MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 2nd SPECIAL SESSION

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By **TED SCHYE, CHAIR**, on July 9, 1992, at 1:40 p.m.

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 Feland (R)
H.S. "Sonny" Hanson (R)
Dan Harrington (D)
Tom Kilpatrick (D)
Bea McCarthy (D)
Scott McCulloch (D)
Norm Wallin (R)
Diana Wyatt (D)

Members Excused:

Rep. Gary Forrester (D)
Rep. Floyd "Bob" Gervais (D)
Rep. Richard Simpkins (R)
Rep. Barry "Spook" Stang (D)

Staff Present: Andrea Merrill, Legislative Council
Lois Ann O'Connor, Committee Secretary

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

Announcement/Discussion: **CHAIRMAN SCHYE** said **REPRESENTATIVE DAVID HOFFMAN** did not receive notice that HB 22, which he sponsored, was to be heard at this meeting. **REP. HOFFMAN** asked that it be held back. Any person traveling from a distance would be allowed to testify on HB 22, and it would be entered into the record on the day the bill is heard, Monday, July 13, 1992.

HEARING ON SB 1

Presentation and Opening Statement by Sponsor:

SENATOR JUDY JACOBSON, Senate District 36, Butte, said that SB 1 changes the first distribution date for state equalization aid payments to school districts from July 15 to July 31 in order to allow the Office of Public Instruction (OPI) time to know what the Legislature is going to adopt in Special Session 2. If the bill is not passed quickly, OPI must make the first foundation program payment of 20 percent July 15. If changes are made through other legislation, OPI would have to get refunds back from the school districts.

Proponents' Testimony:

Nancy Keenan, State Superintendent of Public Instruction, said OPI is scheduled to begin sending payments to school district on July 15. If this is done, the Department of Administration will bounce all of the checks. SB 1 will buy the Legislature time until it can decide what it is going to do with the foundation program distribution to schools.

Opponents' Testimony: None

Questions From Committee Members: None

Closing by Sponsor:

SEN. JACOBSON said in closing, that a 1-year sunset has been added to the bill. She suggested leaving it on the bill if the Legislature wants to change the first scheduled date of payment.

EXECUTIVE ACTION ON SB 1

Motion/Vote: **REP. WALLIN** moved SB 1 Be Concurred In. MOTION CARRIED 15 TO 1 with **REP. BERGSAGEL** voting no.

HEARING ON HB 14

Presentation and Opening Statement by Sponsor:

REP. JOHN COBB, House District 42, Augusta, said HB 14 revises the state equalization aid (SEA) payment schedule to school districts. It moves the 20-percent July 15 SEA payment to 8 percent to be paid on the final working day of each month. The final payment would be a 12 percent payment. HB 14 also includes

an allowance to move funds into general fund financing in the event of the passage of the 4 percent reduction in the school foundation program and a 1994 sunset clause. It is to take affect upon passage and approval.

Proponents' Testimony:

Bob Anderson, Executive Director, Montana School Boards Association (MSBA), provided written testimony. **EXHIBIT 1**

Jim Turner, School Administrators of Montana, said that school districts feel the 8 percent monthly payment would allow better management of their cash flow under the current state foundation program schedule and the current levels of reserves. However, the Association did have two concerns: (1) Section 2, line 11, talks about school districts not having sufficient general fund financing in case the foundation program schedules would be underfunded. This is an implied use of the general fund reserve. (2) Page 3, line 25, changes the payment date from the 15th of every month to the 31st of the month. This presents a problem to the school districts. The first part of June is the time that school districts have payrolls to make. If the payment date is changed to the end of the month, it will mean two major payments in a very short period of time.

Opponents' Testimony:

Nancy Keenan, Superintendent of Public Instruction, said the concept of changing the distribution schedule to 8 percent each month and 12 percent at the end of the year is a good concept. OPI is not sure HB 14 does that. HB 14 provides an 8 percent payment of the state share and the county share is excluded. This will not solve the state's cash flow problem.

She referred to Section 2 which would allow school districts to transfer money from the district transportation fund to the district general fund if they do not have sufficient general fund financing. She said it is one thing to borrow from the transportation account; it is another to transfer the money. Those mills are generated for transportation. She suggested that the Committee hold all of the legislation being introduced on education and discuss them to see which one would get cash flow for the state and which one would make sure that the cash flow for school districts does not run out by October.

Eric Feaver, Montana Education Association, agreed with **Ms. Keenan**. He suggested that the Committee not rush to pass any legislation regarding the restructuring of schedule payments to school districts. He said that even the proponents to HB 14 had problems with it. He hoped that the proponents would provide necessary language that would correct the problems.

He added that the bill should not sunset in 1994 but at the end of FY 1993. He hoped that the Legislature wouldn't be restructuring schedules for a longer period of time than is necessary. A deal was struck between the education community and the Legislature over how the cash flow benefits would be provided. There was a reason for the 20 percent payment in July

Questions From Committee Members: None

Closing by Sponsor:

REPRESENTATIVE COBB said the reason he had the sunset on June 30, 1994, was because he was looking ahead to the next session. Many of the major decisions will not be made until late April. He is trying to warn the school districts that they may not receive the 20 percent on July 15.

The reason for Section 2 is that he did not realize he was going to carry the 4 percent school foundation cut. He was just trying to find flexibility.

HEARING ON HB 21

Presentation and Opening Statement by Sponsor:

REPRESENTATIVE JOHN COBB, House District 42, Augusta, said HB 21 reduces the foundation program schedule amounts for FY 1993 from 100 percent to 96 percent. There are technical amendments to the bill.

Proponents' Testimony: None

Opponents' Testimony:

Nancy Keenan, Superintendent of Public Instruction, said that the OPI has worked with **REP. COBB** on the technical amendments to address the special education issue in HB 21 if it is adopted.

She opposes HB 21 because the state needs money, and the Legislature has found one more pot to rob--the school equalization account (SEA). **Ms. Keenan** provided a graph showing general fund expenditures in 17 categories, the average annual percentage increase of each expenditure, and the average annual rate of inflation. **EXHIBIT 2** Public schools have received a 0.02 percent general fund expenditure increase to accommodate what they have had to eat in inflation. The cost of electricity

goes up, medical costs go up, and insurance goes up. Interest and inflation weigh heavy on the school districts.

Ms. Keenan provided a graph showing state and local expenditures from 1986 to the present. **EXHIBIT 3** In 1991, the Legislature infused money into the schools under HB 28 and it almost reached the 80 percent state funding goal. According to OPI calculations, the underfunding of schools will hit again in 1996. By 1993, the second string of cases will find the state back in court. By the year 2000, the state's responsibility will be less than local responsibility if HB 21 is adopted.

Ms. Keenan spoke on the increase in ANB (average number belonging). In the 1990/1991 school year, Montana had 2,000 new students. In the 1991/1992 school year, there were 2,500 new students. The message the Legislature will send to businesses and parents, with the adoption of HB 21, is that there is no stability, commitment, or ethical responsibility toward the public school system.

Linda Vaughey, President, Montana School Board Association, spoke on her school district of Havre. She said that Havre will be able to absorb the 4 percent proposed reduction in HB 21 with its reserves. She opposes HB 21 for two reasons: (1) because of its precedent setting nature which will bring many local school districts to the same waterloo. The reserves in the Havre elementary district will last 4 years at the proposed rate of reduction in HB 21, and it will eliminate any ability that districts have for long-range planning. (2) Several districts have no reserves with which to cover a shortfall. For those districts that have already obligated a large percentage of their revenues, reductions will be made in areas that will affect direct services to students, for example, books, and supplies.

Robert Windel, Superintendent of Schools, Havre, said that in 1987/1988, Havre reduced expenditures $562,000. As a result, the teacher's union filed a suit against the superintendent. Havre school districts have worked conscientiously in the past years to develop long-range planning and do not wish to dip into their reserves to compensate for the reduction in the foundation program. He asked that the Legislature not penalize the schools for exercising prudent management.

Pat Melby, School Equity Coalition, said the Coalition's goal is to encourage the state administration and Legislature to establish a system of school funding that provides for quality elementary and secondary education on an equitable basis without disparity and/or individual tax burdens. HB 21 shifts the financial burden from state sources of revenue back to the local property taxpayer. It will exacerbate the disparity in per-pupil spending that is already inherent in HB 28. The current system of funding, without HB 21, stands a good chance of being strickened because it is not meeting constitutional requirements.

Enacting HB 21 will almost surely ensure the success of litigation. It is very bad public policy.

Bob Anderson, Executive Director, Montana School Boards Association (MSBA), provided written testimony. **EXHIBIT 4**

George Budak, Poplar Public Schools, Poplar, is opposed to HB 21 because the school districts in Poplar have lost revenue in state funding, in taxes, in federal funding, and in the devaluation of its county. If they lose more funding, their educational system will collapse.

Jim Davison, Trustee, Anaconda School District, said for 12 years, Anaconda has tried to be frugal and has tried to maintain a school system that meets accreditation. The affects of HB 21 will very quickly catch up to the schools. This will mean putting more expense and burden on the local voters who have already been asked to adopt more mills for the schools.

Ron Zier, Superintendent of Schools, Manhattan, said that Manhattan is one of the schools that has extremely limited reserves. If the 4 percent reduction is taken, it will have to cut $52,000 out of the general fund.

Doug Reisig, Superintendent, Troy, said his school district is not operating on a 4 percent growth pattern but a 2 percent growth pattern. Because of the economic situation of his community, the 2 percent growth is already being absorbed through the school district's reserves. He asked the Committee to not support HB 21.

Larry Fasbender, Lobbyist, Great Falls Public Schools, said it is not that the schools cannot absorb the 4 percent reduction. Now the Legislature is going to mandate that the school districts do the very same thing that has gotten the state into the fiscal crisis that it suffers. This is not good management, not good for schools, and not good for the future. It is neat; it is plausible; and it is wrong.

Janelle Balazs, Board Chair, Kessler School District, said that the Kessler School District is a K - 6 school district and they do not have many alternative funding sources. Its student body has grown by 60 students in the last 2 years.

Conrad Stroebe, Trustee, Billings High school Board, said Billings is a member of the underfunded law suit that now exists. Since 1987, inflation has risen 23 percent in the state and their budget has increased 12.6 percent. The high school district's budget increased 14.4 percent. The school districts cannot live with a 4 percent reduction in the foundation program coming off of 2 years of a 4 percent inflation and 2 years of zero percent increase in their foundation payments. He asked that the Legislature not do to the Montana school districts what has been

done to the educational trust fund and all reserve funds across the state.

Jack Snyder, Trustee, School District 2, Billing, said that the foundation programs is called that because it is the foundation of every school district in the state. When the foundation of a building is chipped away, the building will eventually fall. That is what will happen to the school districts in the state.

Margaret Skoles, Trustee, Broadus, said the Broadus voters do support education. If the school districts have to go to the voters for more tax money, they will probably continue to support it. This reverts backwards for equity. A 4 percent cut is something that the Broadus school district cannot live with. It would put a negative impact on what services it provides to their students.

Steve Johnson, District Clerk, Bozeman School District, said that Bozeman has reserves and it can handle the proposed cuts. This is not prudent management. Bozeman has not had problems passing its special levies, but what about the cities and towns that do. He encouraged the defeat of HB 21.

John Malee, Montana Federation of Teachers (MFT), opposed HB 21.

Greg Fine, Missoula County High School Board, said in 1989, while he was still in highschool, he was elected to his school board. He is a brand new product of Montana's educational system. Most people believe that he reflects positively on the education system within the state. He believes that the 4 percent reduction in the foundation program will do great damage. He asked the Committee to be careful when it says "this is a temporary solution". When will school districts get the money back and when will they be brought back up to 100 percent?

Craig Cowie, Trustee, White Sulphur Springs, opposed HB 21 because it sets a precedence and causes hardships on the school districts.

Don Spritzer, Trustee, Missoula, said that his school has 1,000 students and is growing. The district has had to dip into its reserves to compensate for the growth and for a sewer line for a new middle school being built. As a district, it has saved for a rainy day. Its rainy day has arrived.

Teresa Cornell, Business Manager, Hayes-Lodgepole Schools, said her district has worked very hard to build what reserves it does have. The school foundation program should not be considered as a place to cut. If it is, she does not believe that the schools that have had good fiscal management should be penalized because the state does not have good fiscal management.

Dave Gardner, Trustee, Broadus, said that if the school foundation program is reduced, Broadus cannot continue to offer the same level of services to its students.

Frank Hagen, Trustee, Ashland, said he was concerned about the impacts of the cuts to the foundation programs, the increase in local property taxes, and the precedent that the reduction may set.

George Bailey, Superintendent, Broadus Schools, said it is time to invest in Montana's future, which is its children.

Bertha Other Bull, Trustee, Lame Deer, opposed HB 21.

John Deeny, Trustee, Billings Public Schools, said when cash reserves are taken from the general fund, it affects all budgeted funds within a particular district. A lack of dollars affects all school programs.

Penelope Svee, Trustee, Billings School Districts, said that because of the law, the Billings School District did not send out certificates to teachers saying that they will not be reinstated. It must carry through with its current contract which is 80 to 85 percent of the school district's income. In talking about a 4 percent cut, that cut will have to come out of the 15 to 20 percent left which is for materials in classrooms and the students.

Gary Toothaker, Superintendent of Schools, Helena, said if HB 21 is passed, it would reduce $660,000 of which $495,000 is in excess of the reserves available in the school district.

Beth Loehnen, Trustee, Missoula County Highschool, said public school budgets are woefully deficient. The high school budget in Missoula is $14.5 million. Of the $14.5 million, the Trustees had only $19,000 over which it had discretionary power. The rest of the budget was taken up with teachers' salaries. It is wrong to make further cuts in Montana public schools.

Todd Neddy, Superintendent, Stevensville, said that a 4 percent reduction in the foundation program will mean a $100,000 loss to the Stevensville school. They are counting on that money to meet the increased costs to the schools.

Don Burtch, Trustee, Creston, said that Creston is a small rural school with 93 students. It is a school that is strongly supported by its community. As a result of an increase in students, it has had to build new classroom with the use of its building reserve fund. The reserve is $8,000. The payment to the contractor is $6,000 which leaves a $2,000 balance for the school to operate.

Penny Bertelson, Sun River Valley Schools, said that the Sun River Schools had an emergency and was forced to dip into its

reserves. With the proposed cuts, the school will be below any line that will allow the school to withstand any emergencies that may arise in the future.

Jim Turner, School Administrators of Montana, said that administrators oppose HB 21 because (1) underfunding the state equalized portion of school district funding flies in the face of recent court decisions on equity. It is not good legal policy for the state; (2) school costs have been transferred from the state level to the local level in utilizing school reserves; (3) the school districts have reserves because there has been a stable funding source and they have been managed well; and (4) temporary fixes become permanent solutions.

Eric Feaver, Montana Education Association, said that never in his memory has he seen so many school administrators come to the Legislature to tell the Legislators what they needed to hear. They have all said "no cuts". He asked the Committee to take the appropriate measures to tax the people as necessary to fill the gap and to see that there is no cuts in the school foundation program. If HB 21 is the mechanism by which the Legislature is going to make cuts to the foundation program, then it should include a sunset clause for June 30, 1993.

REPRESENTATIVE WILLIAM BOHARSKI, House District 4, Kalispell, said the Legislature must do a reality check. Montana is in a very serious situation. If the Legislature has to find $102 million, can it be found by looking only at state government and not look at where 50 percent of the state government funds go, which is into education. **REP. BOHARSKI** did not support or oppose HB 21, but he did offered an amendment.

The amendment would change the amount of reserves that a school district is allowed to keep. The school district receives a set amount of money from the state known as the foundation program. School districts have a permissive amount of money in their budgets which is 35 percent of the amount given by the foundation program. If the school district's ability to raise mills is lower than the average mill value, the state guarantees that it will subsidize all of the permissive mills to bring the school districts to 135 percent. If districts are above that amount, under HB 28, the state does not equalize it.

Many school districts have built up reserves over the years. There is approximately $82 million in school reserves. This amount is after PL-874 money and protested and delinquent tax money is deducted. The money that is in the reserve accounts came from two places--local taxpayers and the state. A school district's general fund and reserves does not belong to the district, it belongs to the taxpayers of the school district.

Many schools cannot make up the difference in the 4 percent foundation reduction. He suggested that school districts, with

reserves in excess of 10 percent, use their reserves to back their permissive levies before they levy more taxes.

REP. BOHARSKI added that the people in Montana cannot handle more property taxes and all the cuts cannot be made to rid the state of its deficit without looking at education. As a result of asking the schools to reduce their permissive levies by capping their reserves at 10 percent, what will happen is that for every "poor" district in the state, whenever a permissive mill is reduced and a district is below the statewide average, the state does not send guaranteed tax base (GTB) money to that district. If this is done, there will be over 82 school districts in the state who will be held harmless. From there on up, depending what a school district's level of reserves are and depending on the wealth of the district, there will be a different offset. The savings to the state, at 10 percent in GTB, is between $8.1 million and $8.5 million. The state, instead of making the policy decision of changing the foundation program, would simply by default when permissive mills are reduced, save money in GTB subsidy that the state should not be distributing to schools that are sitting on 15, 18, and 20 percent reserves.

Dick Hughes, Superintendent, Box Elder, opposed HB 21.

Fred Maker, Superintendent, Superior, said maintenance has been deferred since 1984 in the school and recently the protested tax (BPA) settlement has been released which has gone into their reserves. The reserves are earmarked for maintenance. If the reserves are reduced to 10 percent, his school would have zero use of the money.

Karen Ward, Chair, Missoula County High School Board, opposed HB 21. She said she would rather have the Legislature make school districts cut their own budgets rather than have the Legislature take from their savings.

Norm Hagen, Lambert Schools, said that Lambert school has enough money in its reserves to last possibly two years. If they are forced to use their reserves to make up the deficits, it will threaten not only the school but a way of life. If the school dies, the town of Lambert will die.

Lee Clark, Superintendent, Browning, said in 1981, the taxable valuation of his district brought in over $10,000 per mill. In 1991, it has dropped to $4,050. Montana is twenty-seventh in the nation in spending per student and the second highest academic state in the U.S. as far as student achievement is concerned. If the schools are going to have to continue to take cuts, the margin will close.

Questions From Committee Members:

REPRESENTATIVE SONNY HANSON said on June 12, 1992, OPI sent a list which deals with capping the reserves at 10 percent. There were 82 school districts on the list that are 10 percent or less. The list also showed that the town of Lambert had no reserves in its highschool district. He asked **Ms. Keenan** if the list applied only to grade schools. **Mr. Keenan** said the list is like a polaroid picture. She does not know what happened to Lambert between the time the list was put out until now. She referred the question to **Mr. Hagen** from the Lambert School. **Mr. Hagen** said several years ago Lambert's reserves were pulled inside the general fund budget. The excess is carried over and is reappropriated each year. The reserves are in the general fund budget and not a separate entity. **Ms. Keenan** said how each school district manages its money is not always reflected on the sheet. Any list of reserves is not accurate because things such as budget amendments happen.

REP. HANSON said the public does not want more taxes and education has to be cut. He asked **Ms. Keenan** to suggest where additional cuts could be made if it is not taken from education. **Ms. Keenan** said the distribution rates could be readjusted. This would solve the problem of cash flow to the state. Why the state is short is because the money that is received for taxes is not coming in as quickly as OPI sends it out in the foundation program. She also suggested that a 7 percent or 10 percent surcharge be put on oil, coal, and gas and that there is $1.7 million in driver's education. She felt it was time that parents taught their own children how to drive. The Legislature promised the school districts, in HB 28, that it would give them 20 percent. That is the deal that was cut; and now, the Legislature is saying that it is going to take the 20 percent distribution and give them 8 percent.

REPRESENTATIVE ALVIN ELLIS asked **Ms. Keenan** if there was any way of telling how many schools, prior to HB 28, hid reserves and put them in their general funds. **Ms. Keenan** said she does not work off of the assumption that school "hid" their reserves. Every school district would know what their reserves are and would have to be asked individually.

REPRESENTATIVE NORM WALLIN asked **Ms. Keenan** how often OPI sends foundation checks to the counties. **Ms. Keenan** said 7 percent of the state portion is sent every month and 20 percent of the payment is sent in July. **REP. WALLIN** asked prior to HB 28, how often did the state send the foundation check. **Ms. Keenan** said 5 times a year. **REP. WALLIN** said it was his recollection from the testimony on HB 28 that because the checks were sent more often, it was less necessary to maintain the large reserves. **Ms. Keenan** said HB 28 was trying to give consistency to the school districts for their cash flow because the districts had to have high reserves to meet the needs of their districts since OPI was sending payments only 5 time a year. Then the payments were made

7 times a year with a 20 percent payment in July. The 20 percent payment was made so that schools could get through July, August, and September before their local county revenue was received. **REP. WALLIN** said that a trustee from a small rural district called him to say that they have no 4 percent increase each year and they have no reserves. He asked if HB 21 would allow that district to use its transportation money or what would it do to make up the 4 percent that it will not get. **Ms. Keenan** said that HB 21 does allow a transfer of transportation money to pick up the deficit. However, there is a difference between borrowing and transferring. If the money is borrowed, it must be paid back. Transferring money means the money is brought over and it is used. The Committee must keep in mind that when transportation mills are levied, those mills are levied for transportation not for general operations of the schools.

CHAIRMAN SCHYE said that he was in the discussions on HB 28 when the reserves were talked about. The number of checks received by the districts increased in a year, but the reserve amounts were cut also. **REP. WALLIN** said that he wanted to know, prior to HB 28, what kind of reserves the schools maintained when they were not getting checks as often as compared to the present. **REP. SCHYE** said prior to HB 28, schools could receive 35 percent of their budget.

REPRESENTATIVE SONNY HANSON said if a 10 percent cap were put on reserves, it would save in GTB money. He asked **Jan Thompson, OPI**, how the cap would work for the school districts that will benefit from settling the Bonneville Power law suit. **Ms. Thompson** said protested taxes are treated differently in law than regular reserves. When a school district receives money from protested taxes from a prior year in the current year, they are allowed to put the money into "excess reserves" if their current reserve level is full. If a district is at 20 percent and it receives protested tax money, it can exceed the 20 percent limit. The purpose for this is that when taxes are protested, many districts defray costs, such as textbook approvals or building repairs, in that year. Letting the districts put the money in excess reserves, it allows the districts to spend the money on projects that they have delayed from a previous year. All of the excess reserve calculation were omitted from **REP. BOHARSKI'S** amendments.

CHAIRMAN SCHYE said reserves are money that is levied on taxpayers in the local school districts. The Legislature is always talking local control. He asked **Linda Vaughey, Montana School Board Association**, if in talking about a bill that dips into reserves, does she feel that this erodes local control. **Ms. Vaughey** said whenever the Legislature mandates certain action, yes it does. It also reduces the ability to plan for emergencies.

Closing by Sponsor:

ADJOURNMENT

Adjournment: 3:40 p.m.

Ted Schye
TED SCHYE, Chair

Lois Ann O'Connor
LOIS ANN O'CONNOR, Secretary

TS/lao

HOUSE OF REPRESENTATIVES

EDUCATION AND CULTURAL RESOURCES COMMITTEE

ROLL CALL DATE 7-9-92

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

Lois

HOUSE STANDING COMMITTEE REPORT

July 9, 1992

Mr. Speaker: We, the committee on Education and Cultural Resources report that SB0001 (third reading copy -- blue) be concurred in.

Signed: _____
Ted Schye, Chairman

Carried by: Rep. Kadas

41555SC.HRT

MONTANA SCHOOL BOARDS ASSOCIATION

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Robert L. Anderson, Executive Director

EXHIBIT 1
DATE 7-9-92
HB 14
Special Session 2
Education Com.

Testimony of MSBA
on HB 14

before the House Education Committee
July 9, 1992

by Robert L. Anderson
Executive Director

MSBA reluctantly supports HB 14. While it would be nice to keep the 20% SEA payment on July 15, given the state's cash flow problems most schools are able to survive on 8% monthly payments. A survey of our membership showed that out of 170 school districts responding, 135 indicated that they could survive with an 8% monthly SEA payment. The comment of many of these districts was that if the July SEA payment was reduced, it was important that reserves be left alone and that the foundation program schedules were not cut and were fully funded. Thirty five districts indicated that they could not agree to a reduction to 8% in the July SEA payment.

Section 2, allowing the contingency transfer of funds from the transportation fund to the general fund in the event of an underfunding of the schedule and insufficient reserves, is a helpful safety net to schools with low reserves in the event an underfunding of the foundation schedule becomes a reality.

DATE 7-9-92
HB 21
Special Session 2
Education Com.

Expenditures By Type

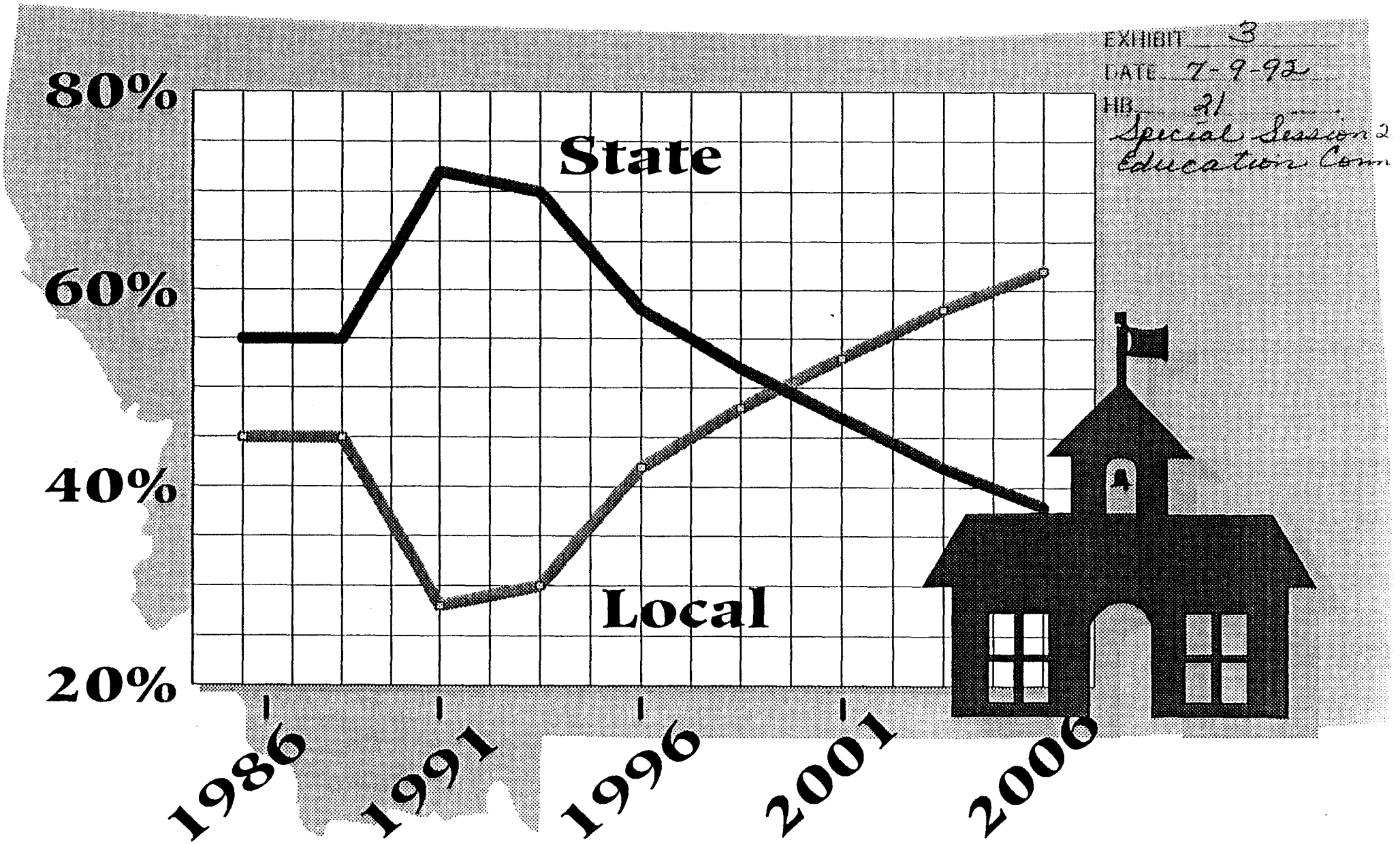
The following table shows 1979 and 1991 general fund expenditures in 17 second level categories, the average annual percentage increase of each expenditure category during the period, and the average annual rate of inflation. The amounts shown do not include prior year expenditure adjustments recorded in SBAS.

General Fund Expenditures By Type

Expenditure Type	Fiscal 1979	Fiscal 1991	Annual Increase
Personal Services	$ 67,619,217	$128,458,089	5.49%
Contracted Services	8,745,138	17,414,250	5.91%
Supplies & Materials	5,056,478	8,919,527	4.84%
Communications	1,977,789	4,145,077	6.36%
Travel	2,266,092	2,562,457	1.03%
Rent	1,752,299	4,186,974	7.53%
Utilities	1,905,387	2,921,058	3.62%
Repairs & Maintenance	1,221,422	2,213,729	5.08%
Other Operations	771,904	1,313,221	4.53%
Goods for Resale	4,730	3,206	-3.19%
Equipment	2,097,178	3,053,079	3.18%
Capital Expenditures	6,257,235	-0-	-100.00%
Public Schools	41,899,278	41,975,531	0.02%
Local Assistance	1,861,001	3,717,051	5.93%
Grants	15,435,189	26,504,320	4.61%
Human Service Benefits	35,897,671	95,321,510	8.48%
Higher Education Transfers	43,490,263	102,513,678	7.41%
Debt Service	3,275,529	12,389,422	11.72%
Total	$241,533,801	$457,612,180	5.47%
Average Annual Inflation			5.67%

Schoolhouse in the Red

EXHIBIT 3
DATE 7-9-92
HB 21
Special Session 2
Education Com



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Robert L. Anderson, Executive Director

Testimony of MSBA
on HB 21

before the House Education Committee
July 9, 1992

by Robert L. Anderson
Executive Director

EXHIBIT 4
DATE 7-9-92
HB 21
Special Session 2
Education Comm

MSBA must vigorously object to any underfunding of or cuts in the foundation program schedule. In spite of the state's financial condition, this is not good public policy.

We want to clarify that we understand the nature of the state's problem. We further acknowledge that many districts could cover the shortfall with reserves.

However, the precedent that this would set is bad for the future of education. There is no guarantee that this would be a "one-time" fix. In fact, once this happens, we would expect it to happen again and again. It seems that historically, the state has often balanced its budget by leaving the funding of the foundation schedules until the end of the session.

Underfunding the schedules, at the expense of schools' reserves, is poor long range planning. It will eventually put schools in the same financial position the state now faces. Why penalize schools that have been good fiscal managers? Why should the state force us to spend our last funds like it has its own? This would jeopardize schools' ability to do any long range planning and eventually force us into crisis management.

This bill is also contrary to the court's order to equalize school funding. The money taken by the state comes from the equalized portion of state funding. In essence, we have the same problem that led to the lawsuit; the costs are passed back to the local property taxpayer who has built local reserves.

Finally, when will this precedent end? When schools run completely out of reserves? That is the fear of most school districts after watching the state budget picture the last several years. If you need to underfund the schedule by 4% this year, will it be 8% each of the next two years when the upcoming deficit is twice the size of this one?

Schools need to be able to plan for the future of education and Montana's students in a sound fiscal manner. This type of legislation could end our ability to do so.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Education COMMITTEE BILL NO. HB-14

DATE 7-9-92 SPONSOR(S) Rep. Cobb

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
George Budak Poplar, MT	Poplar School District		✓
Craig Cowie White Sulphur Springs, MT	White Sulphur Sprs School District	X	
Joel Voytoski Chester, MT	Chester Public Schools	✓	
GLENN A. WOLFE CHESTER, MT	TRUSTEE CHESTER PUBLIC SCHOOLS	✓	
DOUGLAS REISIG TROY, MT	SCHOOL DISTRICT #1	✓	
Rosemary E. Harvey Butte MT	Sch. Dist. #3 Ramsay	✓	
Janet Hinrich Fairmont MT	Sch Dist #3 Ramsay	✓	
JACK EGGENSPERGER	S.D. 9, DARBY	✓	
Dolores Odenberg	SD#1 Missoula		✓
Catherine Jenne	School Dist. #1	✓	
Bruce W. Moerer	MSBA	✓	
Ken Halverson	Opheim Schools		✓
Jay ERDIE	Roundup Schools		✓
GABY GRIFFITH	Monforton SD #27	✓	

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

Ron Hatcher Supt SD 58 ✓
Conrad Sybilsen Livingston Schools ✓
Jim Turner SAM ✓

Bob Coehnen	Missoula High Schools	oppose
Gary Bertiken	Belt School #29	support
Greg Fine	Wisla County High Schools	Support
Bertha Oetenbeck	Lame Deer Public	Support
Tony Tognetti	Stevensville	Support
Gerhard Nelson	Stevensville	support
Jim Dawson	Anaconda	oppose
Larry C. Biere	Stanford	oppose
Richard Hagan	Box Elder	oppose
Dennis Kinney	Dillon	Support
Larry J Blade	Dillon El. #10	Support
Sandra Murie	Rocky Bay Dist 87J-L	oppose
Lee Clark	Browning Dist #9	oppose
Peter Carpenter	Supt. Billings SD#2	support
FRED MAKER	SUPT SUPERIOR	Support
Linda Carlson	Supt. St Regis Schools	Support
GARY STEUERWALD	Ass't Supt. Billings SD#2	Support
DENNY BERTELSEN	Supt. Sun River Valley SD55F	oppose
Ronald B Bradley	Supt. Twin Bridges	oppose
[illegible]	[illegible]	support

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DATE 7-9-92 SPONSOR(S) Rep Cobb

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Pamela Shore Missoula	Missoula County High School MCHS	X	
Richard W. Cameron Laving	Supt Laving	reluctant X	
Duane E. Synoground	Supt. Melstone	X	
Bob Korthuis	Supt Judith Gap	X	
Duane Denny	Supt. Hinsdale	X	
Sandra L Scott	Supt. White Sulphur Springs	X	
Tom Lockyer	Augusta PS	X	
Kathleen Lockyer	Pawn	X	
[illegible]	Power Public School	X	
Janelle Balazs	Kessler Sch Dist - Board Chair	X	
Peggy Taecke	Power Sch	X	
Don Waldron	Self		
Don Spritzer	Missoula Hellgate Elem	X	
Karen Richarson	Somers School	Y	

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

Name	Represent	Support	Oppose
G Michael Reynolds	Absaroka Schools	✓	
[illegible]	Terry Public Schools		✓
[illegible]	Absaroka	✓	
Ron Zier	Manhattan Schools	✓	
Jay Eslick	Fromberg Schools	✓	
[illegible]	East Helena / Trenton City Schools		Oppo

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Harry D. Erickson	Belgrade Schools	✓	
Robert Windel	Havre S.D. 16 & A	✓	
Carol Schott Big Timber	Sweet Grass Co. Schools	✓	
Penelope Svee	Trustee Billings		✓
JACK SNYDER	Trustee Billings SD#2	✓	
Don Burtch	Trustee Custer	✓	
CONRAD STROBBE LOCKWOOD BILLINGS	HSD 2 Trustee	✓	
MYRNA PAULUS - CHOTEAU	CHOTEAU BOARD OF TRUSTEES		✓
Rick Ripple Choteau	Choteau SD #1		✓
Mike Button	Plains SD #1		✓
Bob Anderson	MSBA	✓	[illegible]
Jacob Blair	Missoula S.D. #	✓	
LARRY Bloxsom	Trustee Clancy	✓	
JOHN Deeney	Trustee Billings	[illegible]	✓

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_____ COMMITTEE BILL NO. HB 14

DATE _____ SPONSOR(S) _____

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Dustin Hill Box 10 Scobey MT 59263	Scobey Schoolls		X
Pat Melby	School Equity Coalition		X
Robert [illegible]	Westby Schools		X
[illegible] Brewington	Missoula SD [illegible]		X
Teresa Cornell	Hays/Lodge Pole Schools		X
Karl Roosa	Powell County Schools	X	[illegible]
Jim [illegible]	Target Range #23		X
Rachel Vielleux	Missoula County Schools	X	[illegible]
Norm Hogan	Lambert Schools		X
Bud Williams	Conrad Schools		X
Gayle Crane	Arlee SD 85		X
Sharon Eisenberg	Trustee, Conrad Schools		X
Joan A. Orcutt	Trustee Conrad		X
[illegible]	[illegible]		X

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS

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_____ COMMITTEE BILL NO. HB 21

DATE _____ SPONSOR(S) _____

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Dust Hill Box 10 Scobey	Scobey Schools		X
Pat Melby	School Equity Coalition		✓
Robert P Otheim	Westby School		✓
Craig Brewington	Missoula SD #4		X
Jim Notaro	Target Range #23		X
Teresa Cornell	Hays Lodge Pole Schools		X
KARL ROOSA	POWELL COUNTY SCHOOL		X
RACHEL VIELLOUX	MISSOULA COUNTY SCHOOLS		X
Gayle Crane	Arlee SD 8J		X
[illegible] Hayes	Lambert Schools		X
Bud Willm	Conrad		X
Sharon Eisenberg	Trustee, Conrad Schools		X
Joan Orwitt	Trustee, Conrad		X
[illegible]	Hot Springs [illegible]		X

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HOUSE OF REPRESENTATIVES

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Education COMMITTEE BILL NO. HB21

DATE 6/9/92 SPONSOR(S)

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Richard W. Cannon	Supt. Lavina		X	
Duane E. Synoground	Supt. Melstone		X	
Bob Korthuis	Supt Judith Gap		X	
Pamela Shore	Missoula County H.S. Board		X	
Duane Denny	Supt. Hinsdale		X	
Sandra R. Scott	Supt. White Sulphur Spr.		X	
[illegible]	Power Public School		X	
Tom Jackyn	Augusta PS		X	
Peggy Taeker	Power Mr		X	
Kathlin Lackyn	Power Supt.		X	
Janelle Balazs	Kessler Sch Dist. Board Chair		X	
Don Ipsken	Missoula Hellgate Elem		X	
Don Waldron	Self - [illegible]			

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H.[illegible]

[illegible]	[illegible]	oppose
Gary Parker	Bd Ch. Sun River Valley Sunrise H. S.	oppose
G. Michael Reynolds	Absarokee Schools	oppose
Ron Zier	Manhattan Schools	oppose
[illegible]	Fromberg Schools	Oppose
[illegible]	East Helena Montana City School	Oppose
John Deeney	Trustee SD2, Billings	Oppose
Lynda Brannon	MASBO/IISM	oppose
Jim Turner	SAM	oppose
Ka[illegible] Ward	Missoula CH	oppose
Beth Loehnen	Missoula County High Schools	oppose
JEFF HINDOIEN	MONTANA RURAL EDUCATION ASSN.	OPPOSE
STEVE JOHNSON	BOZEMAN - MASE	OPPOSE
Larry [illegible]	GFPS	Oppose

HOUSE OF REPRESENTATIVES
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Education COMMITTEE BILL NO. HB 21

DATE 7-9-92 SPONSOR(S) Rep. Cobb

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Harry O. Erickson	Belgrade Schools		✓
Gary J Griffith	Monforton SD #27		✓
Robert Winkel	Havre SD #16 & A		✓
Carol Schott Big Timber	Sweet Grass Co. Schools		✓
Penelope Svee	Trustee Billings		✓
Don Burton	Trustee Creston		✓
Jack Snyder	Trustee Billings		✓
Conrad Stroebe Lockwood Billings	HSD 2 Trustee		✓
Myrna Paulus Choteau	Board of Trustees		✓
Rick Ripley Choteau	School Dist #1		✓
Mike Button	S.D. # 1		✓
Bob Anderson	MSBA		✓
Jacob Blocker	Missoula SD #1		✓
Larry Bloxsom	Trustee Clancy		✓

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Education COMMITTEE BILL NO. HB-21

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
George Budak, Poplar, MT	Poplar Public School		✓
Craig Cowie White Sulphur Sprs, MT	White Sulphur Springs School District		✓
Joel Voytoski Chester, MT.	Chester Public Schools		✓
GLENN A. WOLFE CHESTER, MT.	TRUSTEE CHESTER PUBLIC SCHOOLS		✓
DOUGLAS REISIG TROY, MT	SCHOOL DISTRICT #1		✓
Ris[illegible] Carney Butte MT	Sch. Dist #3 Ramsay		✓
Judi Hennich Fairmont MT	Sch Dist #3 Ramsay		✓
JACK EGGENSPERGER	S.D. #9, DARBY		✓
Robert A Heppner Ryegate	SD #6 & 1 Ryegate		✓
Dolores Cederberg	SD #1 Missoula		✓
Catherine Jenne	School Dist #1 Missoula		✓
Ellis Hagen	School Dist #3 Westby, MT		✓
Bruce W. Meier	MSBA		✓
Ken Halverson	Opheim Schools		✓
Jay Erdie	Roundup Schools		✓

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[illegible]	[illegible]	
[illegible]	Belt School #20	oppose
Kevin Richardson	Somers School	oppose
Greg Fine	Missoula County High Sch.	Oppose
Bertha Otherbull	[illegible]	oppose
GERHART H. NELSON	Stevensville Mt.	oppose
Tony Tognetti	Stevensville	oppose
Jim Davison	Anaconda	oppose
Larry C. Burr	Stanford	oppose
Richard Hughes	Box Elder	oppose
Dennis Kinzey	Dillon	OPPOSE
Larry J Blades	Dillon El #10	Oppose
Sandra Murie	Rocky Bay Dist 875-L	Oppose
Lee Clark	Browning Schools	oppose
Peter Carparelli	Billings SD#2	Oppose
FRED MAKER	SUPERIOR	OPPOSE
Linda Carlson	St. Regis District Supt	oppose
GARY STEUERWALD	Billings Public Schools	Oppose
Terry Minow	MT Fed of Teachers	Oppose
[illegible]	" " " "	"
PENNY BERTELSEN	Sun River Valley SD55F	oppose
Lewin Dover	Gallatin Gateway	oppose
[illegible]	Supt - Twin Bridges	oppose
[illegible]	Absaroka	oppose
Ron Hatcher	Supt SD58	Oppose
Conrad [illegible]	Lewistown School	[illegible]
[illegible]	Missoula Co. H.S.	oppose