

MONTANA STATE SENATE  
EDUCATION COMMITTEE  
MINUTES OF THE MEETING

June 21, 1986

The third meeting of the Senate Education Committee for the Third Special Session, 49th Legislature, was called to order at 11:10 A.M. on June 21, 1986, by Chairman Chet Blaylock in Room 402 of the Capitol Building.

ROLL CALL: All committee members were present with the exception of Senator Regan.

CONSIDERATION OF SB 10: Senator Towe, Senate District 46, presented this bill to the committee. He said this bill would require that the payment for the school foundation program, from the state to the local school districts, would be stepped up from September 30 to July 15. If the foundation program is frozen at last year's level, there will be less funds available for the local school districts in the next school year. School districts will be using their reserves to take care of costs and to carry through on cash flow. Most school districts get their last payment in June and they use a lot of that to pay salaries over the summer and by the first of August or end of July most school districts run out of the June payment. They then would have to wait until September 30 for the next payment from the foundation program even although many will be out of funds. He said the question has been raised of whether or not the state will have the money. He said the state can sell tax anticipation notes and those notes can be invested and we would get 7% and we only have to pay 4 1/2 percent. He said that the state earned \$780,000 on tax anticipation notes and if this would allow the state to sell more tax anticipation notes the state might be earning more money. He said this should not cost the state anything and we can naturally benefit local school districts without any effort and cost to the state.

PROPOSERS: Bill Anderson, Office of Public Instruction, is in agreement with Senator Towe. He said this bill would be a good bill for the state of Montana. He is still concerned with the freeze in the foundation program and feels that money should be replaced.

Eric Feaver, Montana Education Association, supports this legislation.

Mike Dahlen, Montana Federation of Teachers, supports this bill.

Bruce Moerer, Montana School Board Association, supports this bill.

OPPONENTS: None.

QUESTIONS FROM COMMITTEE MEMBERS: Senator Yellowtail asked Senator Towe to explain more fully about the bonds.

Senator Towe said we are talking about tax anticipation notes. At the present time the federal law does allow the state to sell, and the amount they can sell is regulated by the government, but they clearly do allow the state to invest around \$80 million of tax anticipation notes for one year. We can invest the whole \$80 million at 7% interest and since it is tax exempt we are probably only going to have to pay 4 1/2% and we will make 2 1/2% on that investment. There are some requirements governing the use of this money but basically he thinks it is available for this purpose.

Senator Mazurek asked Bob Stockton how realistic is the July 15 date as far as the general fund having sufficient money to pay this on July 15.

Bob Stockton said originally the money was disbursed twice a year and that was very much a hardship. In working with the Department of Revenue we did do a cash flow study and that resulted in the five payments that are disbursed now. At the time of the study we felt that was the earliest date there would be sufficient funds available. That study has not been updated for several years. There have been some changes in cash flow and the present system was based on cash flow at that time.

Senator McCallum asked Bob Stockton where the money would come from for this July payment with the June payment just being made.

Bob Stockton said primarily we would have to fall back on the tax anticipation notes as suggested by Senator Towe. There would be a little left in the fund but primarily it would be the tax anticipation notes.

Senator Blaylock said what we are doing in this bill is allowing the Board of Education to loan money to the school districts this year.

Senator Towe said they are entitled to the money, this bill would just allow the state to pay that payment early, July 15th.

Senator Blaylock said there are a lot of school districts that have good reserves and they do not necessarily need this money. Could they use their reserves if they wanted to.

Senator Towe said this is not a loan program. This is the funding that we are giving to the school districts anyway and what we are doing is simply saying instead of waiting until September for the money we will give the schools their money that was regularly due in September on July 15. It is a question of giving them their money at the earliest possible time and he does not think this relates to when the money comes in.

Senator Blaylock said you would be encouraging the state to sell tax anticipation notes so they would have the entire amount that the schools would have coming.

Senator Towe said this payment is 20% and that would be disbursed on July 15th instead of in September. He would anticipate that the Board would take a serious look at the payment schedule for distribution of the funds.

Senator McCallum asked what would happen to the other four payments.

Senator Towe said the five 20% payments are made throughout the year. He does not think those payment dates were ever set up with the school districts needs in mind.

Hearing closed on SB 10.

CONSIDERATION OF SB 8: Senator McCallum, Senate District 26, presented this bill to the committee. He said at this time there is legislation that each county with a vo-tech center may levy up to 1 1/2 mill for the benefit of the vo-tech centers. This bill would make that 1 1/2 mill mandatory.

PROPONENTS: Gene Christiaasen, Assistant Superintendent, Department of Vocational Education Services, gave testimony in support of this bill. He said the counties have levied the 1 1/2 mills for the vocational technical centers with the inducement of the appropriation bill which requires them to levy 1 1/2 mills in order for them to receive the state general fund for that center in that particular county. This would make that 1 1/2 mills a mandatory levy. This bill is important to clarify the

issue relative to maintenance of effort. With the recent actions in Appropriations there could be problems in the maintenance of effort area. With this language in this bill, making the 1 1/2 mill levy mandatory, we would take care of the maintenance of effort problem.

Eric Feaver, Montana Education Association, said for the reasons outlined we are in support of this bill.

David Hunter, Director of the Budget Office, gave testimony in support of this bill. He said we are in the process of setting down with the agencies and going through the probable impact of the Governor's recommendations. The maintenance of effort issue was one which was identified by the Superintendent's Office. This bill has been discussed with the Governor and he wants to support it as part of the package. If other parts of the Governor's package are adopted we do have a maintenance of effort problem and this seems to be the most reasonable way to solve that problem.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Farrell asked Gene Christiaasen what the new language on page 3, line 21 included.

Gene Christiaasen said that is essentially the same area of expenditures but reworded for the new accounting system.

ACTION ON SB 8: Senator Mazurek made a motion that SB 8 DO PASS. The motion carried unanimously with members of the committee.

CONSIDERATION OF SB 15: Senator Neuman, Senate District 21, gave testimony in support of this bill. He said this bill would require the Board of Public Education and the Superintendent of Public Instruction to submit a plan to the next legislature on how we might reorganize and administratively look at school districts in the state with the idea of saving some money. He said we are all becoming aware of the cost of education in Montana and how to fund that is a source of trouble. He does not want to diminish the quality of education in Montana. We are at the top of the nation as far as delivering quality education and we have to look at some way to deliver that quality education with the same amount of dollars.

PROPONENTS: Ed Argenbright, Superintendent of Public Instruction, gave testimony in support of this bill. He has some concerns about the efficiency and quality of schools in Montana and he believes the local school boards share his concern. He said this will not make everyone happy because when you are talking about cost and quality there is a trade off. During the last 10 years we have had 109 school districts close. He thinks this is a continuing kind of thing and we will have to work on that. This year we approved 27 applications for alternatives to their standards. This is a sign the school districts are working in this area using unique scheduling that does not quite meet the letter of standard. We are willing to look at things that will reduce costs and will work with the boards.

Hidde VanDuym, Board of Public Education, gave support for this bill.

Eric Feaver, Montana Education Association, gave testimony in support of this bill. He is concerned with how the plan will look but is delighted that the state would consider looking at a plan.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Haffey asked if any thought was given to amending the bill to have staff support from the Legislative Council.

Senator Neuman said we might put in a request that gives the Legislative Council the authority to do that.

Senator Pinsoneault said the intention is good but when you are talking about consolidating, or something similar, you are asking an administrator to eliminate his job and this is not going to happen. He thinks the legislature is not that incompetent to go ahead and do this.

CLOSING STATEMENT: Senator Neuman closed by saying lets take the money that we would have, whether state or local, and see how best to use it.

ACTION ON SB 15: Senator Haffey moved that SB 15 DO PASS. The motion carried unanimously.

ACTION ON SB 10: Senator Haffey moved that SB 10 DO PASS. The motion carried unanimously.

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June 21, 1986  
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ADJOURNMENT: There being no further business before  
the committee the meeting adjourned at 12:11 P.M.

  
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SENATOR BLAYLOCK, CHAIRMAN

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ROLL CALL

EDUCATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1985

Date 6-21-86

SENATE  
SEAT

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	✓		
SENATOR FARRELL	✓		
SENATOR HAFLEY	✓		
SENATOR MAZUREK	✓		
SENATOR McCALLUM	✓		
SENATOR REGAN			✓
SENATOR SMITH	✓		
SENATOR YELLOWTAIL	✓		
SENATOR PINSONEAULT, VICE-CHAIRMAN	✓		
SENATOR BLAYLOCK, CHAIRMAN	✓		

Each day attach to minutes.

DATE \_\_\_\_\_  
Education \_\_\_\_\_

June 21, 1986

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

# STANDING COMMITTEE REPORT

June 21,

19 **86**

MR. PRESIDENT

We, your committee on **EDUCATION**

having had under consideration **Senate Bill**

No. **8**

**first** reading copy ( **white** )  
color

**MAKE MANDATORY THE PERMISSIVE COUNTY LEVY FOR A  
COUNTY WITH A VO-TECH**

Respectfully report as follows: That **Senate Bill**

No. **8**

DO PASS

~~XXXXXXXX~~  
~~DO NOT PASS~~

**SENATOR CHET BLAYLOCK,**

Chairman.

# STANDING COMMITTEE REPORT

June 21,

86

19.....

MR. PRESIDENT

## EDUCATION

We, your committee on.....

having had under consideration..... **SENATE BILL** No. **10**

first reading copy ( white )  
color

**TO PROVIDE THAT THE FIRST STATE EQUALIZATION AID  
PAYMENT BE MADE BY JULY 15**

Respectfully report as follows: That..... **SENATE BILL** No. **10**

DO PASS

ENCLOSURE

.....  
**SENATOR CHET BLAYLOCK,**

Chairman.

# STANDING COMMITTEE REPORT

June 21,

19 86

MR. PRESIDENT

We, your committee on **EDUCATION**

having had under consideration **SENATE BILL**

No. **15**

**first** reading copy ( **white** )

color

**REQUIRE BOARD OF PUBLIC EDUCATION AND OPI TO PLAN  
AND REPORT SCHOOL COST SAVINGS**

Respectfully report as follows: That **SENATE BILL**

No. **15**

XDO PASS

~~XXXXXXXXXX~~  
~~DO NOT PASS~~

**SENATOR CHET BLAYLOCK,**

Chairman.