

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

February 6, 1987

The tenth meeting of the Senate Education and Cultural Resources Committee was called to order by the Chairman, Senator Robert Brown, at 1:04 p.m. in Room 402 of the state Capitol.

ROLL CALL: All committee members were present except Senators McCallum, Farrell and Neuman, who were absent.

CONSIDERATION OF SENATE BILL 273: SENATOR REGAN, District 47, sponsor of the bill, said the bill allows trustees in first class districts to share the responsibility for visiting each school in the district during the school year. She cited Billings as an example where trustees must visit 38 schools, which requires a minimum 2 hour visit, and often more. She said it is an almost impossible task in larger areas such as Great Falls, Butte, Missoula and Billings. She noted it is a permissive statute change.

PROPOSERS: BRUCE MOERER, Montana School Boards Association, thanked Senator Regan for sponsoring the bill. The MSBA had asked for the legislation and approved it at their delegate convention. It is a simple bill which allows an exception for 1st class district trustees to share visits to schools. If everyone on the Board is working, it is often difficult to get everyone gathered at any given time.

BOB STOCKTON, Office of Public Instruction, supported the bill saying only 16 districts should be affected by the change.

There being no opponents and no questions by the committee, Senator Regan closed.

Senator Blaylock assumed the chair.

CONSIDERATION OF SENATE BILL 235: SENATOR BOB BROWN, District 2, sponsor of the bill, said this is an act changing the definition of pupil to include people who are 19 years old and thereby including 19 year old pupils in the determination of and calculation for funding under the Foundation Program. The only change in

the bill is on page 3, line 23, where "19" changes to "20". There is also a new section establishing July 1, 1987 as the effective date. He said some children don't start school until they are seven years old, some are not promoted, or some lose a year due to sickness, injury, or pregnancy. Therefore, some students are 19 and because student is defined as being age 6 through 18, this change would expand the definition through 19 years of age.

PROPOSERS: BRUCE MOERER, Montana School Board Association, said the MSBA delegate convention had also asked for this bill. He said the emphasis is now on students getting their diplomas, and schools don't get ANB for them if the student is over 19. At present schools are penalized when they encourage students to finish by giving them no ANB. Billings had fifteen students 19 or older this year. He anticipated there being no more than 150 such students statewide. The anticipated \$300,000 cost would be a maximum amount and most probably would be lower as some districts are not reporting those students.

BOB STOCKTON, Office of Public Instruction said OPI supports the bill. He said provisions already exist for juniors and seniors to attend school on a part-time basis and get ANB on a pro-rata basis.

OPPOSERS: There were no opposers.

DISCUSSION BY THE COMMITTEE: SENATOR MAZUREK said a student could participate in sports under exactly the same language now. There are two legal cases pending at the present time, and this bill would add another year to the two years delay students can have now.

BRUCE MOERER replied the sports issue is addressed in the admittance statute, 25-5-101, MCA. That is not being changed. This addresses attendance only.

SENATOR MAZUREK felt it wasn't necessary to change the age, as trustees could waive the attendance restriction.

BRUCE MOERER said if students turn 19 after school starts they can participate, but once they turn 19 the school can no longer receive ANP for them.

SENATOR MAZUREK suggested using the language in 25-5-101.

BRUCE MOERER said that would necessitate a change in the Foundation Program language to comply.

SENATOR BLAYLOCK expressed concern with students age 20 playing football with 15 and 16 year olds.
MR. MOERER said that was one reason why they made the change in the section 20-1-101.

There being no further discussion, the hearing was closed on Senate Bill 235.

CONSIDERATION OF SENATE BILL 199: SENATOR BROWN, District 2, sponsor of the bill, said the bill limits the general fund cash reserve of a school district to 15% of the general fund budget for the ensuing school fiscal year. This is a change from 35% to 15%. The Governor called the special session in June to take care of the budget shortfall, noting there was \$120,000,000 in cash reserves across the state. He said the special session started payments in July rather than September, and the problem is the next payment is not due until January. Since 15% would probably not be enough to get districts by for that amount of time, the proposed amendments (Exhibit #1) include distribution of payments to remedy that situation. Also, there is a new section which establishes a 1990 compliance deadline which allows for transition and gradual depletion of revenues. He stated this bill should provide significant property tax relief without any additional funds having to be raised.

PROPOSERS: BOB STOCKTON, Office of Public Instruction, said OPI supports the bill with the payment schedules included. He presented a deposition from John Campbell and one from Dr. William Poston regarding court cases in which they testified regarding cash reserves (Exhibit 2) and quoted Mr. Campbell as saying if state equalization payments were made every 2 months, there would be no need for cash reserves. Mr. Stockton said a reserve is a budgeting mechanism. The balance left on July 1, less the determination of the dollar amount of the cash reserve, is called the cash balance. He noted PL874 monies from the government can be used in lieu of property taxes and can be used anywhere the funds are tax supported. Since 1985 this has been available to use in lowering budgets or taxes.

PHIL CAMPBELL, Montana Education Association, expressed support for the bill saying cash reserves cause suspension and the accountability issue is raised. He said schools certainly don't need reserves of 25-35%. Lowering the reserve sends a good signal to the public that they are doing things right.

OPPONENTS: DALE ZORN, Superintendent of Schools, Shelby, said they have used their reserves to reduce their levies. With Montana Power and Burlington Northern protesting their taxes and oil tax income proceeds reduced, they feel they cannot get by at less than 20%.

SENATOR ED SMITH, District 10, said his county contributed \$1.2 million to the equalization fund last year. With the drop in oil they lost \$246,000 of operating capital. The superintendent said he couldn't even open school this year if it weren't for cash reserves. They have a large amount of delinquent taxes and protested taxes and with their high contribution to the equalization fund, it isn't fair to penalize them this way.

BRUCE MOERER, MSRA, said he felt local trustees and voters should make the decision. It is necessary to maintain the cash reserves for them to be able to cover times when payments such as 874 funds are irregular or taxes are protested or not paid. He said he wouldn't object to a 25% level, but felt it is a local control issue.

JOE STEINBEISSER, Sidney School Trustee, said he agreed with the previous testimony. He said his previously rich oil country is now dealing with 50% reductions in taxable valuations, loss of 100 ANB over the last two years, protests and non-payment of taxes and trustees are needing to build reserves as a hedge against "bust" times. He noted it is important not to shackle local boards; they're not hiding anything and they should be able to maintain local control.

DISCUSSION BY THE COMMITTEE: SENATOR BLAYLOCK asked Mr. Zorn for further comment.

MR. ZORN said the transition schedule won't help as the reserves have been carefully grown and are really needed. They are using the interest to reduce levies and if the reserve is destroyed that mechanism no longer exists. The public is very aware of reserve dollars and how they're being used.

SENATOR MAZUREK asked Bob Stockton for an average figure across the state.

MR. STOCKTON replied he could get the figures, but the smaller the county, the more they need. He noted a delayed payment schedule wouldn't help the 100% districts. The reserve is a cushion against economic problems and also carries them over from payment to payment.

SENATOR HAMMOND asked if income and taxes are down, do they use their reserves?

MR. STOCKTON said Jefferson County used their reserves to cover protested taxes the last two years, and their reserves are now wiped out. They now have to borrow and pay interest to make it.

SENATOR BROWN closed by saying he realizes the cyclical nature of oil county incomes. He said 60% of the cost of education is carried at the state level and 40% is local. Certainly local control is an issue, but the state is in a bad situation also. The phase-in will give property tax relief while not hurting schools. He felt the 15% level is not as unreasonable as 35%.

Due to the absence of several committee members, no action was taken and the meeting was adjourned.


SENATOR CHET BLAYLOCK, ViceChairman

jdr

ROLL CALL

SENATE EDUCATION AND CULTURAL RESOURCES COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/6/87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BOB BROWN	✓		
SENATOR CHET BLAYLOCK	✓		
SENATOR GEORGE McCALLUM			✓
SENATOR ED SMITH	✓		
SENATOR PAT REGAN	✓		
SENATOR JOE MAZUREK	✓		
SENATOR BILL FARRELL			✓
SENATOR TED NEUMAN			✓
SENATOR DICK PINSONEAULT	✓		
SENATOR SWEDE HAMMOND	✓		

Each day attach to minutes.

DATE 2/6/87

COMMITTEE ON Education

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Alan	Shelby Sch. Dist # 14	199		X
Alan	Dunbar S.D. 2	199		X
Joe B. Steinbeiser J.	Joe Steinbeiser J.	199		X
Joe B. Steinbeiser J.	Sidney School Dist. 185	199		X
Bob [unclear]		199		
Stephen Hugganheim	WAMI	129		
Ray Shaefferford	OPT			
Kathie [unclear]	MFT			
Jesse W. Luning	SAM			
Bruce W. Moerer	MSBA	199		X
Eleanor Collins	Assoc. County Schpt.			X
Pam Langley	Helena School Board Trustee	273	X	
Bruce W. Moerer	MSBA	273	X	
Bruce W. Moerer	MSBA	235	X	

PROPOSED AMENDMENTS FOR SB 199
Senator Brown

1. Title, line 4.
Following: "ACT"
Strike: "TO LIMIT"
Insert: "LIMITING"

2. Title, line 6.
Following: "YEAR;"
Insert: "ESTABLISHING A SCHEDULE OF PAYMENTS FOR
DISTRIBUTION OF EQUALIZATION AID; PROVIDING A
TRANSITION PERIOD;"

3. Title, line 7.
Strike: "SECTION"
Insert: "SECTIONS"
Following: "20-9-104,"
Insert: "AND 20-9-344,"
Following: "MCA"
Insert: "; AND PROVIDING AN APPLICABILITY DATE AND AN
EFFECTIVE DATE"

4. Page 1, line 11.
Following: "reserve."
Insert: "(1)"

5. Page 1.
Following: line 25
Insert: "(2) If state equalization aid is less than 25% of
the foundation program revenue generated in a county
pursuant to 20-9-331 and 20-9-333, then the cash
reserve fund may not exceed 35% of the final general
fund budget for the ensuing school fiscal year."

6. Page 1.
Following: line 25
Insert: "Section 2. Section 20-9-344, MCA, is amended to
read:
20-9-344. Purpose of state equalization aid and duties
of the board of public education for distribution --
conditions of first payment. (1) The money available
for state equalization aid shall be distributed and
apportioned to provide an annual minimum operating
revenue for the elementary and high schools in each
county, exclusive of revenues required for debt service
and for the payment of any and all costs and expense
incurred in connection with any adult education
program, recreation program, school food services
program, new buildings, new grounds, and
transportation.

(2) The board of public education shall administer and distribute the state equalization aid in the manner and with the powers and duties provided by law. To this end, the board of public education shall:

(a) adopt policies for regulating the distribution of state equalization aid in accordance with the provisions of law and in a manner that would most effectively meet the financial needs of districts;

(b) have the power to require such reports from the county superintendents, budget boards, county treasurers, and trustees as it may deem necessary; and

(c) order the superintendent of public instruction to distribute the state equalization aid on the basis of each district's annual entitlement to such aid as established by the superintendent of public instruction. In ordering the distribution of state equalization aid, the board of public education shall not increase or decrease the state equalization aid distribution to any district on account of any difference which may occur during the school fiscal year between budgeted and actual receipts from any other source of school revenue.

(3) Should a district receive more state equalization aid than it is entitled to, the county treasurer must return the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed by the department of commerce.

~~(4) The first payment of state equalization aid must be:~~

~~----- (a) based on an estimate of 20% of each district's entitlement; and~~

~~----- (b) distributed by July 15 of the school fiscal year.~~

(4) State equalization aid must be distributed every 2 months in five equal payments, with:

(a) the first payment:

(i) distributed by July 31 of the school fiscal year; and

(ii) based on an estimate of 20% of each district's entitlement; and

(b) the last payment distributed by March 31 of the school fiscal year.

NEW SECTION Section 3. Transition--applicability.

(1) A school district may reduce its general fund cash reserve in three equal increments one increment each school fiscal year.

(2) The provisions of 20-9-104 are applicable to every school district after June 30, 1990.

NEW SECTION Section 4. Extension of authority. Any

SENATE EDUCATION

EXHIBIT NO. 1

DATE 2/4/87

BILL NO. SB 199

existing authority of the board of public education to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION Section 5. Effective date. This act is effective July 1, 1987."

IN THE DISTRICT COURT OF THE FIRST JUDICIAL DISTRICT
OF THE STATE OF MONTANA
IN AND FOR THE COUNTY OF LEWIS AND CLARK

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Helena Elementary School)
District No. 1 and High School)
District No. 1 of Lewis &)
Clark County; Billings)
Elementary School District)
No. 2 and High School District)
No. 2 of Yellowstone County,)
et al.,)

Plaintiffs,)

-vs-)

No. CDV-85-370

The State of Montana; and the)
Montana Board of Public)
Education; and the Montana)
Superintendent of Public)
Insutruction,)

Defendants,)

and)

Hays-Lodge Pole Elementary)
School District No. 50 and)
High School District No. 50,)
Blaine County; et al., and)
the Indian Impact Schools of)
Montana, an Unincorporated)
Association,)

Intervening-)
Defendants.)

DEPOSITION OF JOHN CAMPBELL

BE IT REMEMBERED, that the deposition upon oral
examination of John Campbell, appearing at the instance of
Defendants, was heard at Helena School Administration
Office, 402 North Warren, Helena, Montana, on the 18th day
of August, 1986, beginning at the hour of 1:30 p.m.,
pursuant to the Montana Rules of Civil Procedure before Ann
Thielen, Court Reporter, Notary Public.

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EXHIBIT NO. 2

DATE 2/6/87

BILL NO. SB 199

1 A. No programs.

2 Q. Any building programs or renovation curtailed or
3 delayed as a result of the 3 percent rollback?

4 A. No. Well, I don't -- I don't know as there was
5 that much in the budget in those --

6 Q. Those areas?

7 A. Those areas, those project areas that you
8 mentioned.

9 Q. Do you have information in that book, John, that
10 could tell us what the cash reserve of the school district
11 was in the school year '85-'86?

12 A. I've got the information here. I don't know as it
13 is in this book, Rick.

14 Q. Here is the '85-'86 (indicating).

15 A. Okay. No, I would have to look at my budgets to
16 tell you what the cash reserve was at the end of '85-'86.

17 Q. And '86-'87, what about the cash reserves for
18 '86-'87?

19 A. I would have to look at my budget documents.

20 Q. And those aren't here this afternoon, John?

21 A. They are not here, no. At the end of the '85 or
22 let's say -- Yeah, '85-'86, budgets, yes, I have those here.
23 Our cash reserve in the Elementary General Fund was
24 \$1,380,651 at the end, or let's say at the beginning of the
25 '85-'86 year, end of '84-'85, whichever.

EXHIBIT NO. 2DATE 2/6/87BILL NO. SB199

1 Q. And what percent of the budget was that; do you
2 have an approximation?

3 A. Oh, between 11 and 12 percent.

4 Q. For the '85-'86 reserve on the elementary level,
5 this is the cash reserve, how did the Board of Trustees
6 determine that amount to be the reserve, the cash reserve?

7 A. How did they determine it?

8 Q. Correct.

9 A. The end of the year cash is either cash reserve or
10 cash reappropriated.

11 Q. The determination, once they determined the ending
12 cash balance, they made a determination as to whether it
13 goes to cash reserve or cash reappropriated?

14 A. Uh-huh.

15 Q. Why did they place \$1,380,000 into cash reserve?
16 Why did they choose that figure?

17 A. Because that's all the cash we had.

18 Q. There was no cash reappropriated?

19 A. There was no cash reappropriated in the year
20 '85-'86 as has been the case for as far back as I go, and
21 the reason why is our cash reserve is not that great and it
22 takes that much money to carry us through that dry period of
23 July through November so that we don't have to register any
24 warrants and therefore create another cost for the school
25 district.

1 Q. Do you have any working papers or cost analysis,
2 John, that you have conducted for the '85-'86 school year to
3 determined that \$1,380,000 was an adequate cash reserve?

4 A. I've got a cash flow, but it's not in relationship
5 to dollars. The 1,380,000 was just enough to get us through
6 November.

7 Q. Okay. That working document that you are talking
8 about, can you identify that? Is that in this --

9 A. You want to look at cash flow?

10 Q. Right. You may want to hold onto that as well.

11 A. Okay. All righty. This is the cash flow for
12 '85-'86 (indicating).

13 Q. Okay. I'm --

14 A. See, this is your base point (indicating). That's
15 where we started out. Okay, I gave you the figure a million
16 three hundred and some odd thousand. That would be that
17 base point, and you can see how we figured it from that.

18 Q. Okay. I'm referring to a graph that's designated
19 Elementary General Fund '85-'86 Actual Cash Flow, and there
20 is one, two, three, four, attachments that also include
21 graphs. You indicated, John, that the borderline, the line
22 that's in the middle of this graph is the cash reserve that
23 is the \$1,380,000?

24 A. Yeah, that's the beginning point of our cash
25 balance or which was all cash reserve.

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1 Q. In your words, what does the first graph indicate?

2 A. Well, it indicates that we are -- We have not as
3 much cash coming in at the beginning of the year as we have
4 going out.

5 Q. At any point, did the school district find
6 themselves in '85-'86 without sufficient cash flow?

7 A. Without sufficient cash to cover to warrants that
8 were being cashed?

9 Q. Correct.

10 A. No, we had enough.

11 Q. Let's go back to '83-'84.

12 A. Uh-huh.

13 Q. You had enough?

14 A. There is one year, '83-'84 or '82-'83 where we ran
15 out in November.

16 Q. Okay.

17 A. But, of course, then the first half, property
18 taxes are paid in the month of November, so by the end of
19 November we had our nose above water again.

20 Q. So with that one year, we're not sure whether it
21 was '83-'84 or '82-'83, there was no cash flow problem for
22 both the elementary and high school district for Helena, as
23 far as you can recall?

24 A. Did you say other than that year?

25 Q. Other than that year.

1 A. No, we have not had any cash flow problem. It's
2 not that we aren't holding our breath and keeping our
3 fingers crossed because we are holding our cash reserve at
4 the point where it's just enough to get us through that
5 driest period of the year, November.

6 Q. And this is true both for the elementary and the
7 high school districts?

8 A. Yes, that is correct.

9 Q. You had mentioned, are these the only working
10 documents that you have put together in terms of determining
11 adequate cash flow to place -- to make certain that you had
12 enough cash reserve? Are these the only working papers that
13 you are aware of, John?

14 A. Yes.

15 Q. Going on, back in those papers, I prepared those
16 papers primarily for another purpose, Rick. The second
17 chart is if we would receive the money, as is the intentions
18 of the state, then our cash flow would not fibrillate as
19 much. The third chart is -- illustrates what would happen
20 with the August 15th payment if it's only in lieu of the
21 September payment. If I may come over there --

22 Q. It would be easier if I handed it to you.

23 A. It goes up here (indicating) in July with that
24 July 15th payment, but when the line comes down here to
25 September (indicating), it's exactly the same as it is over

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1 here. And the line for the rest of the way through the
2 charts, September through June, is exactly the same as it is
3 on this one. And the fourth chart illustrates if the state
4 were to make their state equalization payments during the
5 months of July, September, November, January and March -- in
6 other words, the last one would be in March. Notice my
7 baseline has moved down considerably. The beginning point
8 has moved down so I could get everything on the chart.

9 Q. So the last chart would indicate if you received
10 the state payments once every two months from the state,
11 there would be no need for the cash reserve for the
12 elementary school district?

13 A. That's right, but there is a big if there.

14 MR. BARTOS: I would like that marked Exhibit
15 -- What do we have now. Is this D?

16 THE WITNESS: Well, you had me mark two more
17 pages, here, and that would have been C and D.

18 MR. BARTOS: Okay.

19 (Whereupon, Deposition Exhibits D and E
20 were marked for identification.)

21 Q. (By Mr. Bartos) In the last four years is it
22 accurate to say that the school district has never
23 registered warrants with the County Treasurer to -- because
24 of the inadequate cash flow?

25 A. We have not registered any warrants.

1 Q. Is this true for the high school district as well?

2 A. Yes.

3 Q. And what is the cash reserve for the high school
4 district?

5 A. Beginning of '85-'86, our cash reserve was
6 \$812,442, which is approximately 9 percent of the budget.

7 Q. That was '85-'86?

8 A. Yes.

9 Q. And that's for the high school district?

10 A. Yes.

11 Q. And that was how much?

12 A. And that was for the General Fund only.

13 Q. And that was what percent of the General Fund
14 budget?

15 A. Approximately 9 percent.

16 Q. And that as well was adequate for '85-'86 school
17 year; you had sufficient cash flow to make payments?

18 A. We eat it through.

19 Q. Do you have any similar working documents for the
20 analysis of a high school district, John?

21 A. No, I don't.

22 Q. And did you use a similar method to determine that
23 9 percent was sufficient for your cash reserve in the high
24 school district as you used for the elementary district, the
25 same method of analysis to determine what an adequate flow

1 was?

2 A. Well, theoretically, you know, if everything
3 remains the same between the two districts, that chart that
4 is there for the elementary district would be representative
5 of the high school situation.

6 Q. Let's move on to another area, John. Are you
7 familiar with Rod Svec?

8 A. I know the man, yes.

9 Q. Are you familiar with a study that was conducted
10 by Rod Svec with regard to costing out the accreditation
11 standards?

12 A. I'm not familiar with the report. I know he has
13 done such a thing.

14 Q. You have not had an opportunity to read the
15 report?

16 A. I have not read it. I don't know. He might have
17 provided one to me, but I haven't read it.

18 Q. I hint from there, was it because you didn't want
19 to read it or you haven't had time to read it?

20 A. If I had a copy of it, I don't know where it is
21 now.

22 Q. Have you heard a presentation by Rod Svec on the
23 costing of the accreditation standards?

24 A. Not to my recollection.

25 Q. Have you or anyone in the school district

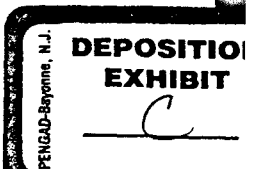
SENATE EDUCATION

EXHIBIT NO. 2

DATE 2/6/87

Helena School District
 Elementary General Fund Financing BILL NO. 5B199
 For The 1986-87 Fiscal Year

Description	Original 1986-87 Budget	W/O First 3 Items of Reduction Thoughts
I. Foundation Program		
City Schools 2,486 ANB X \$1,196.80	\$ 2,975,244.80	
Jim Darcy 309 ANB X \$1,196.80	369,811.20	
Rossiter 483 ANB X \$1,196.80	578,054.40	
Warren 244 ANB X \$1,275.344	311,183.94	
Middle Schools 1,130 ANB X \$1,594.40	1,801,672.00	
Special Education 80% of Budget (\$803,902)	643,121.60	
Total Foundation Program	\$ 6,679,087.94	
II. Permissive Levy	1,669,771.99	
III. Maximum General Fund W/O Vote	\$ 8,348,860	\$ 8,348,860
IV. Voted Levy Financing:		
Motor Vehicle Fees	\$ 450,000	\$ 450,000
Tuition	220,000	220,000
Interest	75,000	75,000
State Annexation Bonus	225,600	225,600
Property Taxation	3,287,582	3,287,582
Cash Reappropriated	222,902	181,485
Total Voted Levy Financing	4,481,084	4,439,667
V. Total General Fund Financing	\$12,829,944	\$12,788,527
VI. Estimated 7/1/86 Cash Reserve (\$1,617,000)	\$ 1,394,098	\$ 1,435,515
VII. Percent of General Fund Budget (12.6%)	10.9%	11.2%



Helena School District
High School General Fund Financing
For The 1986-87 Fiscal Year

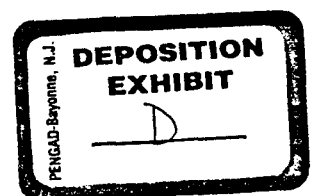
SENATE EDUCATION

FYH'BIT NO. 2

DATE 2/6/87

BILL NO. S 13199

<u>Description</u>	<u>Original 1986-87 Budget</u>	<u>With Voc. Tech Add'l Request</u>	<u>W/O First 3 Items of Reduction Thoughts</u>
I. Foundation Program			
2,682 ANB X \$1,594.40	\$4,276,180.80		
Special Education 80% of Budget \$590,468	<u>472,374.40</u>		
Total Foundation Program	4,748,555.20		
II. Permissive Amount	<u>1,187,138.80</u>		
III. Maximum General Fund W/O Vote	\$5,935,694	\$5,935,694	\$5,935,694
IV. Voted Levy Financing:			
Motor Vehicle Financing	\$ 500,000	\$ 500,000	\$ 500,000
Tuition	240,000	240,000	240,000
Interest	50,000	50,000	50,000
Property Taxation:			
Regular Budget	2,601,303	2,601,303	2,601,303
Vocational Technical	353,533	353,533	353,533
Cash Reappropriated	<u>123,354</u>	<u>174,778</u>	<u>154,271</u>
Total Voted Levy Financing	<u>3,868,190</u>	<u>3,919,614</u>	<u>3,899,107</u>
V. Total General Fund Financing	\$9,803,884	\$9,855,308	\$9,834,801
VI. Estimated 7/1/86 Cash Reserve (\$940,000)	\$ 816,646	\$ 765,222	\$ 785,729
VII. Percent of General Fund budget (9.6%)	8.3%	7.8%	8.0%



SENATE EDUCATION

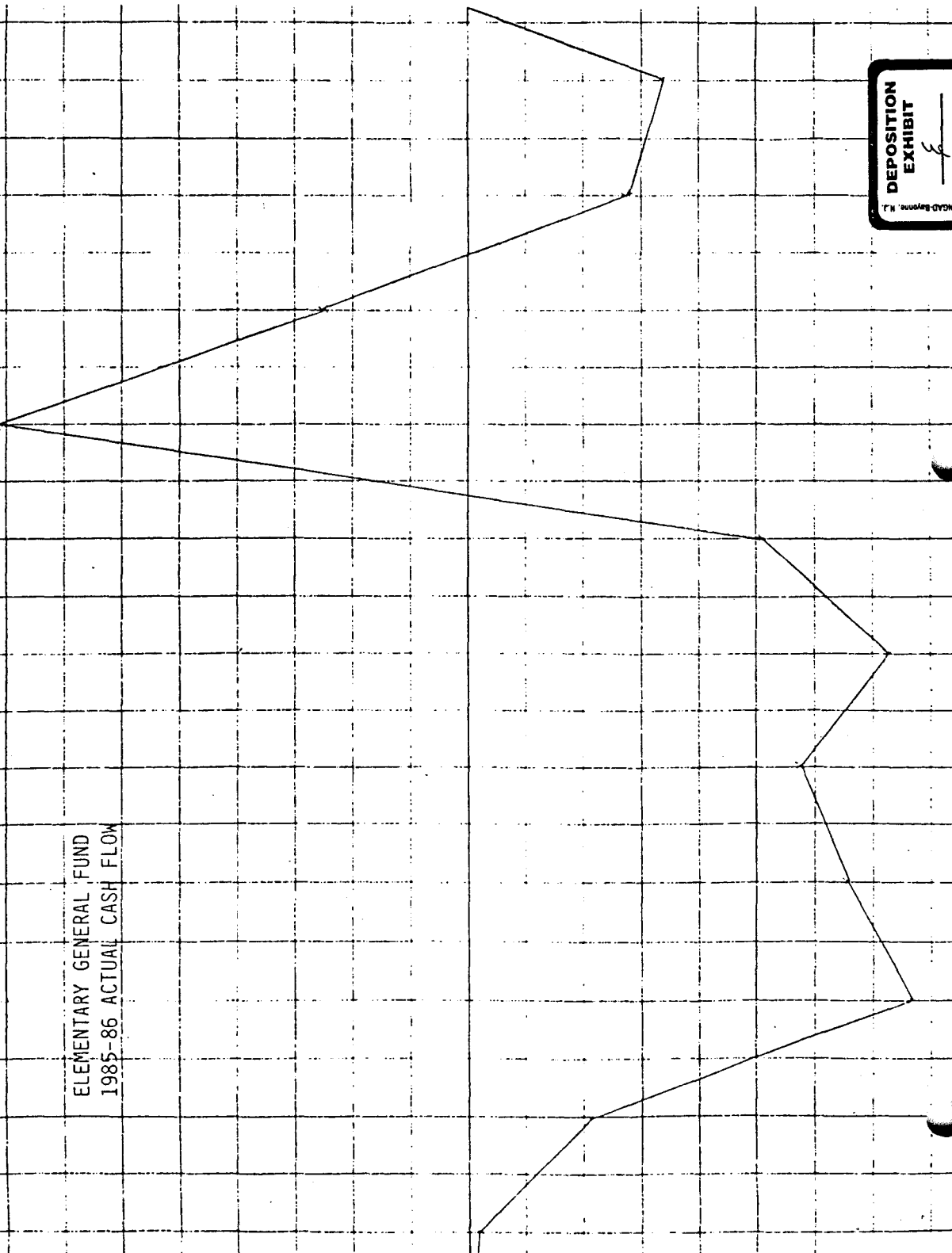
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DATE 2/6/87

BILL NO. SB199

7/30 8/31 9/30 10/30 11/30 12/31 1/31 2/28 3/31 4/30 5/31 6/30

ELEMENTARY GENERAL FUND
1985-86 ACTUAL CASH FLOW



DEPOSITION
EXHIBIT
3
ENGLAND-BAYNE, N.J.

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IN THE DISTRICT COURT OF THE FIRST STATE EDUCATION

JUDICIAL DISTRICT OF THE STATE OF MONTANA

EXHIBIT NO. 2
DATE 3/6/87
SB199

IN AND FOR THE COUNTY OF LEWIS AND CLARK

Helena Elementary School District)
No. 1 and High School District)
No. 1 of Lewis & Clark County;)
Billings Elementary School District)
No. 2 and High School District)
No. 2 of Yellowstone County, et al.,)
)
Plaintiffs,)
)
vs.)
)
The State of Montana; and the Montana)
Board of Public Education; and the Montana)
Superintendent of Public Instruction,)
)
Defendants,)
)
and)
)
Hays-Lodge Pole Elementary School)
District No. 50 and High School District)
No. 50, Blaine County; et al., and the)
Association of Indian Impact Schools of)
Montana, an Unincorporated Association,)
)
Intervening Defendants.)

COPY

DEPOSITION OF DR. WILLIAM POSTON

Taken at the
Billings School Administration Offices
101 Tenth Street West, Central Park
Billings, Montana
Wednesday, August 6, 1986
8:00 a.m. - 11:50 a.m.

1 A. Well, basically, my recommendation would be the
2 more those payments are advanced and coordinated in a
3 timely manner with the cash flow needs of school districts
4 in Montana, the less the need for cash reserves and,
5 consequently, the greater the amount of cash
6 reappropriation and, consequently, the greater taxpayer
7 relief, if you want to call it that. But once the cash
8 reserves are gone, there would be no continuing relief
9 sustainment, but there would be -- there could be a
10 corresponding reduction in the need for cash reserves which
11 causes those other factors to appear.

12 Q. For instance, this -- what has happened so far
13 is the September payment has been moved to July 15.

14 A. Yes.

15 Q. And now there is, I guess, a gap between July
16 and November or December in that payment schedule.

17 Would you recommend to the board that all the
18 payments be made before January 1 or all but one or --

19 A. I couldn't answer that with certitude. I would
20 have to say that what the board, in my opinion, should do,
21 is monitor cash flow needs generally for school districts
22 and then try to time the payments to school districts in a
23 way that there would not be a cash shortfall causing school
24 districts to have to borrow money to operate along the way.

25 And whether they all come before January or

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1 whether they come, you know, three or four times throughout
2 the year or whether they all come in July, I think that
3 would have to be a judgment made on what those cash
4 requirements are.

5 Q. And it doesn't appear that there is any real
6 problem as to when the money comes to the district in your
7 district?

8 A. No.

9 Q. Based on the history that you have on your --

10 A. No.

11 Q. -- comparison of reserves?

12 A. With -- No. But with the assumption that that
13 July payment continues.

14 Q. Right.

15 A. Yes.

16 Q. But you don't care when the other payments come?

17 A. Oh, sure, I do.

18 Q. Well, do you have any specific recommendations?

19 A. Well, I have worked in states where there were
20 no cash reserves because the legislature enacted laws which
21 allowed the A and B foundation payments to school districts
22 to occur at a time when the school district then didn't
23 have to borrow money or didn't have to maintain a cash
24 reserve.

25 So, there is a potential for obviating the need

1 for cash reserves if the state assumes the responsibility
2 for meeting the cash flow needs of school districts.

3 Q. And the only real problem, then, is when the --
4 is timing those payments?

5 A. Yes.

6 Q. And if you timed the payments the right way, you
7 could do away with the need for cash reserves?

8 A. Yes.

9 Q. And I take it Arizona is a state that doesn't
10 have cash reserves.

11 A. That's correct.

12 Q. And --

13 A. The school districts do not have cash reserves.

14 Q. And when do they make their payments?

15 A. Well, as I recall, they come every other month,
16 as I recall. And they are based on the previous year's
17 A and B or in that state it's -- it's A, D, M.

18 And there were very few times when school
19 districts that I was affiliated with ever had to register
20 warrants or borrow money to meet operating expenses.

21 Q. In your experience here, have you had to
22 register warrants to borrow money?

23 A. In Billings?

24 Q. Yes.

25 A. Yes, I believe we did in one fund or another. I

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