

MINUTES OF THE MEETING
EDUCATION AND CULTURAL RESOURCES COMMITTEE
MONTANA STATE SENATE

February 2, 1987

The eighth meeting of the Senate Education and Cultural Resources Committee was called to order by the Chairman, Senator Bob Brown, at 1:00 p.m. in Room 325, State Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SENATE BILL 143: SENATOR BLAYLOCK, District 43, sponsor of the bill, said he had presented essentially the same bill four years ago. He began by saying the bill does not force consolidation; it does restructure the Montana School Foundation Program to economically encourage consolidation. He said it is up to local areas to decide the form the consolidation would take. He said if none of the affected high schools choose to participate, the bill would still save the Foundation Program about \$5 million per biennium. That amount would be picked up at the local level. He explained the bill affects schools which have 99 or fewer students and don't qualify for isolation status by calculating their Foundation Program status at the same level as schools with over 100 students (\$2262 per ANB). That would be the total allocation from the state Foundation Program. He presented some amendments from the Legislative Fiscal Analyst's Office (Exhibits 1a and b). Senator Blaylock reviewed how the Foundation Program works. It was enacted in 1949 as an attempt to equalize school funding between rich and poor districts. It has two tiers: 1) the county level which levies 28 mills for elementary and 17 mills for high school education. If the proceeds exceed what is necessary to fund either or both of them, the excess is put into the state equalization fund and divided across the state. Counties that are rich enough to finance their own county's needs do not receive any further benefit from the state. 2) State equalization funds are derived from these sources: interest and income money which primarily comes from the sale or rental of the 4 1/2 million acres of state school lands, and 25% of the state

individual income tax. In 1980 income tax indexing was voted in which cost the state \$250 million in lost revenue. Twenty-five percent of that sum has, consequently, not gone into the state equalization fund. Further, 25% of the corporation license tax, 100% of the state share of the United States gas and oil royalties, a percentage of the state coal tax, and the aforementioned surplus of county education levy monies are the remaining sources of income for the state equalization fund.

Further substantial losses to funding in addition to income tax indexing were dropping the 10% income tax surcharge in 1981 (a loss of \$33 million) and elimination of the inventory and inheritance taxes. Therefore, there is much less money to distribute to schools. If the state is short of money, an appropriation must be made out of the general fund. The Governor wants no increase in funding this biennium (0% and 0%), yet because of the way the Foundation Program is structured, we will need to appropriate \$96 million just to maintain the Foundation Program at the 0% and 0% level.

If I-27 had passed, we would have lost \$550 million in property taxes which, of course, is the primary source for education monies at the county level. He said if the people of the state keep voting to cut taxes, as the three counties with the most high schools did (Lake, Carbon, and Ravalli), then some reorganization is going to have to take place so greater efficiencies can take place in the operation of the state's schools.

Senator Blaylock reviewed a few of the costs of education in the state of Montana. The representative costs of a high school with 1-25 students are:

1. administrative costs - from \$727-\$881 per student
2. 51-100 students \$139-\$745 per student
3. 301-600 students \$143-\$270 per student.

For some of the smaller high schools in the state, the costs of educating a student ran from \$7000 to \$12,000. He noted the students could be sent to some of the finest private academies in the United States for that price.

Senator Blaylock said many of the high schools were established years ago when roads and transportation were very very poor. Today, however, it makes no sense to have high schools 10, 12, and 20 miles apart, many of them right on the interstate.

Montana, which has less than 1% of the population of the United States, has 10% of the school districts, he pointed out.

Senator Blaylock quoted the Governor in his State of the State address, "Clearly Montanans are willing to pay for quality, but they expect and deserve accountability. We must develop a funding formula that encourages both administrative efficiency and educational excellence".

He said he was asked about I-27 more during his campaign than any other issue and spent his campaign dollars consistently in an effort against I-27 and I-105 because of their effect on education. But the voters said something has to be done. This bill is a way to do something which will maintain excellence in our schools and yet cut costs.

PROPOSERS:

ROBERT W. DEMIN, Alberton Joint District #2, Precinct 31B1, presented his testimony in support of the bill (Exhibit #2). He also presented written testimony from:
Ralph Thisted (Exhibit #3)
Susan Stanley (Exhibit #4)
Joseph Aquino (Exhibit #5).

REPRESENTATIVE RAY PECK, District 15, said he has been opposed to consolidation since the 1950's when he was a school superintendent and was even a winning participant in a lawsuit against OPI in a consolidation battle over three schools on the Hi-line. However, at present we are dealing with very different circumstances - larger farms, sparser population. This past year, Representative Peck was a member of a subcommittee of the Legislative Finance Committee which studied school costs in Montana. He was shocked, appalled, and stunned by the wide degree of variance in school costs in the state. Obviously, there will be some

variance for a number of reasons, but based on 30 plus years experience and his Doctorate in educational administration, he had to change his mind. He quoted various parts of the study done by the subcommittee such as a variance of \$117,000 to \$315,000 in total general fund budgets of elementary schools from 51-100 students. The same size high schools ran a variance of \$265,000 to \$706,000. He doesn't know the answer to the problem, but there are some very unusual things happening in the budgeting process in the schools and the taxpayers are paying for them. Local control is very dear to everyone involved in education in Montana. However, the facts and extreme variances in costs dictate a change is drastically needed now and SB 143 is an appropriate vehicle for that change. It does not take away local control but economically encourages consolidation. South Dakota has a state law which says if a school has under 40 students on September 15, that school is automatically excluded from sharing any proceeds of the Foundation Program. An election then has to be held immediately to decide whether the voters will fund the school totally on local support. This is being challenged in a lawsuit, but is, nonetheless, an extreme example of taking away local control in the interest of saving money.

Senator Blaylock's bill does not go to that extreme and Representative Peck would not want to go that far. It is a reasonable bill that does the job well. There is no way to consolidate without causing trouble. It has caused trouble in Hill County where consolidation was willingly undertaken and probably will cause still more.

In these times when tax and cost issues are so clearly and strongly before us we have to look at areas that are major budget items. The public schools take 20% of the general fund budget in this state. He encouraged the committee members to ignore their own personal circumstances in the communities they represent and look at this bill objectively with an eye to reducing the cost of education in Montana.

BOB SINGLETON, Chairman, Laurel School Board, said SB 143 is the lesser of two evils when I-27 is waiting in the wings. He said he doesn't agree with all facets of the bill, but the concept is right and should be pursued. His district has lost between \$3 and \$4 million in taxable value in the last seven years while absorbing an increased enrollment of 300-400 students. The inventory tax loss and Burlington Northern's successful tax reduction suit hit his district hardest in the state. They are the poorest district in the state when you compare taxable values to student numbers. Ability and willingness to pay locally are both necessary ingredients. In a comparison with other small schools, the Laurel district is paying ten times the amount of taxes to raise half the funds to support schools as do other schools. They have a mill levy of over 100 mills and their cost per student is \$2400. Other comparably sized districts have \$4500 to \$5000 to spend on each student raised on 40-50 mills.

Everyone has a problem, but a solution has to be found. If Laurel had to consolidate with Billings, that would be acceptable as long as the quality of education and the cost factors were improved.

JAMES D. MOCKLER, representing the Montana Coal Council, expressed support for the bill.

OPPONENTS:

Senator Brown announced that a packet of opposition letters and listing of phone calls received by the Committee prior to the hearing will be entered into the hearing record (Exhibit #6).

CHIP ERDMAN, representing Local Control, an unincorporated association organized to preserve local control of Montana school districts, presented his testimony in opposition to the bill (Exhibit #7).

BRUCE MOERER, Montana School Boards Association, presented testimony in opposition to the bill (Exhibit #8).

The following presented written testimony in opposition to the bill (most representatives presented written testimony from other persons in their community - this is attached under the same exhibit number):

OPPONENTS	EXHIBIT NUMBER
Trudy Peterson, Judith Gap	9
John J. McNeil, Savage	10
Steve Gaub, Outlook	11
Robert D. Barnes, Nashua	12
Michael Lowe, Saco	13
Keith Bouyl, Highwood	14
Duane Denny, Richey	15
Dave Abel, Custer	16
George Bailey, Plevna	17
Rand Bradley, Froid	18
Monte Meredith, Custer	19
Richard Kanning, Flaxville	20
Dale Fladager, Peerless	21
Carol Mosher, Montana Stockgrowers Montana Grange Montana Cattle Women	22
Pat Chapin, Reed Point	23
Kurt Hilyard, Brady	24
Craig Brewington, Fort Benton	25
Paul Preeshl, KG Schools, Kremlin	26
Doris Nelson, Joplin	27
Sigrid Laubach, Reed Point	28
Richard Beck, Alberton	29
Martha Lauterback, Alberton	30
Ruby Fairbank, Alberton	31
Patricia Darne, Alberton	32
Denise Romo, Bainville	33
Rich Wilson, Dutton	34
Gary Lang, Fallon County	35
Roger Fuchs, Plevna	36
Matt and Dan Thielen, Plevna	37
Ed White, St. Regis	38
Alan Eck, Bozeman	39
Larry Biere, Stanford	40
Ron Marshall, Roberts	41
David Konecny, Trustees of Lavina	42
James Smith, Hingham-Rudyard	43
Charles Taylor, Moore	44
Kathleen Eaton, Turner	45
William R. Ammen, Turner	46
Tina Freeman, Augusta	47
Brian Hert, Hysham	48
James A. Murray, Lambert	49

OPPONENTS	EXHIBIT NUMBER
Elinor Collins, Montana Association of County Superin- tendents of Schools	50
Dwight Hopkins, Box Elder	51
Ginger DeCock, Forsyth	52
Mark and James Wichman	53
Richelle Barnes	54
S. Keith Anderson, Montana Taxpayers Association	55
Alve Thomas, Helena	56
Fred Anderson, President, School Administrators of Montana	57

KATHRYN PFISTER, representing the community of Hysham, said she realized the financial problems faced by the legislature. She felt the bill proposed short term solutions which will create long term problems in education in terms of morale, employment, viability of small communities and student access to quality education. Excellence in education is the best thing we can offer our youth. An investment in their future will pay dividends in our future.

STEVE MCGILL, Augusta, opposed the bill based on his experience as a student in Minnesota when his school of 75 was consolidated into a school of 350. He moved to Montana so his children could have the better education a small school provides.

There being no further opponents, Senator Blaylock was given time to close.

SENATOR BLAYLOCK pointed out Lambert, Richey, Peerless, Turner, Augusta, Custer, and Hysham will not be affected by the bill. He pointed out the dramatic drop in school districts referred to by Mr. Erdman was not caused by voluntary consolidation, but rather by a state law which says if school is not held for two years in the affected school, it will be closed. He said he didn't

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feel he was going to say anything to convince anyone. He said everyone here wants to be treated fairly and wants funding for their schools. In that case, we have to find \$96,000,000 to do it. If the people are going to continue to vote for things such as tax indexing and I-27 and I-105 we are going to have more problems in education, not less. You can't have it both ways. We have to do something and this bill is something.

ADJOURNMENT:

There being no further business to come before the committee, the meeting was adjourned.



SENATOR BOB BROWN, CHAIRMAN

jdr

EXHIBITS:

Due to the excessively large number of exhibits, the complete set of original minutes can be found at the Historical Society. Copies of the minutes in the Law Library and Legislative Council do not contain the exhibits.