

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 1st SPECIAL SESSION**

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By **REP. TED SCHYE, CHAIRMAN**, on January 15, 1992,
at 8:30 a.m., in Room 312-2, Capitol Building, Helena.

ROLL CALL

Members Present:

Ted Schye, Chairman (D)
Ervin Davis, Vice-Chairman (D)
Steve Benedict (R)
Ernest Bergsagel (R)
Robert Clark (R)
Vicki Cocchiarella (D)
Fred "Fritz" Daily (D)
Alvin Ellis, Jr. (R)
Gary Forrester (D)
Floyd "Bob" Gervais (D)
H.S. "Sonny" Hanson (R)
Dan Harrington (D)
Bea McCarthy (D)
Scott McCulloch (D)
Richard Simpkins (R)
Barry "Spook" Stang (D)
Norm Wallin (R)
Diana Wyatt (D)

Members Excused: Rep. Gary Feland
Rep. Tom Kilpatrick

Members Absent: None

Staff Present: Eddy McClure, Researcher
Andrea Merrill, Legislative Council
Jo Lahti, Secretary

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

Announcements/Discussion: SB 5 was to be heard.

HEARING ON SENATE BILL 5

Presentation and Opening Statement by Sponsor:

SEN. CHET BLAYLOCK, SD #43, Billings, said everyone understood
what SB 5 does, so there was no need to go over details again.
There was a thorough discussion as to whether or not a three-

quarter vote of the Legislature would be necessary because it would have coal tax money in it. The Senate Education Committee voted that a three-quarter vote would be necessary. He asked that it be taken off Second Reading and go to the Rules Committee for a final decision. Greg Petesch, chief legal counsel for the Legislative Council, made it very clear that such a vote was not needed, and it was stricken from the bill.

Andrea Merrill, Legislative Council Researcher, explained, basically when the Senate took out the three-quarter vote section, a technical amendment EXHIBIT 1 changed the paragraph numbers in the effective date section. It did not require SB 5 to go back to the Senate. It can be an internal change.

Proponents:

REP. PAULA DARKO, HD 2, said some amendments would be proposed. She advised considering very carefully adoption of any amendments which would send SB 5 back to the Senate where it had passed 48-1. She urged passage of this bill.

Nancy Keenan, State Superintendent of Public Instruction, rose in support of SB 5. She called attention to EXHIBIT 2 "COAL SEVERANCE TAX TRUST FUND" done by Sandra Kiesling as a way of helping people understand how this whole process of the buckets works. This is a good bill and will help schools get construction going. She encouraged expedient action on SB 5.

Wayne Buchanan, Board of Public Education, presented a fiscal note EXHIBIT 3 which appears to be ridiculously high. The Board of Education has a staff of two, himself and an administrative assistant. They depend on the Superintendent of Public Instruction for all of the expertise they need to make determinations on matters that come before them. All language relating to public instruction and the Board of Education states "upon the recommendation of the Superintendent of Public Instruction". The Superintendent has 140 people including attorneys and others, who are able to offer the kind of expertise the Board needs to make decisions on matters that come before them. The Board does not have the expertise to determine whether or not a school district proposal meets the 75% criterion in the various categories listed. The fiscal note EXHIBIT 3 explains one of the main costs that may be incurred. He proposed amendments listed on EXHIBIT 4 go into the Introduced bill.

Bob Marks, representing the Stephens Administration and the Department of Administration, approved SB 5. He explained, beginning on Page 6, line 18, the bill states, "should the DOA need to loan money to respective school districts that would be issuing debt for the repayment of that debt, it would be paid back under the interest rate of the State's short-term investment pool, commonly known as STIP". That could create difficulty with the districts, and more work for the people in the DOA. They haven't asked for more FTEs, they think they can handle it. He

suggested this be amended to either be a fixed rate or perhaps the net rate of the bonds issued for bid by individual districts. That would be a predictable amount, and school districts would be able to plan their budgets better and the accounting would be much simpler. It would certainly be fair, because the rate they would be paying the DOA back for that loan would be at the same rate as they would be paying on the cost of the money they borrowed through bonds. It would be easier to handle from the school districts' and department's perspective with the proposed amendments should there be an inability of the school districts to make the principal and interest payments on the loans.

REP. ROYAL JOHNSON, HD 88, Billings, feels good about SB 5. By taking out Section 5 they kept the integrity of the money available for local government, as well as taking care of the schools. He hoped the Committee would look favorably on this bill as it came out of the Senate Subcommittee with no dissenting votes and out of the Senate with only 1 dissenting vote. He hoped for passage in the House.

Bruce W. Moerer, representing the Montana School Boards Association, thinks this bill is very important bill for helping schools. He urged it be considered favorably.

Sherrie Smith, Trustee of the Clancy School District, wanted to let the Committee know they are here in support of SB 5, and hope favorable action will be taken so they can go ahead this spring with construction of their facilities. See **EXHIBIT 5.**

Kathryn Schaefer, Chairperson for R.E.A.C.H., urged the Committee to vote Yes on SB 5. See **EXHIBIT 6.**

Opponents: None

Questions from the Committee:

REP. NORM WALLIN asked why the Montfortin School was not included in those listed in SB 5. Would you object to an amendment including that school? They voted on their bonding issue and it passed by a two to one vote. **SEN. BLAYLOCK** said he wished it were in there, also, but it is important to get SB 5 passed quickly. That school would be considered along with all others. Since it is so far along with its projects, it should have no trouble whatsoever.

REP. WALLIN asked if the bill has to go back to the Senate because of amendments, would there be a problem in including an amendment then? **SEN. BLAYLOCK** answered, probably not. Time is of the essence here, and Montfortin is in no danger. It could be none of the schools will come in before this. The schools may not have to use this at all.

REP. SONNY HANSON said he was interested in the actual flow of dollars. Is the 50% which is going into the first bucket Coal

Severance Tax Bond Funds approximately \$20 Million? Dave Lewis, Director of the Board of Investments, said that is probably close enough. The next two years it is anticipated that will be the average.

REP. HANSON said it is his understanding there is another step between the School Bond Contingency Loan Fund that deals with the water issues which takes about \$.5 Million out of the fund first. Mr. Lewis explained the bucket labeled Coal Severance Tax Bond Fund goes to the water bonds, which is \$.5 Million a year.

The next bucket is for about \$2.5 Million for School Bond Contingency Loan Fund which can be drawn on should things go wrong. Mr. Lewis explained that is the subject of SB 5 under consideration. One year's principal interest payment on the outstanding bonds is estimated to be \$2.5 or \$2.8 Million. That is what the one year obligation would be on that bucket.

REP. HANSON asked if the next Clean Coal Technology Demonstration Fund is \$5 Million a year for five years or eight? Mr. Lewis stated it is \$5 Million a year until 1997.

REP. HANSON said the next Coal Severance Tax Permanent Fund would probably be the bucket for the bill that was recently advanced. The Treasure State Endowment Program has to fit in there. Mr. Lewis said between the Clean Coal Technology Demonstration Fund and the Coal Severance Tax Permanent Fund, both of the infrastructure proposals - the Governor's Big Sky Dividend Proposal and the Treasure State Endowment Fund - would interdict the flow at that point. The Governor's proposal takes the entire flow for ten years, and the Treasure State Endowment takes half of the flow over a 20-year period. That is the difference. That point is where that money will develop. Other buckets have prior claim, and what is left would be available for these referendums if passed.

REP. HANSON asked if what is left goes into the Coal Severance Tax Permanent Fund, and if the excess is divided between the school foundation and general fund as shown on EXHIBIT 2. Mr. Lewis explained the entire amount goes into the Permanent Trust, the interest earned on that is split between the general fund and the school foundation program.

REP. STEVE BENEDICT discussed the Board of Public Education's proposed amendments with Wayne Buchanan. If these amendments were made, the fiscal note would drop to zero.

Closing by Sponsor:

SEN. BLAYLOCK closed. He said there is a very small likelihood of having to go into this backup program, but it is there, and these bonds when passed, immediately become marketable. This is infrastructure throughout Montana as school buildings are being built.

EXECUTIVE ACTION ON SB 5

Motion: REP. BARRY STANG moved SB 5 BE CONCURRED IN.

Motion/Vote: REP. ERVIN DAVIS moved Amendments by Greg Petesch, EXHIBIT 1 be adopted. Motion carried unanimously by voice vote.

Discussion:

REP. WALLIN asked about adoption of Bob Marks' proposed amendments. REP. BENEDICT asked if he had prepared amendments. Mr. Marks said he had asked this amendment be prepared for the Senate and the research people may have prepared one for SEN. NATHE. Ms. McClure, Researcher, had prepared that for SEN. NATHE. It was withdrawn from the Senate floor. She was not instructed to bring it to this Committee. It would basically have set what interest rates were to be if a loan were made. SEN. NATHE did not offer it in the Senate.

REP. RICHARD SIMPKINS explained this deals with a one-year time period. Are bond rates anticipated to drop drastically in one year? Is there some type of estimate suggested?

Ms. McClure said when they started out drafting this legislation, it was suggested they use the STIP rate. She drew up several amendments on interest rates which were before the Senate.

REP. SIMPKINS asked if there is a conflict here?

SEN. BLAYLOCK said this was discussed in their Executive Action in the Senate Education Committee. REP. JOHNSON who is very knowledgeable in the bond area thought the short-term average rate (STIP) rate was the best for Montana so they went with that rate.

REP. JOHNSON said the bill was done with the idea that it was not going to be used, and would be a short-term solution. The rate used was the interest rate at which the one-year bonds were sold. The bill does obligate the State for some period of time longer than that. It obligates the State until at least the equalization problem has been taken care of. If there is a suit before that time, the State is obligated for the entire period of time, or until those bonds are refunded. It wouldn't matter if the time period varied. He visited with someone who is knowledgeable about interest rates and who is also interested in this bill. They concluded that interest rates weren't going to change a lot over the short term. If that is true, all the Board of

Administration has to do is call the Board of Investments who deal in these things every day and they will tell them fast about what they have to do. It has to do with budgeting school districts. If they do have to go out and borrow money from the State, they do have to pay it back. If they pay it back at the rate at which the State borrows, then nobody is improperly treated. If, in fact, this program goes on for a number of years, somebody stands a chance of not doing very well. Current rates are about 4-5/8%, if you have to use it you might anticipate a 4-5/8 rate for the next year, and say this is what we have to budget for. That rate is paid, the State is reimbursed on what they put out, the school district has not been charged anything more than that. If in five years the program were still going and rates were 12%, then the State would, in fact, with the fixed rate have to subsidize the difference between what the fixed rate was and what the current borrowing power in the State is. This way makes it fair for everybody. It is not that difficult to figure. The people at the Board of Investments can tell you.

Motion: REP. STEVE BENEDICT moved the Board of Education amendments be adopted. Ms. Merrill explained how these amendments fit into the Third Reading copy of the bill. They translate to Page 4, line 10 for the first one, Page 4, line 25 for the second one. The third one could be Page 8, line 18. See EXHIBIT 4.

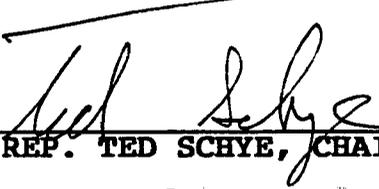
REP. VICKI COCCHIARELLA called for the Question.

Vote: Roll call Vote #1 showed 4 for the Board of Education amendment, 14 against the amendment, 2 were excused. Amendment fails.

Vote: SB 5 BE CONCURRED IN AS AMENDED WAS APPROVED UNANIMOUSLY BY VOICE VOTE.

ADJOURNMENT

Adjournment: 9:20 a.m.



REP. TED SCHYE, CHAIRMAN



JO LAHTI, Secretary

TS/jl

HOUSE OF REPRESENTATIVES

EDUCATION AND CULTURAL RESOURCES COMMITTEE

ROLL CALL

DATE Jan. 15, 1992

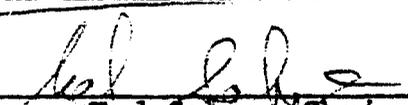
NAME	PRESENT	ABSENT	EXCUSED
REP. TED SCHYE, CHAIRMAN	✓		
REP. ERVIN DAVIS, VICE-CHAIRMAN	✓		
REP. STEVE BENEDICT	✓		
REP. ERNEST BERGSAGEL	✓		
REP. ROBERT CLARK	✓		
REP. VICKI COCCHIARELLA	✓		
REP. FRED "FRITZ" DAILY	✓		
REP. ALVIN ELLIS, JR.	✓		
REP. GARY FELAND			✓
REP. GARY FORRESTER	✓		
REP. FLOYD "BOB" GERVAIS	✓		
REP. H.S. "SONNY" HANSON	✓		
REP. DAN HARRINGTON	✓		
REP. TOM KILPATRICK			✓
REP. BEA MCCARTHY	✓		
REP. SCOTT MCCULLOCH	✓		
REP. RICHARD SIMPKINS	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. NORM WALLIN	✓		
REP. DIANA WYATT	✓		

HOUSE STANDING COMMITTEE REPORT

January 15, 1992

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that SB 5 be concurred in as amended .

Signed: 
Ted Schye, Chairman

CARRIED BY: REP. PAULA DARKO

And, that such amendments read:

1. Page 15, line 6.

Strike: "7"

Insert: "6"

2. Page 15, line 10.

Strike: "8"

Insert: "7"

HOUSE OF REPRESENTATIVES

EDUCATION AND CULTURAL RESOURCES COMMITTEE

ROLL CALL VOTE

DATE 1/15/92 BILL NO. SB 5 NUMBER 1

MOTION: Board of Public Education Amendment

Motion to amend failed

NAME	AYE	NO
REP. TED SCHYE, CHAIRMAN		✓
REP. ERVIN DAVIS, VICE-CHAIRMAN		✓
REP. STEVE BENEDICT	✓	
REP. ERNEST BERGSAGEL		✓
REP. ROBERT CLARK		✓
REP. VICKI COCCHIARELLA		✓
REP. FRED "FRITZ" DAILY		✓
REP. ALVIN ELLIS, JR.		✓
REP. GARY FELAND		
REP. GARY FORRESTER		✓
REP. FLOYD "BOB" GERVAIS		✓
REP. H. S. "SONNY" HANSON		✓
REP. DAN HARRINGTON		✓
REP. TOM KILPATRICK		
REP. BEA MCCARTHY		✓
REP. SCOTT MCCULLOCH		✓
REP. RICHARD SIMPKINS	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. NORM WALLIN	✓	
REP. DIANA WYATT		✓
TOTAL	4	14

Excuse

Excuse

Amendments to Senate Bill No. 5
Third Reading Copy

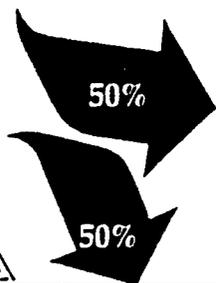
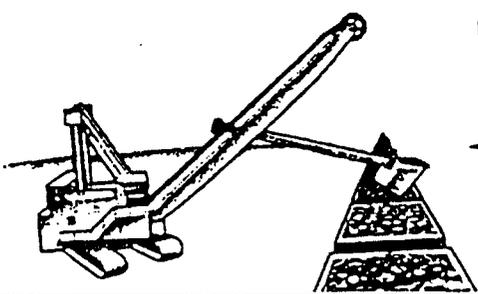
Requested by Greg Petesch
For the Committee on Education

Prepared by Greg Petesch
January 15, 1992

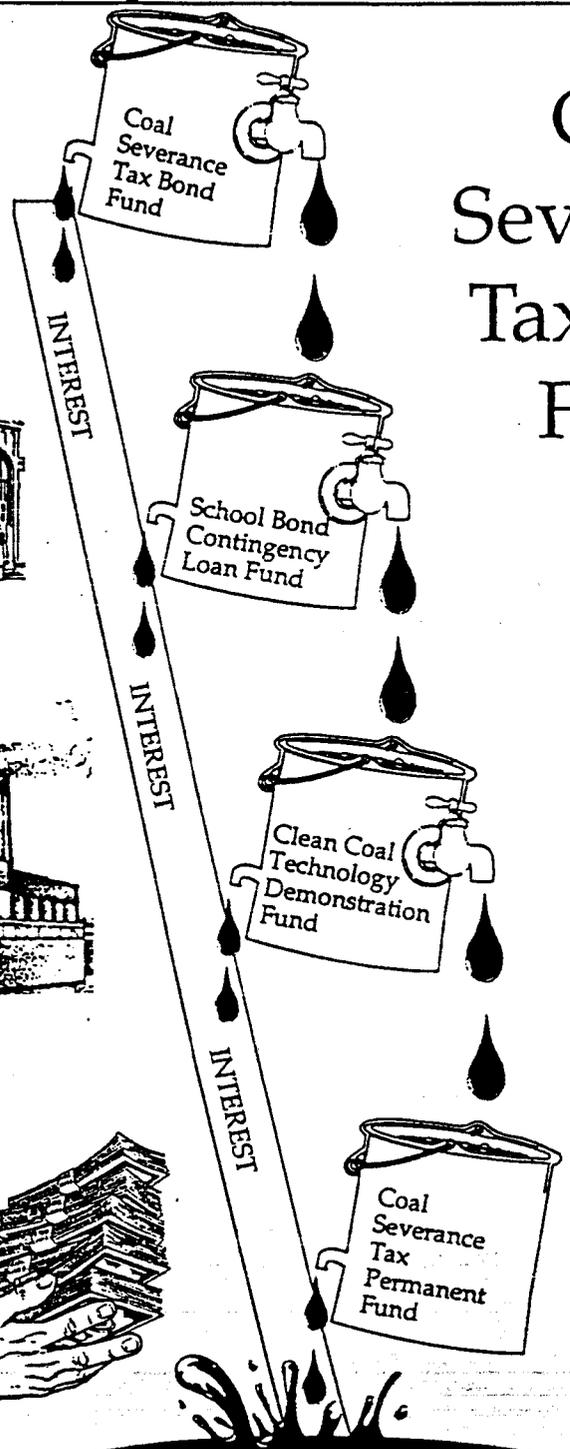
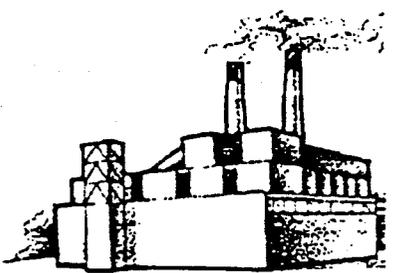
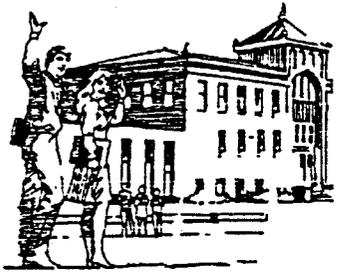
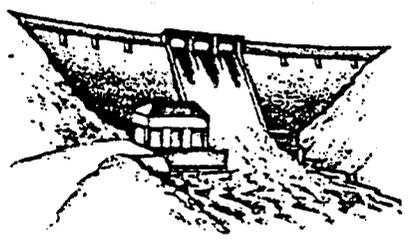
1. Page 15, line 6.
Strike: "7"
Insert: "6"

2. Page 15, line 10.
Strike: "8"
Insert: "7"

EXHIBIT 2
DATE 1/15/92
SB 5



Current Operations
of State Programs



Coal Severance Tax Trust Fund

Coal Severance Tax Income Fund

85%
Interest Earnings
General Fund

15%
Interest Earnings
School Foundation Program

EXHIBIT 3
DATE 1/15/92
HB SB 5

STATE OF MONTANA
FISCAL NOTE WORKSHEET

REQUEST NO. _____

Form BD-14

II. ASSUMPTIONS USED IN OBTAINING ESTIMATES:

(Please list clearly and in detail; use extra sheets if necessary).

List assumptions made during preparation of the fiscal note. If certain costs associated with the proposed legislation can be absorbed without additional funds, indicate this as an assumption. If no dollar estimates have been presented, list reasons in this space.

See Attached

III. DERIVATION OF ESTIMATES:

Show basic calculations or provide a brief description of the techniques used to obtain estimates; also, cite sources of basic data used for projections.

1. Contracted Service of a consultant to assess the applications of School Districts. (\$4,000.00)
3 hours at \$75.00 per hour per application equals \$225.00 X 20 applications
2. Contracted Legal Services. 2 hours per application at \$53.00 per hour equals (\$2,120.00)
\$106.00 X 20 applications
3. Contracted secretarial and accounting services. 6 hours per application at \$8.00 (\$ 960.00)
per hour equals \$48.00 X 20 applications



Board of Public Education

BOARD MEMBERS

EX OFFICIO MEMBERS:

Stan Stephens, Governor
Nancy Keenan, Superintendent
of Public Instruction

John Hutchinson
Commissioner

APPOINTED MEMBERS:

Bill Thomas, Chairperson
Great Falls

John Kinna, Vice-Chairperson
Helena

Ronald Fernellus
Missoula

Anita Johnson
Lewistown

Sarah Listerud
Wolf Point

Alan Nicholson
Helena

Tom Thompson
Heart Butte

Wayne Buchanan
Executive Secretary

Proposed Amendments to SB 5

TO: House Education Committee
FROM: Wayne Buchanan *WB*
RE: Senate Bill 5

Mr. Chairman:

The Board of Public Education respectfully asks the Committee to amend SB 5 as follows:

On page 4, line 5, strike: "after consultation with" and insert: "upon the recommendation of."

On page 4, line 20, strike: "board of public education" and insert: "superintendent of public instruction."

On page 8, line 20, after "education", insert: ", based upon the recommendation of the superintendent of public instruction,".

Mr. Chairman and Members of the Committee:

My name is Sherrie Smith. I am a Trustee of the Clancy School District and have two daughters who are in 2nd and 5th grade at Clancy School. I speak to you tonight as both a parent and a school district trustee.

As a parent each of us tries to do the best job we can to protect our children - to control all the things we can to make sure they don't get hurt.

As a Trustee each of us tries to do the best job we can to make wise use of taxpayer dollars and protect all the children of our district.

And I expect that as a legislator each of you tries to do the best job you can to make wise use of taxpayer dollars and protect all the children in Montana.

With these thoughts in mind please understand that it is imperative that this bill be passed so that our school and all those schools who find themselves in a position similar to ours can take needed action to protect and provide a quality education for their children.

The three categories this bill addresses are school districts whose buildings have been destroyed, those who have health and safety violations, and those who have problems with current accreditation standards.

For us--what health and safety violations mean, is that we have closed our lunch room because the threat of fire and the likelihood of injury was so high. We have decreased the risk but we are still housing 120+ children in a building where there is the potential of a life threatening situation. As a Board we have a responsibility to make sure our facilities are safe for all children and as a parent I want my kids out of there.

As a district we have 1) spent two years developing a building plan, 2) passed a bond election by an overwhelming majority, and 3) authorized our project architect to prepare construction documents. We want to break ground this spring (3-4) months from now, and the only thing holding us back - preventing us from correcting the threat to the safety of our children - is that we can't sell our school bonds!

So...I ask you to take the action required to make sure Senate Bill 5 passes...and in so doing know that you are taking a step toward insuring a safe education for all the children of Montana.

Thank you.

EXHIBIT 0
DATE 1/15/92
505

Mr. Chairman, Members of the Committee;

My name is Kathryn Schaefer. I am the chairperson for R.E.A.C.H., which stands for "Reaching to Educate All Clancy Households". I have a 10 year old daughter attending Clancy Grade School.

A few weeks ago most of you received a letter highlighting R.E.A.C.H.'s concerns.

R.E.A.C.H. was organized to not only help pass the bond issue held in Clancy School District last October, but also to inform the public as to the needs that the Clancy School faces.

After polling most of Clancy School District residents last spring, sending follow up information, holding many home meetings, and conducting school tours, we found very little opposition and tremendous support for a bond election to allow us to replace the portions of our campus which are unsafe for our students. This was due to the fact that Clancy School District residents realized the unsafe and overcrowded facilities at Clancy School.

It would be helpful, I know, if each of you were able to see first hand the conditions our students and teachers must deal with on a daily basis. However, in lieu of that, I would hope the 2 to 1 vote in favor of our bond issue and that over 50% of our voters showed up to the polls on a Wednesday in October with only this issue on the ballot, points to the fact that the residents of our school district have shown how concerned they are for the welfare of the children, and the importance of a safe learning environment.

In conclusion, I would urge you to do the same and vote yes on Senate Bill #5.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

EDUCATION & CULTURAL RESOURCES

COMMITTEE

BILL NO. SB 5

DATE JAN. 15, 1992 SPONSOR(S)

SEN. CHET BLAYLOCK, et al

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Brian Lower	MSA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bruce W. Moerer	MSBA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Wayne Beucham	Board of Tech. Ed.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jan Blopson	Clancy Sch. Dist	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pat Melly	School Equity Coalition	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shemie Smith	Clancy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dustin Hill	Seobey Schools	<input checked="" type="checkbox"/>	<input type="checkbox"/>
John M. Hill	Savage School MKEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jim Turner	SAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Royal Johnson	MSB	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FOR Kari	Clancy	<input checked="" type="checkbox"/>	<input type="checkbox"/>

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.