

MINUTES OF THE MEETING  
EDUCATION AND CULTURAL RESOURCES COMMITTEE  
49TH LEGISLATURE SPECIAL SESSION III

June 19, 1986

The meeting of the Education and Cultural Resources Committee was called to order by Chairman Dan Harrington on June 19, 1986, at 9:00 a.m. in room 312-2 of the state capitol.

ROLL CALL: All members were present with the exception of Rep. John Mercer who was excused by the chairman.

CONSIDERATION OF HOUSE BILL NO. 9: Rep. Gene Donaldson, principal sponsor of the bill, began discussion with an overview of the serious problems facing the state and the reality of being 10-15 million dollars short of balancing the budget even if all of the governor's proposals were to pass. He stressed that, even though it appears tax increases will be necessary, certainly we cannot raise taxes to cover the approximate 100 million dollar shortage.

Rep. Donaldson stated that HB 9 is an innovative approach to try and take 11 million dollars out of the School Foundation Program. One particular concern in trying to cut these dollars out of the program is the quality of education. Another concern of Rep. Donaldson is the lawsuits pending of the 62 school districts against the state of Montana on the issue of equalization in school funding.

Rep. Donaldson submitted a handout on the impacts on local property taxpayers. (Exhibit 1) From the standpoint of quality of education and passing it back to the taxpayers, those districts that have a low taxable rate per pupil or those districts that do not have a large voted levy are the ones most likely to impact quality and most likely to have to pass it back to the local property taxpayers. One of the problems of this process has been the untimeliness of the session. Had this issue been addressed in January or February prior to the time the school districts were setting their levies and getting their budgets together, they could have probably absorbed a 2.5% decrease. Now the levies have been set, budgets are pretty much set, and it appears 80-92% of the budgets are now committed. There is only a small portion that can be really dealt with when these cuts are taken. This, of course, impacts those districts that have the smaller amounts of money per pupil.

Another area briefly touched on by Rep. Donaldson was the philosophy of using the reserves. His conclusion is that using the reserves is simply a method of transferring the state debt back to the local property taxpayers. Those reserves were developed by property taxes at a local level and they can be used to reduce local property taxes.

He stated the bill attempts to apply less impact on those districts with the least ability to afford the cuts. Those districts spending less per pupil would take a lesser cut than those spending more. HB 9 takes the total Foundation Program including the permissive, that amount of general fund without a vote, and you apply a 4% to come up with 11.2 million. You divide the 11.2 million by the total voted levy statewide to come up with a 7.158%. This is then applied to each districts voted amount with a net result of districts with very high voted levies taking a larger cut. The amount received from 7.15% times the voted is the amount reduced from their School Foundation Program allocation. Rep. Donaldson said there had been discussion of somehow taking into account and building into the bill the effort each individual school district is putting forth; however, he thought that would be extremely difficult to accomplish.

Rep. Donaldson submitted to the committee an LFA report on current appropriations to education that points out that unless care is taken the state will simply pass problems onto the local governments. (Exhibit 2)

PROPOSERS: Rep. Bob Thoft voiced his support for HB 9 due to the situation in his area, the Bitterroot Valley, where they spend as little per student as anywhere in Montana. He views this bill as an effort in fairness and equalization.

Sandra Whitney, Montana Taxpayers Association voiced support for HB 9 in recognition that impact on districts spending less per student being less, and impact on districts spending more per student being more percentage-wise. She stated the bill will help the smaller and poorer districts.

OPPOSERS: Ray Shackelford, Office of Public Instruction, stated he really wasn't an opponent to HB 9 but somewhere in-between. He recognizes and admires Rep. Donaldson's attempt at equalization but, as a part of the Office of Public Instruction and schools in Montana, he stated they cannot support a Foundation Program decrease of any kind.

Tom Bilodeau, Research Director, Montana Education Association, stated that the MEA sees many aspects of HB 9 that

have considerable merit and deserve further discussion. On the whole, however, they oppose HB 9 because it is felt it, as well as the governor's proposal, is harmful to education. He also said that HB 9 fails to address the state's constitutional responsibility to provide a system of quality education for all. For this reason alone the MEA opposes any cut in the Foundation Program. He stated that the constitutional obligation requires the state fund all school districts' educational expenses deemed necessary to provide quality education. He went on to state that over the last 10-15 years the state has not met its obligation. The real problem is an equalized approach on a statewide basis. HB 9 applies a 7.19% cut that will effect 75% of the districts in Montana, more than 400 districts. This bill specifically targets 101 districts that will be worse off under HB 9 than under the governor's proposal. Those districts include Missoula, Frenchtown, Butte, Bozeman and Glasgow. Mr. Bilodeau also noted Browning will lose \$170,000 more under HB 9 than under the governor's proposal. Browning will lose more money in state income under HB 9 than it is scheduled to receive from the Foundation Program. This will be the common impact in all PL-874 districts. He went on to compare other districts such as Butte and Helena where taxable valuation is identical where they have \$9,224 per student in both districts (elementary). The difference in the impact of HB 9 comes because of the mill levy. Helena has an above average mill levy of 71 mills and Butte likewise has an above average mill levy of 101 mills. Due to the structure of HB 9 Butte will lose \$324,000 from the scheduled FY 87 Foundation Program which is \$60,000 more than under the governor's proposal. In the case of Helena, they will lose \$267,000 which is \$31,000 less than under the governor's proposal. He stated the MEA sees a targeting to those districts who have seen an adverse impact on the quality of education because of low state funding and have attempted to make up for that funding from local sources.

Mr. Bilodeau also stated that there are 101 districts in Montana that will be more severely impacted by HB 9 than by the governor's proposal. Practically all of the PL-874 districts which have more than 50% of their budget coming from federal sources will lose more under HB 9 than under the governor's proposal. Those federal sources are now in jeopardy and PL-874 districts expect to lose 50% of their federal funding within three years which is a conservative estimate. The state is now selecting a group of school districts which are also involved in the underfunded school funding lawsuit for disparate treatment. In closing, Mr. Bilodeau stressed the question before the

legislature is not the quick fix but what to do with the continuing crises in which the MEA believes a look must be taken at a restructuring of the revenue sources in funding education in the state of Montana.

Wayne Buchanan, Montana School Boards Association, stated the MSBA opposes HB 9 because it takes money from the Foundation Program and in so doing erodes the program. He said this type of legislation should not be dealt with in the special session because we aren't sure what the effects might be. It doesn't look at the reasons for the high voted levies and take those into consideration. If this lowers the overall support people give education at the local level, it may prove to be the worst kind of legislation.

Don Waldron, School Administrators of Montana, stated they oppose any retreats from the legislative promise for the Foundation Program of the last session. He stated a desire to study Rep. Donaldson's bill further but felt a need to testify and oppose any changes in the promises made 18 months ago. The SAM feel other sources of revenue must be found and will support in any way possible selling the revenues that must be increased.

Terry Minow, Montana Federation of Teachers, stated opposition to HB 9 because the districts that have maintained a high level of support for education would be penalized more than those who have not voted in support of their educational systems. She said a precedence might be set of cutting deeper into the budgets of those who do vote to support their systems. The Foundation Program increase was a commitment to education.

QUESTIONS AND DISCUSSION ON HOUSE BILL NO. 9: Rep. Peck asked what this would do beyond one year and, in terms of funding, if the same program was maintained in the 87 session. Rep. Donaldson responded that he wasn't sure and added the bill basically leaves the 4% base and merely adjusts it. He stated from the school districts' standpoint it would be a positive and, from the legislative a negative unless an economic turnaround occurs. This would only apply to the 86-87 school year. Rep. Donaldson did note that in section 2, page 2 of the bill, July 1, 1987 should read July 1, 1986. Rep. Eudaily asked if we aren't opening up the gate for more lawsuits by taking schools of the same size and same enrollment and giving them different amounts when Article 10 of the Constitution says the legislature shall fund and distribute the state's share in an equitable manner

to the school districts. Rep. Donaldson responded that some argue we aren't meeting our constitutional commitments anyway. He said this is definitely a different approach and there is no question about the fact we are entering some unplowed ground in trying this approach. He stressed the fact that this bill does not do much for equalization but merely addresses the fact that the legislature is sensitive to that issue.

Rep. Eudaily then asked if some school districts would get less under HB 9 than they received under the 85-86 schedule. Rep. Donaldson responded that, yes, there would probably be some such districts. Those districts might take a 5% cut and are primarily PL-874 districts (Indian Reservation School). As an example, Browning might receive less than the previous year. Rep. Harrington remarked that testimony given at this session shows that because some districts run high mill levies due to other problems they will suffer under this bill.

Rep. Donaldson replied that, as far as appropriations for the state of Montana were based on taking the same amount of money out (4%) as the freeze does, it is based on the amount of the voted dollars but, because it is tied to the School Foundation Program, in reality it ties right back to the cost per student. He suggested Rep. Harrington contact Ray Shackelford to get more information. Rep. Donaldson stated that the general trend is those school districts that have a high taxable valuation per pupil will have a higher voted dollar per pupil. He once again stressed that those that have it generally spend it.

Rep. Thomas asked Rep. Donaldson if he felt the districts that have a higher number of mills have in general a lower total budget per student. Rep. Donaldson responded saying that, if you have a high taxable valuation per pupil, generally speaking you spend more per pupil and the millage tracks the same way. Rep. Thomas asked if he felt the bill takes the funds from the schools most able to shoulder the cuts, and Rep. Donaldson answered that is the intent. He stated that, since there is so little time in which to deal with this problem, we need to take it from those who can best afford it and take less from those who can't.

Rep. Peck asked if it was true that through study it was found PL-874 school districts have some very high reserves and, in fact, some have over 100% which is a violation of the law, and that the PL-874 funds could be used in such a way so that they would still collect the total Foundation Program and be able to use the PL-874 in other areas such as hot lunch. Rep. Donaldson said this is generally correct

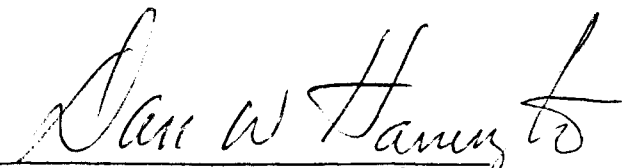
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and that many PL-874 schools may have a high cost per pupil and have zero millage and very low tax base in most cases. These are primarily Indian Reservation schools. Many times in these districts they vote the levy and fund it with PL-874 so they don't have to apply any millage. This is why it is very misleading to talk about PL-874 districts as being poor districts.

Rep. Peck then stated that in general PL-874 and PL-815 dollars have been very good to the schools, and Rep. Donaldson agreed.

Rep. Eudaily also asked Rep. Donaldson if he felt this was fair to the school districts at this late date to change their entire game plan. Rep. Donaldson said that in actuality we aren't being fair to anybody as far as the budget cuts go. We have a problem and we have to address it. He stated that public schools will have to take some type of cut in this process or we aren't going to balance. There is no fairness factor but we have to do the best we can even though I, too, feel very uncomfortable doing it. HB 9 does provide some flexibility rather than the flat 4% freeze which will impact the quality in many school districts and impact the property taxpayers to an even greater degree. In conclusion, Rep. Donaldson stated once again that this bill impacts 75% of the districts while the 4% freeze impacts 100%. The 4% will clearly shift the problem back to the local district. Since some money must be taken out, we need to use the best vehicle we have to take it.

ADJOURNMENT: Rep. Harrington stated he felt the committee needed time to study this problem further and that no executive action would be taken until later. There being no further business brought before the committee, the meeting was adjourned at 10:00 a.m.

  
Dan W. Harrington, Chairman

## DAILY ROLL CALL

EDUCATION

COMMITTEE

49th LEGISLATURE SPECIAL SESSION III

Date June 19, 1986

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Eudaily, Ralph, Vice-Chairman	✓		
Brandewie, Ray	✓		
Glaser, William	✓		
Hannah, Tom	✓		
Harbin, Raymond	✓		
Kennerly, Roland	✓		
Kitselman, Les	✓		
Mercer, John			✓
Montayne, John	✓		
Nelson, Richard	✓		
Nisbet, Jerry	✓		
Peck, Ray	✓		
Sands, Jack	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Thomas, Fred	✓		
Williams, Mel	✓		

## EDUCATION

BILL NO. HB 9

DATE June 19, 1986

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



## EDUCATION

COMMITTEE

DATE June 19, 1986

[illegible]

"PEOPLE WHO CARE"

PLEASE LEAVE PREPARED STATEMENT



*Montana Education Association*