

MINUTES OF THE MEETING
JOINT SUBCOMMITTEE
ON EDUCATION APPROPRIATIONS
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 17, 1985

Tape 12 Side A

The meeting of the Joint Education Subcommittee was called to order by Chairman Gene Donaldson on Thursday, January 17, 1985, at 7:00 A.M. in Room 104 of the State Capitol.

All members were present.

The purpose of the meeting was a discussion of the School Foundation Program.

Chairman Donaldson said that he felt it was important that the Subcommittee understand all the ramifications of the School Foundation Program. He stated that obviously it would be one of the most controversial subjects of the current legislative session. The program has a great deal of bearing on the balancing of the state budget and on the ability of the local school districts to fund education at a level where we would all like to see it funded, Chairman Donaldson said.

The Chairman went on to say that although there is not yet a bill, it would be highly worthwhile for the Subcommittee to hear presentations from the Legislative Fiscal Analyst's office, the Budget office, and those people in the audience who wished to speak, so that there would be a clearer understanding of the Foundation program and also of the level of funding available.

The first presentation was made by Curt Nichols (12:A:036) of the Legislative Fiscal Analyst's office. Referring to the LFA's Budget Analysis book (EXHIBIT #1), Mr. Nichols said that the cost of public school funding under the Foundation program is generated by a schedule which is set by statute and by enrollment. Once the schedule has been set and the enrollment has been projected, the cost of the Foundation program for public school education is known. The costs for the coming biennium are \$270,980,000 for fiscal year 1985, \$283,300,000 for fiscal year 1986, and \$296,900,000 for fiscal year 1987.

Mr. Nichols said that in the current biennium the legislature granted 4 percent and 3 percent schedule increases and appropriated \$43,500,000 from the general fund. In view of higher than anticipated non-general fund revenues, he said that it is expected that approximately \$14.5 million

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of the general fund will revert at the end of the biennium. He said that two factors contribute to this fact: an extra \$5,000,000 which was picked up in a beginning balance to start the biennium, and there was approximately \$11,000,000 (a higher than anticipated amount) in county equalization funds.

Mr. Nichols referred to EXHIBIT #2 and stated that for FY 1985 there was an increase in the percentage of the general fund budget allocated to the School Foundation. That percentage is 32.7 percent, he said, and this amounts to approximately \$145,000,000. In terms of projecting general fund cost for the next biennium, Mr. Nichols referred to Table 4 of Exhibit #1. The general fund cost of the Foundation Program is the difference in monetary amounts anticipated of the earmarked revenues and the cost of the program. Mr. Nichols said that his office anticipates approximately \$258,000,000 for FY 86 and \$268,000,000 for FY 87. These are non-general fund revenues. That estimate is based on laws already in effect prior to this legislative session. If changes in property tax valuations, income tax, corporate tax, coal tax, or any revenue sources are made by the legislature, the general fund cost will be impacted.

Mr. Nichols referred to Exhibit #2, and said there is a difference of approximately \$17.6 million in general fund revenues between the Executive budget and the LFA's budget. The major differences are in the 45 mill levy, where the Executive projects a higher statewide taxable valuation. This is mainly due to higher estimates of gross net proceeds from coal, natural gas, and oil, he said.

Mr. Nichols said that the next largest item is the coal tax at \$8.78 million. This figure comes from a policy change: the Executive's proposal that the allocation of the coal tax for public schools be increased from 5 percent to 8 3/4 percent. The LFA's current level figures are based on current laws and do not reflect that policy change, he said.

Once again referring to Exhibit #2, Mr. Nichols explained the impact of changing the percentages of the coal tax (see Table 3 of Exhibit #2). Referring to Table 2 of Exhibit #2, he pointed out that the difference between Executive non-general fund estimates and the LFA's estimates is \$17.6 million. The LFA figure reflects a schedule increase of 4 percent and 4 percent for a total cost of \$580.2 million. The 4 percent and 4 percent

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figure was developed by taking the same inflation factors used for all state agencies and applying it to the state-wide school expenditure pattern.

A question and answer session followed between Mr. Nichols and the Subcommittee (12:A:195).

The next presentation was made by Francis Olson (12:A:260) of the Budget Office. Mr. Olson said that the Executive budget contains funding to provide a schedule increase of 2.4 percent in fiscal year 1986 and 3 percent in fiscal year 1987. These schedule increases provide a maximum general fund budget of \$279.367 million for fiscal year 1986 and \$290.429 for fiscal year 1987. Because the Executive budget proposes a change in distribution of the Coal Severance Tax, additional revenues are made available for this increase. He pointed out that total state, county and district revenue estimates indicate that an additional general fund amount of \$13.489 million will be needed in fiscal year 1986 to fund expenditures, and \$13.125 million will be needed in fiscal year 1987. This would be in addition to the available earmarked revenue. The total amount of general fund required for the biennium is \$26,679,000, Mr. Olson said. The Executive projects a \$22.7 million ending-fund balance for fiscal year 1985.

Mr. Olson then introduced Tom Crosser of the Budget Office. A question and answer session followed between members of the Subcommittee, Mr. Olson and Mr. Crosser (12:A:300).

Chairman Donaldson asked Mr. Olson and Mr. Crosser if they were still comfortable with their figures in view of the fact that the projections were done several months ago and the fact that there is such a discrepancy between the two offices. Mr. Crosser said that at this point they are still comfortable with their figures.

Mr. Olson introduced the Director of the Budget Office, Dave Hunter. Mr. Hunter said that his office will be meeting with the LFA's office in an effort to resolve the budgetary differences. He said much would depend on what oil prices are going to be for the coming biennium. He said he felt that the two offices will get closer, but that ultimately a great deal will be up to the legislature through the resolution process.

The next witness to appear before the Subcommittee was Ed Argenbright (12:A:400), Superintendent of the Office of Public Instruction. Mr. Argenbright said that he

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believes that the time of using the schools and state support of the Foundation program as a budget balancer is past. He asked for support of a 7 percent increase in funding for the Foundation for each year of the coming biennium, and said that anything less will result in local tax increases for property owners. Mr. Argenbright said that in this day and age the whole country recognizes the importance of a sound educational system. He said that Montana's schools are improving and that the state has an educational system worthy of support. He said the Foundation program represents the legislative responsibility for educating every youngster in Montana.

Mr. Argenbright said that past legislatures have chipped away at the Foundation and the educational responsibility. He said that the legislatures have shifted the burden to the local property tax payer, and this has occurred in more ways than underfunding the Foundation program. He said there have been all sorts of schemes to shift the burden to the local property tax payer.

Mr. Argenbright said that in the past the education profession had a hammerlock on some bright, capable people who sought teaching as a profession: women. Today, however, there are many other opportunities for women, and the education field no longer has such a strong position. Higher starting salaries are necessary for teachers if the most capable are to be hired.

Mr. Argenbright said that the amount of non-property tax money being used for schools is approximately \$160,000,000. He said the total being spent to run those schools is somewhere between \$500 million and \$600 million. The non-property tax money being used for the schools is less than one-third, he said. The 7 percent increase is very reasonable, and if the Foundation program is not maintained, and if a suit is brought against the state with courts making decisions that affect the local operational nature of the schools, then the Foundation program which guarantees every student in the state a basic education, will be lessened.

A question and answer session followed between Mr. Argenbright and the members of the Subcommittee (12:A:550).

Representative Peck asked Mr. Argenbright if he had any recommendations regarding revenue sources for funding the increases requested by the educators. Mr. Argenbright said he felt that proper priorities should be set and that education is of such economic impact that it's vital that the priority be right. Representative Peck asked what if

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the legislature had to make a choice between a sales tax and an increase in income tax? Which would Mr. Argenbright recommend? Mr. Argenbright said that he didn't believe it was his place to make such a recommendation. Mr. Argenbright went on to say that the legislature is shifting its responsibility for funding education to the property owners.

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The discussion between the Subcommittee and Mr. Argenbright continued.

Appearing next before the Subcommittee was Steve Colberg (12:B:165) of the Office of Public Instruction. Referring to EXHIBIT #3, Mr. Colberg pointed out that the projections for the two years of the 1987 biennium increase the cost per ANB to 7 percent at the elementary level and 7 percent at the secondary level. He said that the LFA's current level funding projection showing an increase of 4 percent is an economic projection. The projection from his office (Exhibit #3) represents the expectation of what the school boards and the voters will approve.

Mr. Colberg answered questions from the Subcommittee (12:B:270).

The next witness was Eric Feaver (12:B:350), President of the Montana Educators Association. Mr. Feaver introduced Owen Nelson (12:B:369), Director of Research of the Montana Educators Association. Mr. Nelson discussed teachers' salaries. In relation to inflation and the 18 percent and 15 percent increases in schedules and teachers' salaries, he referred to EXHIBIT #4. Mr. Nelson said that in 1976-77 the inflation factor was 6.8 percent, but Montana teachers' salaries increased only 5.1 percent. The next year the inflation factor was 9 percent; teachers' salaries increased 7.8 percent. The next year the inflation factor was 13.3 percent; teachers' salaries increased 7.5 percent. The following year the inflation factor was 7.4 percent and teachers' salaries increased 8.8 percent. And so it continued, with salary increases always lagging behind. Then came 1981-82 when the legislature approved an 18 percent increase in budgeting authority. That year teachers' salaries increased 11.3 percent and the inflation factor was 8.9 percent, he said. The following year teachers' salaries also increased at a higher rate than the inflation factor. This year, 1984-85, with a 3 percent increase in budgeting authority, the inflation factor is about 4 percent and teachers' salaries increased 4.9 percent. He said he wanted to make it clear that teachers' salaries are falling behind in the state of Montana as far as inflation

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is concerned. This makes it difficult to get the most qualified people to enter the teaching profession, and this is unfair to the children of Montana, Mr. Nelson said.

Mr. Nelson next discussed equalization of public education in Montana. He said that he thinks a good definition of a basic education is determined by what the statutes and accreditation standards require. In reference to equalization of public school funding in the state, the Foundation program itself is equalized, he said, and the permissive area is equalized for the most part. However, Mr. Nelson said that the voted part of the budget is absolutely not equalized. He said that in 1985, 65 percent of the general fund budget is equalized, while in 1950, 8 percent was equalized. Mr. Nelson said that 7 percent and 7 percent is necessary just to maintain the status quo.

Mr. Nelson next discussed the appropriation that is to be made from the state general fund budget. He stated that he thinks the schools have been getting an unfair shake. In FY 1985 the total projected amount by the Budget office was \$238.5 million (of anticipated revenue). The actual amount (also a projected figure) appears to be \$262.3 million. He said that often it seems that the estimated revenues are under-estimated, and so the legislature is faced with making a large appropriation from the general fund budget to make up the difference.

Regarding the projections of the LFA's office and the Budget Office, the LFA's projection using a 4 percent inflation factor and saying that this rate will help in maintaining the status quo is just not reality, Mr. Nelson said. Reality is public education and its true needs as projected by the Office of Public Instruction. OPI and the Montana Educators Association both project that the needs of public education in terms of operating funds will increase approximately 7.6 percent for 1986 and approximately 7.9 percent for 1987.

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Mr. Nelson said that the legislature needs to make a realistic appropriation. If there isn't enough money, two years from now the Superintendent will tell them so, and at that time the legislature can again deal with the problem.

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A question and answer session followed between Mr. Nelson and members of the Subcommittee (13:A:013).

Representative Peck asked Mr. Nelson how his organization would suggest funding 7 percent and 7 percent. Mr. Nelson said the Montana Educators Association's position is that the organization will do everything possible to determine the needs of public education and present the case to those people who make the decisions, and that from that point it is the responsibility of the decision-makers to do what they think is right.

The next witness was Chip Erdmann (13:A:190) of the Montana School Board Association. Mr. Erdmann pointed out that the state constitution says that "the legislature shall provide a basic system of free, quality public education for elementary and secondary schools." The vehicle that the legislature uses for doing this is the School Foundation Program. The legislature has continually under-funded the Foundation, he said, and thus failed to meet its constitutional obligation. Over the years, the burden of providing a basic education has shifted more and more to the local property owners, who are already over-burdened. He said that the state's tax watch dogs claim that a 7 percent and 7 percent increase in the Foundation program may also result in an overall increase in local school levies. This is not true, Mr. Erdmann said. Currently, school districts rely on the voter levy for an average of approximately 35 percent of their budgets. Last year a number of districts in Montana had a difficult time getting their voter levies passed. Often the reason for the failure of levies is due to economic conditions and the fact that this is the only form of rebellion that the property owner has. Without the increase of 7 percent and 7 percent in the Foundation program, some districts may fail to pass their levies next time.

Mr. Erdmann said that by granting a 7 percent and 7 percent increase the legislature can come closer to achieving the constitutional goal of providing a basic system of free, quality education. He also urged that the legislature act expeditiously on this matter.

Representative Peck asked the same question he had asked previously: he asked Mr. Erdmann how his organization felt this 7 percent - 7 percent increase should be funded. Mr. Erdmann said the consensus of his membership is that this is the legislature's job. It is the legislature's job to determine where the money should come from, per the constitutional mandate.

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Sentator Haffey said that Mr. Erdmann's answer was a good one, but a balanced budget is necessary. If all agencies' budgets are at an irreducible minimum, and if the legislature decides that 35 percent is a level above which the state should not go for local voted levies for education, then everyone in the state must understand that there is only one place to turn and that is to sources of revenue. Mr. Erdmann said that when the legislature makes a determination that other state agencies are at an irreducible level, then some priority judgements should be made. And when priority judgements are being made, it must be remembered that there is a constitutional mandate regarding education. Senator Haffey said that an irreducible minimum means that there's no prioritization left.

Chairman Donaldson said that he feels that the legislature does recognize its responsibility to meet the constitutional mandate on education and that if in fact the money is not there, then they will have to "bite the bullet" and say, "Where are we going to get it?" He said the legislators appreciate any input regarding public feelings on this issue.

The next witness was Jesse Long (13:A:335) of the School Administrators of Montana. He said that adequate funding of the Foundation program is a "must" for Montana's schools. If the schools are not funded at 7 percent and 7 percent, then the local districts will have to go back to the local voters and ask them to assess their property at a higher rate. He said that it is obvious that the people of Montana have an interest in funding education, and that they are willing to pay for it. Mr. Long said that in response to the question that he knew Representative Peck was going to ask, that in terms of dealing with revenue sources for funding education, there is one other aspect regarding revenue that should be considered. This is the need for continued awareness of the chipping away of revenue sources.

A brief question and answer session followed between Mr. Long and the Subcommittee (13:A:425).

The next witness was Roger Eble (13:A:430), Superintendent of Helena Schools. Mr. Eble said that at this meeting he was speaking as the current President of the School Administrators of Montana. He said that his organization realizes that the state is not blessed with unlimited financial resources, but he urged that education be given a high priority. He said that investment in education in the state must continue at a high level, and that nothing is more important than educating the young people who are our future leaders.

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The next witness was Terri Minnow (13:A:492), representing the Montana Federation of Teachers. Ms. Minow said that some counties are experiencing declining enrollments and eroding tax bases. What this means, she said, is that even if 7 percent and 7 percent is passed, there will be less money from the Foundation program for these counties. This is because the Foundation program is enrollment driven. This will mean an increase in mill levies, Ms. Minow said.

The next witness was Pete Scott (13:A:530), Superintendent of the Chinook Schools. He referred to a handout (EXHIBIT #5). Mr. Scott pointed out that in 1976 his district budgeted \$15,000 for heat; in 1984 the same budget was \$32,500. Mr. Scott also pointed out that in 1976 \$5,000 was budgeted for other utilities; in 1984 \$25,000 was budgeted. In 1976 \$9,400 was budgeted for custodial supplies; in 1984 \$9,500 was budgeted. He pointed out that this is an item over which they have some control. Again referring to Exhibit #5, Mr. Scott said that the 7 percent increase would lower their voted levy one or two mills at the elementary level.

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A question and answer session followed between Mr. Scott and the Subcommittee members.

The next witness was Jake Block (13:B:120), Superintendent of School District No. 1 in Missoula. He referred to a handout (EXHIBIT #6). Mr. Block said according to their projections, his district would gain an ANB at the elementary K-6 level of about 32 students. This represents a \$62,000 increase even if the schedules did not change at all. At grades 7 - 8, however, he said they project a decline of about 158 students, or a decrease of \$295,400. This overall increase would result in about \$233,000 less for FY 86 than FY 85. If the Governor's proposal of 2.4 percent is applied, there is still a net decrease of about \$41,000. An increase of the Foundation's program of 7 percent and 7 percent over the next two years would allow his district to increase its equalization revenues by about \$326,000. If there was no decline in enrollment, that figure would be closer to \$575,000, Mr. Block said. This exemplifies the point made earlier by Ms. Minow of the Montana Teachers Federation, that assistance is needed not only in terms of the Foundation program, but assistance is also needed to accommodate those districts experiencing enrollment drops.

A question and answer session followed between the members of the Subcommittee and Mr. Block (13:B:170).

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The next witness was Don Waldron (13:B:240) of Hellgate Elementary School in Missoula. He said he is principal of an elementary school with an enrollment of 700. Last year the cost of educating one student was \$1,900. With a 2.4 percent increase from the Foundation program, he would have to ask the local voters for a 40 percent increase in their voted levy, an increase from 24 mills to 34 mills. With a 7 percent increase they would go from 24 to 26 mills, he said.

The next witness was Chris Mattocks (13:B:274), Superintendent of the Cut Bank Schools. He said he fully supports the recommendation of 7 percent and 7 percent. The difference between the 2.4 percent increase and the 7 percent increase would mean a reduction of 4 mills in the voted levy in Cut Bank. In Shelby it would mean a reduction of over 6 mills.

Mr. Mattocks said that in the past school administrators have been unable to answer two questions from the legislature. One is: "Where do we get the money?" And the other is: "Pay more--what for?" Because of this, school administrators have been forced into a reactive rather than a proactive position about education. If new programs were proposed, it was necessary to be protective about the programs they already had, Mr. Mattocks said.

Mr. Mattocks said that this past summer he had been a member of a committee which attempted to figure out what sort of percentage would be workable for the education community and what requests should be made of the legislature. He said the more they studied the problem the more they became convinced that the percentage solution is no longer going to work. The basic finding of the committee is that basic education is definable: it's the accreditation standards and the MCA. The cost of meeting the standards in the code book and the accreditation standards for 1984 - 1985 is \$300 million. This is for the basics, no frills. The total cost for general fund for this year is \$414 million. The legislative part of the whole \$414 million is \$14.3 million. If the legislature had appropriated enough money to allow educators to do the basics, the appropriation for this year would have been \$37.8 million. Mr. Mattocks said he hopes that at some point the legislature will consider the basic accreditation standards and the codes, and that this will become the optimum for the schools of Montana.


A question and answer session followed between Mr. Mattocks and the members of the Subcommittee (13:A:354).

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The next witness was Larry Stollfuss (13:B:377) County Superintendent of Schools from Fort Benton. He said he was at the meeting representing the Montana Association of County Superintendents. Mr. Stollfuss said they are the "people in the trenches", who actually set mill levies and do estimating on vehicle fees. They come up with final budgets when the levies are set. He said he thinks they've already "bitten the bullet" in his county, and "to bite it any further" would bring disastrous results to the county for education. Transportation and heating costs cannot be controlled. In areas where they do have cost control there have not been large increases. Mr. Stollfuss quoted from a sign that hangs over his office door which says, "If you thing education is expensive, try ignorance."

The final witness to appear was Harry Erickson (13:B:415), Superintendent of the Belgrade Schools. He said an increase of 7 percent and 7 percent is necessary so that school districts can raise their budgets to meet inflation over the next year.

There being no more people who wished to testify, the meeting was adjourned at 10:00 A.M.


Gene Donaldson, Chairman

DAILY ROLL CALL

EDUCATION SUB COMMITTEE

49th LEGISLATIVE SESSION -- 1985

January 17, 1985

Date _____

[illegible]

VISITOR'S REGISTER

HOUSE Education Sub COMMITTEE

BILL _____

DATE Jan. 17, 1985

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Roger F. Eble	HELENA	SCHOOL ADM. OF MONTANA	✓	
F.M. Leitch	HEART Butte	school Dist #1		
Phil Whaley	Conrad	school Dist	✓	
Craig Brewington	Fort Benton	School District	✓	
Pete Scott	Chinook	School District	✓	
HARRY Erickson	Belgrade	School District	✓	
T.C. Mattocks	Cut Bank	Sch Dist 15	✓	
Fred Bertram	Cut Bank	Sch Dist 15	✓	
Chip Erdman	Helena	MT School Bd Assoc	✓	
Jacob Blah	Missoula	Sch District #1	✓	
Don Walker	Missoula	Sch Dist #4	✓	
Larry Stollfus	Fort Benton	Montana Ass. of County Sch Supt	✓	
Steve Gilberg		OPI		
Owen Nelson	Helena	MEA	✓	
Jessie Long	Helena	SAM	✓	
John "Pace"	Elster	HD 97	✓	
Larry Minow	Boulder	MT Fed of Teachers	✓	
Jerry Williams	Butte	School Dist. J. Turner	✓	
Carl McLaughlin	Baker	Baker High School	✓	
Jan Stankin	Baker	Baker High School	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME _____ BILL NO. _____

ADDRESS _____ DATE _____

WHOM DO YOU REPRESENT? _____

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

1-17-85

Comments: *Education Subcommittee Visitor Register*

Jim Nofari El Kalaha Carter Co Schools (Support)
Supt. ARGENBRIGHT OPI

DISTRIBUTION TO PUBLIC SCHOOLS

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EXHIBIT 1
1-17-85

Distributions to Public Schools

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
Foundation and Permissive ¹					
General Fund	\$ 12,260,000	\$ 16,670,000	\$ 25,330,000	\$ 29,300,000	88.8
State Special Funds	143,025,159 ²	119,180,000	126,790,000	135,280,000	(.1)
State Special Education	\$ 26,197,564	\$ 27,249,629	\$ 28,044,492	\$ 28,880,218	6.5
Special Education					
Contingency	410,826	500,000	500,000	500,000	9.8
Transportation	5,574,642	6,086,000	6,175,000	6,295,000	6.9
School Lunch	674,100	659,787	640,000	655,000	(2.9)
Gifted and Talented	93,475	106,525	100,000	100,000	0.0
Secondary Vocational Education	749,354	750,647	750,000	750,000	0.0
Adult Basic Education	136,672	149,270	148,535	155,962	6.5
Traffic Safety	1,169,236	1,050,000	1,050,000	1,050,000	(5.4)
Total	<u>\$190,291,028</u>	<u>\$172,401,858</u>	<u>\$189,528,027</u>	<u>\$202,966,180</u>	<u>8.2</u>

Fund Sources

General Fund	\$ 45,959,961	\$ 52,022,588	\$ 61,539,492	\$ 66,480,218	30.7
State Special Revenue	<u>144,331,067</u>	<u>120,379,270</u>	<u>127,988,535</u>	<u>136,485,962</u>	(.1)
Total Funds	\$190,291,028	\$172,401,858	\$189,528,027	\$202,966,180	<u>8.2</u>

¹Excluding Special Education.²Includes county surplus which is listed in county funds in fiscal years 1985-87.

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Public School Schedule Alternatives				
Option a: OPI 7% Schedule Increases	\$8,140,000	-0-	\$17,610,000	-0-
Option b: Executive 2.4% and 3% Schedule Increases	\$(3,930,000)	-0-	\$(6,470,000)	-0-

The distribution to Public School Program provides assistance to local public schools for the operation of educational programs and feeding and transportation of students.

Foundation and Permissive Excluding Special Education

Public School foundation and permissive funding assists school districts in providing education of students in kindergarten through high school. In 1985 the Foundation and Permissive Programs, often collectively referred to as the Founda-

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tion Program, provided 67.3 percent of all public school districts' general fund budgets, including special education. The remainder of the districts' general fund budgets were financed from district voted property taxes, federal impact aid, interest, and other local revenues.

The total cost of the foundation program excluding special education is determined from an amount per average number belonging (ANB), which is designated by statutory schedules, and the number of ANB in each district. ANB is a measure of enrollment. Table 1 summarizes the actual and current level schedule changes.

Table 1
Percent Increases in Public School Funding Schedules

<u>Fiscal Year</u>	<u>Percent Increase in Statutory Schedules</u>
1980	8
1981	10
1982	18
1983	15
1984	4
1985	3
----- CURRENT LEVEL -----	
1986	4
1987	4

The current level projection is based upon applying to school district budgets the inflation factors applied to all state agencies. It reflects the increased cost of providing the same services on a per student basis. Salaries, which comprise 72 percent of school district general fund expenditures, were calculated to increase in cost 2.8 percent per year in the current level analysis. This is the annual increase in cost of the executive's proposed pay plan announced in November of 1984. It assumes a larger increase in take home pay resulting from tax treatment of retirement contributions. No adjustment is made to increase or decrease the portions of the districts' general fund budgets covered by the foundation and permissive programs.

Enrollment

The second determinant of public school funding is ANB enrollment. Total enrollment, after declining for several years, began increasing in fiscal 1985.

The enrollment is projected to continue its rise in the 1987 biennium. Table 2 illustrates projected and actual enrollments.

Table 2
Public School Enrollments (ANB)

<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
1980	107,456	55,820	163,276
1981	104,710	53,475	158,185
1982	104,039	50,292	154,331
1983	103,823	48,282	152,105
1984	104,152	46,553	150,705
1985	104,790	46,434	151,224
----- PROJECTED -----			
1986	105,306	46,692	151,998
1987	105,880	47,338	153,218

Revenues

The Foundation Program is funded from a variety of tax and nontax sources. Table 3 illustrates projected nongeneral fund revenues available for Foundation and Permissive funding. The cost of Foundation and Permissive funding not covered by these revenues comes from state general fund appropriations.

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Table 3
Public School Revenues
(Figures x \$1,000,000)

Revenues Available	1985	1986	1987
County Equalization		<i>projected revenues</i>	
45 Mill Levy ²	\$107.94 ³	\$105.14	\$106.13
Miscellaneous ²	11.77	10.50	10.50
Forest Funds	1.01	1.00	1.00
Grazing Funds	.12	.12	.12
Elementary Trans.	(3.54)	(3.68)	(3.83)
High School Tuition	(.67)	(.70)	(.70)
Total County Equalization ¹	\$116.63	\$112.38	\$113.22
State Equalization			
25 Percent Income Tax	\$ 44.16	\$ 48.22	\$ 52.15
25 Percent Corp. Tax	12.19	11.48	12.72
5 Percent Coal Tax	4.30	4.48	4.46
Interest and Income	38.20 37.46	41.63	43.67
Federal Mineral Leasing	13.90	13.90	14.40
Coal Trust Interest	6.22	7.08	7.88
Balance Available	.21		
Total State Equalization	\$119.18	\$126.79	\$135.28 ,
District Permissive (Includes Light Vehicle Fees and Replacement Funds)	18.50	18.80	19.10
TOTAL REVENUES	<u>\$254.31</u>	<u>\$257.97</u>	<u>\$267.60</u>

¹County Surplus included in county equalization.

²Includes cash reappropriated, 45 mill levy shares of vehicle fees and state reimbursements, other minor revenues and portions of retroactive adjustment for Senate Bill 413 not included in 45 mill levy figures.

³Includes funds from retroactive adjustments to oil and gas net proceeds taxes resulting from Senate Bill 413 of 48th Legislature.

The calculation of general fund appropriations required for public school funding is illustrated in Table 4. This calculation shows that to the extent costs exceed available Foundation Program revenues, the general fund appropriation makes up the deficit. The cost of public school support, excluding special education, is estimated to be \$283.30 million in fiscal 1986 and \$290.90 million in fiscal 1985 based upon the 4 percent per year schedule increase.

Table 4
General Fund Appropriation Foundation and Permissive
(x \$1,000,000)

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Expenditures	\$270.98	\$283.30	\$296.90
Non-General Fund Revenues ¹	<u>254.31</u>	<u>257.97</u>	<u>267.60</u>
General Fund Required	<u>\$ 16.67</u>	<u>\$ 25.33</u>	<u>\$ 29.30</u>

¹ See Table 3.

In the 1985 biennium \$43.5 million general fund was appropriated for foundation and permissive support, in fiscal 1984 \$12.26 million was used, in fiscal 1985 we estimate \$16.67 million will be used. This results in an anticipated general fund reversion of \$14.57 million.

Issue 1: Public School Schedule Alternatives

The current level analysis provides for increased costs of public schools including a pay increase costing the district employer 2.8 percent per year. Current level also held the portion of the district's budget funded by foundation program at the current level. The Office of Public Instruction has proposed increasing the schedules 7 percent per year. This would allow district personal service costs to rise 6 percent in fiscal 1986 and 7.5 percent in fiscal 1987 while holding the foundation and permissive share of the budget constant. However, at this rate of increase the local mill rates would rise slightly in order to support the district share. This occurs because property tax values are anticipated to rise less than the 7 percent increase. The rise in mill rates could be offset by holding personal service cost increases lower and increasing the foundation and permissive share of the budget.

The Governor has proposed schedule increases of 2.4 percent and 3 percent for public schools. These increases may result in decreasing the share of public school general fund budgets that are financed through foundation and permissive support and a slight rise in local property tax rates. The extent of such rise would be affected by districts' abilities to hold or reduce costs including personal services increases.

DISTRIBUTION TO PUBLIC SCHOOLS

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Option a: Provide 7 percent per year schedule increases. Based on LFA estimates of available revenues this would increase the current level general fund cost by \$8.14 million in fiscal 1986 and \$17.61 million in fiscal 1987.

Option b: Provide 2.4 and 3 percent schedule increases in fiscal 1986 and fiscal 1987 respectively. Based on LFA estimates of available revenues, this would decrease the general fund costs by \$3.93 million in fiscal 1986 and \$6.47 million in fiscal 1987.

Option c: Provide 4 percent per year schedule increases as contained in current level.

Special Education Funds

Federal and state laws direct school districts to provide a free and appropriate public education program for all handicapped children. These education programs, known as Special Education, provide education to children with varying handicapping conditions. The special education funds for the 1987 biennium were estimated based on fiscal 1984 expenditures with allowances for inflation. Table 5 illustrates the current level funding.

Table 5
Special Education Funding

<u>Fiscal Year</u>	<u>Foundation & Permissive</u>	<u>Contingency Fund</u>
1984	\$26,197,564	\$410,826
1985	27,249,629	500,000
1986	28,044,492	500,000
1987	28,880,218	500,000

These funds are distributed to elementary and secondary schools for services to handicapped children. The number of eligible children has risen as illustrated in Table 6.

Table 6
Special Education Enrollments

<u>Fiscal Year</u>	<u>Child Count</u>	<u>Over Previous Year</u>
1981	12,990	
1982	13,906	7.1
1983	14,871	6.9
1984	15,132	1.7

Approximately 80 percent of these children attend special education programs on a part-time basis. The part-time students are counted in determining a districts' ANB for state support of regular programs. Students who spend more than half their time in special education programs are not counted for purposes of regular education funding.

Special Education Contingency

The special education contingency fund is given to the office of public instruction as a resource to address unexpected needs in district special education budgets. These funds are awarded on an as needed basis. The legislature has provided \$1 million per biennium since fiscal 1980 for this purpose. The expenditure of these funds is listed in Table 7.

Table 7
Special Education Contingency Expenditure

<u>Fiscal Year</u>	<u>Amount Expended</u>
1980	\$481,795
1981	500,000
1982	457,840
1983	397,994
1984	410,826

The contingency fund is appropriated in a line-item by the legislature, any unused funds revert at the end of the biennium. Current level continues this fund at the \$1 million per biennium level.

Transportation

School districts providing home-to-school transportation of children living more than three miles from school receive a state reimbursement. The reimbursement is calculated as one-third of the cost generated from a statutory schedule. The schedule sets a rate per mile reimbursement based upon bus size and occupancy. The state pays two-thirds of the cost as it relates to transportation of special education students.

The current level figures are based upon the rates listed in Table 8. These rates are designed to cover increased costs in the same manner as all state agencies. The fiscal 1985 bus rate is 80 cents plus 2 cents for each seat over 45 in the bus's rated capacity. Individual transportation is reimbursed at 20 cents per mile in fiscal 1985.

Table 8
School Transportation Rates

<u>Year</u>	<u>Rate Per Mile</u>
	<u>Bus Rates</u>
Fiscal 1986	82¢ + 2¢ for each seat over 45
Fiscal 1987	84¢ + 2¢ for each seat over 45
	<u>Individual Rates</u>
Fiscal 1986	21¢
Fiscal 1987	21¢

School Lunch

Current level funding for state support of school lunch programs is \$640,000 in fiscal 1986 and \$655,000 in fiscal 1987, the federally required minimum. Programs are supported on the district level by charges to participants, school district funds, and federal cash and commodity assistance.

Gifted and Talented

The gifted and talented program was initiated in fiscal 1982. The legislature has made a biennial appropriation of \$200,000 in each of the past two legislative sessions for this program. In fiscal 1984, thirty six school districts received awards averaging approximately \$2,600 each. Funds are awarded on a competitive

DISTRIBUTION TO PUBLIC SCHOOLS

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basis annually. The current level continued into the 1987 biennium is the \$200,000 granted in the past two biennia.

Secondary Vocational Education

Secondary vocational education programs are maintained in public secondary school districts in Montana. These funds are distributed by the Office of Public Instruction directly to districts operating secondary vocational programs based on the number of students enrolled, a weighting factor for the type of program and the amount of funds available. These funds supplement foundation program monies and district voted levies. Federal vocational education funds are also available to districts.

The legislature has appropriated \$1.5 million in each biennium beginning in fiscal 1980 for this supplemental aid. During this time period, secondary school enrollment has declined nearly 17 percent. However statistics generated by the office of public instructions indicate enrollment in vocational education has risen during the period. Current level for this supplemental aid is the \$1.5 million per biennium. Cost increases in all public school programs are addressed through the foundation program.

Adult Basic Education

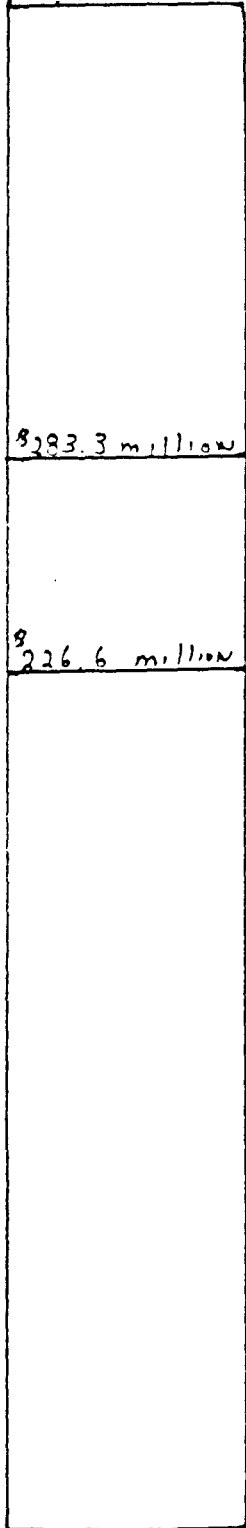
This program provides high school level education to persons who wish to receive their high school equivalency degree. The appropriated funds are from 10 percent of the interest on the education trust fund. This 10 percent is shared with the vocational technical centers. The current level amounts are based upon inflation applied to fiscal 1984 actual expenditures.

Traffic and Safety Education

Section 20-7-504, MCA, provides for a Traffic Education account that collects a portion of revenue from highway fines and bond forfeitures related to traffic fines. The revenues collected in this account are distributed annually to school districts conducting approved traffic education courses. The Office of Public Instruction distributes this revenue and is allowed to deduct a portion for state administration expenses. Current level figures are based upon amounts estimated to be available from those revenues.

Public School Funding

402.7 million



Total Budget

Voted Levies

Maximum Budget without A vote Permissive

General Fund

STATE Equalization

District Permissive Levy (10 mills)

Foundation

General Fund

STATE Equalization

25% Income Tax

25% Corporation Tax

5% Coal Tax

Interest and Income St Lands

Federal Mineral Leasing

Coal Trust Interest

County Equalization

45 Mill Levy

Forest Funds

Grazing Funds

Miscellaneous

- Elementary Transportation

- Highschool Tuition

Table 4
Mill Levy Increases

	-Percent of Districts with Increased Mill- Levies		
	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>
High School	57	56	58
Elementary School	51	42	56

Summary

A higher than anticipated beginning fund balance and greater county equalization revenues may result in a \$12.8 million reduction in general fund required for public school support in fiscal 1984.

Public schools have increased the portion of general fund budget which is voted in fiscal 1984 from 27.8 to 29.9 percent. Slightly over half the districts increased property tax rates in fiscal 1984.

Table 3
District Budget Increases

<u>Fiscal Year</u>	<u>District</u>	<u>Schedule Increases</u>	<u>Percent of Districts whose budget increased more than Schedules</u>
1983	High School	15	23
	Elementary	15	32
1984	High School	4	56
	Elementary	4	64

In fiscal 1984 the majority, 55 percent, of districts also experienced a decline in enrollment. The combination of budget increases in excess of the 4 percent schedule increase and declines in enrollment led to the increased share of costs being borne by voted levies.

The increased voted levy amounts result in higher property tax rates, or mills levied, unless offset by increased taxable valuation or other local revenues. The majority of districts in fiscal 1984 were not able to reduce property tax mill rates. In fiscal 1984, 56 percent of elementary districts and 58 percent of the high school districts increased general fund mill levies. This is higher when compared to fiscal 1983 when schedules increased substantially and 42 percent of the elementary districts and 56 percent of the high school districts experienced property tax rate increases, as shown in Table 4.

Table 2
Voted Share of Public School
General Fund Budget

<u>Fiscal Year</u>	-----Percent Increase----- <u>Statutory</u> <u>Schedules</u>	<u>General Fund</u> <u>Budget</u>	% of General Fund Budget Statewide <u>Voted</u>
1977			23.4
1978	7	8.7	24.4
1979	7	7.8	24.6
1980	8	7.2	28.0
1981	10	9.1	31.3
1982	18	11.5	29.4
1983	15	10.5	27.8
1984	4	6.3	29.9
			<u>32.7</u>

Table 2 illustrates the rise in the voted share of budgets in fiscal 1977 through fiscal 1981. It appears the large schedule increases of fiscal 1982 and 1983, 18 and 15 percent respectively, reduced the portion of public school budgets which are supported by voted levies. In fiscal 1984, the voted portion increased again.

The voted portion of a district's budget will increase if its budget increases more than the increase in statutory schedules or if enrollment falls without a corresponding reduction in the budget. This latter effect occurs because funding under the schedules is based on amounts per ANB (a measure of enrollment) and therefore fluctuates with enrollment. As illustrated in Table 3, in fiscal 1983 few districts increased their budgets more than the 15 percent increase in schedules, while in fiscal 1984 the majority of districts increased their budgets more than the 4 percent increase in schedules.

fiscal 1982, only three of ten counties remitting a surplus made payment during the fiscal year for which it was due. In an effort to improve the timeliness of receipts, the Director of the Department of Administration sent a letter to counties urging cooperation. In fiscal 1983, timeliness improved dramatically as seven of nine remitted surpluses on time.

Impact of Schedule Change on Public Schools

The statutory schedules established by the legislature and the special education budget approved by the Office of Public Instruction determine the maximum general fund budget a district may adopt without approval of the district's voters.¹ Typically, to the extent the budget exceeds the amount allowed without a vote, it is financed from property tax levies. Therefore, changes in statutory schedules have an impact on public school budgets and local property tax rates.

The foundation program provides the bulk of support for district-operated public schools. In Table 2 the part of general fund budgets of all public schools in Montana which are supported by local voted levies is listed for fiscal 1977 through 1984. Table 2 also lists the percent increase in the total general funds of all districts and statutory schedules.

¹An exception is granted for the expenditure of federal impact aid funds.

In past years interest earned on the coal tax education trust fund was deposited in the earmarked account in the year after it was earned. In fiscal 1983 these revenues began being deposited in the year in which they are earned. This resulted in a doubling of deposits in fiscal 1983, adding \$4.6 million, which had not been anticipated during the 1983 legislative session.

The \$11 million excess in county equalization is attributable to higher than anticipated proceeds from the 45 mill levy, cash reappropriated, and county miscellaneous revenues. County miscellaneous revenues are primarily light vehicle fees and replacement funds.

County Surplus

Counties which derive more revenue from their mandatory public school mill levy than is necessary to fund the foundation portion of all public school general fund budgets in the county remit the "surplus" to the state. The state uses the funds along with earmarked portions of personal and corporate income taxes, coal tax, federal mineral royalties, interest and income funds, coal tax education trust fund interest, and general fund appropriation to aid schools where the mandatory levy provides inadequate revenues.

The revision of public school funding contained in Senate Bill 94 increased the county mandatory levy to 45 mills. This combined with increasing taxable values related primarily to natural resource development, is increasing county surplus funds. County surpluses have climbed from \$8.8 million in fiscal 1982 to \$21.6 million in fiscal 1985.

During the 1983 Legislature, we expressed concern that as the county surplus becomes a larger portion of the state equalization fund it is important that affected counties remit surplus payments in a timely fashion. In

should be viewed cautiously, as fiscal 1984 state earmarked revenues are not yet known with the exception of interest and income revenues. These are \$.3 million lower than anticipated.

Table 1 illustrates the two major factors leading to increased funds available: (1) a \$5 million higher beginning fund balance and (2) an additional \$11 million of county equalization.

Table 1
Fiscal 1984 Public School Financial Projection
Revised March, 1984

	<u>During 48th Legislature</u>	<u>Revised March 1984</u>	<u>Differ- ence</u>
MAXIMUM GENERAL FUND With-Out-A-Vote	\$260.50	\$261.70	\$(1.20)
Beginning Balance	7.10	12.10	5.00
State Equalization ²	110.80	110.50	(.30)
County Equalization ³	98.90	110.00	11.10
District Permissive	<u>19.50</u>	<u>17.70</u>	<u>(1.80)</u>
Funds Available	<u>236.30</u>	<u>250.30</u>	<u>14.00</u>
General Fund Required	\$ 24.20 =====	\$ 11.40 =====	\$12.80 =====

¹ Regular programs--excludes special education

² Includes revision in interest and income estimate only

³ County surplus is included in county equalization

The increased fund balance results from higher than anticipated county equalization revenues in fiscal 1983 and a one-time gain in interest from the coal tax education trust fund. These increases were partially offset by lower than anticipated fiscal 1983 revenues from corporate income taxes.



JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA
Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

March 17, 1984

TO: Legislative Finance Committee
FROM: Curtis M. Nichols, Principal Analyst
SUBJECT: Public School Funds

A handwritten signature in cursive script, appearing to read "Curt", written in black ink.

The 48th Legislature appropriated \$43.5 million general fund to provide a 4 percent increase in public school funding schedules in fiscal 1984 and a 3 percent increase in fiscal 1985. In addition to the funding increases, the legislature through Senate Bills 94 and 95, altered the funding of public schools. Senate Bill 94 increased the county mandatory levy from 40 mills to 45 mills and reduced the permissive levy from 15 to 10 mills. Senate Bill 95 revised the allocation of federal forest reserve funds, reducing the portion used for county equalization and allocating new amounts to county transportation and retirement levies.

This report updates revenue and cost expectations for public school funds and reviews the impact of the 48th Legislature's schedule changes on public school budgets for fiscal 1984.

Revenues Higher Than Anticipated

Information currently available indicates that revenues for public schools may be \$14 million higher than anticipated during the 1983 legislative session. This, when combined with higher costs of \$1.2 million, results in a possible fiscal year 1984 gain of \$12.8 million. This projection

COMPARISON OF SCHOOL FOUNDATION REVERSIONS

Fiscal 1985

<u>Revenues Available</u> <u>LFA</u>	<u>OBPP</u>	<u>Difference</u>	
County Equalization			
45 Mill Levy ²	\$107.94 ³	\$104.86	(3.08)
Miscellaneous	11.77	11.77	--
Forest Funds	1.01	1.01	--
Grazing Funds	.12	.12	--
Elementary Trans.	(3.54)	(3.54)	--
High School Tuition	<u>(.67)</u>	<u>(.67)</u>	<u>--</u>
Total County Equalization ¹	\$116.63	\$113.55	(3.08)
State Equalization			
25 Percent Income Tax	\$ 44.16	\$ 45.57	1.41
25 Percent Corp. Tax	12.19	13.68	1.49
5 Percent Coal Tax	4.30	4.59	.29
Interest and Income	38.20	40.38	2.18
Federal Mineral Leasing	13.90	14.35	.45
Coal Trust Interest	6.22	6.05	(.17)
Balance Available	.21	.21	--
Miscellaneous	<u>--</u>	<u>5.27</u>	<u>5.27</u>
Total State Equalization	\$119.18	\$130.10	10.92
District Permissive (Includes Light Vehicle Fees and Replacement Funds)			
	<u>18.50</u>	<u>18.74</u>	<u>.24</u>
TOTAL REVENUES	<u><u>\$254.31</u></u>	<u><u>262.39</u></u>	<u><u>8.08</u></u>

¹County Surplus included in county equalization.

²Includes cash reappropriated, 45 mill levy shares of vehicle fees and state reimbursements, other minor revenues and portions of retroactive adjustment for Senate Bill 413 not included in 45 mill levy figures.

³Includes funds from retroactive adjustments to oil and gas net proceeds taxes resulting from Senate Bill 413 of 48th Legislature.

Table 3
Effect of Allocating Increased Share and Coal Tax to Schools
1987 Biennium

	Percent Allocated <u>To Schools</u>	1987 Biennium <u>Amount (x1,000,000)</u>
Present Law - - - - -	5.00	\$ 8.94
Governor's Proposal - - - -	8.75	15.65
Additional Percent- - - - -	9.75	17.44
	10.75	19.23
	11.75	21.02
	12.75	22.80
Total School and Local Impact Coal Revenues	13.75	24.59

NOTE: Based on LFA Coal Tax Revenue Estimates

SCHOOL FOUNDATION PROGRAM
By Curt Nichols, Principal Fiscal Analyst

The following table compares LFA and executive public school revenue estimates:

Table 1
Executive--LFA Public School Revenue Comparison (x 1,000,000)
1987 Biennium

	Exec. Budget	LFA Current Level	Executive Over(Under) LFA Current Level
45 Mill Levy	220.71	211.27	9.44
Other County Equalization	18.82	14.33	4.49
Income Tax	99.26	100.37	(1.11)
Corporation Tax	24.32	24.20	.12
Coal Tax	<u>17.72</u>	8.94	8.78
Interest and Income	81.47	85.30	(3.83)
Federal Mineral Leasing	26.92	28.30	(1.38)
Coal Trust Interest	14.64	14.96	(.32) <i>is</i>
District Permissive	<u>39.33</u>	<u>37.90</u>	<u>1.43</u>
Total Non-General Fund Revenues	<u>\$543.19</u>	<u>\$525.57</u>	<u>\$17.62</u>

Using the above revenue estimates the cost and general fund requirements are calculated.

Table 2
General Fund Cost of Public School Support (x 1,000,000)
1987 Biennium

Schedule Increase	Total Cost	- - - Executive	- - - General Fund Requires LFA	- - - Difference
-0-	\$546.9	\$3.7	\$21.3	\$17.6
1-1	555.2	12.0	29.6	17.6
2-2	565.1	21.9	39.5	17.6
2.4-3*	569.8	26.6	44.2	17.6
3-2	569.0	25.8	43.4	17.6
3-3	571.8	28.6	46.2	17.6
3-4	574.7	31.5	49.1	17.6
4-4	580.2	37.0	54.6	17.6
4-5	583.1	39.9	57.5	17.6
5-5	588.7	45.5	63.1	17.6
6-6	597.2	54.0	71.6	17.6
7-7	606.0	62.8	80.4	17.6

*Governor's Proposal and Cost Estimate

1 A B C D E F G H I J K L M N O P Q
 2 SRC: ESTIMATE SCHOOL DISTRICT GENERAL FUND BUDGET CHANGES -- FY79 THRU FY85 -- PROJECTIONS THRU FY87
 3 (AL:Q82, RI: A1110) (Special Education Omitted)
 4 TOTAL SCHEDULE INCREASE % = 7.00 AND 7.00

6	7	8	9	GENERAL FUND BUDGET***				PERCENT VOTED DISTRICT		GEN FUND MILLS		PERCENT CHANGE FROM PRIOR YEAR				TIV. VNL.	
	YEAR	ANB	MEBWW	VOIED	TOTAL	per ANB				TOTAL		ANB	MEBWW	VOTED	TOTAL	per ANB	(billions)
6																	
7																	
8																	
9																	
10	FY79	167651	174005053	66020708	239952392	1431.26	27.51	43.95	83.95	-2.61	4.75	21.76	9.44	12.37			
11	FY80	163276	162277142	80386888	262598448	1608.31	30.61	52.08	92.08	-3.12	6.56	22.03	11.31	14.90			
12	FY81	158175	194226587	98093573	292294062	1847.92	33.56	54.64	94.64	-2.43	15.01	4.92	11.62	14.40	2.002705		
13	FY82	154331	22381431	102918289	326251222	2113.97	31.55	52.33	92.33	-1.44	13.59	4.25	10.64	12.26	2.191831		
14	FY83	152105	253732166	107290765	360972724	2373.18	29.72	47.04	87.04	-.92	3.16	14.58	6.55	7.54	2.224466		
15	FY84	150705	261753122	122933897	384622538	2552.16	31.96	43.98	88.98	.35	3.53	17.94	8.15	7.77	2.313575		
16	FY85*	151231	270988563	144987033	415952103	2750.44	34.86	49.14	94.14	.51	7.55	7.54	7.55	7.01	2.406118		
17	FY86**	152002	291446799	155913609	447360408	2943.13	34.85	51.55	96.55	.80	7.91	7.97	7.93	7.07	2.502363		
18	FY87**	153222	314512754	168339462	482852216	3151.33	34.86	53.53	98.53								

ELEMENTARY--

YEAR	ANB	MEBWW	VOTED	TOTAL	per ANB	PERCENT VOTED DISTRICT	GEN FUND MILLS	TOTAL	ANB	MEBWW	VOTED	TOTAL	per ANB	INFLATE FACTOR
FY79	110291	104290367	39099221	143317965	1299.45	27.28	25.33	50.33	-2.57	4.36	21.75	9.11	11.99	1.119869
FY80	107456	108832823	47604601	156371842	1455.22	30.44	30.02	55.02	-2.56	7.10	22.87	11.93	14.87	1.148733
FY81	104700	116554686	58493811	175022398	1671.66	33.42	31.92	56.92	-6.3	17.23	1.92	12.11	12.82	1.128188
FY82	104039	136639987	196211590	1885.94	27.87	25.99	25.99	50.99	-2.1	15.06	1.86	11.05	11.28	1.112818
FY83	103823	157217206	60726890	217894432	2098.71	29.71	23.91	51.91	.32	4.63	14.46	7.36	7.02	1.070222
FY84	104152	164493595	69505236	233934349	2246.09	32.56	27.46	55.46	.62	3.98	18.82	8.41	7.74	1.077419
FY85*	104795	171041892	82582911	253601310	2419.98	32.55	28.23	56.23	.49	7.52	7.58	7.52	7.00	1.07**
FY86**	105309	183911830	88771549	272683379	2589.37	32.55	29.20	57.20	.54	7.58	7.58	7.58	7.00	1.07**
FY87**	105882	197857419	95502882	293360301	2770.63	32.55	29.20	57.20						

HIGH SCHOOL--

YEAR	ANB	MEBWW	VOTED	TOTAL	per ANB	PERCENT VOTED DISTRICT	GEN FUND MILLS	TOTAL	ANB	MEBWW	VOTED	TOTAL	per ANB	INFLATE FACTOR
FY79	57360	69714686	26921487	96634427	1684.70	27.86	18.62	33.62	-2.68	5.35	21.77	9.93	12.96	1.129590
FY80	55820	73444319	32782287	106226606	1903.02	30.86	22.06	37.06	-4.20	5.76	20.80	10.40	15.24	1.152388
FY81	53475	77671901	39599762	117271664	2193.02	33.77	22.72	37.72	-5.95	11.68	9.35	10.89	17.91	1.179056
FY82	50292	86741444	43301420	130039632	2585.69	33.30	22.49	37.49	-4.00	11.27	7.53	10.03	14.61	1.146071
FY83	48282	96514960	46563875	143078292	2963.39	32.54	21.05	36.05	-3.58	.77	14.74	5.32	9.23	1.092303
FY84	46553	97259528	53428661	150688189	3236.92	35.46	20.07	37.07	-.25	2.76	16.80	7.74	8.01	1.080110
FY85*	46436	99946671	62404122	162350793	3496.23	38.44	21.68	38.68	.55	7.59	7.59	7.59	7.00	1.07**
FY86**	46693	107534969	67142060	174677029	3740.96	38.44	23.32	40.32						
FY87**	47339	116655335	72836580	189491915	4002.83	38.44	24.32	41.32	1.38	8.48	8.48	8.48	7.00	1.07**

56 Preliminary data.
 57** Projections.
 58***If MEBWW + VOTED does not equal the TOTAL, the difference is caused
 59 by some districts not using the full Permissive Amount.
 60

SALARY SCHEDULE
 BASE \$14800
 LEVEL 4.0

Base 1984-85 \$14,675.00

YRS	BA	BA+1	BA+2	MA
0	\$14800	\$15303	\$15821	\$16324
1	\$15392	\$15954	\$16517	\$17079
2	\$15984	\$16606	\$17212	\$17834
3	\$16576	\$17257	\$17908	\$18589
4	\$17168	\$17908	\$18604	\$19344
5	\$17760	\$18559	\$19299	\$20098
6	\$18352	\$19210	\$19995	\$20853
7	\$18944	\$19862	\$20690	\$21608
8		\$20513	\$21386	\$22363
9		\$21164	\$22082	\$23118
10		\$21815	\$22777	\$23872
11			\$23473	\$24627
12				\$25382
13				\$26137

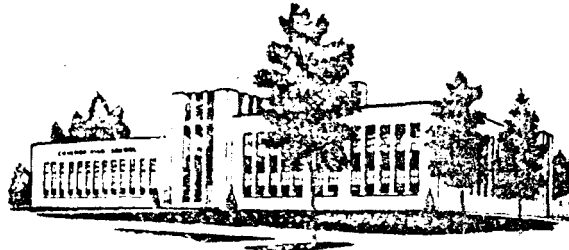
Staff Salary Increase \$25,270.00

Increase percent 3.1

GARY SMITH, High School Principal

WALTER SCOTT, Superintendent
MICHAEL HARDING, Business Manager

PAT O'BRIEN, Elementary Principal



SCHOOL DISTRICT NO. 10

CHINOOK PUBLIC SCHOOLSPhone 357-2236 — P.O. Box 1059
CHINOOK, MONTANA 59523**POSSIBLE ELEMENTARY REVENUE 1985-86**7% Increase from State ANB Total = 352

Foundation Program K-6	\$1,139.20 X 107% = \$1,129.00 X 271	\$330,349.00 ✓
Permissive Levy K-6	\$284.80 X 107% = \$307.74 X 271	\$ 82,583.00 ✓
Foundation Program 7-8	\$1,601.26 X 107% = \$1,713.35 X 81	\$138,781.00 ✓
Permissive Levy 7-8	\$400.30 X 107% = \$428.30 X 81	\$ 34,694.00 ✓
Voted Levy		\$311,576.00
Special Education	\$81,896.00 X 107%	87,628.00
Maximum Budget at 7%		\$985,611.00 ✓
Total New Dollars		<u>-915,758.00</u>
		\$ 69,853.00

5% Increase from State

Foundation Program K-6	\$1,139.20 X 105% = \$1,196.16 X 271	\$324,160.00
Permissive Levy K-6	\$ 284.40 X 105% = \$ 299.00 X 271	\$ 81,040.00
Foundation Program 7-8	\$1,601.26 X 105% = \$1,681.30 X 81	\$136,187.00
Permissive Levy 7-8	\$ 400.30 X 105% = \$ 420.30 X 81	\$ 34,045.00
Voted Levy		\$311,576.00
Special Education	\$81,896.00 X 105% =	\$ 85,990.00
Total New Dollars		\$972,898.00
		<u>\$915,957.00</u>
		\$ 56,941.00

POSSIBLE HIGH SCHOOL REVENUE 1985-867% Increase -- ANB = 177

30-4-189

Foundation Program	\$1,880.67 X 107% X 177	\$356,177.00
Permissive Levy	\$ 470.20 X 107% X 177	\$ 83,225.00
Voted Levy		\$297,875.00
Special Education	\$ 217.58 X 107%	23,281.00
Maximum Budget		\$760,558.00
New Money		<u>\$754,506.00</u>
		\$ 6,052.00

5% Increase -- ANB = 177

Foundation Program	\$1,880.67 X 105% X 177	\$349,522.00
Permissive Levy	\$ 470.20 X 105% X 177	\$ 87,387.00
Voted Levy		\$297,875.00
Special Education	\$ 217.58 X 105%	\$ 22,846.00
		<u>\$757,630.00</u>
		<u>-754,506.00</u>
		\$ 3,124.00

CHINOOK SCHOOLS

VOTED LEVIES

year	high school				elementary			
	ANB	Mills	Dollars	Actual Used	ANB	Mills	Dollars	Actual Used
81-82	211	9.26	\$248,097	\$216,677	336	25.4	\$276,818	\$257,614
82-83	190	9.26	\$248,097	\$248,097	336	20	\$250,000	\$226,048
83-84	189	10.2	\$258,231	\$258,200	330	26.1	\$297,902	\$275,715
84-85	189	12.5	\$297,875	\$297,874	336	29	\$311,576	\$302,134
76	278	12	\$143,229	\$129,059	390	32	\$102,489	\$102,007

Samples of Item Costs

year	cost	item	cost	item	cost	item
1976	\$15,000	<u>heat</u>	\$ 5,000	<u>utilities</u>	\$ 9,400	<u>custod supplies</u>
1981	\$28,500	<u>heat</u>	\$14,600	<u>utilities</u>	9,400	<u>custod supplies</u>
1984	\$32,500	<u>heat</u>	\$25,000	<u>utilities</u>	\$ 9,500	<u>custod supplies</u>

EXHIBIT 6
1-17-85
MISSOULA SCHOOL DISTRICT #1
Missoula, Montana

A COMPARISON OF ANB & GENERAL FUND STATE EQUALIZATION REVENUES
FOR FY 85 & FY 86

<u>Fiscal Year</u>	<u>Grades</u>	<u>ANB</u>	<u>Equalization Revenues</u>	
FY '86	K-6	4001*	\$5,718,280**	
FY '85	K-6	<u>3969</u>	<u>\$5,656,189</u>	
		32	\$ 62,091	Differences
FY '86	7-8	1165*	\$2,281,116**	
FY '85	7-8	<u>1323</u>	<u>\$2,576,516</u>	
		(158)	(\$ 295,400)	

1. The total decrease in equalization revenues in FY '86 for operations would be about \$233,313.
2. If the Foundation Program Schedules are increased 2.4%, the estimated revenues for FY '86 would be \$8,191,484 or a net decrease of \$41,325 when compared with FY '85 revenues.
3. If the Foundation Program Schedules are increased 7%, the estimated revenues for FY '86 would be \$8,559,354 or a net increase of \$326,645 as compared to FY '85 revenues.

* ANB Projections Based on December, 1984 Enrollment

** Assumes No Increase in Foundation Program Schedules

CONRAD PUBLIC SCHOOLS

HARLEY RUFF, Principal
Prairie View Intermediate School

THOMAS E. HOYER, Principal
Meadowlark Primary School

MICHAEL IKARD, Director
Special Education

SCHOOL DISTRICT NO. 10
PHILLIP A. WHALEY, SUPERINTENDENT

AFTON LAMOREAUX, Clerk

215 SOUTH MARYLAND STREET

CONRAD, MONTANA 59425

PAUL C. STENERSON, Principal
High School

DAN R. MARTIN, Asst. H.S. Principal
High School Activities Director

RAYMOND JOHNSON, Principal
Utterback Middle School

January, 1985

TO: MONTANA 1985 LEGISLATURE
FROM: SCHOOL DIST. #10, CONRAD, MONTANA -- PHIL WHALEY, SUPT. *PW*
RE: SUMMARIZED BUDGET PROJECTIONS FOR 1985-86

814 Students

A total budget increase for 1985-86 is projected to be -----\$ 34,962

2.5 Percent will bring in a net gain (considering the decline
in enrollment) approximately-----==8,000==

Local taxpayers would need to vote an additional-----\$ 76,962
=====

7 Percent will bring in a net gain of approximately-----\$ 57,403

Local taxpayers would need to vote an additional-----\$ 27,559
=====

REASONS FOR ADDITIONAL MONIES TO BE PLACED IN THE 1985-86 BUDGET:

1. We are experiencing a slight decline in enrollment. However, not enough to reduce teaching staff. We have already reduced staff over the past several years.
2. Due to the additional Board of Public Education (BPE) and the University system's College prep requirements making it necessary for high school students to take more basics means that our high school will need to add from one and one-half to two teachers to our staff for next year.
NOTE: Now, because of mandated requirements, it is necessary to bring some of those people who have been RIFed, back into the system.

It can be substantiated that Conrad pupil/teacher ratio is high compared to other school district of comparable size.

3. Maintain the current exemplary programs.
4. Teacher salaries need to be kept competitive.
5. Major maintenance must be kept current.
6. Inflation is still with us.