all Montanans and although she would be happy to consider that amendment, she hoped the work could be limited to Indian artists. She said that the project is a worthy one and that it will be good for tourism.

Proponents' Testimony:

JOHN ORTWEIN, Montana Catholic Conference (See Exhibit 4).

ROBERT VAN DER VERE, private citizen and lobbyist.

REPRESENTATIVE BOB GERVAIS, House District 9.

There were no opponents to the bill.

Questions From Committee Members:

SENATOR PINSONEAULT asked if each of the seven Montana Indian tribes has a cultural committee and how it would be possible to recognize all seven tribes. Representative Russell answered affirmatively that each tribe does have its own cultural committee and its own tribal flag. She said that the bill calls for a flag circle in which the seven flags would be displayed. She thought it would be a good idea if the Montana flag were also displayed with the tribal flags. She said that this would be subject matter for the advisory committee.

VICE-CHAIRMAN FRITZ asked why the original bill would draw the \$6000 appropriation from General Fund when originally it appeared there might be other funding. Representative Russell said that it is a lengthy process to go through the art council and there wasn't time. It would have delayed consideration of the bill. She said that she had tried to fund private money but had not had the time to devote to it.

Closing by Sponsor:

REPRESENTATIVE RUSSELL said that there are many people from Montana and also out of state who are interested in Indian art and artists. She said that she was hoping for the passage of this bill and that the work could be done by Indian artists whom she felt would represent Montana and all Native Americans well.

HEARING ON HB 999**Presentation and Opening Statement by Sponsor:**

REPRESENTATIVE RAY PECK, House District 15, presented HB 999 which is an act which would generally revise laws on out-of-state district placement of a child with a disability.

The sponsor said that there are many categories within this bill. There are handicapped children who need services and don't qualify for special education and handicapped who do qualify when they go into the private facilities or residential treatment centers. He said that the committee needs to look also at the following bills:

HB 977 (Bradley) - deals with residential treatment in Montana. That bill goes clear back to HB 304; went through last session sponsored by Representative Hannah who initiated

the whole program. The purpose of that bill was to get some federal funding for the Yellowstone Education Centers, Billings.

HB 800 (Swysgood) - deals with children who were placed in group homes.

Representative Schye had an appropriation bill that included 25 million dollars for special education. It was defeated. He said that in lieu of talking about anything in the neighborhood of 25 million dollars, we will try to get HB 999 in place and reduce some costs of the local district out there via this bill.

There is a fiscal note but it is thought that the saving at the local level will offset this amount. However, he said, make no mistake. This is an increased obligation.

The speaker said that currently about 2 million dollars is being spent out of state on about 75-80 kids. Hopefully this legislation will decrease this number.

The sponsor said that although he feels this is a good bill that will save money and relieve local districts of many administrative problems, it will decrease funds to at least two operating programs in Montana. He said that many times children are placed without proper referral and no one knows about it until they receive a bill in the mail.

The sponsor said that two sessions ago they had tried to create a local committee in county through which placements must first go. It did not work. One problem was that orientation and training for those sitting on committee was too time consuming when dealing with fifteen districts. Such a committee does not now exist.

The sponsor said that he asked Bob Runkle to do a summary sheet on HB 999. (See Exhibit 7)

Proponents' Testimony:

ROBERT RUNKLE, Director of Special Education for OPI
BRUCE MOERER, MSBA
CHIP ERDMAN, MREA (Bruce Moerer signed for him in his absence)
KAY MCKENNA, MACCS
LOREN FRAZIER
JACK CASEY, Director, Shodair Hospital
PHIL CAMPBELL, Staff, OPI
RACHEL VIELLEUX, Clerk & Recorder, Missoula County

Opponents' Testimony:

JIM SMITH, Montana Residential Child Care Association.
The speaker presented amendments. (See Exhibit 8)
MRCCA is an association of agencies in Montana who provide

shelter, care and in some cases placements out of home. He said that there are many member agencies in the state including Yellowstone Treatment Centers, Billings; Intermountain Childrens Home, Helena; Shodair Hospital, Helena.

Yellowstone Treatment Centers and Intermountain Childrens Home operate schools as part of their treatment programs. He said he would like to clarify a statement made: No local school district has ever gotten a bill in the mail from anyone of these three facilities. There is a tuition agreement which explains the cost of educating that student and then it is up to the school district to sign or not to sign. He said that he couldn't speak for other states but he could say that their member agencies do not simply present bills for payments to local school districts. He said that an agreement is worked out with the school district at the time of placement or prior to placement if possible.

Kids from all over Montana are in these facilities including rural Montana and sometimes the districts from which they come are hard pressed to pay the educational costs for the child in the treatment facility. HB 999 would correct this problem by revising the law to require the payment of these educational costs to be made directly to the residential treatment facility by OPI. This is an attractive feature of HB 999. It does help the local school districts. It does protect them from expensive and unanticipated costs and this feature of the bill is also good for the residential facilities. It helps OPI by sparing them the lengthy and complicated process of getting a tuition agreement signed and in some cases the process of actually collecting the money. He said that he thought that HB 999 does hold some promise for improving the administration of the education of children admitted to residential treatment facilities.

Mr. Smith said that the bad news and the basis of their objection to this bill is that OPI is committed to paying about 75-80 percent of the total costs incurred by Yellowstone Treatment Centers and the Intermountain Childrens Home under the terms of this bill. It is the strict definition of allowable costs (Page 26, Line 10 of bill) and that is where the funding shortfall lies.

He said that this bill needs to be amended to allow indirect costs as allowable costs and that is the substance of one of the amendments that we have proposed. If the Committee does this, it will add approximately \$600,000 to the total costs of appropriation and that is the second amendment that we have proposed.

He said that without these two amendments, two facilities (Yellowstone Treatment Centers and Intermountain Childrens Home) simply will not be able to operate their educational programs. They have no other source of funding to which to turn. They can't go into their general school budget because they don't have one nor can they turn to the voters for a levy. They don't have

options so HB 999 has been presented as some sort of cost containment measure and it is indeed that but the way that it is proposed to contain costs is simply to squeeze these two facilities further and shift costs to the local level to the non-profit providers. These facilities are at the end of the line. They can't shift costs to anyone else and they cannot withstand a 25-30 percent loss of funding and continue to operate educational programs at their facilities.

Jim Smith said that if HB 999 passes the way it is written without amendments, Yellowstone Treatment Centers must lay off 8 of their 13 teachers and Intermountain Childrens Home will have to close its school altogether or make drastic cuts in the treatment part of its program. These facilities have been taking care of the children of Montana for nearly a century; they want nothing more than to be a good partner with the state of Montana but the impact of a bill like this, coming on top of a decade of severe costs and cuts, will be immediate, profound, negative and have an altogether devastating effect on the quality of care at the facility.

The speaker said that HB 999 was the last bill to be heard in the House and the press of time was great. He said that he was not suggesting is a "soft touch or that they have \$600,000" but he hoped that the press of time would not be so great and that the bill would receive a better hearing and a more thorough discussion of this issue.

WARREN SOFT, Executive Director, Yellowstone Treatment Centers.
(Representing Yellowstone Education (Public School District 58)
(See Exhibit 9)

JOHN WILKINSON, Administrator, Intermountain Childrens Home.

He testified that the facility had operated 84 years in Helena and serves 24 children. He said that their situation is similar to that of Yellowstone Education Centers and that the situation had been adequately described by Jim Smith. He said that these two facilities will end up "suffering" as the result of an inability to work things out. He urged adoption of the amendments offered by the previous speaker.

Questions from the Committee:

SENATOR NATHE asked about Item 8 on Exhibit 7. He asked if that is a change; i.e., that local school districts must be responsible for room board and treatment of children placed in addition to education.

Mr. Runkle referred the Committee to Allowable Cost Provisions (20-7-431) of the bill.

He said that out-of-state placement averages one child per year. He said that OPI feels most placements have been for purposes of

treatment.

SENATOR NATHE gave the example of a court ordered placement to Denver, Colorado, that cost his county \$27,000. He said at that time there had been a Supreme Court ruling in another county that said school districts were only liable for cost of education. Other expenses became the responsibility of the district court or state agencies placing the child.

ROBERT RUNKLE re-emphasized that HB 999 states that room, board and treatment shall be paid for or be the responsibility of the placing agency. He said if the child has been placed by the courts or by a state agency, the courts or state agency are responsible for room, board and treatment. (99% of the children are in this category)

VICE-CHAIRMAN FRITZ said that the Committee would invite Mr. Runkle to come back for executive session and that hopefully there would be more time for discussion. Since four members of the Committee were due in another committee meeting, Senator Fritz had to close the meeting by 5:00 P. M.,

Closing by Sponsor:

REPRESENTATIVE PECK said he found it interesting that Jack Casey (Shodair) supported HB 999 and Yellowstone and Intermountain opposed it.

He said two years ago the legislature was going to do away with tuition but didn't because Yellowstone Treatment Centers would lose funds. Now, HB 999 represents another improvement for education but these smaller facilities are going to lose some money. He said as Warren Soft had pointed out, they were created a school district with 400 acres and no tax base. The speaker said that he would suggest to Warren Soft that Yellowstone be annexed to another school district so they would have a tax base. He said that Yellowstone is a "creature so unique and we can't write a dammed law to cover all the districts in Montana because it is so unique".

He said in his judgement, HB 999 is a very good bill and everyone who has testified here has said that but we are hung up on these two opponents. He said that he wanted to further discuss this issue with the opponents and with Mr. Casey (Shodair) who was listed as one who would lose funds but he supported the bill.

The sponsor said in reference to the amendments, he thought if they were adopted, 500 plus districts are going to say this is discrimination. They will say it is the legislatures's function to consider the public schools and make good educational laws for them; not just for two institutions. He said he would like to accommodate these two institutions but he didn't think it can be done in all fairness. He urged passage of HB 999 as written.

ADJOURNMENT

Adjournment At: 5:00 P. M.,



VICE-CHAIRMAN HARRY FRITZ



BETSY CLARK, Secretary

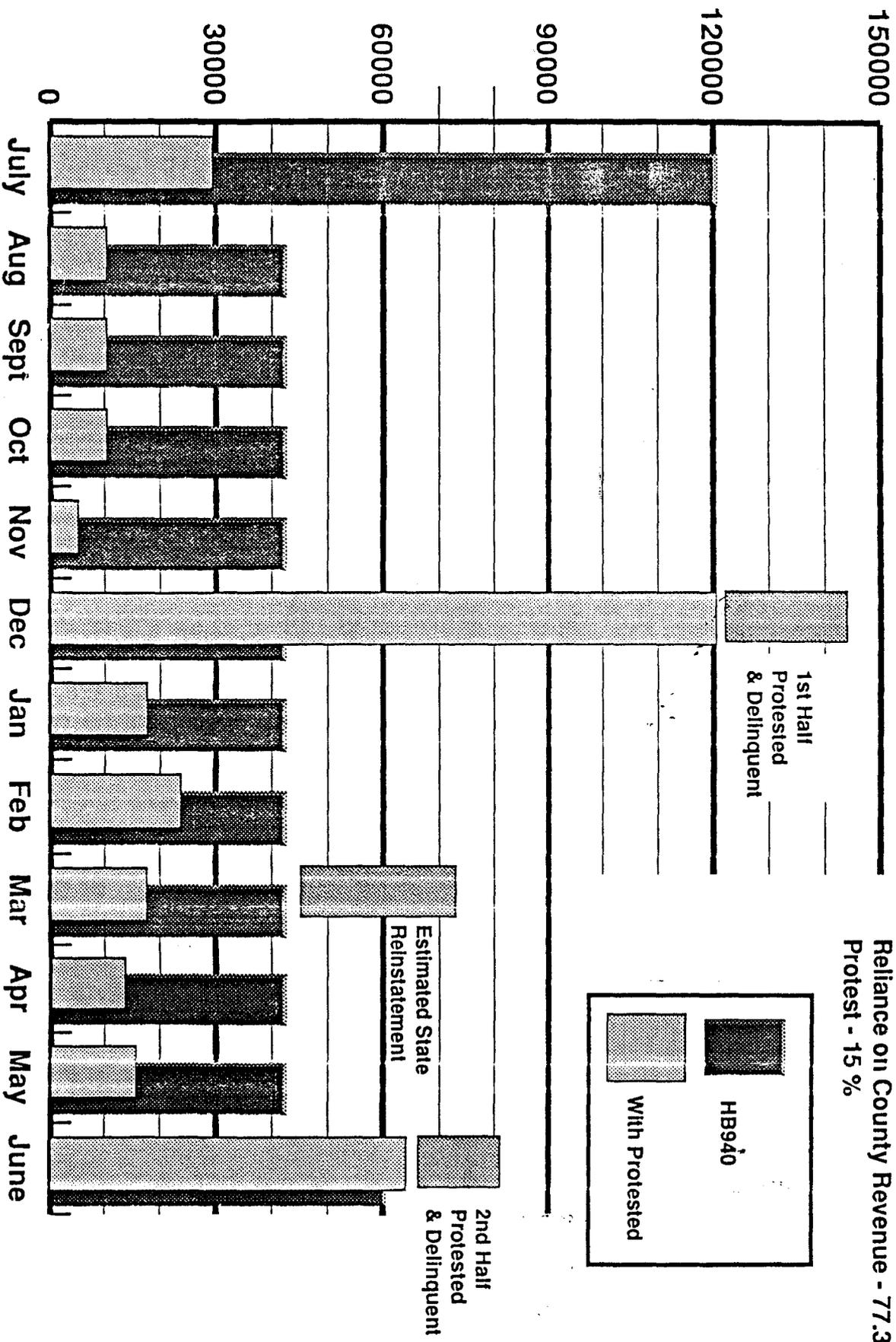
Ex. 1
4-8-91
HB 940



Nancy Keenan, Superintendent
State Capitol
Helena, Montana 59620

Shelby High School

County Taxable Value - 17,569,144
District Taxable Value - 10,694,878
Reliance on County Revenue - 77.3 %
Protest - 15 %



Legend:

- HB940
- With Protested

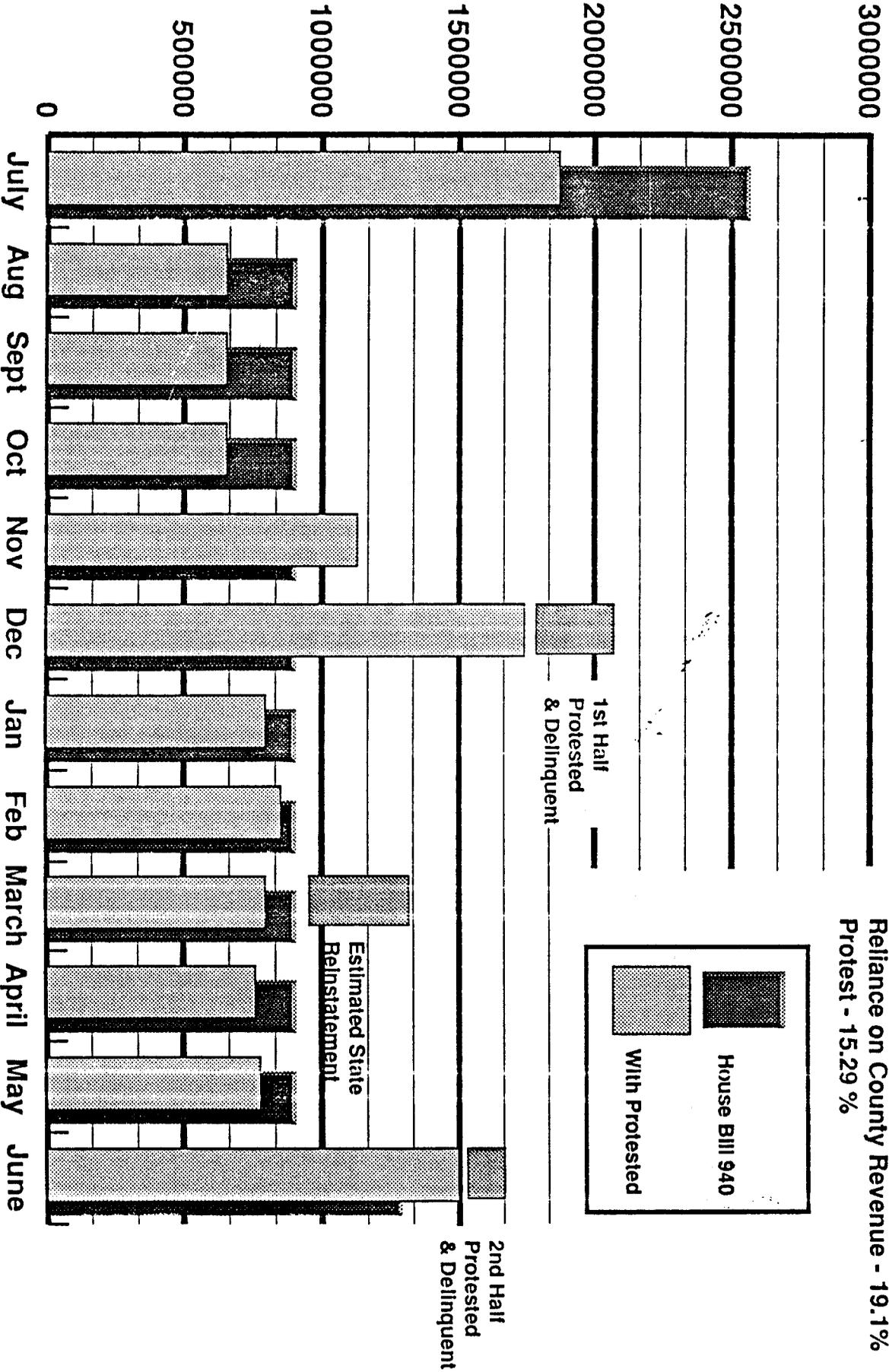
Ex. 1
4-8-91
HB 940



Nancy Keenan, Superintendent
State Capitol
Helena, Montana 59628

MISSOURI ELEMENTARY

County Taxable Value - 114,296,984
District Taxable Value - 61,833,403
Reliance on County Revenue - 19.1%
Protest - 15.29 %



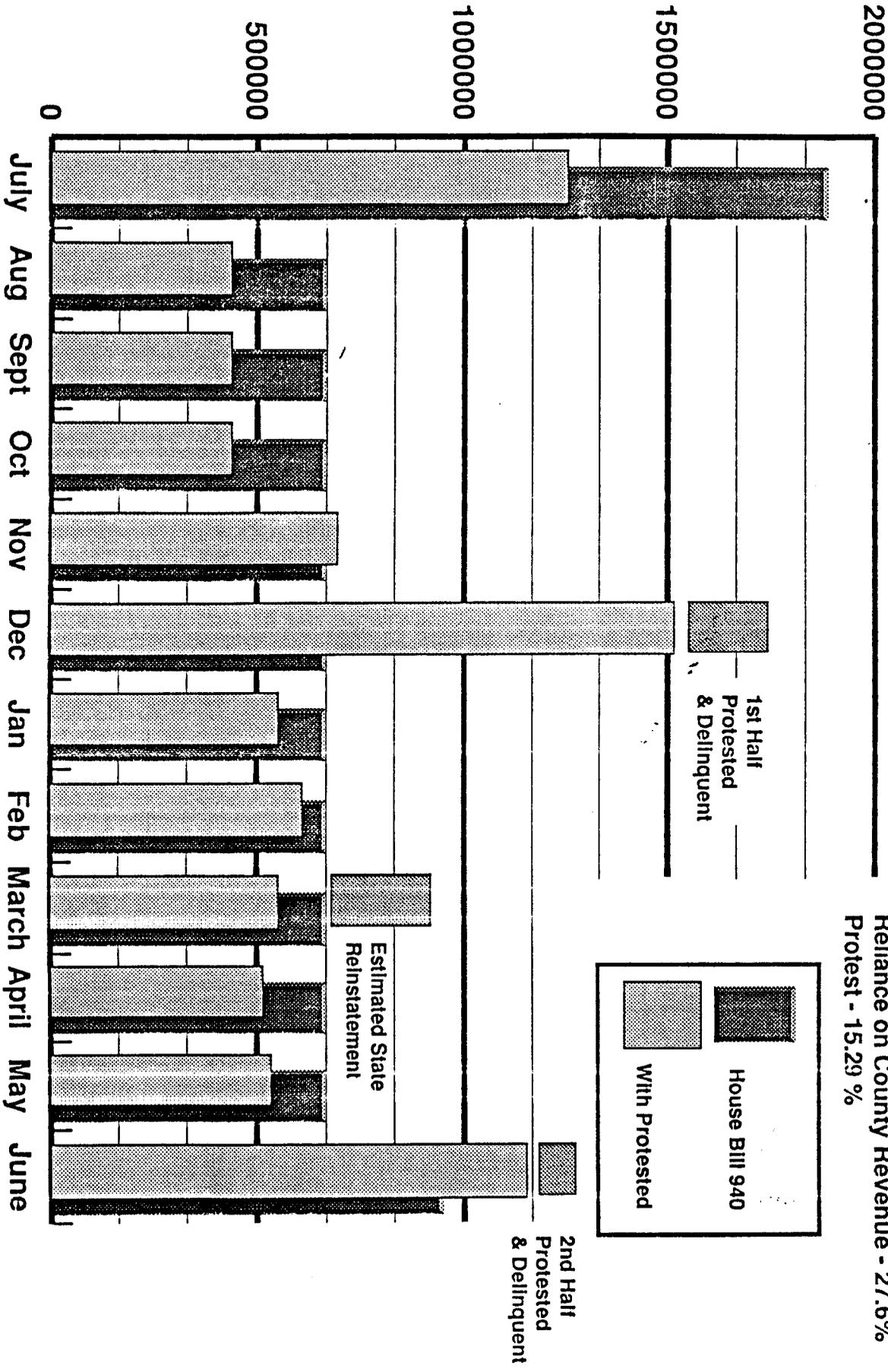
Ex. 1 Sen Ed
 4-8-91
 HB 940



Nancy Keenan, Superintendent
 State Capitol
 Helena, Montana 59620

Missoula High School

County Taxable Value - 114,296,984
 District Taxable Value - 96,211,077
 Reliance on County Revenue - 27.6%
 Protest - 15.29 %

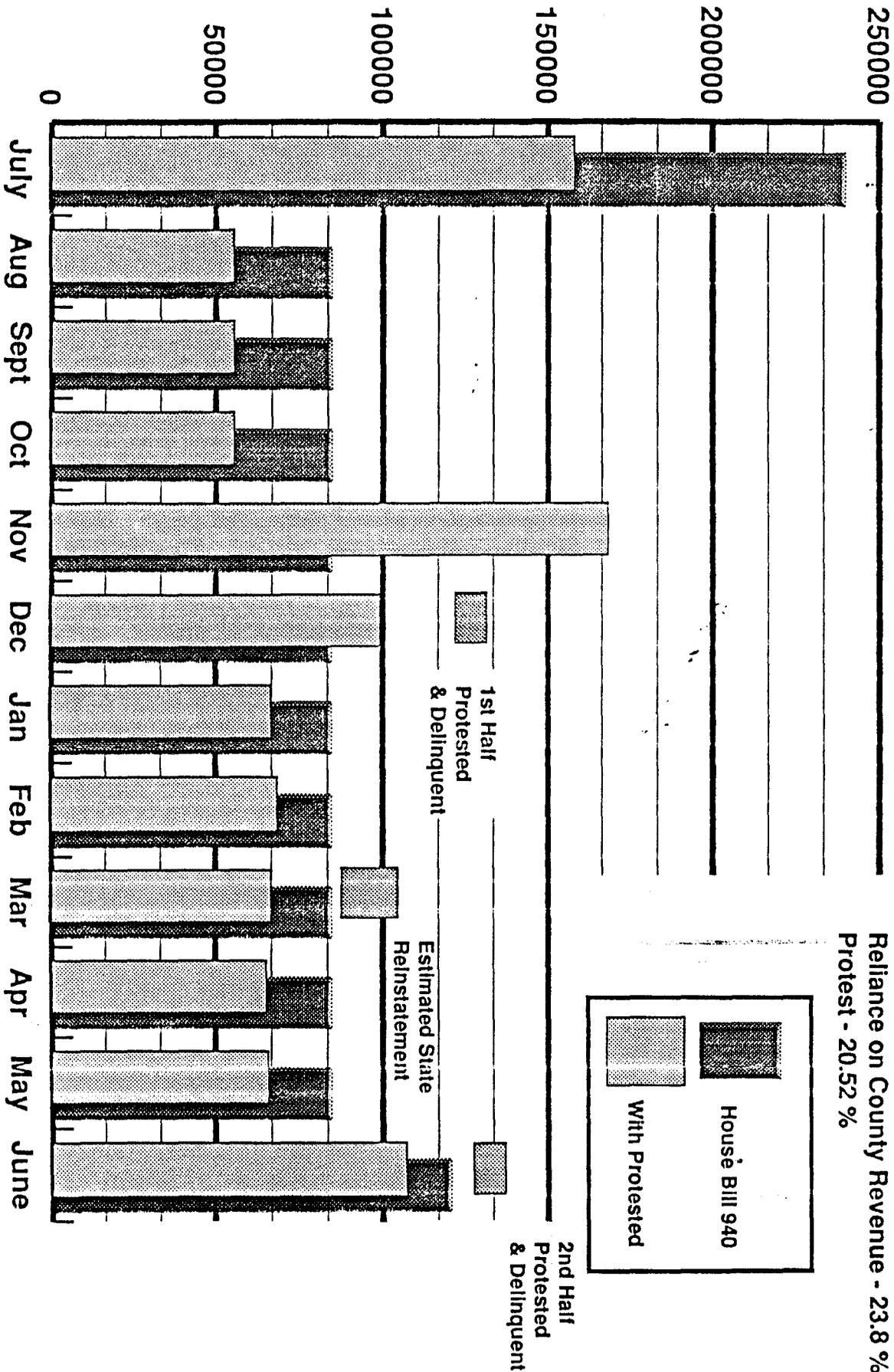




Hancy Keenan, Superintendent
State Capitol
Helena, Montana 59620

ST. REGIS ELEMENTARY

County Taxable Value - 8,007,332
District Taxable Value - 2,480,762
Reliance on County Revenue - 23.8 %
Protest - 20.52 %



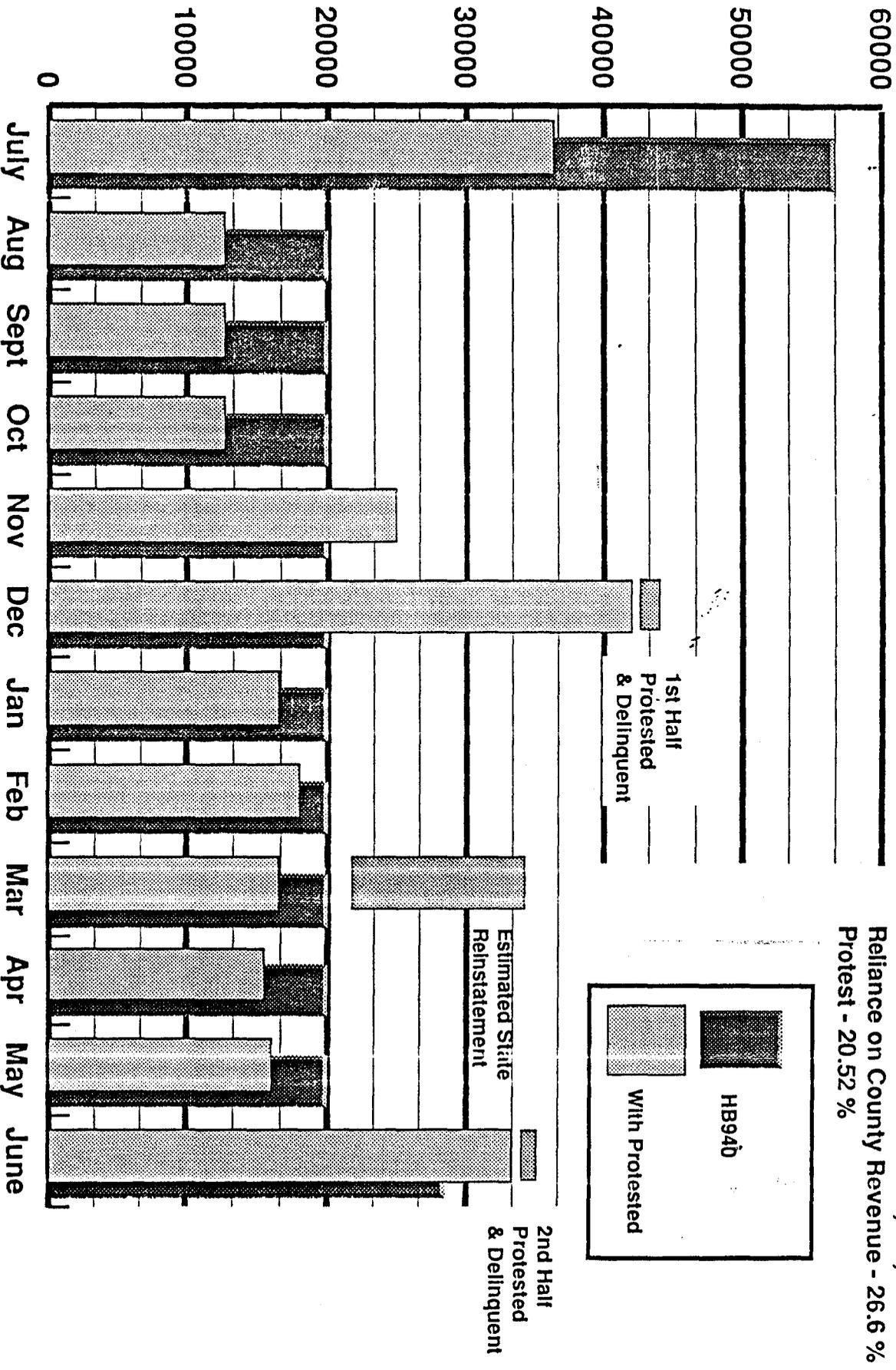
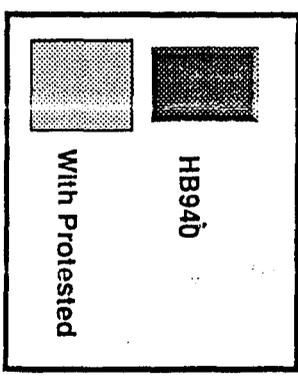
EX-1 2011 Ed
 4-8-91
 HB 940



Nancy Keenan, Superintendent
 State Capitol
 Helena, Montana 59520

St. Regis High School

County Taxable Value - 8,007,332
 District Taxable Value - 3,049,620
 Reliance on County Revenue - 26.6%
 Protest - 20.52%

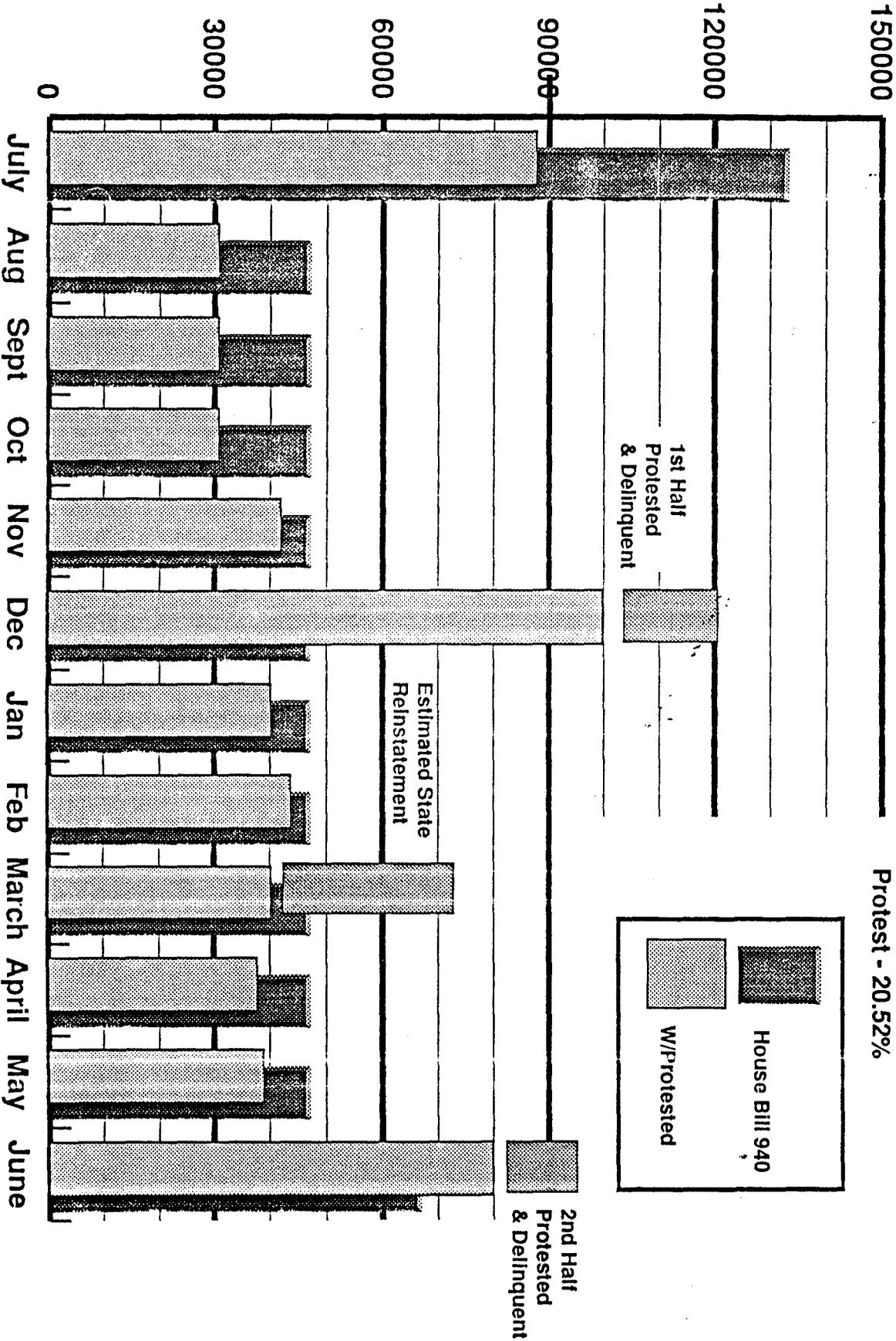




Nancy Keenan, Superintendent
 State Capitol
 Helena, Montana 59620

Superior Elementary

County Taxable Value - 8,007,332
 District Taxable Value - 3,819,248
 Reliance on County Revenue - 23.8%
 Protest - 20.52%



House Bill 940

w/Protested

Estimated State
 Restatement

1st Half
 Protested
 & Delinquent

2nd Half
 Protested
 & Delinquent

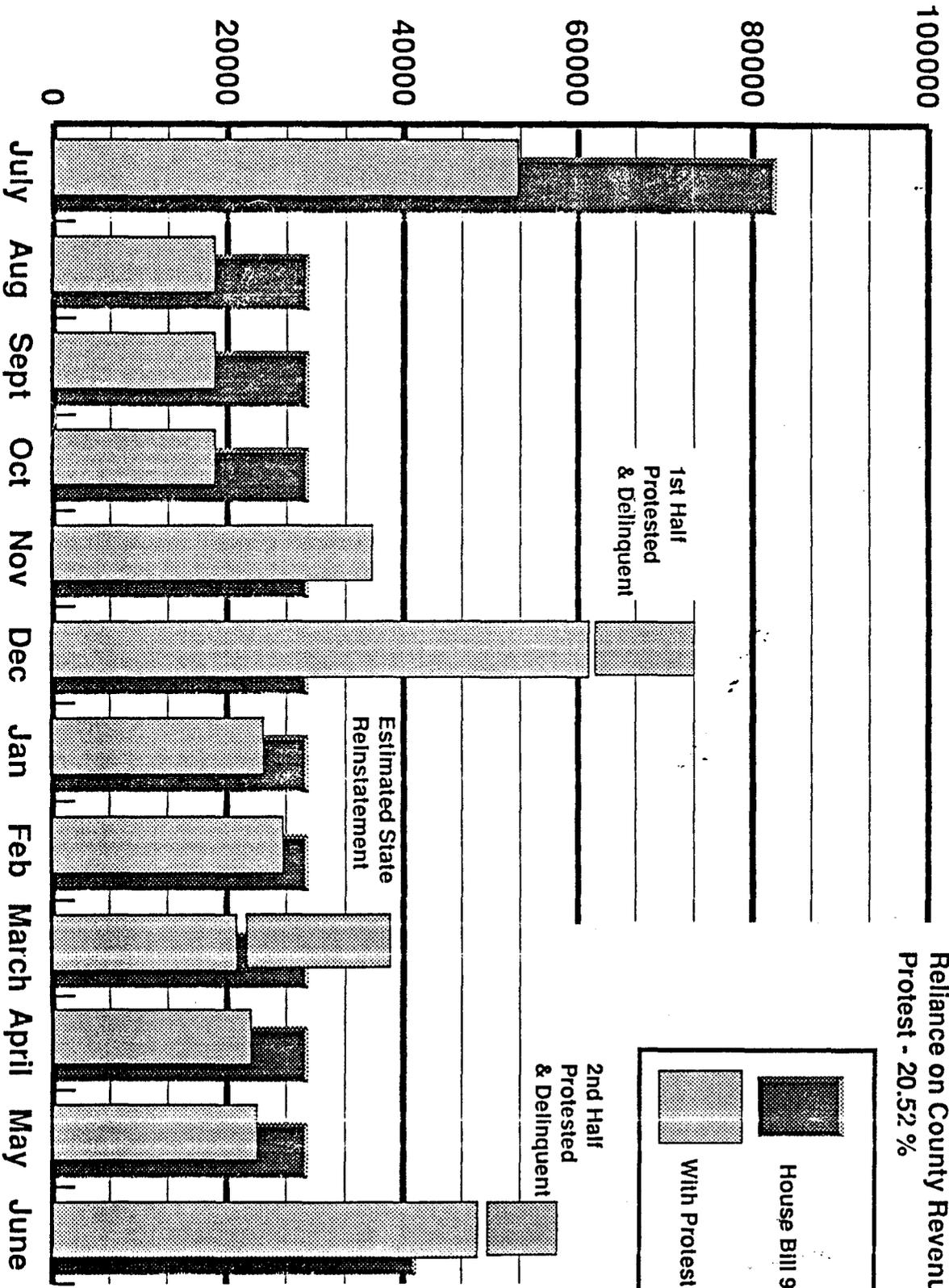
HB 940

Nancy Keenan, Superintendent
State Capitol
Helena, Montana 59620



Superior High School

County Taxable Value - 8,007,332
District Taxable Value - 3,790,324
Reliance on County Revenue - 26.6 %
Protest - 20.52 %



House Bill 940

With Protested

2nd Half
Protested
& Delinquent

1st Half
Protested
& Delinquent

Estimated State
Reinstatement

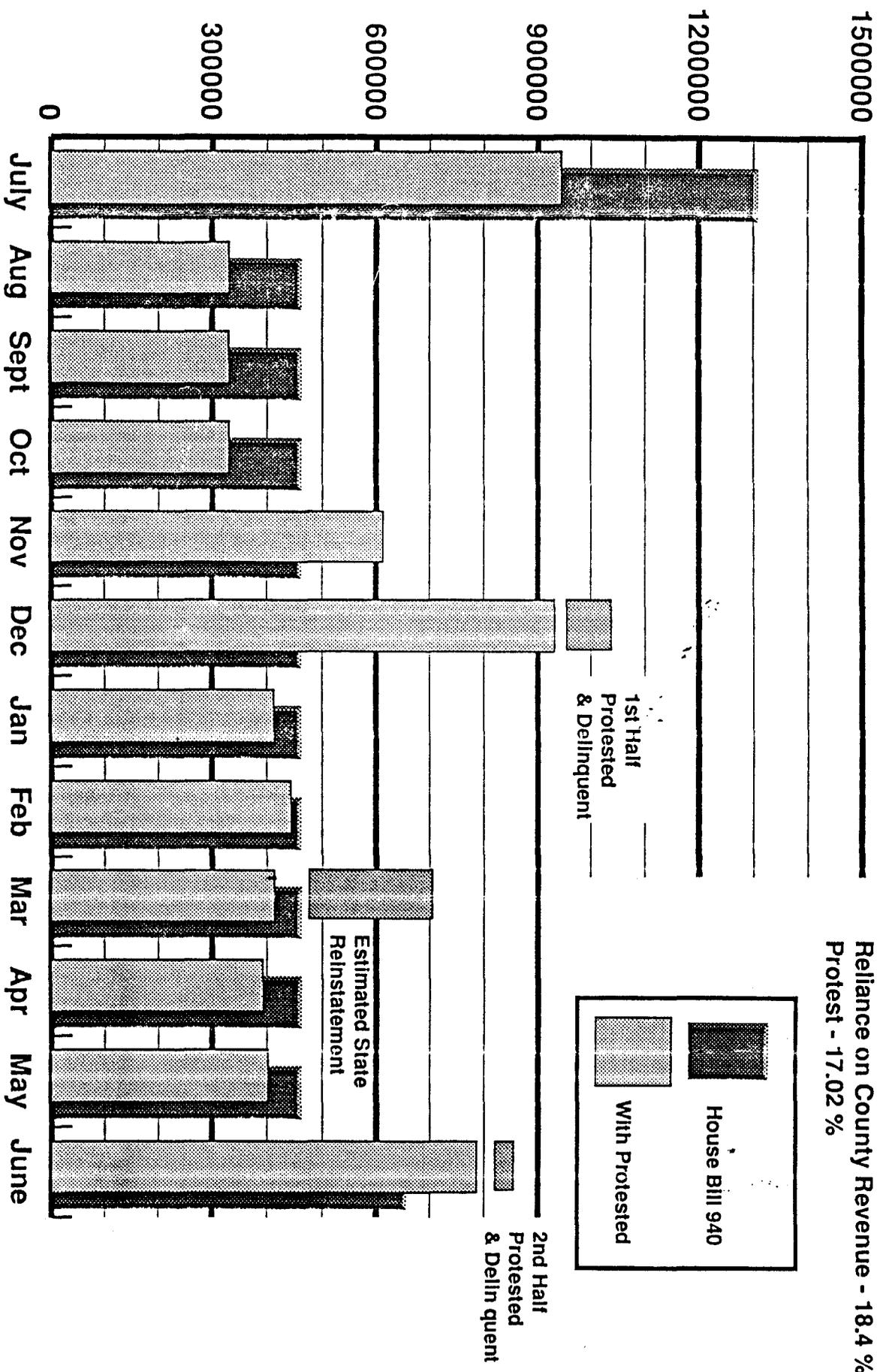
July Aug Sept Oct Nov Dec Jan Feb March April May June



Nancy Keenan, Superintendent
State Capitol
Helena, Montana 59620

BOZEMAN ELEMENTARY

County Taxable Value - 70,638,121
District Taxable Value - 37,963,795
Reliance on County Revenue - 18.4 %
Protest - 17.02 %



Ex. 1 Adm. Ed.
4-8-91

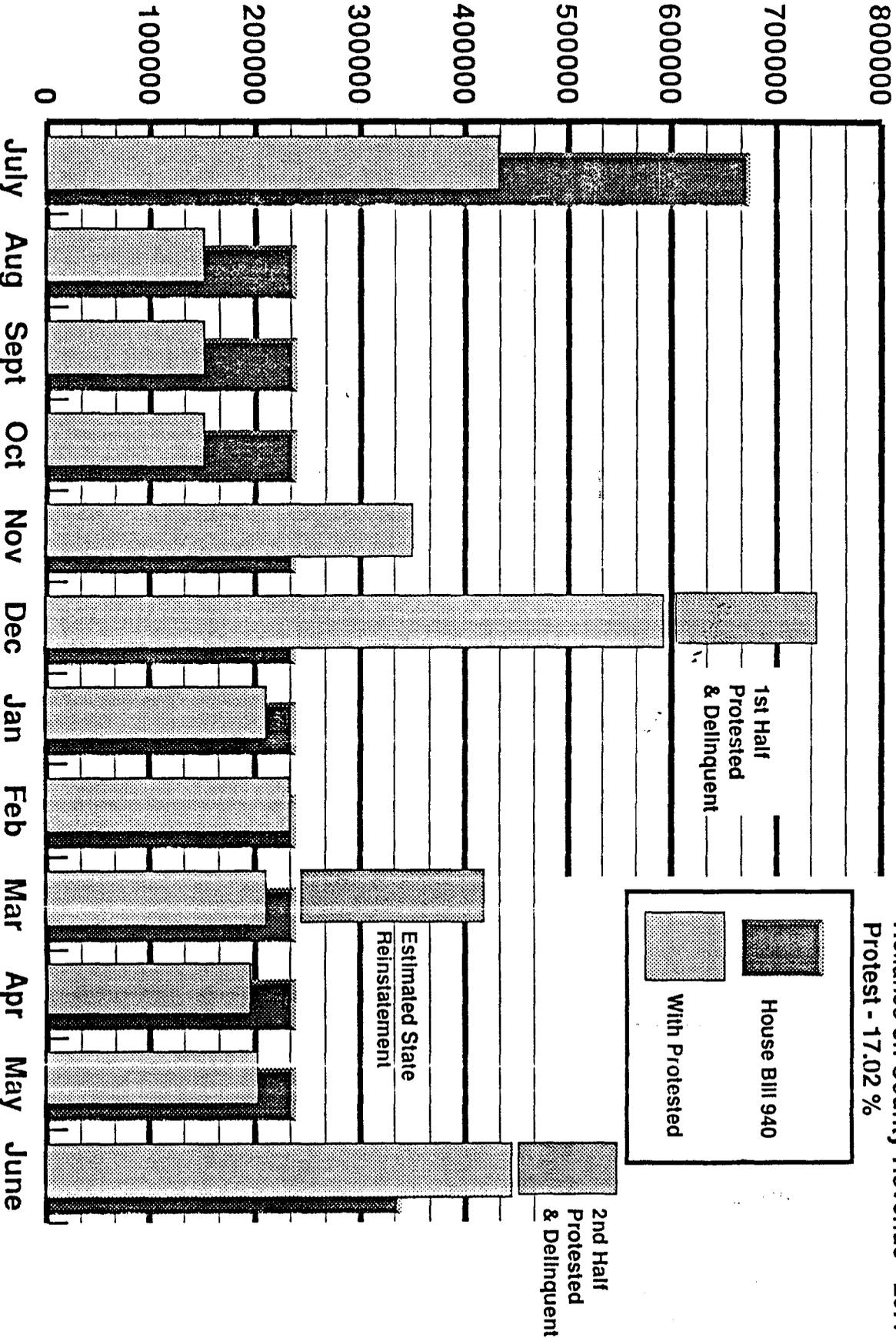
HB 940



Nancy Keenan, Superintendent
State Capitol
Helena, Montana 59620

Bozeman High School

County Taxable Value - 71,638,121
District Taxable Value - 47,760,164
Reliance on County Revenue - 26.4 %
Protest - 17.02 %



1st Half
Protested
& Delinquent

House Bill 940

With Protested

2nd Half
Protested
& Delinquent

Estimated State Reinstatement



Nancy Keenan, Superintendent
 State Capitol
 Helena, Montana 59620

Butte High School

1000000

800000

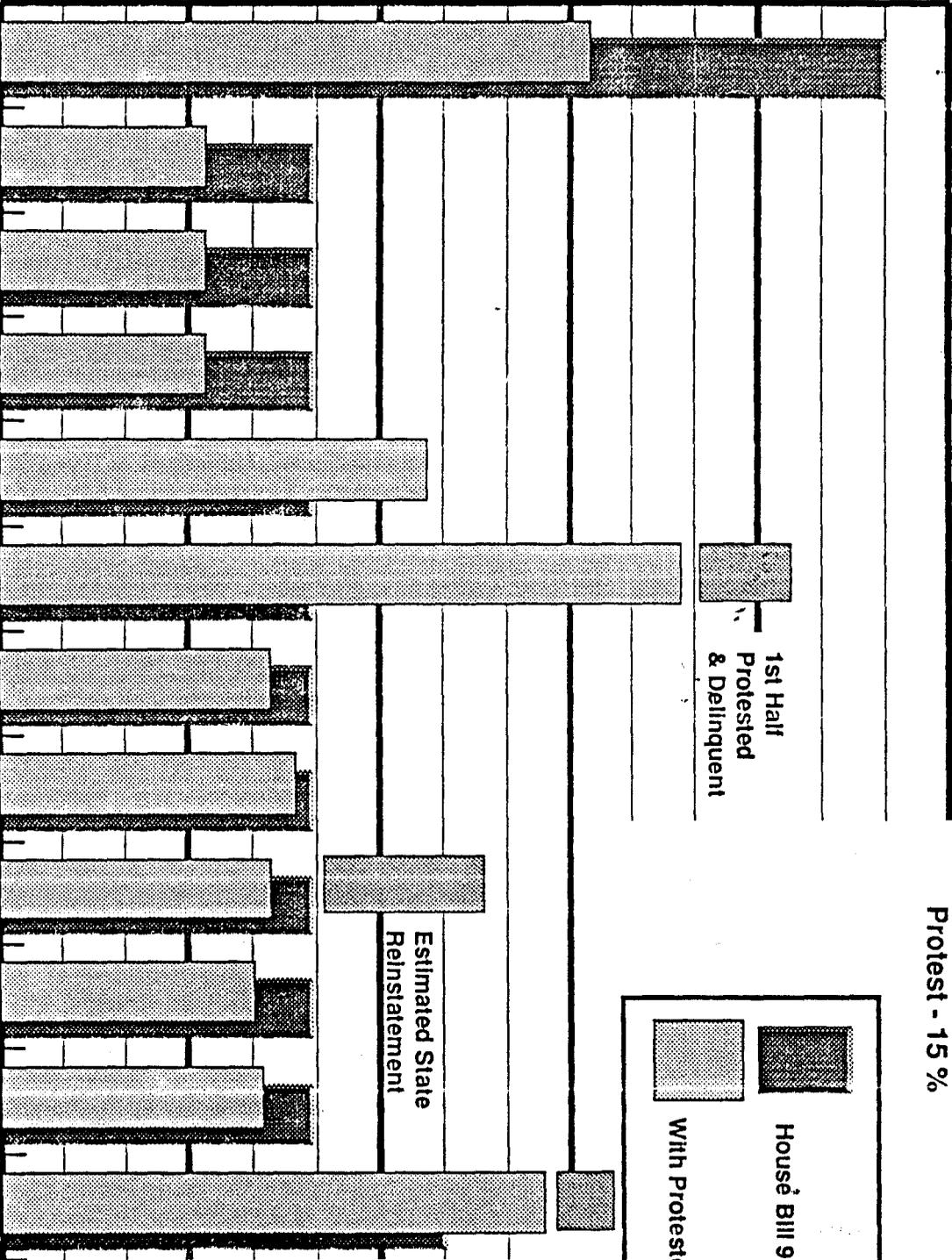
600000

400000

200000

0

July Aug Sept Oct Nov Dec Jan Feb March April May June



County Taxable Value - 45,495,084
 District Taxable Value - 45,116,605
 Reliance on County Revenue - 22.8%
 Protest - 15%

House Bill 940
 With Protested

Estimated State Reinstatement

2nd Half Protested & Delinquent

1st Half Protested & Delinquent

Draft

Public Resources Advisory Group

3550 Wilshire Boulevard, Suite 1405

Los Angeles, California 90010

(213) 380-9344

MEMORANDUM

TO: Dave Ashley
Montana Department of Administration

FROM: Malcolm Jones
Public Resources Advisory Group

DATE: January 11, 1991

SUBJECT: Potential Tax and Revenue Anticipation Note Financing

The Department of Administration has forwarded to Public Resources Advisory Group ("PRAG") a General Fund Cash Flow Analysis for Fiscal Year 1991. We have been asked to review the analysis to see if an external cash flow borrowing makes economic sense. The State last publicly issued tax and revenue anticipation notes ("TRANS") in 1987. Since then any mismatch in receipts and disbursements resulting in cash flow deficits during a fiscal year were modest, infrequent, and addressed by internal borrowing.

A loan to the Foundation Program has created the situation where the State's General Fund now (and likely into the future) incurs interim cash flow deficits. The State has used internal borrowing to meet these deficits. Note that the State ends the fiscal year with a surplus.

In the current Fiscal Year, the State's General fund has loaned approximately \$60 million to the Foundation Program and in turn has borrowed \$50 million from the Highway Department's Fuel Tax Fund. Bill Johnstone of Dorsey & Whitney has indicated that, for purposes of meeting the "safe harbor" provision of the Tax Code, the loan to the Foundation Program can be treated as a proper expenditure and the loan to the Highway Department can be paid back from TRAN proceeds. The "safe harbor" provision provides that no arbitrage rebate is due pertaining to a TRAN program if the issuer achieves an actual cash deficit within six months of issuance of at least 90% of the par amount of the TRAN issue. Given the position taken by Dorsey & Whitney, the State could issue a TRAN in the range of \$50 million. State law requires that cash flow borrowings be fully repaid by the end of the fiscal year. The question is, would a TRAN issue of less than five months be economically beneficial to the State.

The State's policy is that interfund borrowing is done without interest charges. Thus the Foundation Program pays no interest to the General Fund on its borrowings and General Fund pays no interest to the Highway Department. We understand that any interest earned on the Highway Department's Fuel Tax Fund is credited to the General Fund. Assuming compliance with the safe harbor provision and current interest rates, the State could earn permissible arbitrage with an external borrowing. For our analysis we have assumed the following:

*Senate Ed.
Exhibit 2
HB 940*

Public Resources Advisory Group

Par amount	\$50 million
Underwriter's Discount	\$1.25 per \$1,000
Costs of Issuance	\$40,000
Delivery/Dated Date	February 5, 1991
Due Date	June 28, 1991
Rating	MIG-1
Interest Rate	4.5%
Investment Rate	6.5%

It is assumed that net proceeds are invested for the entire term since the State would either be earning money on the TRAN proceeds or on its other borrowable resources. Given the above assumptions, the State could earn approximately \$300,000 in permissible arbitrage profits.

Please review the above assumptions and we'll talk about the proposed program when I am in Montana next week. If you support a TRAN borrowing, the Board of ^{Examiners} ~~Investments~~ could approve an authorizing resolution on January 22 and we could be in the market with a competitive sale of notes shortly thereafter. With the effects of HB28 (providing for increased State funding for schools from the General fund) scheduled to go into effect in the next fiscal year; it appears that an annual TRAN borrowing program will be advantageous to the State. Note that the rating agencies are comfortable with TRAN programs used for cash management but not if they reflect budget shortfalls.

cc: Chuck Virag
Bill Johnstone
Mae Nan Ellingson

MISSOULA COUNTY

RACHEL A. VIELLEUX, SUPERINTENDENT OF SCHOOLS
301 WEST ALDER, MISSOULA, MONTANA 59802
(406) 721-5700

April 1, 1991

TO: Nancy Keenan, Superintendent of Public Instruction

FROM: Rachel A. Vielleux, Chair
MACSS Legislative Committee

RE: HB 940

After reading OPI's response to Kay McKenna's testimony on HB 940, the Legislative Committee and Kay felt we needed to poll the membership to determine if their position had changed regarding this bill. Although some county superintendents still have reservations and some have unanswered questions, it is the consensus of the Association that we will no longer oppose this bill.

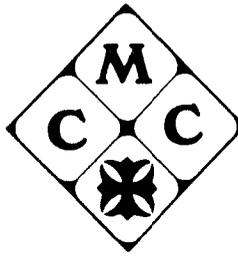
I received copies of the specific effects that HB 940 would have on Missoula County High School and Missoula School District No. One. I compared these figures to actual numbers generated thus far in the year and have added a third bar to the graph to represent those numbers. The changes do not materially affect the issue of cash flow, but they are a more accurate picture of collections in Missoula County. I do have some concern about your source of information for the 15.29% protest level. In fact, Missoula County has paid 100% of the county share of equalization during every year in which I have been in office. The actual protest level is between one and two percent. Missoula lawmakers would be particularly dismayed to see that misrepresentation of our county's level of protest.

County superintendents have easy access to the figures which are the basis for these graphs as well as other budget and finance information; we would be happy to either supply you with those numbers or verify the numbers you receive from an outside source. We stand ready to serve you and hope you will call upon us.

Encs.

cc: Gregg Groepper
Kay McKenna
Dorothy Laird
Larry Stollfuss

*Senate Ed.
Exhibit 3
HB 940
4-8-91*



Montana Catholic Conference

HOUSE BILL 746

APRIL 8, 1991

CHAIRMAN BLAYLOCK AND MEMBERS OF THE COMMITTEE

I am John Ortwein representing the Montana Catholic Conference. As director of the Montana Catholic Conference I serve as the liaison for the two Roman Catholic Bishops of the State of Montana in matters of public policy.

The Montana Catholic Conference supports HB 746.

The history of the State of Montana is a history of the Native American tribes that have inhabited this area. The Native Americans should be honored not only because of their physical presence in this area for thousands of years, but also because of the cultural traditions which are so much a way of our Montana way of life.

The reverence for the land which has always been a way of life for the Native Americans is now becoming more important to all Montanans as we are made more aware of the limited resources which are ours and our need to preserve them.

HB 746 and its request of a monument on the Capitol grounds is a fitting tribute to the Native Americans of the State of Montana.

Exhibit 4



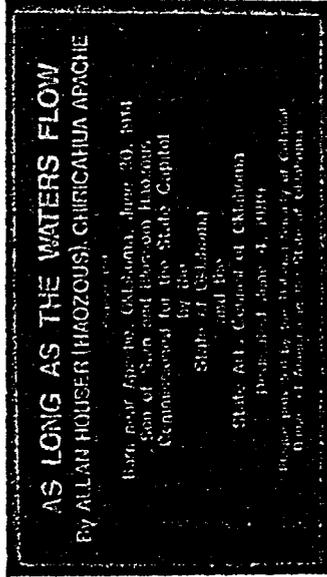
Tribal Leaders joined Governor Henry Bellion, U.S. Senator David Boren, former Governor George Nigh, Speaker of the House Steve Lewis, State Senator Enoch Kelly Haney, State Senator Penny Williams, Dr. Charles Gourd and Betty Price of the State Arts Council to conduct the indoor rites in the second floor rotunda. Haney served as master of ceremonies and acknowledged the official flags of the tribes based in Oklahoma, announcing plans for an Indian flag plaza to be constructed on the North Oval of the Capitol grounds.

Indian flute players Woodrow Haney and Doc Tate Nevaquaya performed for those in attendance. The posting of the United States flag and the Oklahoma flag was conducted by the Seminole Nation Vietnam Era Veterans Intertribal Association color guard.

The Great American Indian Dancers presented dances representing several tribes. Following the unveiling of the sculpture, the Mandaree Singers, a multi-award winning drum group from New Town, North Dakota, played for the Honor Dance held in the South Plaza.

The name of the statue, "As Long As The Waters Flow," is derived from terminology common to a great many treaties between the United States government and the Indian Nations. The first use of similar terminology was written by representatives of the Jackson administration into several treaties which stated a tribe would own their land "as long as the grass grows and the rivers run."

COMMEMORATIVE PLAQUE



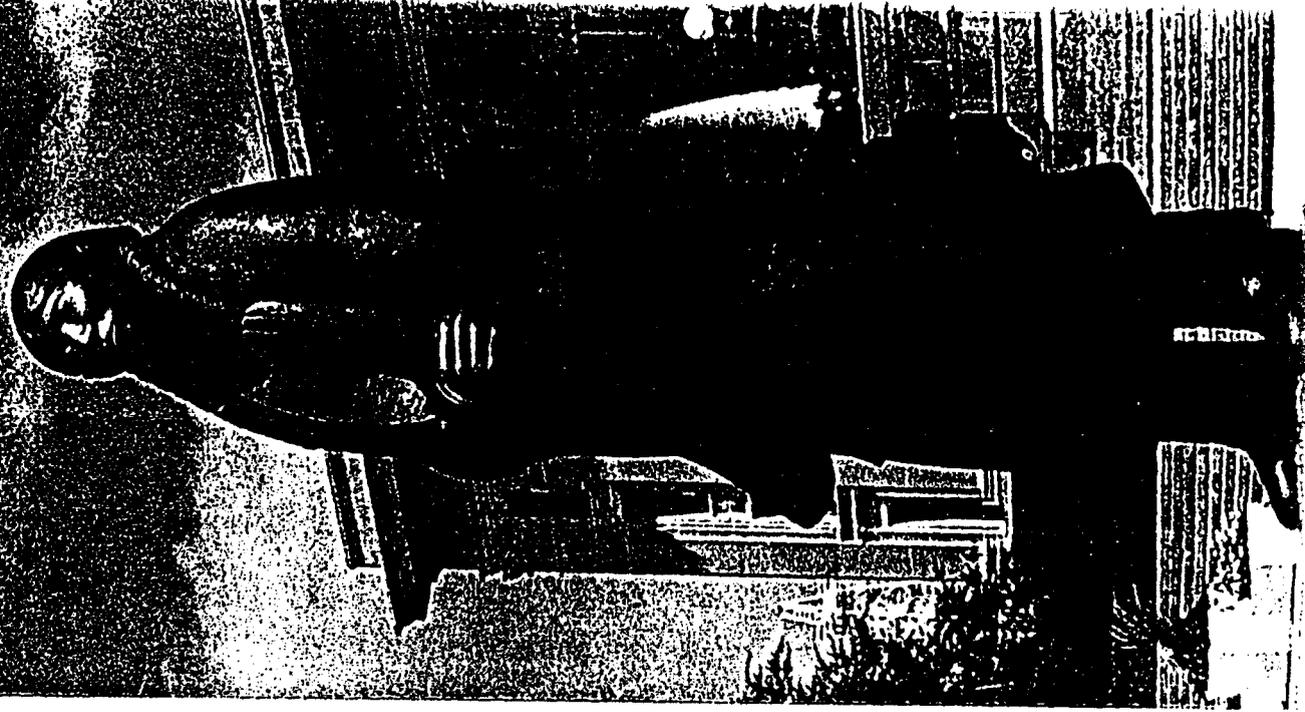
This brochure was produced by:
The State Arts Council of Oklahoma
Jim Thorpe Building
Oklahoma City, OK 73105
405/521-2931

In cooperation with:
The Oklahoma Tourism and Recreation
Department
Installation of the statue coordinated by:
The Office of Public Affairs

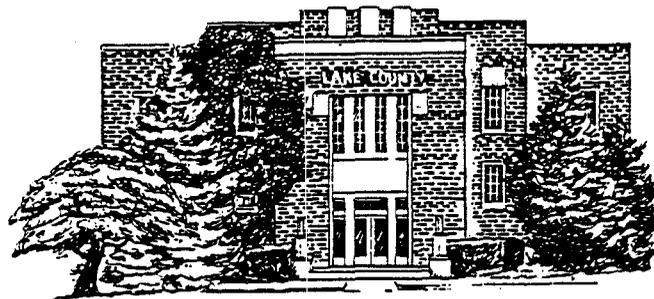
Discover
OKLAHOMA

For more information about Oklahoma, write
Oklahoma Tourism, P.O. Box 60000,
Oklahoma City, OK 73146,
or call 1-800-652-6552.

"As Long As The Waters Flow"



COUNTY COMMISSIONERS
MIKE W. HUTCHIN
District One
RAY HARBIN
District Two
GERALD L. NEWGARD
District Three
TREASURER
PATRICIA J. COOK
CLERK AND RECORDER
SURVEYOR
RUTH E. HODGES



ASSESSOR
LENORE A. ROAT
SHERIFF AND CORONER
JOE GELDRICH
CLERK OF COURT
KATHERINE E. PEDERSEN
SUPERINTENDENT OF SCHOOLS
JOYCE DECKER WEGNER
COUNTY ATTORNEY
LARRY J. NISTLER
JUSTICE OF THE PEACE
CHUCK WHITSON

LAKE COUNTY

PHONE 406/883-6211 • 106 FOURTH AVENUE EAST • POLSON, MONTANA 59860
April 5, 1991

To: Members of the Senate Education Committee
Chet Blaylock, Chairman (Via FAX)
Harry Fritz, Vice Chairman (Via Mail)
✓Betsy Clark, Secretary
Bob Brown
Bill Farrell
H. W. Hammond
Dennis Nathe
Dick Pinsoneault
Mignon Waterman
Bill Yellowtail
Ethel M. Harding

Dear Senators:

On Monday, April 8th you will be hearing HB999 - Ray Peck's bill. I strongly urge your positive support of this bill. On day one as a newly elected County Superintendent I faced the complexities of the issues this bill addresses and decided to host a seminar "On The Process and Problems of Special Placements and Tuition Costs For Out-of-District Students." I have enclosed the agenda and participant list. You can quickly see that this issue affects diverse agencies and processing complexities abound. Concerns are ample as well.

Bob Runkel and Gail Gray from the Office of Public Instruction presented the core of what would become HB999 to our seminar and gained the support of our group. We concurred that HB999 addresses many of the problems and concerns we shared. The seminar was an excellent example of interagency cooperation at its best. Indeed both SB205 and HB948 require such interagency teamwork that is so essential to addressing problems of such complexity involving the special needs of students. Together the bills, HB999, SB205 and/or HB948, are headed in the right direction.

I have also enclosed THE LAKE COUNTY LEADER'S excellent coverage of this topic through an editorial and interviews with letters of response that followed. Again, I urge your support of HB999.

Sincerely,

Joyce Decker Wegner

Joyce Decker Wegner
County Superintendent of Schools

HB 999, 6

A SEMINAR ON THE PROCESS AND PROBLEMS OF SPECIAL PLACEMENTS
AND TUITION COSTS FOR OUT-OF-DISTRICT STUDENTS

MONDAY, FEBRUARY 25, 1991

SEMINAR PARTICIPANTS:

District Superintendents:

7-J Steve Gaub, P.O. Box 5, Charlo 59824 (644-2207)
888-J Larry LaCounte, Gayle Crane, P.O. Box 37, Arlee 59821 (726-3216)
23 Andrew "Bud" Veis, 111 4th Ave. E., Polson 59860 (883-5555)
28 Sherry Pasquale, P.O. Box 400, St. Ignatius 59865 (745-4420)
30 Robert Halgren, Drawer R, Ronan 59864 (676-3711)
38 Jean Hagan, P.O. Box 188, Bigfork 59911 (837-4240)

Lake County Superintendent:

Joyce Decker Wegner, Lake County Courthouse, Polson 59860 (883-6211)

Tribal Education Director:

Karen Fenton, P.O. Box 278, Pablo 59855 (675-2700)

Special Education Directors:

Fred Appelman and Kathleen Neirson (721-5700)
Missoula Special Education Co-op, 301 W. Alder, Missoula 59802
Bob Slonaker, District #30, Drawer R, Ronan 59864 (676-4390)
Elaine Meeks, District #23, 111 4th Ave. E., Polson 59860 (883-4459)

District Court Placements:

C.B. McNeil, Lake County District Judge (883-6211)
Lake County Courthouse, Polson 59860
Barbara Monaco, Lake County Juvenile Probation Chief (883-6211)
Lake County Courthouse, Polson 59860
John Freemole, Department of Family Services (883-3828)
P.O. Box 288, Polson 59860

Tribal Placements:

Don Dupuis, Confederated Salish & Kootenai Tribal Court Judge (675-2700)
Evelyn Stevenson, C.S. & K. Tribal Lawyer (675-2700)
Kathy Ross, C.S. & K. Tribal Youth Probation Chief (675-2700)
Joe Pablo & Francine VanMaanen, C.S. & K. Tribal Family Assistance (675-2700)
Tribal Mailing Address: P.O. Box 278, Pablo 59855

State & Regional Directors:

Gail Gray, Assistant Supt., O.P.I., State Capitol, Helena 59620 (444-2089)
Bob Runkel, Director of Special Education, O.P.I., Helena 59620 (44-4429)
Warren Wright, Western Regional Administrator of Family Services
610 Woody, Missoula 59802 (721-9369)

Neighboring County Superintendents

Dorothy Laird, Flathead Co., 723 5th Ave, Kalispell 59901 (756-5645)
Mary Hudspeth, Lincoln Co., 418 Mineral Ave, Libby 59923 (293-7781)
Denise Horning for Rachel Vielleux, Msla Co, 301 W. Alder, Msla 59801 (721-5700)
Ted Kato, Sanders Co, Box 519, Thompson Falls, 59901 (827-4397)

Sen. Ed.
HB 999
Ex. 6 4-8-91

A SEMINAR ON THE PROCESS AND PROBLEMS OF SPECIAL PLACEMENTS
AND TUITION COSTS FOR OUT-OF-DISTRICT STUDENTS

Lake County Courthouse Conference Room
Monday, February 25, 1991
10:00 a.m. - 3:30 p.m.

AGENDA

PLACEMENT & TUITION PROCEDURES

- 10:00 - 10:05 Introduction - Joyce Decker Wegner
- 10:05 - 10:30 The Process of School Placements & Tuition
Bob Halgren
Bob Slonaker, Elaine Meeks
Fred Appelman, Kathleen Neirson
- 10:30 - 11:00 The Process of District Court & Family Assistance Placements
Barbara Monaco
John Freemole
- 11:00 - 11:30 The Process of Tribal Court & Family Assistance Placements
Don Dupuis, Evelyn Stevenson, Kathy Ross
Joe Pablo, Francine VanMaanen
- 11:30 - 12:00 Placement Process Questions and Answers

NO-HOST LUNCHEON BREAK
Pondera Restaurant

PLACEMENT & TUITION PROBLEMS AND CONCERNS

- 1:00 - 1:30 District Superintendents' Concerns
Steve Gaub, Larry LaCounte, Bud Veis,
Sherry Pasquale, Bob Halgren, Jean Hagan
- 1:30 - 2:00 Regional Family Services Responsibilities & Concerns
Warren Wright
- 2:00 - 2:30 Office of Public Instruction Concerns and Proposed
Legislative Reforms
Gail Gray, Bob Runkel
- 2:30 - 3:30 Brainstorming - PUTTING IT ALL TOGETHER!

Costly kids

School districts struggle with tuitions

by Kristi Niemeyer
of the Leader

POLSON — School superintendents, social services' representatives and Youth Court officials met here last month to unravel a complex, and sometimes unfair system of placing children in treatment centers outside of their school district.

Under current laws, courts may place a child in a treatment center if he or she has needs that can't be met in the local school system. The school district where the student's parents live pays tuition. Such cases can cost between \$8,000 and \$13,000 annually.

The day-long seminar, titled "Processes and Problems of Special Placement," was held Feb. 25 at the courthouse in Polson. Lake County Superintendent of Schools Joyce Decker Wegner coordinated the meeting, which involved superintendents from each Lake County district, tribal and county Youth Court and probation officials, local and regional representatives from the Department of Family Services, special education directors from local school districts, county superintendents from Flathead, Sanders and Missoula counties, and Office of Public Instruction officials.

See "Kids" on page 12A

12A — Lake County Leader Thursday, March 14, 1991

Continued from page 1

According to Wegner, the dilemma first came to her attention in January, shortly after she began her first term as Lake County's superintendent of schools. A tuition request came across her desk "and there were a lot of holes in it," she said. "I began to ask questions and the agencies involved said, 'Joyce, when you find the answers let us know.'"

The seminar was organized as a means of "putting our heads together," said Wegner. The morning session was devoted to discussing "what officials are responsible for what and how they work with each other," she

explained.

The afternoon session dealt with problems faced by agencies and school officials. Both groups are especially hampered by the dearth of appropriate treatment centers for kids and lack of funding to pay for treatment and tuition.

According to Wegner, the problem has several facets. In some instances, students who are not considered special education cases are sent to a special education facility "because it's the only appropriate place available." There is some danger, Wegner feels, of a child being labeled "special ed when they're not."

Another concern, voiced by local

school districts, is that school specialists are often left out of the placement process. Ronan superintendent Herb Halgren cites an example of a student who attended both Ronan and Charlo schools. "Our problem was that this child had never been identified as needing special services" by either district. Instead, the student had "problems outside school," he said.

The student was sent to Yellowstone Education Center in Billings, without consultation with the school district. "We sympathize with social workers and probation officers who don't have any options," said Halgren. "But we're supposed to be involved in the child study team (that places kids) and we weren't."

The district does, however, pay the bill for those special services. In this case, the Yellowstone Education

Center charges \$13,000 a year for tuition. The center's education component is an elementary school district, and is funded as such through OPI. The school charges tuition to make up the difference between its costs and state reimbursement.

To complicate matters further, when the child is an elementary student, those expenses come out of a tuition fund derived solely from the local tax base. At the high school level, tuition costs are paid by the county mill levy, which spreads the burden among a larger number of taxpayers, Halgren said.

In Charlo, which also has an elementary student attending the Yellowstone Education Center, tuition costs from 12 to 13 mills (valued at \$1,000 apiece). In Ronan, where mills are worth \$4,800, tuition for one

student costs local taxpayers three mills.

According to Halgren, that hefty of a payment could "wipe out" a small school like Salmon Prairie or Valley View and cripple a district the size of Charlo. "It's a big stakes game now," he said.

This year, 27 elementary children and 16 high school students in Lake County are receiving services at education centers outside their districts.

Currently, the Office of Public Instruction is promoting legislation that would make the state responsible for such costs. While such a solution

would be more equitable for local school districts, Halgren worries that the bill may falter because "it would cost a lot of money."

He added that last month's seminar helped bridge the schism between agencies. "I don't know if we solved anything, but we have a better understanding of what Youth Court faces and they have a better understanding of us."

Part of the solution, says Wegner, is "more coordination and communication between schools, Family Services, Youth Court and all the agencies involved. We're all supposed to be serving the needs of kids — we're all supposed to be their advocates."

Costly kids:

School districts pay dearly for special placements

Sun. Ed
Ex. 6
HB 999
4-8-91

Education has a fourth R

Reading and writing and 'rithmetic — for years, the three R's have provided the bulwark of our education system. But with more and more "at-risk" kids attending public schools, the fourth R in our education system is rapidly becoming rehabilitation.

The question of how to help troubled kids, and who should pay the bill affects both our consciences and our pocketbooks. By some estimates, over 60 percent of the students attending public schools come from unhealthy homes. They require more resources from a public education system already strapped for money.

Kids who can't function in the school environment are often labeled emotionally disturbed. While a school might suggest that they be placed in a residential treatment center, most often that recommendation comes from an outside agency, either Family Services or Youth Court. In some instances, kids perform well in school, but aren't functioning well beyond the classroom. These children are also candidates for treatment programs.

Clearly, kids are entitled to help. But in this case, the state is placing an unfair burden on taxpayers and local school districts.

The majority of students placed in residential care facilities are sent there by state agencies, but the local community continues to pay for their education. Residential treatment centers are few and far between in Montana, and tuition can cost up to \$13,000 annually. That cost, if the patient is an elementary student, is borne entirely by local taxpayers.

One remedy on the horizon is legislation authored by the Office of Public Instruction. The bill, which is expected to surface in the House sometime next week, would force the state to pay all costs associated with those students placed in a residential treatment center, regardless of whether parents, schools, or state agencies place

Another solution, probably further afield, would be to establish local treatment centers, which would enable kids to continue their education in public schools while providing on-going psychiatric care and supervision.

Lake County, with a total of 43 students seeking treatment elsewhere, could probably finance such a facility for what taxpayers currently pay in tuition costs. Granted, not all those students suffer from the same problems. But local treatment centers — if they cost anything less than \$13,000 a shot — may be more feasible and more humane than shipping children to Billings, Bozeman or Spokane for care.

The future of these kids currently falls to a host of hands: school, Youth Court and Family Services administrators, who are pressed between limited budgets on one hand, and limited treatment facilities on the other. In an ideal world, troubled children wouldn't exist. And if they did, family and friends would be around to take responsibility for their healing.

We're living in a far from ideal place, where parents seem to take less and less interest in and responsibility for their children's future. Schools and social workers take up the slack. They've become surrogate parents to an increasing number of kids.

If society can't make parents do their jobs, it should at least step in and help kids find their way to adulthood. However, that's an expensive mission, and one the state accepts more in theory and less in practice.

School districts aren't financially equipped to provide much more than the three R's. Nor is it their responsibility. That fourth R — rehabilitation — belongs to parents first, and, that option failing, to the rest of us. It should be funded by the broadest possible tax base, at the least

THE LEADER, APRIL 4, 1991

Editorial praised

Editor:

I thank you very much for your kind editorial of March 14 on my HB 999 (on funding special placements for students in public schools).

You have captured the essence of the bill very well. OPI (Bob Runkel and Dori Nielson) put in many hours "above and beyond" to put this together. It passed the House last week.

We expect strong opposition from some of the providers in the Senate.

**Rep. Ray Peck
(D-Havre)**

Stories praised

*THE LEADER
MARCH 21, 1991*

Editor:

Your article, "Costly Kids: School Districts Struggle With Tuition," in the March 14 Lake County Leader was expertly done. I appreciate the in-depth research you put into the complicated issue of out-of-district tuition and placement of students.

Best of all, you captured the heart of the problem in your editorial, "Education Has A Fourth R." Rehabilitation of our students is indeed a responsibility of all our citizens.

"If society can't make parents do their jobs, it should at least step in and help kids find their way to adulthood. However, that's an expensive mission, and one the state accepts more in theory and less in practice."

At our seminar, Joe Freemole and Warren Wright from the Department of Family Assistance offered

hope that more local treatment of kids in need may be forthcoming, but it will need the support of all. If we, the people of Lake County, cooperate in committing our heads and hearts to helping our families develop healthier homes, healing will occur. The cooperation from all agencies and institutions represented at the seminar was highly encouraging.

I thank you for carrying such an important issue to the public in such a professional manner. The creation of the Lake County Leader offers us all the opportunity to share issues of mutual concern. It is appreciated.

**Joyce Decker Wegner
Lake County Superintendent of Schools
Polson**

HB-999
MAJOR PROVISIONS

1. Funds directly, by the Office of Public Instruction, education programs provided for children with emotional disturbances attending in-state residential facilities and children's psychiatric hospitals.
2. Imposes cost controls on education costs in residential facilities and children's psychiatric hospitals by limiting funding to a restrictive allowable costs schedule.
3. Requires the Office of Public Instruction to monitor the provisions of an appropriate educational opportunity for in-state residential facilities and children's psychiatric hospitals.
4. Requires the Office of Public Instruction to fund directly the costs of educational fees for children with disabilities placed out-of-state.
5. Imposes limits on the education fees that can be charged to a school district for services to children without disabilities placed in out-of-state residential programs, and requires that those funds be paid out of the county equalization fund.
6. Clarifies that state agencies making placements of children are responsible for the costs of room and board.
7. Removes room and board as an allowable cost in special education.
8. Clarifies financial responsibility for children with disabilities placed in out-of-state facilities by public school districts. (Education costs are allowable for state support, while room, board and treatment are the responsibility of the district of residence.)
9. Clarifies procedures to be used by the Office of Public Instruction in determining the education fees to be paid to out-of-state residential programs for children with disabilities.
10. Ensures that all children attending in-state residential facilities and children's psychiatric hospitals have available to them, a free, publicly-funded education, whether the child has a special education disability or not.
11. Provides the option for the Office of Public Instruction to contract with the public school district where the psychiatric or residential facility is located if the facility fails to provide an appropriate education or fails to negotiate a contract with the Office of Public Instruction.
12. Eliminates need for labeling of children attending in-state residential facilities and children's psychiatric hospitals as children with special education disabilities in order to receive funding.
13. Provides an appropriation to fund education programs for in-state children's psychiatric hospitals and private residential facilities.

Amendments to HB 999
Prepared by Jim Smith
for the
Montana Residential Child Care Association

1. Page 26, Line 10. Following 'and' Insert: 'Indirect costs at up to twenty five percent (25%) of allowable costs.'
2. Page 29, Line 16. Strike: \$2,471,000. Insert: \$3,088,750.

APRIL 8,1991

TESTIMONY

Presented by: Loren Soft, Executive Director, Yellowstone Treatment Centers, Billings, MT

Presented to: Senate Education Committee

RE: HB 999

Thank you for the opportunity to testify to you concerning House Bill 999. First, let it be known that Yellowstone Treatment Centers supports the general concept of HB 999. However, there is a fatal flaw in the bill in its present form.

Under current law, the district of residence or "home" district is required to pay for educational costs associated with a child placed in treatment. The tuition cost is set by the treatment facility or the public school district, as is the case for Yellowstone Education Center. The portion of HB 999 that would enable the Office of Public Institution to fund the cost of educational services for children in treatment and thereby eliminate a somewhat inefficient process of collecting tuition from local school districts scattered throughout Montana is agreeable for our facility. However, the bill as drafted does not provide for full funding and, as a result, our education program will lose approximately \$200,000 annually of necessary funding. This amounts to about 23% of our total budget.

Yellowstone Treatment Centers (AKA Yellowstone Boys & Girls Ranch) is public School District #58, established by Montana law

*Sen. Ed.
Exhibit 9 - HB 999*

in 1963, and has operated continuously as a public school district since that time. The funding mechanism for our district has included tuition from the resident district, Chapter I monies, foundation monies and some special education monies.

Whereas HB 999 would circumvent resident district involvement in funding educational costs for children placed for treatment at Yellowstone (a concept we would support), the drastic loss of revenue we would experience would seriously impact our educational service delivery system.

As stated earlier, we favor the general concept of HB 999 but we cannot support it if it means a 25% rollback of educational funding now available to us under existing educational laws of the state of Montana.

I would ask for your favorable support of the amendments to HB 999 as prepared by Jim Smith of the Montana Residential Child Care Association in conjunction with Bob Runkel, Director of Special Education, Office of Public Instruction.

If these amendments cannot be favorably considered, then I would recommend that HB 999 be given a Do Not Pass Recommendation by this committee. I would further request that a forum of private providers of treatment services for children and the Office of Public Instruction be established to study funding options for consideration by the 1993 Legislative Session.

DATE 4-8-91

COMMITTEE ON Education

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
Robert Van Der Veen	Self	746	X	
John Osterman	mt Catholic Conf.	746	X	
Jim Smith	MRCOA	HB 999		✓
Doreen Soff	Yellowstone Treatment Center	HB 799		✓
Ken Hulcher	Y. S. C.			✓
Claudia Morley	Inter-nm. Child Home			✓
	SAM	H 999	X	
Rachel Vielleux	Mt. Spec. Ed Coop	HB 999	X	
Bruce W. Moore	BSBA	HB 999	X	
" for Chip Erdmann	MREA	"	X	
Kare Roosa	MACSS	H 999	X	
Ann Galtay	DFS	H 999	X	
At Ken McKenna	MACSS	999	✓	
Paul Gray	Shodair Hospital	HB 999	✓	
Doed M. Runkel	OPI	HB 999	✓	
John Wilkinson	INTERNATIONAL CHILD'S HOME	H 999		✓