

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on March 15, 1989, at 3:40 p.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

Staff Present: Andrea Merrill, Madalyn Quinlan, Dave Cogley, Jeanne Flynn

Discussion:

Rep. Kadas stated that the printouts (Exhibits 3 and 4) that he distributed at the March 14 meeting were incorrect and that they should be destroyed because retirement was not included in it.

Rep. Kadas stated that the combined expenditures for each district includes the general fund, retirement, comprehensive insurance, transportation, bus reserve and non-operating the total funds.

He said that the new total foundation payment includes the special education payment plus the schedule payment which is 85% of the base minus special education and transportation. Under the amendments he is proposing, the allowable transportation cost will also be in the new foundation payment. He stated that he hasn't been able to get the numbers from OPI.

Rep. Kadas said that the new permissive amount is 15% of the total expenditures minus special education and transportation. It is equalized so that each elementary district can levy \$18 per ANB per mill up to a total of 24 mills and each high school district can levy \$43 per ANB per mill to a total of 15 mills. To pay for this program to take 116 mandatory mills.

Rep. Kadas stated that the state contribution which will be recaptured is in relation to the amount that is raised by the district permissive. If it is a negative number, that means the state will recapture that amount. If it is a positive number, the state has to contribute so every district gets \$18 or \$43 per ANB per mill.

He said the maximum allowable general fund budget is the foundation program plus all of the permissive if the district chooses to vote the permissive. The amount over the maximum would be funded by voted mills on the district's tax base and would be unequalized.

Rep. Kadas said that this plan covers the current existing mills, except adult education and building and debt mills. For elementary districts it takes 72 mandatory mills, for high school districts 44 mandatory mills. The permissive equalized mills, the voted mills and the capital mills give the total mills under the proposal that a district would have to levy.

He stated that the exhibit shows the difference between total mills and current mills. If it is a positive number, the district has to levy that many more mills to get the same number of dollars or in some cases, they will get more dollars because existing total expenditures are less than the new equalization plan payment.

He said that the district mill value per ANB is an excellent measure of property wealth or district wealth. The average statewide for elementary ANB is \$18/mill, the average statewide for high school ANB is \$43/mills.

Rep. Kadas presented a proposal (See Exhibit 2.) He also added one more motion to the list: that there be a phase-in on the permissive equalized portion, so that in FY 1991 the only part that would be equalized is the 85% through the mandatory mills and through the schedules. In 1992, the first 5% of the permissive equalized millage would go into effect and in 1993 the next 5% and in 1994, it would be fully implemented.

Discussion:

Rep. Peck asked Rep. Kadas if he left No. 8 and No.9 from Exhibit 2 off would that leave it up to the legislature then to adjust the schedules? Rep. Kadas stated that is right.

Rep. Peck asked Rep. Kadas that in No. 3, where he used the word "allowable transportation costs", are you talking about something different than what is scheduled in the law? Rep. Kadas said no, he is talking about the same \$17.8 million in allowable transportation covered by law.

Rep. Eudaily stated that he thought the cap was going to be on the foundation program and it doesn't include special education and transportation. Rep. Kadas stated that the foundation program has three components: special education funding, transportation funding and schedule funding. Those three components should be thought of as the foundation program.

Rep. Eudaily stated that they are the general fund budget, but

not the foundation program. The schedules are associated with foundation program and special education isn't paid through the schedules and transportation isn't either.

Rep. Glaser presented his proposal (See Exhibit 3.) He also explained his printout. (See Exhibit 4.)

Discussion:

Rep. Kadas asked Rep. Glaser if he is proposing to fund transportation just like special education, with a separate appropriation? Rep. Glaser stated that is his thought to study it in the next few years to find out if it can be equalized to some degree.

Rep. Kadas asked Rep. Glaser whether the new 1.653% increase in schedules is the \$461 million that you want to equalize? Rep. Glaser stated that is true, he inflated them by 1.65%.

Rep. Kadas asked then you take 85% of that number which gives you the next column? Rep. Glaser said yes.

Rep. Kadas stated that this plan appears to use the 100 mills statewide and funds at 85%. So you haven't covered \$33 million of costs. I took \$392.6 million, subtracted non-property tax revenues available in the foundation program of \$157 so the total would be \$235.6 and then subtracted what 100 mills will bring (\$202 million), and the difference is \$33.6 million. You are short that amount, plus whatever it takes to fund transportation.

Rep. Glaser stated that with 90% of equalized funding for FY 88 costs, it would have shown \$68 million that we haven't covered.

Rep. Kadas stated that he put special education in the base because it is an expenditure in school districts now. He said districts should have the chance to hire more experienced teachers or whatever will cost them more money.

Rep. Kadas stated that if they are going to need more dollars, particularly for their special education program, those dollars will all be voted dollars that have to come under the cap. If you don't have special education as part of the total cap, then essentially if a district votes dollars for their special education program, they take dollars from other parts of their program.

Rep. Kadas stated that most districts go beyond what the transportation schedules allow.

Ms. Merrill stated that the transportation schedules would only be funded at the level of what the state allows for students over three miles from school. One rule is that those three mile children have to fill half of the bus. It used to be

that only one eligible child had to be on a bus to create the route that created the money and now it is tighter than that.

- Rep. Eudaily asked if transportation is at \$28.4 million, but they will allow \$17.8 million there is a difference of \$11 million that is included in transportation fund expenditures. That will only reimburse the 85% of that \$11 million also.
- Rep. Kadas stated that those decisions have been made largely on the basis of district's tax base, whether they are wealthy enough to be able to afford it or not. If you take what you are saying and apply it to the general fund, what you have is essentially half of the districts levying a high number of mills to make up a portion of their general fund. The wealthier districts are able to pay for the general fund dollars a lot easier than the poor districts. The same case is made for transportation.
- Rep. Eudaily stated that the allowable costs are all equal, no matter if a district has a low tax base or a high tax base. The difference comes in the \$11 million that is spent by some districts above that.
- Rep. Eudaily pointed out to Rep. Kadas if he was going to equalize the \$11 million through the foundation program schedules, then you are going to equalize and send some of this money to districts that aren't using over-schedule transportation. Rep. Kadas said that the districts aren't using it because they haven't been able to afford to use it in the past.
- Motion:
Rep. Glaser moved
1. Equalize 90% of the FY 88 expenditure base (excluding PL 874 expenditures) through the foundation schedules.
 2. Cap district general fund expenditures at 113% of the average per ANB general fund expenditure (including special education and PL 874 expenditures) of all districts within each schedule category.
 3. Grandfather in districts that are above the selected cap for five years. Freeze the expenditures of these grandfathered districts but do not reduce their spending levels.
 4. Include retirement fund items and comprehensive insurance items in general fund. Make retirement costs associated with special education teachers part of allowable special education costs.
 5. Special education funded at FY 89 budget plus retirement costs, as determined by what HB 100 has in it.

Discussion:

Rep. Kadas stated that in tying the caps to average expenditures rather than to the schedules, what will happen when the schedules stay the same and the caps climb up? We will be back discussing the same thing in ten years.

Rep. Glaser stated that if you don't go by category for the caps, then you are going to cap most the big schools.

Rep. Kadas asked if you capped on the basis of average expenditure by category, how would you feel about tying schedules to what happens to the average expenditures in the categories? If the average expenditures go up, the schedules will come up to. Rep. Glaser stated that the easiest way is to put \$21 million on for the largest schools.

Rep. Kadas asked Rep. Glaser how would you feel about equalizing the schedules to 85% and allowing for equalized permissive mills to 95%? Rep. Glaser stated that in eastern Montana where there are a lot of jobs tied to energy, if we pass the 100 mills, then this devastates those communities as far as jobs and money coming in.

Amendments:

Rep. Harrington amended motion No. 2. Cap district general fund expenditures at 117% of the average per ANB general fund expenditure (including special education and PL 874 expenditures) of all districts within each schedule category.

Discussion:

Rep. Glaser presented Exhibit 5.

Votes:

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

Motion:

Rep. Kadas moved to equalize through the schedules 80% and through permissive equalized mills, an additional 15%.

Discussion:

Rep. Kadas stated that would lower the additional cost to \$45 million more than was available from 100 mills.

Rep. Gilbert stated that we are going to equalize 80% of the general fund expenditures, add 15% voted power equalized and then cap that 17% above average. Rep. Kadas said no the cap is based on average costs. He said it does not bring the caps down.

Rep. Eudaily stated that before they reach the cap they could

vote an extra 15%? Rep. Kadas stated that they have to get the scheduled amount and then they would have to vote the additional 15% equalized amount and then they could vote on their own tax base up to the cap.

Rep. Peck stated that in terms of the Court decision, don't you think power equalization brings those districts together more rapidly? Rep. Glaser stated that it may, but what are you going to have leveled when you bring them together?

Rep. Gilbert stated that it didn't say in the Court decision that we had to pump many dollars in, it said we had to equalize the level of funding.

Rep. Eudaily stated that the amount of money would be strictly on property taxes if it is power equalized.

Votes:

The amendment to 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 voting nay, Rep. Glaser voting nay and Rep. Grinde voting nay.

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

Motion:

Rep. Kadas moved to fund transportation outside the foundation schedules at 100% of allowable transportation schedule. The funding mechanism would allow districts in a county to deduct their allowable transportation costs from the funds available for county equalization. (Same mechanism used to fund county share of elementary transportation at present.)

Remove the state general fund appropriation of \$6.253 million for FY 91 school transportation costs from HB 100.

Increase the allocation of the individual income tax to schools from 31.8% to 40%, thus offsetting the need to appropriate state general fund dollars for transportation and the foundation program.

Discussion:

Rep. Glaser stated that he would rather vote on the first two items and then on the third item.

Rep. Eudaily asked Rep. Kadas if his motion pertains to transportation in the general fund or out of the general fund? Rep. Kadas stated that he is going to fund it by this method no matter where it is.

Motion Withdrawn:

Rep. Kadas withdrew his motion.

ADJOURNMENT

Adjournment At:

A handwritten signature in cursive script, appearing to read "Ray Peck", is written over a horizontal line.

REP. Ray Peck, Chairman

RP/jf

6004.min

DATE 3-15-89

Form CS-30A
Rev. 1985

School Funding Proposal
15-Mar-89

Expenditure Base to be Equalized
1987-1988 School District Trustee Reports

General Fund	\$445.851
Retirement	52.724
Comprehensive Insurance	10.620
Transportation	28.436
Bus Reserve	1.860
Non-operating	0.029

Total Expenditure Base	\$539.520
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Direct State Appropriation	
* Allowable Special Education Costs	\$35.020
Allowable Transportation Costs	17.821

Total Direct Appropriation	\$52.841
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Foundation and Retirement	\$486.679
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Equalization Mechanism	
85 % equalized through schedules & retirement	\$413.677
15 % equalized through permissive	73.002

Total Foundation and Fermissive	\$486.679
	=====

* Allowable Special Education

+ 38,861,646	HB 100
+ 4,300,000	Special Retirement
- 2,586,000 * 1.215	Comp. Not in
<u>35,620,000</u>	F188 base.

School Funding Proposal
Representative Kadas
March 15, 1989

Motions:

1. Equalize 85 percent of the fiscal 1988 expenditure base less special education and allowable transportation costs through the foundation schedules (approximately 116 mills) and 15 percent of the base through a power- equalized levy, (approximately 39 mills) which guarantees \$18/mill/elementary ANB and \$43/mill/high school ANB.
2. Include retirement in the foundation schedules. Make retirement costs associated with special education teachers part of allowable special education costs.
3. Fund transportation outside the foundation schedules at 100 percent of allowable transportation costs. Funding mechanism would allow districts in a county to deduct their allowable transportation costs from the funds available for county equalization. (Same mechanism used to fund county share of elementary transportation at present.)
4. Cap district expenditures at 117 percent of the foundation plus permissive for that district. Foundation payment includes special education and transportation payments.
5. Grandfather in districts that are above the 117 percent cap. Freeze the expenditures of these grandfathered districts but do not reduce their spending levels.
6. Remove the state general fund appropriation of \$6.253 million for fiscal 1991 school transportation costs from House Bill 100.
7. Increase the allocation of the individual income tax to schools from 31.8 percent to 40 percent, thus offsetting the need to appropriate state general fund dollars for transportation and the foundation program.
8. Use an escalator to readjust the schedules. The escalator would be triggered when 10 percent of the state's ANB are in districts that are spending more than 115 percent of the foundation plus permissive amount.
9. OPI will automatically adjust the mandatory and permissive mills to cover 100 percent of the current expenditure base for the most recently reported school year. Mandatory mills will cover 85 percent of the base and permissive mills will cover 15 percent of the base. The guaranteed tax base under the permissive will also be adjusted to reflect the average taxable value per elementary and high school ANB.

School funding Proposal
Representative Glaser
March 15, 1989

MOTIONS:

1. Equalize 85-100 percent of the fiscal 1988 expenditure base (excluding PL 874 expenditures) through the foundation schedules.
2. Cap district general fund expenditures at 110-117 percent of the average per ANB general fund expenditure (including special ed and PL 874 expenditures) of all districts within each schedule category.
3. Grandfather in districts that are above the selected cap for five years. Freeze the expenditures of these grandfathered districts but do not reduce their spending levels.
4. Include retirement fund items and comprehensive insurance items in general fund. Make retirement costs associated with special education teachers part of allowable special education costs.
5. Special education funded at 90-100 percent of FY1989 budget, plus retirement costs.

EXPLANATION OF MOTIONS

1. The general fund will be equalized by providing 85%-100% (% to be decided by the committee) of SFY 1988 actual general fund expenditures of all districts (\$445,363,847) plus 1988 actual expenditures for retirement etc. (\$52,724,066) and comprehensive insurance (\$10,620,110), less the amount of PL 874 money expended by the districts in their general funds (\$17,992,365) and for comprehensive insurance (\$81,524) in SFY 88 and less the SFY 88 general fund expenditures for special education (\$24,455,751) and expenditures for retirement etc. allocable to special education salaries (\$4,300,000).

Amount to be equalized = (\$445,363,847 + 52,724,066 + 10,620,110) minus (\$17,992,365 + 81,524 + 24,455,751 + 4,300,000) = \$461,878,383

2. General fund expenditures per ANB will be equalized by imposing a cap on maximum general fund expenditures per ANB of each district within each schedule category of 110%-117% (% to be decided by the committee) of the average per ANB general fund expenditure (including special education and PL874 expenditures) of all districts within that category during the preceding school fiscal year (except FY 90 cap would be figured on 1988 SFY expenditures including general fund, retirement, and comprehensive insurance).
3. Grandfather in districts that are above the selected cap for five years. Freeze the expenditures of these grandfathered districts but do not reduce their spending levels.
4. Budget for retirement, social security, unemployment insurance, and comprehensive insurance in the district's general fund, as provided in gray bill.
5. Allowable costs for special education programs will include the portion of each district's retirement, social security, and unemployment insurance cost allocable to special education salaries, as provided in gray bill (\$4.3 million in SFY 88).

Special education will be funded by providing 90%-100% (% to be decided by the committee in concert with Appropriation Committee) of SFY 89 budget (\$24,455,751) plus retirement etc. expenditures allocable to special education salaries (\$4,300,000).

OFFICE OF THE LEGISLATIVE AUDITOR
FY '90 REVENUES USED IN FINANCING PROPOSAL FOR FOUNDATION PAYMENT
FUNDING AT 100 MILLS AND 505
SOURCE: NJR NO. 13

ENRSEZ:WAI

03/15/89 12:24 PM
AMOUNT OF BASE EXPENDITURES ESTIMATED \$415,690,545

AVAILABLE REVENUE SOURCES:
INCOME TAX \$81,604,000
CORPORATE LICENSE TAX \$11,692,000
U.S. OIL & GAS ROYALTIES \$17,119,000
INTEREST & INCOME \$33,699,000
CON. TAX \$2,010,000
EDUCATION TRUST \$1,254,000
COUNTY REVENUES LESS MANDATORY LEVY \$4,365,000
DISTRICT REVENUES LESS PERM. LEVY \$1,410,000
LOTTERY REVENUE \$4,000,000

TOTAL REVENUE SOURCES \$157,034,000
DIFFERENCE \$258,656,545
LESS AMOUNT FUNDED BY STATEWIDE 100 MILLS \$190,300,800
AMOUNT NOT FUNDED BY 100 MILLS \$68,355,745

ADDITIONAL MILLS NEEDED TO COVER 90% OF EXPENDITURES 35.93

GLASER BASED FOUNDATION PROGRAM	PL-87A OR SP. EDUCATION IN RETIREMENT FUND	FOUNDATION PROGRAM LESS PL 87A MONIES
\$445,363,847	\$42,448,116 **	\$402,915,731
RETIREMENT FUND \$52,724,066	\$4,300,000 *	\$48,424,066
COMP-INSURANCE \$10,620,110	\$81,524	\$10,538,586
\$508,708,023	\$45,829,640	\$461,878,383

% OF FOUNDATION \$415,690,545
NJR-13 REVENUE ESTIMATE \$255,786,000
LOTTERY REVENUE \$4,000,000
LESS MANDATORY MILLS \$85,635,000
LESS PERMISSIVE LEVY \$17,127,000
TOTAL AVAILABLE \$157,024,000
DIFFERENCE \$258,656,545

FY '90 STATEWIDE TAXABLE VALUATION \$1,903,008,000
*SPECIAL EDUCATION IN THE RETIREMENT FUND IS AN ESTIMATE BASED ON DISCUSSION WITH DPI PERSONNEL

19.31 PM

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FOR STRAIGHT 100 M

E. NOT DATABASE LINK

COMMUNITY INTEREST

BEAVERHEAD DILLON ELEM

[illegible]

REARVIEWHEAD POLARIS ELEM

RECEIVED JAN 25 1964
U.S. AIR FORCE
HEADQUARTERS
WASHINGTON, D.C.

816 HORN
COMMUNITY ELEM

BIG HORN HARDIN HS
1900 1900 1900 1900

ARNDT 9/16 HORN
LUDGE BRASS 11 2
PLENTY COUPS HS

816 HORN ... SQUARREL CRK ELEM

BEHNS PAPER ELEPHANT

BLAINE
CLEVELAND ELEM

BLAINE HARLEM ELEM

ENL 0 60 1-5A6H
ENL 0 60 1-5A6H

BLAINE N HARLEM COLONY ELE

BLAINE TURNER H S

BROADWATER
CROW CREEK EL

BROADWATER TOWNSEND ELEM

MOORE
MELBY

CARBON BRIDGER H S

FRUITS OF THE

10

SELECT COMMITTEE ON EDUCATION FUNDING

DATE 3-15-89 BILL NO. SB 203 NUMBER 1

[illegible]

3

Ray Peck
Chairman

MOTION: Rep. Harrington moved to cap district general fund expenditures at 117% of the average per ANB general fund expenditure (including special education and PL874 expenditures) of all districts within each schedule category.

SELECT COMMITTEE ON EDUCATION FUNDING

[illegible]

4

4

Jeanne Flynn
Secretary

Ray Cook
Chairman

MOTION: Rep. Kadas moved to equalize through the schedules 80%
and through permissives equalized mills, an additional 15%.