

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By Chairman Ted Schye, on January 23, 1989, at 3:00 p.m.

ROLL CALL

Members Present: All with the exception of:

Members Excused: Rep. Fred Thomas

Members Absent: None

Staff Present: Andrea Merrill, Legislative Council Researcher

Announcements/Discussion: None

HEARING ON HB 233

Presentation and Opening Statement by Sponsor:

Rep. Dave Brown, District 72, Butte said this is his fifth Legislative Session to carry this bill addressing overhead funds that go into research and development contracts for the University System. He said these funds include everything from heat and light to secretarial and computer support that surround the contractual proposals to each entity involved, whether it be the National Science Foundation or some private foundation. Rep. Brown stated HB 233 is also an incentive bill asking that the cost reimbursements to the University System be funded at 100%. He said the full 100% for indirect costs is included in Governor Stephens' budget for the additional 13 million dollars. Rep. Brown continued that in 1981 reimbursement levels were set at 15% and in 1987 increased to the present 50% level. He said it is important to encourage the researchers within the University System to work hard and bring back contracts to the system adding credit to the professor, additional prestige to the University System, and as a result providing more money for the entire University System. However, Rep. Brown stressed this research will not continue to happen if there is no residual purse in which to pay for expenses incurred for and during research and development.

Testifying Proponents and Who They Represent:

Carrol Krause, Commissioner of Higher Education
John Juhila, Vice-President, Montana State University
Gary Strobel, Director, MONTS (Montanans on a New Track for
(Science), Professor, Plant Pathology, Montana State
University (MSU)
Ray Murray, University of Montana (UM)
David Toppin, Vice-President, Montana Tech
Stacy Farmer, Associated Students Montana State University
(ASMSU)
Rep. Norm Wallin, District 78, Bozeman
Terry Minow, Montana Federation of Teachers (MFT)
Mike Craig, Associated Students University of Montana (ASUM)

Proponent Testimony:

Carrol Krause said HB 233 is one of the highest priorities of the Board of Regents and will generate approximately 1.1 million dollars per year. He said it is important to understand the concept of indirect costs in that if a faculty member writes a grant for \$100,000.00 usually the Federal Government or private granting agency would provide the \$100,000.00 plus what is called an overhead cost at perhaps a 25% rate. Mr. Krause continued that at the 25% rate it would mean an additional \$25,000.00 to cover the overhead of operating the grant for such things as setting up the accounting records if payrolls are involved, paying for lab equipment, or purchasing other necessary materials pertinent to the project. He closed his testimony by saying nearly 80% of grants and contract money is spent in the State of Montana totalling approximately 25 million dollars which is a tremendous enhancement and major contributor to economic development in Montana.

John Juhila, (EXHIBITS 1 and 2.).

Gary Strobel said the University System needs these dollars to grow and develop in an atmosphere of research and competition. He stated virtually every state in the union has come to realize the economic development of the state is somehow connected to what goes on in the University Systems and that university professors are hired to teach and promoted on their ability to do research. If there are no funds to do this research the professors will go elsewhere and their brainpower will be lost. He also said while Montana has been close to the bottom of the scale as far as research dollars given on a competitive basis we have effectively doubled our competitiveness within the last eight years and quadrupled the dollars coming into the

state over what it was ten years ago. Mr. Strobel also submitted (EXHIBIT 3.) into testimony.

Ray Murray, (EXHIBIT 4.).

David Toppin said Montana Tech derives between \$100,000.00 and \$200,000.00 each year in indirect cost recoveries on research contracts totalling between 2 and 3 million dollars. Mr. Toppin said the key to determining if we should be keeping 50% or 100% of these indirect costs recoveries is what is done with the dollars and the effectiveness in benefiting the citizens of the State of Montana. He said at Montana Tech indirect cost recovery dollars are used for the preservation and wise use of Montana's resources.

Stacy Farmer stated support for HB 233 and said recovery of these indirect cost dollars will result in a unique opportunity for the research and development of important technical services.

Rep. Norm Wallin voice support for HB 233.

Terry Minow stated support for the bill saying in the past the Legislature had tapped part of these indirect costs for the General Fund. She stated hope that this Legislature would resist the temptation to continue that practice.

Mike Craig said ASUM supports the ability of the University System in retaining the indirect costs associated with securing grants and research awards. He said students will benefit from partaking in these research activities with hands on experience in their academic careers.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: None

Closing by Sponsor: Rep. Brown thanked the committee and recommended a favorable committee report on HB 233.

DISPOSITION OF HB 233

Motion: Rep. Stang made the motion that HB 233 DO PASS.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: Motion CARRIED upon unanimous voice vote.

HEARING ON HB 88

Presentation and Opening Statement by Sponsor:

Rep. Hal Harper, District 44, Helena said HB 88 is an act to provide for the distribution of state equalization aid to school districts in five payments and provides an effective date. Rep. Harper said he would reserve his time for the proponents to speak to the bill.

Testifying Proponents and Who They Represent:

John Campbell, Montana School Business Officials
Antoni Campeau, Legislative Intern, Board of Public Education
Jesse Long, School Administrators of Montana (SAM)
Bruce Moerer, Montana School Boards Association (MSBA)
Eric Feaver, Montana Education Association (MEA)
Terry Minow, Montana Federation of Teachers, (MFT)
Jean Hagan, Superintendent, Big Fork

Proponent Testimony:

John Campbell, (EXHIBITS 5 and 6.).

Antoni Campeau, (EXHIBIT 7.).

Jesse Long said HB 88 is a step in the right direction to frontload the distribution of state equalization payments and would be of definite benefit to the school districts. He said this is a good first step but as funding proposals are considered by this Legislature the SAM would suggest consideration of twelve equal payments with distribution made to the districts on that basis.

Bruce Moerer stated that HB 88 is a reasonable recommendation and compromise between the finances of the state and the finances of the schools. He said this is important for cash flow purposes to the school districts and needs immediate consideration. Addressing the fiscal note Mr. Moerer said even though there is financial impact on the state we must remember it is also a considerable weight taken off local schools and local taxpayers.

Eric Feaver stated support for HB 88.

Terry Minow stated support for HB 88.

Jean Hagan stated support for the bill for reasons previously given.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: Rep. Darko asked Bruce Moerer how much this would reduce reserve requirements for school districts and Mr. Moerer replied this would have to be determined by a district by district analysis. He said it would depend on how much money the district gets from the state since some districts are more dependent on this than others.

Rep. Simpkins asked Jesse Long if the reserves are designed to take care of the cash flow problems that exist between July 1 and November 30 of each year because of tax collection schedules. Mr. Long answered that the reserves are intended to take care of that interim of time when they receive their equalization payments until they receive their tax payments.

Rep. Eudaily asked Jesse Long if the interest earned by the districts would be used to lower the levies of the next year rather than be viewed as more money for the district to spend. Mr. Long said it would be considered as part of the reduction of any mill levies left to the discretion of local Boards of Trustees.

Rep. Eudaily then asked Rep. Harper if perhaps the committee should consider an effective date of July 1, 1990 so this legislation could be incorporated into the total equalization package. Rep. Harper replied a suitable date can be negotiated and that frankly he was hoping there would be no need for HB 88.

Rep. Wallin asked Rep. Harper if the state in its investment program might earn more interest with this money than at the local level. Rep. Harper answered that may be true however, a little money in the school pockets means more than a little money in the state's pockets, especially in light of today's school economic problems.

Closing by Sponsor: Rep. Harper thanked the committee and said perhaps HB 88 should reside with the Education Committee

until further funding options are studied.

HEARING ON HB 230

Presentation and Opening Statement by Sponsor:

Rep. Berv Kimberley, District 90, Billings said HB 230 allows elementary tuition to be waived at the discretion of the Board of Trustees as is the case with high school tuition laws. He said at the present time elementary school districts can not make allowances in deserving situations such as individual cases of family or financial hardship. Rep. Kimberley said HB 230 would allow the districts to waive tuition and allow for the cooperation between districts to provide programs at reduced tuition levels.

Testifying Proponents and Who They Represent:

Bruce Moerer, Montana School Boards Association (MSBA)

Eric Feaver, Montana Education Association (MEA)

Jesse Long, School Administrators of Montana (SAM)

John Campbell, Montana School Business Officials

Proponent Testimony:

Bruce Moerer said at present a high school district can partially waive tuition if it is a deserving situation but that the language in the elementary tuition laws does not allow for that waiver. He said tuition is the local contribution in dollars to each student's education and districts have different policies as to whether they wish to waive tuition. Mr. Moerer said HB 230 would allow the districts to waive or partially waive tuition in individual needy cases.

Eric Feaver said HB 230 would provide a good opportunity to meet various needs within the district and provide consistency between high school and elementary policies as to the waiver of tuition. He said HB 230 also retains local district control with the receiving district determining how it wishes to waive the tuition. Mr. Feaver also stated this may be one way to provide kindergarten services in one school district while the other districts are able to send their children to that kindergarten.

Jesse Long said this is a local decision to provide for unusual hardship cases and allowing for the adequate educational needs of the student.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: None

Closing by Sponsor: Rep. Kimberley thanked the committee and recommended a positive vote of HB 230.

DISPOSITION OF HB 230

Motion: Rep. Darko made the motion that HB 230 DO PASS.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: Motion CARRIED upon unanimous voice vote.

HEARING ON HB 173

Presentation and Opening Statement by Sponsor:

Rep. Richard Nelson, District 6, Kalispell said HB 173 deals with phasing in a loss of ANB revenue as a result of HB 340 passed in the 50th Legislative Session. In comparing the old and new laws Rep. Nelson said previously ANB was calculated individually for each school except where more than once school in the district is located in the city limits and when the new law goes into effect next year the ANB will be calculated on the aggregate number of students in the district unless the schools are more than three miles apart.

Testifying Proponents and Who They Represent:

Bruce Moerer, Montana School Boards Association (MSBA)
Jesse Long, School Administrators of Montana (SAM)
Larry LaCounte, Superintendent, Arlee
Steve Gaub, Superintendent, Charlo
Joe McCracken, Superintendent, Lockwood Schools
Jean Hagan, Superintendent, Big Fork
Ramona Stout, Superintendent, Huntley Project
Lyle Eggum, Principal, East Helena
Terry Minow, Montana Federation of Teachers (MFT)
Eric Feaver, Montana Education Association (MEA)
Don Wetzell, Superintendent, Corvallis

Proponent Testimony:

Bruce Moerer, (EXHIBITS 8, 9, 10, 11.).

Jesse Long said administrators following the rules were led into this circumstance innocently and that if these funds are immediately removed there will be an obvious substantial loss of revenue in many districts. Mr. Long said this loss of revenue plus the impact of I-105 is sufficient cause to allow an extended phasing-in period of five years.

Larry LaCounte said Arlee is one of the districts that made a bond commitment to construct a building for junior high programs and that it was astute business management to take advantage of the law at the time. He said the loss to his particular district due to HB 340 is approximately \$160,000.00 and to make this up the district would need to assess 134 mills, which is obviously impossible. To conclude his testimony, Mr. LaCounte said his district should be grandfathered in because it was complying with the law at the time and feels no responsibility for the penalty.

Steve Gaub, (EXHIBIT 12.).

Joe McCracken, (EXHIBIT 13.).

Jean Hagan, (EXHIBIT 14.).

Ramona Stout said her district will lose approximately \$75,000.00 and has no way to recover the loss because of I-105 and that her district can better deal with a graduated loss over a five year period. She also said her school district is using State Foundation Program money effectively in providing a solid education for its students.

Don Wetzel said his is one of the poorest districts in Montana and is at the bottom of every list as far as teacher salaries and dollars spent per student. He said the implementation of HB 340 would greatly hurt his school district. Mr. Wetzel said his district has already made personnel cuts as well as eliminated many programs. He urged passage of HB 173 to cushion the blow to his school district.

Lyle Eggum said East Helena has already drained its reserves to the bare minimum with HB 340 providing for a \$17,000.00 shortfall.

Terry Minow asked the committee to maintain education services in Montana school districts by addressing the concerns raised in HB 173.

Eric Feaver stated support for HB 173 and said the MEA is somewhat reluctantly sympathetic to amending in order to grandfather in districts who were following the law at the time the change was made. He said the real dilemma is our inability in coming to grips with comprehensive reform of the Foundation Program and remedy to Loble.

Testifying Opponents and Who They Represent:

None

Opponent Testimony: None

Questions From Committee Members: Rep. Gervais asked Bruce Moerer what effect HB 173 would have on schools receiving 874 funding. Mr. Moerer answered this would be even more difficult for those schools because it is impossible to go back to the voted levy and make up for this loss of funding since there is no tax base.

Rep. Eudaily asked Bruce Moerer if a district has increasing enrollments would it be penalized and he answered if enrollment increased sufficiently putting a district at the bottom end of the Foundation Program schedule this wouldn't make a difference. He continued that most districts aren't facing enrollment increases but that this would have to be dealt with on an individual basis.

Rep. Cocchiarella asked Bruce Moerer how many school districts wished to be grandfathered in and he said approximately 24 districts.

Rep. Eudaily asked Larry LaCounte if the new building in Arlee was built by passing a bond issue or paid for with General Fund money. Mr. LaCounte answered that a bond was passed with the intent that the source of funding would be from increased funding for the junior high building.

Rep. Glaser asked Don Wetzel what the local effort in Corvallis is and stated Corvallis is a districts that spends one of the least amounts of ANB per student. Mr. Wetzel said he'll be trying to run the first levy in Corvallis history and that his district has used all reserves in order to get through the last few years.

Closing by Sponsor: Rep. Nelson thanked the committee and said he hoped for a favorable report on HB 173 which is designed

to spread the agony out over a five year period.

DISPOSITION OF 229

Motion: Rep. Harrington made the motion that HB 229 DO PASS.

Discussion: None

Amendments, Discussion, and Votes: Rep. Harrington made the motion to amend HB 229 (EXHIBIT 15.).

Rep. Phillips remarked there are going to be many long term obligations on asbestos removal in Montana schools and Rep. Harrington said it is an obligation the State of Montana can not ignore because of Federal regulations.

Rep. Zook said he felt obligations of this magnitude should go to the vote of the taxpayers so they are informed as to what is happening in the district. Rep. Harrington said if this problem is put to the vote of the people and is turned down the work nonetheless must be done.

Rep. Simpkins said taking the vote of the people away is a serious step with obligations of this great magnitude. Rep. Harrington once again said HB 229 is just another method of obtaining funding for these projects that must be undertaken.

Rep. Cocchiarella said local Boards of Trustees have been elected by the people to make these decisions.

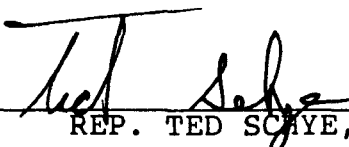
Rep. Glaser stated his doubt HB 229 would pass the Senate saying even though HB 228 did pass the Senate it dealt with a great deal less money.

Roll Call Vote taken to amend HB 229 FAILED 8 yes, 11 no.

Recommendation and Vote: Rep. Harrington's motion that HB 229 DO PASS CARRIED upon unanimous voice vote.

ADJOURNMENT

Adjournment At: 7:30 p.m.



REP. TED SCHYE, Chairman

DAILY ROLL CALL

EDUCATION & CULTURAL RESOURCES COMMITTEE

DATE _____

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ted Schye, Chairman	✓		
Rep. Fritz Daily, Vice-Chairman	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Paula Darko	✓		
Rep. Ervin Davis	✓		
Rep. Ralph Eudaily	✓		
Rep. Floyd Gervais	✓		
Rep. Bill Glaser	✓		
Rep. Dan Harrington	✓		
Rep. John Johnson	✓		
Rep. Tom Kilpatrick	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Richard Simpkins	✓		
Rep. Wilbur Spring, Jr.	✓		
Rep. Barry "Spook" Stang	✓		
Rep. Fred Thomas			✓
Rep. Norm Wallin	✓		
Rep. Diana Wyatt	✓		
Rep. Tom Zook	✓		

STANDING COMMITTEE REPORT

January 24, 1989

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Mr. Speaker: We, the committee on Education and Cultural Resources report that HOUSE BILL 233 (first reading copy -- white) do pass .

Signed: _____
Ted Schye, Chairman

STANDING COMMITTEE REPORT

January 24, 1989

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Mr. Speaker: We, the committee on Education and Cultural Resources report that HOUSE BILL 230 (first reading copy -- white) do pass .

Signed: _____
Ted Schye, Chairman

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STANDING COMMITTEE REPORT

January 24, 1989

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Mr. Speaker: We, the committee on Education and Cultural Resources report that HOUSE BILL 229 (first reading copy -- white) do pass.

Signed: _____
Ted Schye, Chairman

Indirect Cost (IDC) Funds

Activities Supported and Achievements in FY 1988
at Montana State University

- (1) Sources of IDC: * Total number grants - 963
* Total awards - \$14,946,631
* IDC income - 1,640,000

- (2) IDCs invested \$ 913,682 (MSU share)
259,880 (FY87 carryover)
\$1,173,562 Total

(3) <u>Investment Portfolio</u>	<u>Total investment</u>	<u>% Total</u>
a. Faculty development	\$701,531	59.8
MONTs		
Research Creativity		
Matching/Start-up		
Department support		
b. Research Support	332,969	28.4
Facilities and program		
Computer systems		
Regulatory committees		
c. Applied Research and		
Technology development	102,164	8.7
Materials Center		
Biotechnology program		
d. Technical Assistance	36,898	3.1
University Technical Assistance		
Survey Research Center		

- (4) Return on Investment (Examples)
a. Number of proposals submitted increased dramatically (493 to 577)
b. 74 or more than 15% of faculty directly benefited by IDC investment
c. Strengthening of infrastructure affected faculty campus-wide.
(ie., computer usage up 1600%)
d. Preliminary results show monetary returns of better than 5:1.
(examples)

	<u>Investment</u>	<u>Return</u>
MONTs	\$218,094	\$1,175,421
New Hires	230,000	2,062,000
Programs - Reclamation	31,905	450,000
Materials	178,000	1,700,000

- (5) Conclusions on IDC investments
a. Faculty development improves their ability to garner grants
b. Federal agencies more inclined to fund proposals with institutional match
c. Funding new research initiatives helps the institution keep pace with rapid changes in science (ie., molecular biology, materials) and enhances opportunities for funding.
d. Use of IDC to strengthen infrastructure (equipment, facilities, botanical help) improves research performance and funding makes faculty more competitive because they have the tools to compete with their national peers.

Revised 12/20/88

A Report to the Legislative Finance Committee:
Activities Supported and Accomplishments Achieved with
Indirect Cost Funds at Montana State University

The Rationale for Uses of IDCs

Indirect costs (IDCs) are incurred by colleges and universities in the process associated with the administration of grants and contracts. These costs are reimbursed by the funding agency in recognition of the large number of institutional resources that are associated with administration and support of the research. These reimbursements are intended to support the research infrastructure including departmental administration, research facilities, research equipment maintenance and library services, but in addition the reimbursements are used to appropriately enhance research capability and encourage technology development and transfer. Indeed, lacking state sources of funds the IDC reimbursements are frequently the only available funds for these purposes. The MSU appropriated budget does not contain funds for research development nor is its public service budget adequate to support any significant level of technology transfer. The use of IDC reimbursements facilitate technology development and transfer. IDC reimbursements also serve to support economic development in the state by boosting its technical base and by fostering the commercialization of new products and processes. This report focuses on the benefits accrued to the people of Montana through

Montana State University, but it should be understood that there are additional long-term benefits to the Bozeman area, to the state and to the intermountain region.

The IDC Investment Fund -- IDC recovery for FY88 was \$1,639,682. After the state portion (\$726,471) was subtracted from the total, a sum of \$913,682 plus a carryover of \$259,880 from FY87 totaling \$1,173,562 was available for research investments for FY88. All FY87 and FY88 IDCs (\$1,173,562) have been committed and budgeted for expenditure, however actual expenditures during FY88 were \$933,572. The remaining IDCs (\$239,990) will be expended in FY89 as budgeted FY87 and FY88 projects are completed.

A summary of IDC expenditures for FY88 is found in the last page of this report. For FY88, the productivity of the research program at Montana State University was significantly increased over the previous year. Grant and contract expenditures of \$14.95 million were reported for FY88 representing an increase of \$1.9 million or 12 percent over FY87 expenditures. Total research expenditures including those of the Agriculture and Engineering Experiment Station Program exceeded \$26 million.

Continuing an aggressive approach to the future, MSU faculty and staff prepared and submitted 519 research proposals to various Federal and State agencies and private sector sources in FY88. This represented an increase of 20 submissions over that reported for FY87. Moreover, the success rate (number of proposals funded/number submitted) increased from 34 percent to 39 percent indicating a strengthening of the quality of the proposals.

developed by MSU faculty and the competitive nature of both the ideas and capability represented in those proposals.

The Investment Portfolio

For FY88, and again in FY89, IDC funds were invested into four general categories of research support and technology development. They were faculty research capability development, institutional research support services, applied research and technology development programs, and the technical assistance program.

I. Indicators of Success at Program and Individual Level for FY88

- (A) Montanans on a New Track for Science (MONTs) is a small grants program initiated with an NSF grant in 1981 and intended to increase the competitiveness of Montana University System faculty in the grant programs of Federal agencies. In FY88, \$218,094 was invested in the MONTs enterprise.

This program continues to be highly successful. MONTs grantees increased their total awards from \$441,028 in FY87 to \$1,726,449 in FY88 for a net difference of \$1,175,421. With IDC support of \$218,094, MONTs grantees successfully garnered over a million additional dollars in grant support, a five fold return in investment.

- (B) The MSU Research Creativity project consists of (1) a visiting speakers program that brings nationally and internationally recognized scientists and engineers to campus, (2) research stipends for graduate students, (3)

summer research stipends for faculty and (4) travel support.

Expenditures in each category are summarized as follows:

Speakers	\$ 28,479
Graduate Student Support	8,337
Faculty Summer Stipends	60,277
Faculty Travel Support	<u>8,356</u>
	\$ 105,449

- (1) Speakers Program. The speakers program brought to the campus 97 distinguished scientists, engineers, and social scientists as well as scholars from the humanities and arts to interact with MSU faculty and students at a cost of \$28,479. The visiting scholars represented a large array of outstanding institutions and companies including Columbia University, University of Pennsylvania, Stanford University, University of Washington, Bell Laboratories, University of Wisconsin, Harvard University, Ohio State University, Universal Studios and the University of Chicago to name a few.
- (2) Graduate Student Stipends. Ten graduate students received a total of \$8,337 for support of their thesis research. Nearly all of the students gave papers at regional or national meetings with this support. Much of their research will result in new project development or enhancement of existing projects.

(3) Faculty Summer Stipends. Seventeen faculty members received a total of \$60,277 for summer stipends which allowed them to initiate or continue research on a full-time basis. All of these faculty have published or have pending publications of their work. Nine of the supported faculty also prepared grants for submission as well as publishing the results of their summer work.

(4) Faculty Travel Support. Funds totaling \$8,356 were expended for travel of researchers to other laboratories, libraries, and special facilities in the U.S. Often these trips developed or supported collaborations with colleagues at other facilities, again enhancing the competitive position of Montana State University in the nation's academic research communities.

(C) Matching Funds for Equipment Acquisition and Start-Up Funds for New Faculty were invested in an effort to accelerate their research productivity. Funds for initiating research projects of new faculty are generally negotiated at the time of hire. Faculty that move to MSU often must interrupt and, in some instances, change the direction of their research. In order to make the transition easier, the University may invest IDC resources in equipment, facilities or research support. Our experience shows that providing such assistance

speeds the rate at which the new faculty member re-enters the mainstream of competitive research.

Because of the lack of basic support and the rapid development of technology, MSU research equipment has been acquired with assistance of IDC funds, by combining with other matching funds obtained from private sources, and by providing institutional matching funds for Federal agencies. These agencies often require an institutional match to insure that the grant is given the necessary university commitment to be successful. Further, some funding sources only provide equipment grants, if the institution provides technical services and maintenance. Indirect cost recovery funds often are used to satisfy these requirements.

Matching and start up funds for several outstanding hires and grant-competitive faculty were provided in FY88. In addition, the University made significant investments in major technical centers that were equipment intensive. Some notable examples of the "return" on IDC investments include:

- (1) An \$80,000 equipment and remodeling package for Dr. Tom Livinghouse, a new hire from the University of Minnesota, in Chemistry. The match also satisfied the matching requirements of three National Institutes of Health grants brought with the hire which total nearly \$500,000.

- (2) A \$70,000 (\$30,000 in FY88) equipment match for an NSF grant of \$1.2 million to develop a Molecular Beam Epitaxy facility in Physics.
- (3) Numerous smaller investments, in the past, have been provided for several new hires and have served to rapidly move these faculty into grant competition. All new hires in FY89 have submitted grant proposals to one or more agencies.
- (D) In an effort to stimulate research in programs where grant and other research resources are difficult to acquire, "block" grants totaling \$90,000 were awarded to colleges on the basis of proposals describing the expected achievements of faculty that would receive support for development and research.

Block grants were awarded to five colleges to stimulate research in faculty groups often deprived of grant development funds and not particularly skilled in seeking support. These funds were used to provide summer salaries, computer software and equipment, travel to libraries and various research materials. A total of 39 faculty received awards and achieved the following during FY88.

<u>Achievement</u>	<u>Number</u>
Completed book	2
Published article	16
Prepared grant	4
Prepared book chapter	3
Feature length film	1
Presentations	6

Report of four colleges with a total of 29 faculty participating.

- (E) Indirect cost funds totaling \$177,988 were returned to research-active departments in support of secretarial and technical assistance, supplies, equipment and general operating funds. The allocations were based on the overall departmental research effort as a percentage of the total institutional contract and grant activity.

The return on this investment is difficult to measure but its impact on faculty morale and research productivity undoubtedly is significant. Because funds for operation in all departments at MSU are, relatively speaking very low, these support funds become precious and are critical to the research efforts of the faculty.

Uses of the funds have been reported in the following way:

<u>Personnel</u>	<u>Supplies</u>	<u>Travel</u>	<u>Equipment</u>	
<u>Maintenance</u>				
\$62,955	\$14,421	\$13,696	\$64,615	\$2,066
Total Expenditures =		\$157,753		
Commitments (Unexpended)		<u>20,235</u>		
		\$177,988		
		=====		

Personnel includes technicians, secretaries, graduate and undergraduate students, faculty salary and labor.

Equipment: The major items are computers and accessories.

II. Institutional Research Support

A. Facilities and Programs. Institutional programs are designed to support a broad segment of campus research activities; the research infrastructure. Included in this function is support for facilities management, equipment acquisition and maintenance, technical personnel, institutional review boards (e.g., chemical/radiation safety, animal care, biosafety, etc.), and such auxiliary research units as the Animal Resource Center, the 49th Parallel Institute, the Water Center and the Reclamation Research Unit.

1. Animal Resource Center. Personnel costs of \$45,000 are provided by the MSU basic budget through the Vice President for Research. The IDC funds are used in addition for maintenance and to provide animal care for unfunded faculty. A state-of-the-art facility, the Center provides high quality care for several thousand mice, rats, guinea pigs, chickens, rabbits and a variety of wild rodent species. This is an indispensable research resource for biomedical and agricultural research.
2. 49th Parallel Institute. For FY88, the Institute received \$13,000 of IDC funding which contributed to grant and contract activity of \$153,509. For FY89, expenditures from some nine grants are

expected to increase to \$185,000. The Institute focuses on U.S. Canadian policy issues related to water, agriculture and trade, and provides state government with important consultative services.

3. Water Center. Charged with coordinating water research in the University System, the Center conducts water research in Montana under a \$100,000 United State Geological Survey (U.S.G.S.) grant together with \$23,759 of IDC return. Additional funds are acquired from State and other Federal sources as part of a required 1:1.5 match for continued funding from U.S.G.S.
4. Reclamation Research Unit. A \$31,905 IDC investment in support of Reclamation Research brings nearly \$500,000 in grants and contracts annually to MSU. One of the few Universities given Superfund work, the Unit engages in research in collaboration with the private sector on Montana Superfund sites including East Helena and Silverbow Creek.
5. Technical Support Personnel. IDC funds are invested in project personnel who provide technical services including technicians, secretarial assistance and student labor to specific projects or equipment installation. During 1988 some three technical and professional FTEs, representing \$71,038 in expenditures, contributed to the support of 10

individuals that provide technical assistance for the operation of major equipment, electronic and mechanical shops and computers.

6. Miscellaneous Expenditure. Miscellaneous expenditures of \$1,267 were made in the Biomedical area.

- B. Computer Acquisition. The modernization of our computer resources, indispensable to the research community, is a new IDC funding item for FY88. An investment of \$122,000 in FY88 has contributed to the acquisition and maintenance of our recently installed Digital Equipment Corporation (DEC) computer system, broadband network, the BITnet network and the National Science Foundation (NSF) supercomputer network.
- C. Regulatory Committees. There are four committees charged with the responsibility of monitoring rules and regulations required by state and Federal law. These four committees are designated as Institutional Review Boards (IRB) and they received \$25,000 in support during FY88. If committee duties become time-consuming, some salary funds are provided. The IRBs are responsible for reviewing all laws, developing institutional policies to comply with Federal rules and regulations, and managing their respective responsibilities on a day-to-day basis.

III. Applied Research and Technology Development

Investments of Indirect Cost recoveries are made in certain Research Centers and allied programs whose research contributes to product development and technical assistance through cooperative efforts with industry. For FY88, MSU initiated two major programs; one in Materials Research and the other in Biotechnology.

A. Materials Center. In 1987, Montana State University established a Center of Excellence to promote research and technology development with respect to new materials. IDC expenditures in the amount of \$102,164 in FY88 and \$200,000 anticipated in FY89 support the salaries of the Director (0.5 FTE), secretary (1.0 FTE) and one new faculty hire in 1988 and two new hires in FY89. The research will focus on the development of new electrically and super conductive materials, semi-conductors, polymers and biological materials. Recently, the Montana Science and Technology Alliance designated the Materials Program as a state-wide Center of Excellence and funded the Program at \$200,000 for FY89. Grant and contract expenditures in the Center currently exceed \$500,000 annually.

B. Biotechnology Program. IDC funds are scheduled for the development of a broad-based multidisciplinary program in biotechnology. Research emphases are in agriculture biotechnology and environmental biotechnology. The

foundation of good biotechnology programs, i.e., molecular biology, is being emphasized.

Currently, the institution is searching for a head for the new Department of Molecular Biology and has hired several outstanding faculty in agriculture, biology and chemistry who will form a core group in our agriculture biotechnology program. MSU expects substantial returns from grants, product development, cooperative efforts with industry and royalties on products licensed by MSU. MSU ranked high nationally (sixth among research universities in 1985) in terms of the number of biotechnology patents granted and this level of productivity will accelerate as our research effort expands.

The second biotechnology area focuses on our internationally recognized research effort in the Institute for Process Analysis. The research couples environmental engineering with biological systems and has received annual funding of \$500-\$600,000, largely from Federal grants. Eleven companies, acting as industrial associates, contribute \$10,000 annually to support technology development and commercialization of Institute research.

IV. Technical Assistance Programs.

These programs offer technical and business assistance to the campus community, private companies and

government.

- A. The University Technical Assistance Program (UTAP), is a highly visible program offering technical business and engineering assistance to Montana manufacturers. Funded at \$100,000 annually by the Federal Economic Development Agency, MSU provides a match of \$8,902 from its Indirect Cost recoveries.
- B. The Survey Research Center is designed to provide experienced, efficient and specialized service relating to postal and telephone surveys, data analyses, data management, proposal development and report writing. It was allocated \$27,996 to purchase telephone interviewing stations, a Zenith 386 microprocessor and staff salaries. In FY88, the Center participated in 15 different research projects including the Farm Survey, surveys on gaming and crime victims in Montana, and design of a computerized educational model of Montana's tax system.

The Center is also involved in three large proposals seeking non-state funding totaling \$1.7 million.

V. Summary: In general, IDCs are used for:

- A. Encouraging young faculty members to engage in research and encouraging research in departments and disciplines that have not traditionally sought research or that are not the object of significant

non-university support.

- B. Providing infrastructure support at the institutional and departmental level by enhancing departmental resources, by providing matching money for major new equipment acquisition by supporting services and facilities, such as equipment maintenance, libraries, state and Federally mandated instructional review boards and annual care.
- C. Support of major new research initiatives such as material science and molecular biology in agriculture and process analysis.
- D. Direct support of interdisciplinary research with that are established but require evidence of institutional commitment in order to sustain funding from outside agencies.

The "pay off" has been respectable; it is estimated that for every dollar of indirect cost that is recovered and invested in the University there is a five-dollar return. That's like betting a "long-shot" in every race.

idc.wjt

MONTANA STATE UNIVERSITY
INDIRECT COST INVESTMENT
FISCAL YEAR 1988

	FY88 EXPENDITURES -----	FY88 COMMITTM TO FY89 -----
MONTS	\$203,294.00	\$14,800.00
RESEARCH CREATIVITY	105,449.00	0.00
MATCHING FUNDS EQUIPMENT ACQUISITIONS AND NEW FACULTY START-UP	12,855.00	97,145.00
BLOCK GRANT PROGRAMS	21,486.00	68,514.00
*Carryover mainly being used during summer of 1988		
DEPARTMENTAL INVESTMENTS	157,753.00 <i>500,837</i>	20,235.00 <i>706,5</i>
INSTITUTIONAL RESEARCH SUPPORT PROGRAMS	179,829.00	6,140.00
COMPUTER ACQUISITIONS, EQUIPMENT MAINTENANCE AND SERVICES	100,000.00	22,000.00
\$100,000 MSU \$22,000 Bitnet		
REGULATORY COMMITTEES	17,548.00	7,452.00 <i>337,200</i>
MATERIALS SCIENCE CENTER	102,164.00 <i>207,377</i>	0.00
TECHNICAL ASSISTANCE PROGRAMS:		
UTAP	5,198.00	3,704.00
Survey Research Center	27,996.00 <i>33,344</i>	0.00 <i>36,848</i>
TOTALS	\$933,572.00	\$239,990.00

\$1,173,562 ✓

11/87

JND 7
36/87

AME

Professional Before MONTS
Proposals Submitted Before
\$ Amount Requested Before
Grants Acquired Before MONTS
\$ Awarded (Government)
\$ Awarded (other/private)

Proposals Submitted Since MONTS
\$ Amount Requested Since MONTS
Grants Acquired Since MONTS
\$ Awarded (Government)
\$ Awarded (other/private)

176 81 5112337 45 834263 124300
\$958,563 Total

ARGE

ERGLUND

DIK

IOI

EIBERT

ENT

FUILUZ

VERSMAN

DRD

RANATH **

DOD

JTTO **

ACOUNTE ***

AFRANCE

AGESON

ARSEN*

YNCH

CLAUGHLIN ***

CGK

CORE **

ULLEN

UNDY

HILLIPS

EARS **

HERIFF **

MITH, B

SURUTA

OCEL

** Total ***

176 81 5112337 45 834263 124300

\$958,563 Total

71% Applied for \$ BEFORE (50% Acquired \$)

\$152,152 Acquired/Year (6.3 av yrs BEFORE)

EMC Faculty

UM Faculty

Started project late; info not available yet

11/87

EXHIBIT #3

DATE 1-23-89

HB 233

92% Applied for \$ Since (57% Acquired \$)

\$2,397,103 Acquired/Year (2.4 av yrs Since)

92% Applied for \$ Since (57% Acquired \$)

\$2,397,103 Acquired/Year (2.4 av yrs Since)

92% Applied for \$ Since (57% Acquired \$)

\$2,397,103 Acquired/Year (2.4 av yrs Since)

UNIVERSITY OF MONTANA

A report to the Legislative Finance Committee on activities supported and accomplishments achieved through the use of indirect cost reimbursements returned to the University as authorized in HB 0002/05:

The 1987 Montana Legislature authorized the units of the Montana University System to retain approximately 50 percent of the indirect cost reimbursements received on grants and contracts. In testimony before legislative committees and in comments made by various legislators during those hearings, prior to the adoption by the Legislature of this concept, there was a common theme. That theme was that these monies should be treated by the units as an investment in Montana's future. The investments should lead to increased grant and contract money brought to the state by the University System and every effort should be made to use the resources of the University System to support economic development in Montana.

The University of Montana has taken that charge very seriously, believing that the investment of the returned indirect cost reimbursements to the units in bringing additional money to the state and enhancing economic development are in the best interest of the state, the University System and the University of Montana. The President of the University of Montana has charged the Associate Vice President for Research and Dean of the Graduate School with the responsibility for allocating these funds. The following is a report on the activities supported and the accomplishments achieved with the indirect cost reimbursement funds retained by the University of Montana under the authority of the Legislature.

THE UNIVERSITY OF MONTANA HAS ALLOCATED ITS RETURNED INDIRECT COST REIMBURSEMENTS TO BENEFIT ECONOMIC DEVELOPMENT IN THE FOLLOWING WAYS:

I Biotechnology, 17 percent: The University of Montana has identified the field of biotechnology as an area where we can make a substantial contribution to Montana economic development. We have developed partnership relations with the Montana biotechnology companies. For example:

1. We have an arrangement with Ribi ImmunoChem that will support students, provide for their employees to supply specialized instruction to our students, and to share equipment.
2. We have entered into a number of arrangements with ChromatoChem for shared costs on studies

that benefit both the University and the company.

3. We have agreements with Skyland Scientific that are leading to the development of high-potential new products that benefits both the University and that company.
4. Most important, we have been successful in being designated the lead institution in biotechnology in cooperation with Montana State University by the Montana Science & Technology Alliance. This has resulted in an initial allocation from the Alliance of \$200,000, and holds the potential for allowing this university to contribute in a significant way to the growth of the biotechnology industry in the state.

II Business Assistance, 17 percent: Critical to economic development is the ability of the University to provide new companies with services to compete effectively in the marketplace. In cooperation with Montana State University and Eastern Montana College, we have been designated the lead institution by the Montana Science & Technology Alliance in this area. This has provided us with \$100,000 in planning funds to develop this program which builds, in part, on our Small Business Institute (which served 100 Montana companies last year) and our Bureau of Business and Economic Research (which provides information on the Montana economy to both the private and government sectors in Montana). In addition, we have provided cost-sharing funds that will make possible a book on how to do business in Montana, supported by the Montana Science & Technology Alliance.

Seeking outside funding through grants and contracts presents numerous challenges and opportunities. The common issues are:

- I The need to provide "seed" funds in order to allow faculty to develop preliminary data that will allow them to become competitive in the national arena for outside funding: Proposals for outside funding become very competitive when some preliminary work has been done and the sponsor sees clearly the potential for substantial additional funding.
- II The requirement of cost sharing: Most grant and contract programs require the recipient to cost share, with their own funds, part of the costs of grant and contract activity. It is not uncommon for a sponsor to require the recipient to pay 10 to 50 percent of the cost of new

equipment. This places a burden on the recipient, but also creates an opportunity because the equipment can be purchased at only a fraction of the cost in state funds.

- III The element of costs of proposal development: There are substantial costs involved in developing large-scale proposals for outside funding.
- IV The necessity of maintaining equipment purchased on grant and contract money: This is a substantial item involving actual expenditures on maintenance and the cost of maintenance contracts.
- V The need to provide new faculty with start-up costs: When a new faculty member is hired, it is commonly necessary to supply equipment so that the faculty member can become immediately productive and begin an effective, competitive search for outside funding. Failure to provide start-up costs normally means hiring faculty of lesser quality and then taking a risk that the individual will succeed in becoming competitive for substantial outside funding.

By meeting these issues head on, the University of Montana increased its grant and contract activity by almost \$500,000 in Fiscal Year 1988 over Fiscal Year 1987. We achieved an all-time high of approximately \$7 million and look forward to a substantial increase again in Fiscal Year 1989. In addition, approximately 35 percent of our faculty have received outside support in grants and contracts. This figure has been increased from approximately 22 percent a few years ago. These successes place the University of Montana in at least the upper 5 percent of institutions of our character throughout the country. Institutions of our character means those without medical, dental or engineering schools--areas that have traditionally been very successful in obtaining outside funding.

THE UNIVERSITY OF MONTANA HAS ALLOCATED ITS RETURNED INDIRECT COST REIMBURSEMENTS TO OBTAIN ADDITIONAL OUTSIDE FUNDING IN THE FOLLOWING WAYS:

- I Sponsored Program Administration Budget Allocation (SPABA), 33 percent: Almost all institutions return indirect cost money to the units or departments within the university. We have initiated such a program, recognizing it has two effects:
 - 1. It provides the funds for stimulating increased grant and contract activity;
 - 2. It provides an incentive for seeking additional grant and contract money.

We have insured that each expenditure from these accounts would be made for the following purposes: "Maintain equipment, purchase equipment, encourage research and creative activities and cost share on grants and contracts, provide start-up costs for newly hired faculty members and supply grant preparation costs." In addition to our overall success in increasing grant and contract activity, there are many specific, individual examples of where investment of these funds has led directly to success:

- a. Investment of approximately \$800 in proposal development has resulted in a \$100,000 grant for a study by the Law School of establishment of an Inter-Tribal Appellate Court System.
- b. An investment of approximately \$3,000 made a substantial contribution to the success of a relatively new faculty member in Microbiology in receiving 5-year support in the amount of \$238,000 for a career development grant.

II Cost sharing and new faculty start-up costs, 21 percent: During the past year, the University has been able to meet the cost sharing required by sponsors on all grants and contracts designated as high-priority. In addition, we have had a spectacular year in recruiting new faculty. We hired three new chemists and were successful in obtaining our first choice in each case. Very few universities achieve this level of success.

Investment in cost sharing resulted in many benefits. Specific examples include:

1. The University of Montana obtained a state-of-the-art research vessel for our Biological Station at Yellow Bay. The boat cost \$110,000 and required an \$8,000 cost sharing in order to obtain the funding.
2. Approximately \$500,000 in grant money, including substantial computer-related equipment, was obtained from NASA for studies in the School of Forestry that have brought national attention to the University because of the ability to predict impact on forests through global climate changes. Cost sharing requirements to date have been \$10,000.
3. Approximately \$100,000 in grant money has been received by the Department of Geology for a series of studies that provided needed research equipment.

This equipment will also be used in several areas of specialized instruction. Cost sharing requirements have been met by expending approximately \$15,000.

4. \$99,600 has been received for studies of the effect of catalysts on carbon gasification. The required cost sharing was \$9,370.

We have invested approximately \$100,000 in new faculty start-up costs during the past year. The availability of these funds has allowed us to recruit outstanding faculty and to assist them in becoming competitive immediately. Two of our newly hired faculty will bring with them over \$600,000 in new grant money. All of the others are currently preparing proposals for outside funding. We currently are prepared to meet \$43,000 in required start-up equipment funds on an offer to a biochemist. If we are successful, that individual will bring approximately \$1 million in grant money to the University. The ability to hire competitive scholars enhances not only our search for outside funding, but provides our students with truly outstanding faculty who are at the cutting edge of their professions. In addition, these faculty, particularly in biotechnology, forestry and business, will make important contributions to Montana's economic development.

- III Seed money, 12 percent: We encourage faculty to compete internally for funding to develop necessary data and ideas in order to compete nationally for outside funding. This is one of the most successful ways in making people competitive in the national arena. Traditionally, we have seen an immediate return of approximately seven times the initial investment in grant and contract money received within 18 months of the initial funding.

In summary, the University of Montana feels that it has been a good steward of the returned indirect cost reimbursement funds. We have met the challenge of increasing our grant and contract activity, laying the groundwork for even greater increases in the future, and establishing the organizations for making substantial direct contributions to economic development in Montana. We hope that the 1989 Montana Legislature will see the value of these investments and will allow us to retain 100 percent of the indirect cost reimbursements, thus permitting us to compete on an equal footing with our neighbors in Idaho, North Dakota and South Dakota.

EXHIBIT #5
DATE 1-23-89
HB 88

H.B. 88 Change Dates of State Equalization Payments

The purpose of this bill is to accelerate the payment of State Equalization aid to the school districts of the state to satisfy a provision of law. The provision to which I refer is subsection (2a) at the top of the right hand column on the front page of this bill. It provides "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". The financial needs of school districts are not being effectively met by the present method of distributing the state equalization aid!

The attached Exhibit A demonstrates the cash flow of a typical school district that begins the 1985-86 school year with no cash on hand. Look at 1985-86 FY first. Note the state equalization payments in September, January, February, March and June. School districts do have other sources of revenue which are included in this cash flow chart -- district property taxes in November and May primarily, County Equalization primarily in December and June, state permissive levy financing in January and June. Note stacking in June. In deficit entire year.

A legislative enactment in the June, 1986 special session to partially resolve the deficit position by requiring the first 20% state equalization distribution be made by July 15. (Note the deleted language under subsection (3b) on the back of the bill.) This accounts for the beginning of the 1986-87 year peak in the cash flow chart. Note the state equalization aid payment months of July, January, February, March and June. Other revenue timing remains the same including state permissive levy financing. The school district remains in deficit 10 months out of the year under this 1986 revised scenario.

The state financing is not up front financing but is reimbursement financing for dollars the school district has already spent. Is this "most effectively meeting the financial needs of the school districts"?

This information was reported by MASBO to the State Board of Public Education this past year when they were drafting an administrative regulation to formalize their long time past practice of equalization aid distribution in January, February, March and June. At that time, MASBO urged a method of distribution that would more closely approximate the legal provision of effectively meeting the financial needs of school districts. The proposal to them was to move the June payment to September and leave the rest of the payments as is -- which would provide 20% of entitlement payments in July, September, January, February and March. The second graph in your packet (Exhibit B) illustrates a school districts cash flow, starting with a zero cash balance, under this proposal. Note that a school district would be in a positive cash position 6 months of the year, in deficit five months, and end the year at a zero position. Note the degree of deficiency on this flow chart compared to first chart.

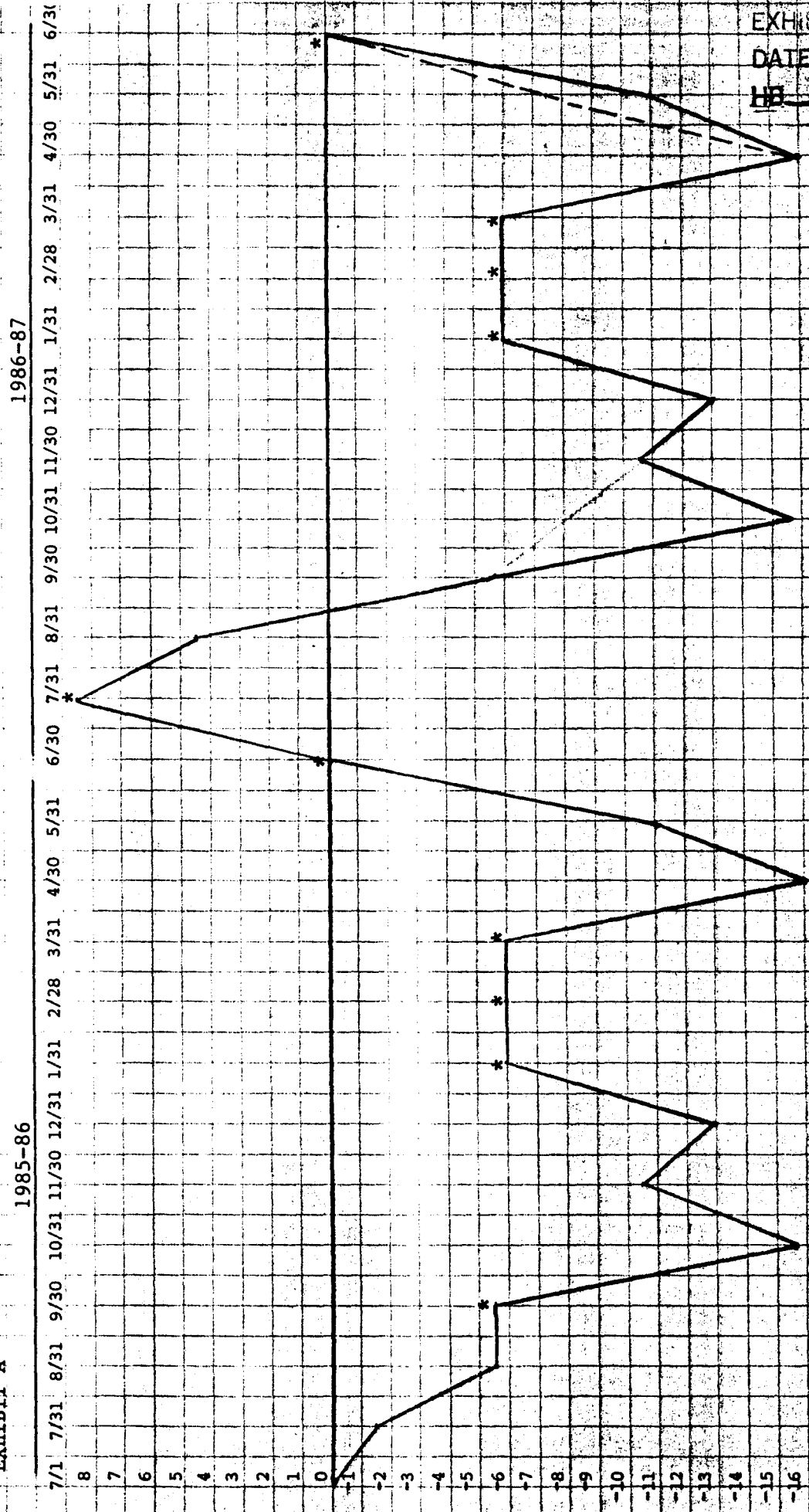
The state Board of Public Education in the ARM that they adopted did move the June payment to May. My interpretation of this revision is that they did not wish to create an additional draw on the State Treasury as reported to you in a fiscal note by the budget director. The State Board acquired comparable information from the then state budget director. The Board of Public Education's amendment of June to May is illustrated by the dashed line on Graph A in your packet.

The purpose of this bill is to implement by law, the schedule that was proposed to the State Board of Public Education -- basically changing the June payment to September. This bill also provides for the after July payments by the state on the 25th of the paying month rather than the last day specified by the Board of Equalization regulation. This change is to assure the districts they will receive it by the last day of the month.

The State Budget Director's fiscal note indicates that the implementation of this bill will cost state interest earnings \$1,491,000 in FY 1990 and \$1,428,000 in FY 1991. If this bill is not enacted it will continue to cost school districts an amount equal to the cited state interest loss through borrowed money interest or investment interest loss. Whose ox should be gored? As I have cited several times; the state equalization aid is to be distributed "in a manner that would most effectively meet the financial needs of the districts".

A TYPICAL MONTANA SCHOOL DISTRICT
GENERAL FUND CASH FLOW
For the 1985-86 & 1986-87 Fiscal Years

EXHIBIT A

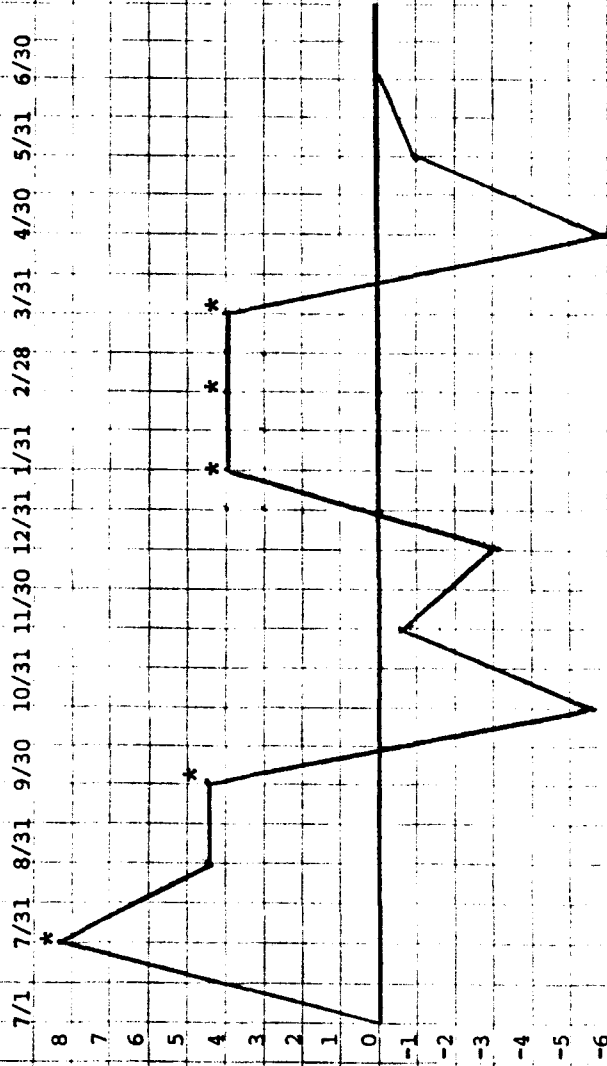


* STATE EQUALIZATION PAYMENT MONTHS

EXHIBIT #6
DATE 1-23-89
HB 88

A TYPICAL MONTANA SCHOOL DISTRICT
GENERAL FUND CASH FLOW
Under Proposed State Equalization Payment Schedule

EXHIBIT B



* STATE EQUALIZATION PAYMENT MONTHS



Board of Public Education

33 South Last Chance Gulch
Helena, Montana 59620-060
(406) 444-6576

EXHIBIT #7
DATE 1-23-89
HB 88

January 23, 1989

Claudette Morton
Executive Secretary

TO: Members of the House Education & Cultural
Resources Committee:

FROM: Claudette Morton *CM*
Executive Secretary

DELIVERED BY: Antoni Campeau
Legislative Intern

RE: Testimony in Support of HB 88

The Board of Public Education supports Representative Harper's proposal in HB 88, but believes this is a part of the whole larger issue of revising the school foundation program to provide equalization to school districts.

In order to understand fully the Board's rationale, it is important to give some background. Currently, and since 1978, at least, according to the history in the Administrative Rules, the Board of Public Education sets the state aid distribution schedule. During the June 1986 Special Session, when the state was in a financial crisis, the first payment of state equalization aid was moved from September 30 to July 15. From that time, this date has been maintained according to the law. Also, in that same session, Section 2(a) was amended to require the Board of Public Education to "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 the districts." Since that language was passed, the Board has explored a variety of ways to carry out this provision of the law.

In the fall of 1987, the Board set up a task force to make recommendations to the Board so that it could meet this legislative responsibility. Included on the task force were representatives of the Board, the Governor's Budget Office, the Office of Public Instruction, the Montana School Board's Association, and the School Administrators of Montana. As the group studied the issues, it quickly became apparent

"that what would most effectively meet the financial needs of the districts" would be for the school districts to receive one payment of the entire annual amount in July, but it would be devastating to the state budget. The task force looked at a variety of alternatives. In a spirit of compromise, and recognizing that both the state and the districts continue to be in tight financial times, the Board adopted new Administrative Rules last year (copy attached). The Board further proposed, that in consultation with the 1989 Legislature, it would change the May payment to September, because of the long time between the first and second payment under the present schedule. This would bring the schedule exactly in line with Representative Harper's proposal and we believe under the current system is a fair schedule. Certainly, if the Legislature wishes to set the payment schedule in law, it is their prerogative, and the Board would not consider efforts as described above to go forward with its rules.

In fact, since the work of the task force, the Underfunded Law Suit has taken precedent, both legally and in the work of the Board and the Legislature. In light of the work the Board has done since the task force recommendation on studying remedies to the whole equalization question, the Board would hope that this proposed legislation of Representative Harper's would be considered as a part of the whole equalization package and not as a separate issue.

I am sorry that I have another commitment, I would be happy to respond to committee questions at a later time.

Thank you.

In the matter of the) NOTICE OF PUBLIC HEARING ON PROPOSED
amendment of State Aid) AMENDMENT OF ARM 10.67.101, STATE
Distribution Schedule) AID DISTRIBUTION SCHEDULE

TO: All Interested Persons

On May 4, 1988, at 8:30 a. m., or as soon thereafter as it may be heard, a public hearing will be held in the Board of Regents' Conference Room, 33 South Last Chance Gulch, Helena, Montana, in the matter of the proposed amendment of ARM 10.67.101, State Aid Distribution Schedule.

2. The rule as proposed to be adopted is as follows:

10.67.101 STATE AID DISTRIBUTION SCHEDULE (1) It is the policy of the board of public education that state equalization aid will be distributed on a schedule of five equal payments of 20 percent each on the approximate dates of ~~September 30~~, July 15, and such dates and in such manner that the county treasurers will make funds available to school districts on January 30, February 28, March 30 and ~~June 20~~ May 30 unless the distribution dates fall on a weekend or holiday. If such payment dates fall on a weekend or holiday, the funds shall be available on the previous business day. These payments will be made if sufficient funds are available. The distribution of these funds shall be ordered annually at the September meeting of the board of public education.

AUTH: Sec. 20-2-121 MCA

IMP: Sec. 20-9-344 MCA

3. The board is proposing this amendment to comply with the mandate of the legislature as set forth in Sec. 20-9-344 MCA, which states that the board will 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.

accordance with the provisions of 20-9-805. Attendance for a part of a morning session or a part of an afternoon session by a pupil shall be counted as attendance for one-half day. In calculating the ANB for pupils enrolled in a program established under 20-7-117 prior to January 1, 1974, or pursuant to 20-7-117(1), attendance at or absence from a regular session of the program for at least 2 hours of either a morning or an afternoon session will be counted as one-half of a day attended or absent as the case may be. If a variance has been granted as provided in 20-1-302, ANB will be computed in a manner prescribed by the superintendent of public instruction, but in no case shall the ANB exceed one-half for each kindergarten pupil. When any pupil has been absent, with or without excuse, for more than 10 consecutive school days, including pupil-instruction-related days, his absence after the 10th day of absence shall not be included in the aggregate days of absence and his enrollment in the school shall not be considered in the calculation of the average number belonging until he resumes attendance at school.

(2) If a student spends less than half his time in the regular program and the balance of his time in school in the special education program, he shall be considered a full-time special pupil but shall not be considered regularly enrolled for ANB purposes. If a student spends half or more of his time in school in the regular program and the balance of his time in the special education program, he shall be considered regularly enrolled for ANB purposes.

(3) The average number belonging of the regularly enrolled, full-time pupils for the public schools of a district shall be calculated individually for each school, except that when:

(a) more than one school of a district, other than a junior high school in an elementary district which has been approved and accredited as a junior high school, is located within the incorporated limits of a city or town, the average number belonging of such schools shall be based on the aggregate of all the regularly enrolled, full-time pupils attending such schools located within the incorporated limits of a city or town;

(b) a junior high school which has been approved and accredited as a junior high school is located within the incorporated limits of a city or town in which a high school is located, all of the regularly enrolled, full-time pupils of the junior high school shall be considered as high school district pupils for the purposes of calculating the average number belonging of the high schools located within the incorporated limits of such city or town;

(c) a middle school has been approved and accredited, in which case pupils below the 7th grade shall be considered elementary school pupils for ANB purposes and the 7th and 8th grade pupils shall be considered high school pupils for ANB purposes; or

(d) a school has not been accredited by the board of public education, the regularly enrolled, full-time pupils attending the nonaccredited school shall not be eligible for average number belonging calculation purposes, nor will an average number belonging for the nonaccredited school be used in determining the foundation program for such district.

(4) When 11th or 12th grade students are regularly enrolled on a part-time basis, high schools may calculate the ANB to include an "equivalent ANB" for those students. The method for calculating an equivalent ANB shall be

NEW L.A.W.

(2) If a student spends less than half his time in the regular program and the balance of his time in school in the special education program, he shall be considered a full-time special pupil but shall not be considered regularly enrolled for ANB purposes. If a student spends half or more of his time in school in the regular program and the balance of his time in the special education program, he shall be considered regularly enrolled for ANB purposes.

(3) The average number belonging of the regularly enrolled, full-time pupils for the public schools of a district must be based on the aggregate of all the regularly enrolled, full-time pupils attending the schools of the district, except that when:

(a) a school of the district is located more than 3 miles beyond the incorporated limits of a city or town or from another school of the district, all of the regularly enrolled, full-time pupils of the school must be calculated individually for ANB purposes;

(b) a junior high school has been approved and accredited as a junior high school, all of the regularly enrolled, full-time pupils of the junior high school shall be considered as high school district pupils for ANB purposes;

(c) a middle school has been approved and accredited, in which case pupils below the 7th grade shall be considered elementary school pupils for ANB purposes and the 7th and 8th grade pupils shall be considered high school pupils for ANB purposes; or

(d) a school has not been accredited by the board of public education, the regularly enrolled, full-time pupils attending the nonaccredited school shall not be eligible for average number belonging calculation purposes, nor will an average number belonging for the nonaccredited school be used in determining the foundation program for such district.

(4) When 11th or 12th grade students are regularly enrolled on a part-time basis, high schools may calculate the ANB to include an "equivalent ANB" for those students. The method for calculating an equivalent ANB shall be determined in a manner prescribed by the superintendent of public instruction.

History: En. 75-6902 by Sec. 252, Ch. 5, L. 1971; amd. Sec. 1, Ch. 345, L. 1973; amd. Sec. 1, Ch. 343, L. 1974; amd. Sec. 3, Ch. 352, L. 1974; amd. Sec. 1, Ch. 373, L. 1974; amd. Sec. 1, Ch. 132, L. 1975; R.C.M. 1947, 75-6902(part); amd. Sec. 8, Ch. 288, L. 1979; amd. Sec. 1, Ch. 498, L. 1987.

Compiler's Comments

1987 Amendment: Substituted present introductory clause of (3), (3)(a), and (3)(b) for former introductory clause of (3), (3)(a), and (3)(b) that read: "(3) The average number belonging of the regularly enrolled, full-time pupils for the public schools of a district shall be calculated individually for each school, except that when:

(a) more than one school of a district, other than a junior high school in an elementary district which has been approved and accredited as a junior high school, is located within the incorporated limits of a city or town, the average number belonging of such schools shall be based on the aggregate of all the regularly enrolled, full-time pupils attending such schools located within the incorporated limits of a city or town;

(b) a junior high school which has been approved and accredited as a junior high school is located within the incorporated limits of a city or town in which a high school is located, all of the regularly enrolled, full-time pupils of the junior high school shall be considered as high school district pupils for the purposes of calculating the average number belonging of the high schools located within the incorporated limits of such city or town".

Cross-References

School fiscal year, 20-1-301.

Released time for religious purposes to be counted as part of school day, 20-1-308.

Preschool program to be included in calculation of ANB, 20-7-117.

County of Yellowstone

EXHIBIT

#9

DATE

1-23-89

HEB

173



SUPERINTENDENT OF SCHOOLS

BILLINGS, MONTANA

January 16, 1989

Mr. Bruce Moerer
Montana School Boards Association
#1 South Montana
Helena, MT 59601

Dear Bruce,

There are two school districts in Yellowstone County that are financially effected by 20-9-311, i.e., the funding of middle schools.

Lockwood, District No. 26, will have a loss in foundation program revenue of approximately \$58,952 using enrollment of the October 1st Fall Report. Adding the permissive of \$14,738 creates a total loss of revenue in the amount of \$73,690.

Huntley Project, District No. 24, has a similar loss. Using the enrollment on the Fall Report of 1988 the loss would be \$75,620.72 including the permissive of \$15,124.15.

Hopefully legislation will be passed to assist these districts in spreading their loss over a period of years. With restrictions of I-105, they will be unable to recover any of the lost dollars through special levies.

Please advise this office of hearings scheduled to address the issue - HB173.

Sincerely,

H. C. "Buzz" Christiansen

HCC/njb

cc: School Districts No. 24 and 26

RECEIVED
JAN 13 1989
MT. SCHOOL BOARDS
ASSOCIATION

49

IMPACT OF MONTANA LAW #20-9-311-3
FLATHEAD COUNTY SCHOOLS
SCHOOL BUDGET 1988-1989

S.D. #	SCHOOL	SCHOOL BUDGET 1988-1989	1988-1989 SCHOOL BUDGET UNDER MONTANA LAW 20-9-311-3	DIFFERENCE LOSS/(GAIN)
2	Deer Park School			
	Foundation	\$195,168.64	\$163,996.80	\$31,171.84
	Permissive	\$48,792.16	\$40,999.20	\$7,792.96
	TOTAL			\$38,964.80
4	Swan River School			
	Foundation	\$238,657.76	\$205,224.21	\$33,433.55
	Permissive	\$59,664.44	\$51,306.05	\$8,358.39
	TOTAL			\$41,791.94
20	Kila School			
	Foundation	\$117,248.80	\$117,730.08	(\$481.28)
	Permissive	\$29,312.20	\$29,432.52	(\$120.32)
	TOTAL			(\$601.60)
38	Bigfork School			
	Foundation	\$685,113.57	\$638,227.71	\$46,885.86
	Permissive	\$171,278.39	\$159,556.93	\$11,721.46
	TOTAL			\$58,607.32
50	Evergreen School			
	Foundation	\$1,009,604.22	\$994,710.40	\$14,893.82
	Permissive	\$252,401.06	\$248,677.60	\$3,723.46
	TOTAL			\$18,617.27
54	Marion School			
	Foundation	\$175,793.44	\$163,263.68	\$12,529.76
	Permissive	\$43,948.36	\$40,815.92	\$3,132.44
	TOTAL			\$15,662.20
	TOTAL FOUNDATION			\$138,433.55
	TOTAL PERMISSIVE			\$34,608.39
	TOTAL DIFFERENCE			\$173,041.94

LAKE COUNTY SCHOOL DISTRICTS' LOSS OF FUNDING IF AGGREGATE ANB UNDER 3 MILES

1988-89 BUDGETS

SCHOOL DISTRICT NO. 7-J, CHARLO

ANB	Foundation Program	Foundation Program
K-6 151	with Separate Bldg.	Under 3 mile rule
7-8 39	Funding for 7-8	
	Foundation \$356,373.12	Foundation \$279,215.09
	Permissive 89,093.28	Permissive 69,803.78

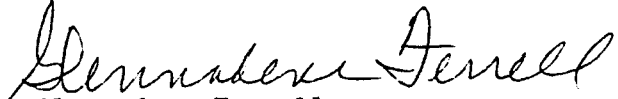
Loss: \$96,447.53

SCHOOL DISTRICT NO. 8-J, ARLEE

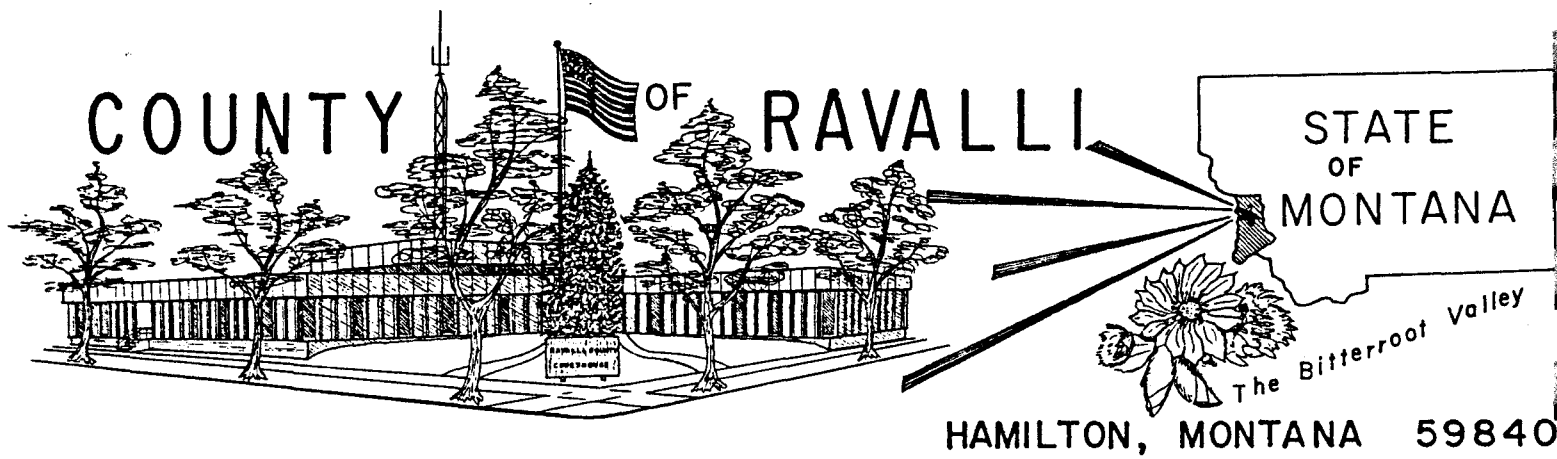
ANB	Foundation Program	Foundation Program
K-6 244	with Separate Bldg.	Under 3 mile rule
7-8 86	Funding for 7-8	
	Foundation \$565,813.54	Foundation \$437,341.31
	Permissive 141,453.38	Permissive 109,335.33

Loss: \$160,590.28

As Lake County and these school districts have a low taxable value, the difference in the permissive amount figures would all be part of the State's share of the permissive funding.


Glennadene Ferrell
Lake Co. Supt. of Schools

RECEIVED
JAN 13 1989
MT. SCHOOL BOARDS
ASSOCIATION



January 16, 1989

Bruce Moerer, Attorney
M.S.B.A.
1 So. Montana
Helena, Montana 59601

Dear Bruce:

Rachel Vielleux, Missoula County Superintendent just informed me that there may be hope for modifying H.B.340, and that you were collecting information regarding its' effects on fiscal 1990 schools. To keep it simple, the figures represent what each K-8 school district would lose under 340, assuming that the current A.N.B. does not change.

			K-6 enrollment	7-8 enrollment
Corvallis, District #1	\$152,307.	228+188		+143
Stevensville, " #2	109,208	264+232		+190
Hamilton, " #3	134,047	300+136+141+54		+192

I hope this is a help. (The rest of the districts in Ravalli County are not affected.)

Sincerely,

Greg Danelz
Greg Danelz
Superintendent of Schools
Ravalli County, Montana

RECEIVED

JAN 16 1989

MT. SCHOOL BOARDS
ASSOCIATION

Missoula County School Districts

Projected Revenues for 1989-90 State and County Equalization

District	1988-89 Found. Prog. ①	Est. 1989-90 Found. Prog. ②	Difference Incr.(Decr) ③	Incr.(Decr) Due to HB 340 ④	Incr.(Decr) From Enroll. ⑤
1	10,013,857	9,996,369	(17,488)	(70,614)	53,126
4	1,375,753	1,301,163	(74,590)	(56,925)	(17,665)
7	954,750	954,099	651	(83,569)	84,220
11	278,418	207,241	(71,177)	(55,271)	(15,906)
14	621,190	632,933	11,743	0	11,743
18	169,159	124,821	(44,338)	(79,759)	35,421
20	234,299	175,358	(58,941)	(74,850)	15,909
23	827,040	774,325	(52,715)	(34,684)	(18,031)
30	33,042	20,158	(12,884)	0	(12,884)
32	501,586	475,043	(26,543)	0	(26,543)
33	208,143	165,759	(42,384)	(34,328)	(8,056)
34	479,527	414,552	(64,975)	(90,003)	25,028
40	969,058	906,511	(62,547)	(84,083)	21,536
			516,188	664,080	
40 HS	532,782	479,202	(53,580)	0	(53,580)
MCHS	8,020,745	7,831,976	(188,769)	0	(188,769)

CLASS 3 TOTAL (244,202)
CLASS 3 K-8
CONVERSION (77,510) IN ADDITION

Notes:

- ① 1988-89 Foundation Program taken from approved budgets.
- ② Estimated 1989-90 Foundation Program amounts were calculated with 1989 fall enrollment figures, adjusted for PIR days.
- ③ Total change in Foundation Program from FY 89 to FY 90.
- ④ Effects of HB340 on funding in 1989-90. Constant ANB assumed.
- ⑤ Effects of enrollment changes on funding in 1989-90.

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB173, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

A bill for an Act entitled: "An Act to phase in over 5 years the reduction in a school's maximum general fund budget resulting from aggregation of annual number belonging (ANB) required by Chapter 498, Laws of 1987; amending Section 3, Chapter 498, Laws of 1987; and providing an immediate effective date."

ASSUMPTIONS:

1. The current foundation program schedule will not change in the FY90-91 biennium.
2. The ANB count will remain constant in the FY90-91 biennium

FISCAL IMPACT:

	<u>FY90</u>		<u>FY91</u>	
	Current Law	Difference	Proposed Law	Difference
<u>Expenditures:</u>	\$ -0-	\$886,636	\$664,997	\$664,977
<u>Funding:</u>				
School Foundation Program	\$ -0-	\$886,636	\$664,977	\$664,977

LONG-RANGE EFFECTS:

Cost savings would not be as great as under current law until the affected districts have reached the final stage of the phase-in period. However, districts would not be expected to absorb a major loss of funding from the foundation and permissive programs all in one year.

EXHIBIT #10
DATE 1-23-89
HB 173

Ray Shackleford 1/21/89

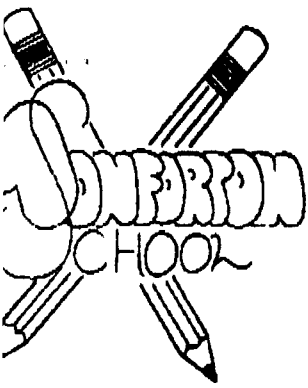
RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING

Richard M. Nelson 1/23/89

RICHARD M. NELSON, PRIMARY SPONSOR
DATE

Fiscal Note for HB173, as introduced

EXHIBIT #11
DATE 1-23-89
HB 173



6001 MONFORTON SCHOOL ROAD • BOZEMAN, MONTANA 59715 • PHONE (406) 586-1557

January 23, 1989

House Education and Cultural Resources Committee
Montana State Capitol
Helena, MT 59601

Committee Members:

House bill 173 is of direct interest to Monforton School District because Monforton has two buildings within 100 feet of one another. Based on the existing Foundation and Permissive schedules the aggregation of our ANB for fiscal year 1989-90 will cause our foundation program payments to drop by over \$33,000 from fiscal year 88 to fiscal year 89. This is 7.5% of our total budget.

Although we do not wish to reargue the case for or against aggregation of ANB we feel that a brief review of Monforton's history will be valuable in your deliberations concerning a phase in the financial impact of the aggregation of ANB.

In 1971 and 1972 Monforton School District was faced with a overwhelming influx of students mainly due to the building boom in the Four Corners area west of Bozeman. At that time the trustees had never levied a local levy and had depended entirely on foundation and permissive funds for the operation of that school district. In reviewing state laws it was obvious that the amount per child derived from the foundation program would be greater if any new facilities were built separate from the existing facility which was originally built in 1888 thus lowering or eliminating the need for any special levy. The trustees therefore at that time built a separate facility which now houses eight classrooms.

In 1987 senate bill 71 and 1105 capped the amount that could be taxed our individual tax payers. Any drop in revenues to the district from the foundation program can not be recouped by the local voters.

House bill 173 will delay the effect of the bill aggregating ANB for our district and allow us time to adjust to the lower funding. Monforton School has 205 students in a K-8 classroom setting. We employ 17 certified teachers with an equivalent of 13 FTE. We have no gymnasium or lunchroom. We have no extracurricular programs except for boys and girls basketball.

Monforton School has taken pride in the fact that through heads-up management local voters have only had to contribute no more than 7% to the funding of this school district. (If additional revenues could be derived from an addition to the local levy it would have to increase from \$31,250 to \$64,250.)

Our board realizes its responsibility to both our taxpayers and our children. We feel that our prudent decisions in the past have kept local levies to a minimum for our taxpayers. We are now asking you to assist us with our responsibility to our children by mitigating the effect of a recent change in Montana law and by supporting HB 173.

Thank you,



Gary J. Griffith
Chairman of the Board
Monforton School Board

EXHIBIT #12
DATE 1-23-89
HB 173

TESTIMONY BEFORE HOUSE EDUCATION COMMITTEE ON HOUSE BILL 173

JANUARY 23, 1989

STEVE GAUB, SUPT. DISTRICT 7J, ~~CHARLO~~, MT
CHARLO,

Mr. Chairman, Ladies and Gentleman of the House Education Committee, I am here testifying on behalf of House Bill 173. If you do not do something to mitigate the effects of House Bill 340 that was passed by the ⁵⁰~~49~~th Legislature the Charlo Elementary School will lose \$96,447.53 out of it's elementary general fund budget of \$542,274, or apprx. 18%. We are not a rich District, we spent 2,484 per child in the elementary school in 1987-88. This in a school of 205 students. We currently levy 36.02 mills in total for the elementary budget. If we lost the monies currently received for Junior High funding, we would have to levy an additional 89.55 mills to recoup the loss. Obviously we could not do that, consequently our program would have to be cut by 18% to make up for the loss in revenue. This would have a drastic effect on the children of our community. We have already cut one teaching position and the elementary principal's position, so that any further cuts would be of a programatic nature.

A laundry list of potential cuts might be: Kindergarten, art, music. p.e., and some vocational programs. Because our high school program and junior high programs are so inter-related, any junior high cuts would also seriously hurt secondary programs. Many of the junior high staff that

teach the above disciplines also teach in the high school, any cuts in those programs would reach deep into the secondary program as well. We have several elementary classes that either meet or exceed the state minimums in terms of teacher/student ratio. Loss of these monies would force us to cut all aide positions so that we could not meet current standards let alone the new Project Excellence standards that the BPE has proposed. Example- next years first grade has 29 students the current standards dictate that a first grade classroom be no larger than 26, without at least an instructional aide, we would not meet minimum state standards. This really hits home when you are involved as both an educator and a parent as I am, I will have a son in that first grade class next year.

The current junior high building in Charlo was built in good faith in 1976. It would not have been built without the current funding system. It is not fair to punish today's students in ²⁸~~15~~ schools accross Montana for the astute management that occured when Boards and administrators took advantage of the "loophole" that is closed by HB 340. ^{- Bonds paid to 199} When the legislature changed the drinking age from 19 to 21, it did not tell the then 19 yr olds that they must discontinue the legal consumption of alcohol, the legislature in it's infinte wisdom "grandfathered" those Montanans into the genre of legal drinkers. I am asking for similar treatment, at best we would request to continue to receive the non-agreggated junior high funds and that HB 173 be amended

to reflect such an action. Failing that, we would request the passage of HB 173 in its current form.

It is obvious that the loss of this revenue would be devastating to the Charlo Schools. The even more depressing concept is our inability to make this revenue up from other sources. It is not as if the patrons of our District do not support the school, over the last four years every voted levy has passed by at least a 2 to 1 margin and our rate of delinquent taxpayers is below 1% of the total taxpaying public of District 7J. We do receive PL 874 monies in lieu of the non-taxable government land in our District, but it amounts to a total of \$10,199 for 1988, certainly not a replacement for the loss of over \$96,000. In 1985, the Governor's budget which freezes K-12 educational funding, and our District's low tax base all make losing the \$96,000 even more unpalatable.

The 1987 Montana Legislature did a great disservice to schools across Montana. You have the unique chance to change the decision of your predecessors.

Members of the committee, please vote to maintain the Charlo Schools as a viable entity, give a resounding DO PASS recommendation for an amended version House Bill 173, Thank you.

EXHIBIT #13
DATE 1-23-89
HB 173

LOCKWOOD SCHOOLS
ELEMENTARY AND JUNIOR HIGH SCHOOL

District 26 — Yellowstone County

BILLINGS, MONTANA 59101

1932 U.S. Hwy. 87
Route 2 Phone 252-6022

TRUSTEES
GARY L. FORRESTER
CHAIRMAN
DARREL ELLIOTT
JUDY JOHNSON
JOYCE DEANS
CHARLENE GUSTAFSON
LA VONNE DEENEY
BUS. MGR. CLERK

JOE C. McCracken
SUPERINTENDENT
PHONE 252-6022
CAM CRONK
JUNIOR HIGH PRINCIPAL
PHONE 259-0154
MICHAEL BOWMAN
INTERMEDIATE PRINCIPAL
PHONE 248-3239
DARRELL RUD
PRIMARY SCHOOL PRINCIPAL
PHONE 252-2776

January 23, 1989

Representative Ted Schye
Chairman House Education Committee
Capitol Building
Helena, Montana 59601

Dear Representative Schye and Members of the House Education Committee:

I had planned to be at your hearing today for House Bill 173, but the inclement weather has prevented my travels.

The Lockwood School Board is concerned about maintaining our high quality of education. As you may know we are an elementary district just east of Billings. Currently we have approximately 215 Junior High students and 935 Elementary students.

Our Primary and Intermediate buildings are connected and our Junior High building is separate, but located on the same campus. The Junior High building was completed in 1952.

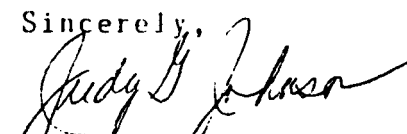
In 1985, our board hired Joe McCracken as our superintendent. Joe was aware of Junior High funding and our district used this funding; thereby decreasing our voted levy by \$70,000. Our voted levy has remained constant since 1985.

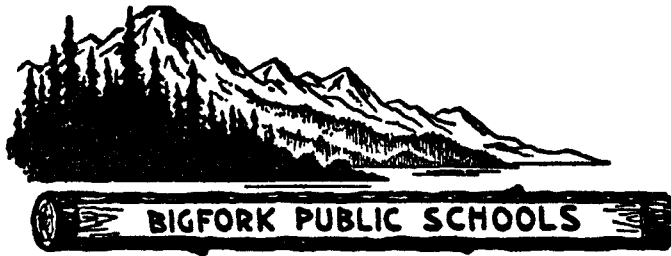
The following year I-105 was passed, prohibiting us from raising our voted levy. In 1987, legislation passed a bill eliminating this \$70,000.

Our district is now caught with decreasing funding and no opportunity to ask our district taxpayers for increased revenues. We have an extremely tight budget; and in order to absorb this decrease in funding, the quality of our education will also decrease.

Passing House Bill 173 will be of benefit to our district, so we may be allowed time to absorb the loss of funds.

Sincerely,


Judy G. Johnson
Vice Chairman



School District No. 38, Flathead & Lake Counties
BIGFORK, MONTANA

TO: House Education Hearing Committee
FROM: Jean Hagan, Superintendent of Schools *JH*
RE: HB 173...phase-in financial impact to schools resulting from aggregation of ANB
DATE: January 23, 1989

You are respectfully asked to consider the following two requests:

First priority: Amend HB 173 to grandfather in all districts affected by loss of revenue due to the change in the funding formula (i.e. aggregation of ANB) as enacted by the last legislature.

Second priority: Pass HB 173 to phase in the financial impact resulting from aggregation of ANB.

If present law is not reversed, Bigfork Elementary School District will lose approximately \$45,000 to \$58,606 in foundation and permissive revenue in the next fiscal year alone. (The variance is computed using anticipated 1989-90 ANB - \$45,000, and actual ANB for 1988-89 school year - \$58,606.)

Though there may have been valid questions regarding the basic equity of the previous law which allowed for differentiated funding, there is no equity or fairness in the present law because the rules changed at the same time I-105 became effective. At this time, districts do not have any recourse.

There is virtually no place, which is fiscally sound, to turn, to make up the loss. Because I-105 froze what could be asked of property taxpayers, we who are affected are unable to plead our cases locally, to make up the deficits.

At Bigfork, we already have "tightened our belts", examples include -

1. Bigfork was one of the first to require students to "pay to play" in extracurricular activities.

2. Two of our elementary classes presently exceed the 30 student state standard recommendation for class sizes; and, other class loads are either at the limit or near the limit.
3. Last year, teachers' negotiations extended through 15 months...basically because of the minimal increase in salary the board was able to offer. This year, I would like to be able to recommend that we acknowledge the excellent staff we have by giving appropriate raises.
4. Though our student population is now increasing, staffing has been cut.
5. The value of the mill has dropped over the past three years, with the exception of the mill in the elementary district this last year, and there it held steady.
6. Because of obligations drawing on the mills levied from other budgets, i.e. transportation, insurance, (debt service), and tuition, the general fund is the one to suffer. The total number of mills assessed property owners of Bigfork School Districts has remained the same over the past three years.

IN SUMMARY:

You are asked to amend HB173 to grandfather in those districts which were affected by legislation passed during the last session. Because there is virtually no recourse due to the ramifications of I-105, districts are not able to compensate for the loss in revenue. "Belt tightening" has already taken place.

Your work toward amending HB173, and its passage, will recognize that the affected districts were indeed caught in untenable circumstances. Your assistance in this matter will be appreciated.

Amendments to House Bill No. 229
Introduced Copy

Requested by Representative Harrington
For the House Committee on Education

Prepared by Dave Cogley
January 19, 1989

1. Page 1, line 14.

Following: "may"

Insert: ",without a vote of the electors of the district,"

2. Page 2.

Following: line 12

Insert: "(6) The principal amount of the obligation, when added
to the outstanding bonded indebtedness of the district, may
not exceed the debt limitation established in 20-9-406."

A large, handwritten signature, possibly "HARRINGTON", is written diagonally across the lower half of the page. The signature is composed of several strokes, including a large loop at the top left and a series of parallel lines forming the main body of the name. There are also some additional scribbles and marks around the signature.

VISITORS' REGISTER

EDUCATION & CULTURAL RESOURCES COMMITTEEBILL NO. 233DATE January 23, 1989SPONSOR Dave Brown

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
John W. Tuttle	MSU	✓	
Gary A. Strobel	MSU	✓	
Dave Toppen	Montana Tech	✓	
Carol Krause	Comm. of H. RD	✓	
James W. Koch	U of M	✓	
Raymond Murray	" "	✓	
Terry Morrow	MFT	✓	
Mike Craig	ASUM	✓	
Brian Hallin	ASMSU	✓	
Stacy Farmer	ASMSU	✓	
Raymond	Lincoln Co. Dept. of Schs Lobby	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

EDUCATION & CULTURAL RESOURCES COMMITTEEBILL NO. 88DATE January 23, 1989SPONSOR Harper

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Wood GAVUW	Helena	✓	
Jessie Lory	Helena SAM	✓	
Bruce W. Meier	MSBA	✓	
Chris Devery LWUM	Helena		
Antoni J. Compean	Helena Board of 3022 Pub. Ed	✓	
Mary Hudepeth	Lincoln Co. syst. of L. bby Schools		
Glenn Hagan	Bigfork	✓	
John W. Campbell	Bigfork Helena	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

EDUCATION & CULTURAL RESOURCES COMMITTEEBILL NO. 230DATE January 23, 1989SPONSOR Kimberley

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bruce W. Moyer	MSBA	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

EDUCATION & CULTURAL RESOURCES COMMITTEEBILL NO. 173DATE January 23, 1989SPONSOR R. Nelson

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Jean Hagan	Bigfork	✓	
RAMONA STOUT	HUNTLEY PROJECT- Ballantine	✓	
Steve Gaub	Charlo	✓	
Lyle Eggum	East Helena	✓	
James W. Lacey	SAM	✓	
Larry L. Lacey	Arlee	✓	✓
Bruce W. Moerer	MSBA	✓	
Chris Devery LWVM	Helena		
JOE McCracken	Lockwood	✓	
DON WETZEL	CORVALLIS	✓	
Tracy Bridgman	similar to Supt. Schs Lippy, MT		
D. H. Nelson	H. B #6		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

ROLL CALL VOTE

EDUCATION AND CULTURAL RESOURCES

COMMITTEE

DATE 1-23-89

BILL NO. 229

NUMBER #1

NAME	AYE	NAY
Rep. Ted Schye, Chairman	✓	
Rep. Fritz Daily, Vice-Chairman	✓	
Rep. Vicki Cocchiarella	✓	
Rep. Paula Darko	✓	
Rep. Ervin Davis		✓
Rep. Ralph Eudaily		✓
Rep. Floyd Gervais		✓
Rep. Bill Glaser		✓
Rep. Dan Harrington	✓	
Rep. John Johnson	✓	
Rep. Tom Kilpatrick	✓	
Rep. Richard Nelson		✓
Rep. John Phillips		✓
Rep. Richard Simpkins		✓
Rep. Wilbur Spring, Jr.		✓
Rep. Barry "Spook" Stang		✓
Rep. Fred Thomas		
Rep. Norm Wallin		✓
Rep. Diana Wyatt	✓	
Rep. Tom Zook		✓

TALLY

8

11

Blaine L. McKittrick
Secretary

Ted Schye
Chairman

MOTION: Motion to amend HB 229
FAILED 8 yes, 11 no.