

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on March 4, 1989, at 2:30 p.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

Staff Present: Andrea Merrill, Madalyn Quinlan, Jeanne Flynn

Announcements/Discussion:

DISPOSITION OF SB 203, HB 575, HB 623, HB 637

Motion: Rep. Kadas so moved that

1. Table HB 623 and HB 637
2. Include retirement in the general fund with the funding to be determined. (Either reimbursement of actual costs or increases in the schedules)
3. Caps to be in the bill. Use a phase-in with a definite program to be prescribed. Assign an agency or office to design the phase-in.
4. Revenue: 100 mills to be included in the bill; remainder to be determined. (60 mills elementary and 40 mills high school)
5. Senate Bill 203 will be the vehicle. Use SB 203 as amended by the Senate Education Committee as of February 15, but leave Senate floor amendments in the bill.

Discussion:

Rep. Eudaily asked that in number 3, the Committee design the phase-in.

Rep. Kadas amended motion that the Committee would design phase-in.

Rep. Eudaily stated that he tried to find SB 203 in a form that was amended by the Senate Education Committee before they put the Governor's amendments on it, but he wasn't able to find any information on that and he didn't even know if there was any action taken on the things that the Senate Committee has discussed. The Senate Education Committee worked out some amendments but before they were finished, the Governor's amendments were put on the bill. I can't

find the Senate Committee's amendments in a form we can use.

Rep. Peck stated that the staff could give the Committee a summary of those.

Rep. Eudaily asked if the Committee took formal action on those?

Andrea Merrill stated that Dave Cogley did prepare a set of amendments for the Senate Education Committee. (See Exhibit 2.)

She also stated that she had another document that showed the Senate amendments that they intended to put on SB 203 with the Governor's amendments. (See Exhibit 3.)

Rep. Eudaily stated that Sen. Nathe said they had taken no action on the Committee amendments.

Rep. Kadas stated that he was under the same impression as Rep. Eudaily was, that the Senate Committee amendments would need to be attached to the bill under his motion. He said that his concern was not so much whether those amendments are in the bill now but the Senate did a lot of work on those amendments and it would be wise for the Committee to consider those as we go along. He said that his main concern was that the Governor's amendments not be in the bill as we start our work on it.

Motion:

Rep. Kadas moved to take the Governor's amendments out of SB 203 so that the only amendments that would remain in the bill are the amendments made on the Senate floor.

Discussion:

Rep. Eudaily stated that he doesn't think this Committee would have much to work with if we went in that direction because we have already agreed that retirement is going to have to go into the general fund.

Rep. Peck asked Rep. Eudaily if he was opposing the motion by Rep. Kadas? Rep. Eudaily stated yes, at this time. He said that he has not seen the Senate Committee amendments and he wouldn't feel comfortable changing SB 203 to something that hasn't been formally accepted by the Senate Education Committee.

Ms. Merrill stated that the Senate Education Committee did have their set of amendments. Some of the Governor's amendments were similar to the committee's previous amendments and in the motion to attach the Governor's amendments, the Committee staff was instructed that the Governor's amendments would prevail whenever there was a conflict.

Rep. Peck stated that his understanding is that the Senate

Education Committee amendments that they had worked on were accepted and where they conflicted the Governor's amendments, they were not accepted.

Rep. Kadas asked the sequence of events, did the Senate Education Committee have the motion that passed the Committee amendments first, then later on pass a motion on the Governor's amendments, therefore nullifying the Committee amendments?

Greg Groepper, OPI, stated that they passed the Committee amendments as concepts such as retirement in the general fund funded at 100%, and 100% of allowable special education funded under the present mechanism. The Committee did take definite action, but there were no amendments drafted because the way they proceeded was to give Dave Cogley directions to draft up that set of amendments. The amending never got done because the Governor's amendments came so quickly behind that.

Rep. Kadas asked those people that attended the Senate Education Committee hearing that day if there was any disagreement on how the amendments were treated?

Pat Melby, Attorney for the Underfunded School Districts stated that what Mr. Groepper stated was correct. He also stated that when they took executive action, they said that the Committee would pass the bill with all of the previous amendments in it and wherever there was inconsistency with the Governor's amendments, the Governor's amendments would control.

Ms. Merrill stated that the Senate Committee amendments were already prepared, but not distributed that day.

Rep. Eudaily asked do we have a working copy of SB 203 with the Senate Education Committee amendments? Ms. Merrill said no, but the amendments are available today. (See Exhibit 2.)

Rep. Eudaily asked what are the differences between what would have been, if put in bill form, and SB 203 as it came to the House? Ms. Merrill stated that Exhibit 3 would tell you the differences.

Rep. Kadas stated that the work of the Senate Education Committee, before the Governor's amendments, would be attached to the bill and that is what this Committee would begin its work on. He said that this is a reasonable place to start, everybody has to give some to get to that point and it gives us something to work on. To create the starting point is the intent of my motion.

Rep. Eudaily asked Ms. Merrill if most of the Senate Education Committee amendments were still in there with the exception of the retirement and the caps. Ms. Merrill stated that one

thing that the Senate Education Committee added is that the funding for the school year will be based on 180 days.. A lot of their amendments were clarifications and technical changes and those are in there. They combined of various capital funds and that doesn't seem to be in the bill. The Legislative Council could prepare a gray bill with the Senate Committee amendments in so you can see what they look like.

Amendments, Discussion, and Votes:

Rep. Eudaily moved that the Select Committee divide the question.

Rep. Peck stated that Rep. Kadas was entitled to have a vote on his entire motion and I am going to rule that it is not going to be divided.

Motion:

Rep. Kadas moved to amend his motion to delete the Senate Education Committee's language regarding cost of living adjustment. It would remain stricken in the bill that we start work on. This motion will be put on the list as number 6.

Discussion:

Rep. Eudaily asked whether the Senate Education Committee amendments that were drawn up by Dave Cogley, did they strike that? Ms. Merrill stated that the Senate Education Committee kept the inflation factor in the bill, they did not strike it. The Committee did amend to clarify the various consumer price indexes that were going to be used.

Rep. Eudaily asked that if this motion should pass, is the intent to wait for the gray bill so we have a working model, or would it be to try to do something else at this time. Rep. Peck stated that it would be his intent to wait until we get a gray bill.

Substitute Motion:

Rep. Eudaily moved a substitute motion to take items 1, 2, 3 and 6 and pass those as a starting point.

Discussion:

Rep. Kadas stated that he would oppose the motion.

Rep. Harrington said he would oppose removing the cost of living factor in the bill.

Rep. Gilbert stated that he supports the substitute motion.

Recommendation and Vote:

The substitute motion failed with Rep. Eudaily voting aye, Rep. Gilbert voting aye, Rep. Glaser voting aye, Rep. Grinde voting aye, and Rep. Peck voting nay, Rep. Harrington voting nay, Rep. Kadas voting nay, Rep. Schye voting nay.

Motion:

Rep. Kadas moved to amend the Senate Education Committee's language regarding a cost of living adjustment so that it remains stricken in the bill that we start work on and that this motion be put on the list as number 6.

Discussion:

Rep. Gilbert stated that the problem is if we start with SB 203 before it came out of the Senate, we are being asked to accept a vehicle that we have never seen.

Rep. Peck stated that the chair would like to observe that the House compromised heavily to accept SB 203. Your representatives convinced us to accept it and agreed to strip the Governor's amendments. He said he thinks it is a fair compromise. We aren't particularly happy with this beginning, but we are willing to start there. We are not willing to start with the Governor's amendments in there and we have to get five votes to take them out.

Recommendation and Vote:

The motion failed with Rep. Peck voting aye, Rep. Harrington voting aye, Rep. Kadas voting aye, Rep. Schye voting aye, rep. Eudaily voting nay, Rep. Gilbert nay, Rep. Glaser nay, and Rep. Grinde nay.

Discussion:

Rep. Grinde stated that we should go through SB 203 if that is what it takes line by line, page by page, and find out how everyone feels about it.

Rep. Peck asked Rep. Grinde what form of the bill is he referring to? Rep. Grinde stated the third reading copy out of the Senate.

Rep. Harrington stated that with the Governor's amendments to SB 203, we have some very serious problems. He feels that the committee should go back to SB 203 in its original form.

Rep. Peck stated that Rep. Harrington has stated the Democratic position. He said that the Democrats find that SB 203 based on public testimony with the Governor's amendments is unacceptable. There was no support for this bill.

Rep. Eudaily stated that if it takes five votes, it will take five votes to get it out of the committee too.

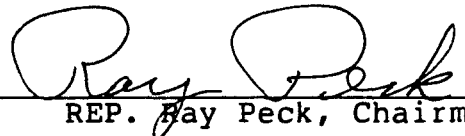
Rep. Peck asked Rep. Eudaily what is the objection of your going back to the original SB 203? Rep. Eudaily stated that he has a real problem with 100% funding provided for in that bill and that the retirement is out of the general fund.

Rep. Peck stated that the option that is available is to take SB 203 as the Senate Education Committee had it prior to the Governor's amendments.

Rep. Peck asked Rep. Kadas if he would be interested in a gray bill that would include the Senate Education Committee amendments in it so we could look that over? Rep. Kadas stated yes.

ADJOURNMENT

Adjournment At: 4:30 p.m.



REP. Ray Peck, Chairman

RP/jf

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DATE 3-4-89

[illegible]

SELECT COMMITTEE ON EDUCATION FUNDING

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7 Ray Teck
Chairman

MOTION: 1) Table HB 623 and 637. 2) Include retirement in the general fund with the funding to be determined. 3) Caps to be in the bill. Use a phase-in with a definite program to be prescribed. Assign an agency or office to design the phase-in. 4) Delete the Senate Education Committee's language regarding cost of living adjustment.

SELECT COMMITTEE ON EDUCATION FUNDING

[illegible]

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Ray Beck
Chairman

MOTION: Rep. Kadas moved to amend the Senate Education Committee's language regarding a cost of living adjustment so that it remains stricken in the bill that the committee start work on and that this motion be put on list as number 6.

March 4, 1989

1. Table House Bills 623 (Thomas) and 637 (Phillips)
2. Include retirement in the general fund with the funding to be determined. (Either reimbursement of actual costs or increases in the schedules)
3. Caps to be in the bill. Use a phase-in with a definite program to be prescribed. Assign an agency or office to design the phase-in.
Committee to be established by 3/15/89
4. Revenue: 100 mills to be included in the bill; remainder to be determined. 60 mills elementary and 40 mills high school.
5. Senate Bill 203 will be the vehicle. Use Senate Bill 203 as amended by the Senate Education Committee as of February 15, 1989. Strip the Governor's amendments of February 17, but leave Senate floor amendments in the bill.

6/13/85

SUMMARY OF SENATE EDUCATION COMMITTEE AMENDMENTS TO SB 203

The Senate Education Committee's amendments to SB 203 included the following major items:

1. Retirement, social security, unemployment insurance included in district general fund
 - * Kept statewide levy to fund such school personnel costs (original bill only covered teachers' retirement costs)
 - * OPI would determine the levy amount (based on previous year's actual costs) and distribute payments
2. Cap of 117% of foundation schedules, retirement payments, and special education payments must be met by 1996 (added one year to phase in period)
3. Created capital expenditure fund from debt service fund, leased facilities and rental fund, and building reserve fund (numerous sections added and amended in this area)
4. Combined bus depreciation fund with transportation fund
5. Redefined foundation program to specify that it covers "operations" of districts and includes school personnel costs as funded by the retirement levy and special education payments from the state
6. Kept the inflation factor for schedule increases

Insert: "(2) Foundation program distributions include:

(a) the amounts set forth in the schedules in 20-9-318 through 20-9-320;

(b) payments in support of special education programs under 20-9-321; and

(c) payments for retirement, social security, and unemployment insurance under [section ____].

(3) An"

-- . "NEW SECTION. Section ____ Payment of employer obligations for retirement, social security, and unemployment insurance -- rules. (1) The superintendent of public instruction shall pay the employer obligations for public employees' retirement, teachers' retirement, federal social security, and unemployment insurance on behalf of every elementary, high school, and prorated joint district and every special education cooperative in the state.

(2) The superintendent of public instruction shall by rule provide for:

(a) the submission of information from the districts and cooperatives necessary to implement this section; and

(b) accountability of the districts and cooperatives.""

Current law	SB 203 (introduced)	SB 203 (original amend)	SB 203 <i>with</i> (2nd reading) <u>3rd</u>
1. <u>11 budgeted funds, 15+ nonbudgeted funds, reserves in some</u>	Retain current funds except add comprehensive insurance to GF	4 budgeted funds: general, building, transportation, adult education	Retain current funds except add retirement to GF
2. <u>Mandatory county retirement levy for PERS, TRS, UI, SS, (25 mill average) district retirement fund, lottery \$ used for equalization</u>	Retain local levy and fund, but equalize 90% with state levy, lottery \$ to state equalization	Eliminate local levy, retirement in GF, 100% equalized with state levy, OPI to direct pay 100% of each district's cost	Eliminate local levy; retirement in GF, included in FP schedule
3. <u>Mandatory district levy for comprehensive insurance (5 mill average)</u>	Included in GF and FP schedule	Included in GF and FP schedule	No change, but study needs and method of equalization (\$5 million appropriation proposed for state support in FY 91 - separate bill)
4. <u>Separate tuition fund, tuition agreements required for nonresident pupils</u>	No tuition except out of state, attendance agreements required	Same as introduced, except effective July 1990	Same as introduced, except effective July 1990
5. <u>FP schedules not based on actual costs of operating schools</u>	FP schedules reflect 100% of actual FY 87 GF expenditures, less state sp. ed. payment? (60%-65% increase)	Same as introduced, except effective July 1990	FP schedule reflects inclusion of retirement only (18.6% increase) for FY 90, then additional 30.1 % increase for FY 91
6. <u>No statutory expenditure limitations (except I-105)</u>	Voted levy capped at 117% of FP by 1995 (GF 85% equalized)	Same as introduced, except cap effective 1996	Sliding cap based on past level of spending per pupil

7.	<u>10-mill permissive levy</u> (elem. and H.S.)	Eliminate	Eliminate	Eliminate
8.	<u>State revenue sources</u> earmarked for FP	No change except state levy to fund retirement and add lottery to state equalization	Same as introduced	No change except add lottery
9.	<u>Local revenue sources</u> (federal forest, grazing, vehicle, misc. used for county equalization)	No change	No change	No change
10.	<u>PL 874</u> not counted as resource for equalization	No change	No change	No change
11.	<u>General fund reserve limit</u> of 35%; no penalty for exceeding limit	20% limit on GF reserve except districts receiving no state equalization	Same as introduced, but retain 35% limit for districts receiving no state equalization	Same as original amendments
12.	FP schedule structure based on school size	No change	No change	No change
13.	<u>Minimum 180-day school year</u> with no maximum, no limit on days creates disequity in FP payments	No change	Limit school year to 180 days for all schools	Same as original amendments
14.	Payments based on <u>ANB</u> (ANB is 150,000, but actual pupils approx. 130,000)	No change	No change	No change

15.	<u>Building/debt service not equalized</u>	No change	No change	Study needs and method of equalization (\$10 million appropriation proposed for state support for FY 91 - separate bill)
16.	<u>Transportation program separate</u>	No change	No change	Study needs and method of equalization (\$10 million appropriation proposed for state support for FY 91 - separate bill)
17.	<u>Special education part of GF and FP, actual costs not fully funded, separate accounting and OPI oversight</u>	No change, except eliminates tuition	Same as introduced	Equalizes by using average sp eci ed. salaries (\$6 million increased state funding proposed for FY 90 and 91 in separate bill)
18.	<u>Elementary and high school districts may be separate</u>	No change	No change	No change
19.	<u>Current payment schedule is 5 times a year</u>	Monthly payments of state equalization aid, with 20% in first payment (July)	Same as introduced	Same as introduced