

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - 2nd SPECIAL SESSION**

COMMITTEE ON EDUCATION

Call to Order: By Senator Chet Blaylock, Chair, on July 17, 1992, at 9:00 a.m.

ROLL CALL

Members Present:

Chet Blaylock, Chairman (D)
Harry Fritz, Vice Chairman (D)
Robert Brown (R)
B.F. "Chris" Christiaens (D)
Bill Farrell (R)
H.W. Hammond (R)
Dennis Nathe (R)
Mignon Waterman (D)
Bill Yellowtail (D)

Members Excused: None.

Staff Present: Eddy McClure (Legislative Council)

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

Announcements/Discussion: None.

HEARING ON HOUSE BILL 62

Presentation and Opening Statement by Sponsor:

Representative Ted Schye told the Committee carrying House Bill 62 has put him in a unique position. He has carried the Foundation Bill several times for increases in the foundation schedules. House Bill 62 cuts education funding not the schedules. The payment schedules are revised to put in line with how the revenue comes into the state. The operating reserves of all schools are lowered to 10%. \$1.7 million is generated in interest earning and saves approximately \$4.3 million in the guaranteed tax base. \$14.5 million is generated in local property tax relief. There is a provision for emergency levy. 874 monies are excluded, as well as protested taxes. There are 104 school districts impacted by 874.

Senator Blaylock asked Eddy McClure to clarify 874 monies. Ms. McClure told the Committee 874 is what school districts

receive in lieu of tax money, and if 874 monies are used to equalize the state must meet the federal test. 874 money cannot be used to reduce state aid. She stated Representative Boharski offered an amendment which if wrong in the calculation could put the state in the situation of failing the federal test. Ms. McClure explained Section 2 is current law, reduced operating reserves to 10%, and does not use 874 money.

Proponents' Testimony:

Jack Copps, Deputy Superintendent of the Office of Public Instruction told the Committee schools are frustrated. He pointed to schools who are "well-to-do" or have managed their resources to accumulate reserves in the 20% range. These school districts see themselves being singled out, with poor districts or those who have not managed their resources well being exempted. There will be temporary tax relief coming in the district. Mr. Copps stated the temporary tax relief is putting the school districts on a "roller coaster". He stated reality brings OPI to be proponents. He told the Committee if House Bill 62 does not pass there is a chance that House Bill 21 would be considered with a 4% reduction in schedule. He stated House Bill 21 is clearly unconstitutional. The Montana Supreme Court found the state 100% responsible for the schedule not 96%.

Eric Feaver of Montana Education Association stated he was in support of House Bill 62 as amended and exactly as submitted. He asked the Committee to not attempt to change anything about 874.

Terry Minnow, Montana Federation of Teachers rose in support of House Bill 62.

Robert Windell, Superintendent of Havre Schools, told the Committee he was reluctantly in support of House Bill 62. He stated House Bill 62 appears to be "punitive action for prudent management". He explained they have a 20% reserve level in their elementary schools through reduced expenditures in 1987 and 1988; and a 35% in the high schools because of two large protested tax settlements. These will be downsized to 15% and 28% respectively in this years budget. He told the Committee House Bill 62 sends a message to school districts that "prudent management is not really respected".

Opponents' Testimony:

Bruce Moerer of the Montana School Board Association told the Committee it was not fair nor right to take away the reserves from those who have worked for them.

Linda Brannon, representing the Indian Impact Aide Schools of Montana and the Montana Association of School Business Officials told the Committee they understand the position the state is in but asked to be on record in opposition to House Bill

62.

Questions From Committee Members:

Senator Nathe asked for a step by step budget explanation. Mr. Copps told the Committee school districts are currently eligible for guaranteed tax base (GTB), and as they have reserves in excess of 10%, and will now need to use those reserves to come through their 'permissives', they will not be eligible for the GTB. The GTB savings would be felt by the state.

Senator Nathe asked if by forcing them to spend down their reserves, even though they are a needy school district, the states obligation to pay GTB is reduced. Senator Nathe asked what happens to them next year. Mr. Copps explained the "roller coaster" is real. He stated there is no question those taxpayers in those school districts caught on that "roller coaster" need to be made aware this will come back around. Mr. Copps told the Committee that House Bill 62 is a "very bitter pill", but the only other alternative is unconstitutional. This alternative allows school districts to use their reserves, if they have them, to make up the under-funded schedules. The poor school districts will have to cut programs which would cause greater disparities than those identified by the Supreme Court.

Senator Waterman asked if there are incentives to move money before the budget meetings on July 27. Mr. Copps explained there are some school districts which would be looking at their options to move money.

Senator Yellowtail asked Ms. Brannon, on behalf of Indian Impact Aid Schools, to elaborate on her opposition to House Bill 62. Ms. Brannon told the Committee the opposition comes with the Boharski amendment.

Senator Nathe asked Greg Groepper (OPI) what monies are the 55 mill. Mr. Groepper explained under the old law in July (July 15) \$65 million is sent out. This bill would eliminate the July payment and does not start payments to schools until August. Under the old law schools were paid guaranteed tax base every month (July, August, September, October, November) but the state did not get reimbursement until November. Now there will be two payments (once in November and once in May). There are some districts which could not adjust to this, therefore the money from the state would go out equalized, independent of the district's wealth and pay 8% of the states obligations every month beginning in August and not make that rely on the revenues from the 55 mills. He explained to make this work and not damage the school districts the shift has to be to advancing them the whole portion of the money. He stated there is significant improvement in the states cash flow position, and there will be interest earnings on the 55 mills.

Senator Blaylock asked Eddy McClure to explain a coordinating amendment (HB006203.AEM).

Closing by Sponsor:

Representative Schye closed on House Bill 62.

EXECUTIVE ACTION ON HOUSE BILL 62

Motion:

Senator Fritz moved House Bill 62 BE CONCURRED IN AS AMENDED.

Discussion:

Senator Nathe stated if dealings will be done with 874 money, the state will have to be funding above 83% (as one of the tests before 874 money can be considered).

Senator Farrell stated Section 2 requires 874 money must be removed from consideration.

Senator Nathe stated Section 12 and Section 13 inserted it for consideration with the letter from the Department of Education. Senator Nathe explained his intent was to exclude 874.

Senator Yellowtail stated the impact on districts which would have to potentially have to adjust for a positive contingency will be disruptive. He explained if the approval comes from August 7 from the Department of Education those school districts are placed in a difficult position in having to reconstruct their budget.

Amendments, Discussion, and Votes:

Senator Christiaens moved to adopt amendments HB006203.AEM. Motion CARRIED UNANIMOUSLY.

Senator Nathe moved to strike Section 12 and Section 13. Roll Call Vote was taken with five (5) YES, Senator Christiaens, Senator Farrell, Senator Hammond, Senator Nathe, and Senator Yellowtail; four (4) NO, Senator Brown, Senator Waterman, Senator Blaylock, and Senator Fritz. Nathe motion to strike Section 12 and Section 13 CARRIED.

Recommendation and Vote:

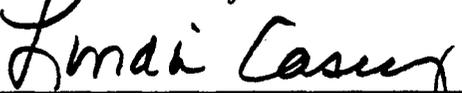
Motion to BE CONCURRED IN CARRIED with Senator Hammond and Senator Nathe voting NO.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR CHET BLAYLOCK, Chairman



LINDA CASEY, Secretary

CB/11c

ROLL CALL VOTE

SENATE COMMITTEE EDUCATION

Date 7/17/92 Bill No. HB62 Time 10 AM

NAME	YES	NO
SENATOR BROWN		X
SENATOR CHRISTIAENS	X	
SENATOR FARRELL	X	
SENATOR HAMMOND	X	
SENATOR NATHE	X	
SENATOR WATERMAN		X
SENATOR YELLOWTAIL	X	
SENATOR BLAYLOCK, CHAIR		X
SENATOR FRITZ, VICE CHAIR		X

Secretary _____

Chairman _____

Motion: Strike Sec. 12 + 13

MOTION CARRIED

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
July 17, 1992

MR. PRESIDENT:

We, your committee on Education and Cultural Resources having had under consideration House Bill No. 62 (third reading copy -- blue), respectfully report that House Bill No. 62 be amended and as so amended be concurred in:

1. Page 28, line 12.

Following: line 11

Insert: "NEW SECTION. Section 14. Coordination instruction.

(1) If House Bill No. 12 is passed and approved and if it includes a section that amends 15-1-504, then [section 1 of this act], amending 15-1-504, is void.

(2) If [this act] is passed and approved, then Senate Bill No. 1 is void August 1, 1993."

Renumber: subsequent section

2. Page 28, line 23.

Following: "13,"

Insert: "14,"

3. Page 29, line 4.

Strike: "NEXT"

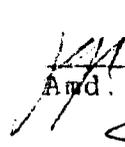
Insert: "school"

Following: "YEAR"

Insert: "beginning July 1, 1993"

Signed: 

Chet Elaylock, Chairman

 7-17-92
Amd. Coord.

SB 7-17-92
Sec. of Senate

Amendments to House Bill No. 62
Third Reading Copy

For the Senate Committee on Education and Culture

Prepared by Eddye McClure
July 17, 1992

1. Page 28, line 12.

Following: line 11

Insert: "NEW SECTION. Section 14. Coordination instruction. If House Bill No. 12 is passed and approved and if it includes a section that amends 15-1-504, then [section 1 of this act], amending 15-1-504, is void."

Renumber: subsequent section

2. Page 28, line 23.

Following: "13,"

Insert: "14,"

3. Page 29, line 7.

Following: line 6

Insert: "(6) If [this act] is passed and approved, then Senate Bill No. 1 is void August 1, 1993."

ROLL CALL

EDUCATION COMMITTEE

DATE 7/17/92

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
✓ SENATOR BROWN	X		
SENATOR CHRISTIAENS	X		
SENATOR FARRELL	X		
SENATOR HAMMOND	X		
✓ SENATOR NATHE	X		X
SENATOR WATERMAN	X		
SENATOR YELLOWTAIL	X		
SENATOR BLAYLOCK, CHAIR	X		
SENATOR FRITZ, VICE CHAIR	X		X

Each day attach to minutes.